Financial Summary of First Two Quarters of Fiscal Year Ending July 2019 (Japanese GAAP) (Consolidated)

March 15, 2019

Name of listed company:	Meiho Enterprise Co., Ltd.			Listing exchange:	Tokyo Stock Exchange
Code:	8927			URL:	http://www.meiho-est.com/
Representative:	(Name)	Takahiro Umeki	(Position)	President & Representative Director	
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Scheduled date for submission of quarterly report:				March 15, 2019	
Scheduled date for start of dividend payment:				-	
Supplementary explanatory materials created for accounts?			Yes/No:	No	
Accounts briefing meeting held?			Yes/No:	No	

(Amounts are rounded down to the nearest million yen)

1. Consolidated results for the first two quarters of fiscal year ending July 2019 (from August 1, 2018 to January 31, 2019)

(1) Consolidated operating results

(% figures show the rate of increase (decrease) compared with the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
First two quarters of fiscal year ending July 2019	2,923	(53.8)	(3)	—	(78)	—	(90)	—
First two quarters of fiscal year ended July 2018	6,333	92.5	1,325	355.9	1,254	467.7	1,117	490.8

Note: Comprehensive income
First two quarters of fiscal year ending July 2019: -100 million yen [—%]
First two quarters of fiscal year ended July 2018: 1,120 million yen [483.3%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
First two quarters of fiscal year ending July 2019	(3.84)	—
First two quarters of fiscal year ended July 2018	45.74	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
First two quarters of fiscal year ending July 2019	11,931	3,965	33.1
First two quarters of fiscal year ended July 2018	10,310	4,257	41.2

Reference: Equity
First two quarters of fiscal year ending July 2019: 3,954 million yen
Fiscal year ended July 2018: 4,244 million yen

2. Dividends

	Annual dividend				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended July 2018	—	0.00	—	8.00	8.00
Fiscal year ending July 2019	—	0.00			
Fiscal year ending July 2019 (Forecast)			—	5.00	5.00

(Note) Revisions to the most recent dividend forecast: None

3. Consolidated earnings forecast for fiscal year ending July 2019 (from August 1, 2018 to July 31, 2019)

(% figures show the rate of increase (decrease) compared with the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	14,000	(3.3)	920	(66.5)	710	(72.9)	600	(64.2)	25.40

(Note) Revisions to the most recent earnings forecast: None

* Explanatory notes

(1) Changes in significant subsidiaries during the first two quarters
(Changes in specified subsidiaries resulting in change in scope of consolidation): None
Newly included: － companies (Company name) －
Excluded: － companies (Company name) －

(2) Application of accounting method specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement
1) Changes in accounting policies due to amendment of accounting standards, etc.: None
2) Changes in accounting policies other than 1): None
3) Changes in accounting estimates: None
4) Restatement: None

(4) Number of shares issued and outstanding (common shares)

1) Number of shares issued and outstanding (including treasury shares) at end of period	First two quarters of fiscal year ending July 2019	24,661,000 shares	Fiscal year ended July 2018	24,661,000 shares
2) Number of treasury shares at end of period	First two quarters of fiscal year ending July 2019	1,047,160 shares	Fiscal year ended July 2018	1,047,160 shares
3) Average number of shares during period (quarterly cumulative)	First two quarters of fiscal year ending July 2019	23,613,840 shares	First two quarters of fiscal year ended July 2018	24,660,641 shares

* Quarterly Financial Summary is outside the scope of the quarterly review by a certified public accountant or audit firm.

* Explanation regarding appropriate use of earnings forecasts, and other notes

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by the Company. Accordingly, actual business performance and other results may differ materially due to various reasons. For the conditions forming the assumptions on which earnings forecasts are based and explanatory notes for use of earnings forecasts, etc., please see “Attachment 1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information” on page 5.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

In the first two quarters of the fiscal year ending July 2019, the Japanese economy has continued to see a recovery trend against the backdrop of buoyed individual consumption and strong corporate earnings amid ongoing improvement in the employment and income environment. On the other hand, overseas economic trends continue to be unpredictable requiring careful attention to the impact of uncertainties from economic and monetary policies.

In the real estate industry in which our Group is involved, while there were concerns over surging sales prices due to ongoing upward trends in land prices, the business environment is generally favorable as actual demand continues to be strong backed by the Bank of Japan's monetary easing policy.

Under these business circumstances, the Group has implemented what it believes are the best exit strategies and sales plans with regards to its owned properties and has actively advanced movements to purchase, develop and sell profitable real estate and lots for new business, etc. while working to stabilize the financial base in view of maintaining profitability and recovering early. In the first two quarters of the fiscal year ending July 2019, we completed the transfer of MIJAS Meidaimae (Setagaya Ward, Tokyo) and one other property. Furthermore, as a secondhand property renovation resale project, we completed the transfer of 2 properties in inner city neighborhoods.

As a result of the above, in the first two quarters of the fiscal year ending July 2019, the Group recorded net sales of 2,923 million yen (down 53.8% year on year), operating loss of 3 million yen (operating income of 1,325 million yen in the same period of the previous fiscal year), ordinary loss of 78 million yen (ordinary income of 1,254 million yen in the same period of the previous fiscal year) and loss attributable to owners of parent of 90 million yen (profit attributable to owners of parent of 1,117 million yen in the same period of the previous fiscal year).

The performance of the segments is as follows.

[Real estate sales business]

In the real estate sales business, we sold 2 properties of the MIJAS series (apartment development project) and delivered 3 properties as a secondhand property renovation resale project. As a result, net sales totaled 1,698 million yen (down 67.4% year on year) and segment loss totaled 27 million yen (segment income of 1,287 million yen in the same period of the previous fiscal year).

[Real estate leasing business]

In the real estate leasing business, due to property management fees and such, net sales totaled 1,092 million yen (up 13.6% year on year) and segment income totaled 94 million yen (down 6.9% year on year).

[Real estate brokerage business]

In the real estate brokerage business, due to brokerage fees of properties located in Tokyo, net sales totaled 3 million yen and segment income totaled 3 million yen. In the same period of the previous fiscal year, there were no brokerage fees and such arising in the real estate brokerage business.

[Contracting business]

Regarding the contracting business, due to the execution of construction contracts as well as reform work and such, net sales totaled 111 million yen (down 30.9% year on year) and segment income totaled 5 million yen (down 64.2% year on year).

[Other]

This section refers to business segments not included in the segments to be reported. The main contribution was insurance agency operations, etc., and net sales totaled 26 million yen (up 59.8% year on year) and segment income totaled 21 million yen (up 35.5% year on year).

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the first two quarters of the fiscal year ending July 2019 increased by 1,621 million yen compared to the end of the previous fiscal year to 11,931 million yen.

(Liabilities)

Moreover, liabilities increased by 1,913 million yen from the end of the previous fiscal year to 7,966 million yen. Contributing to this is mainly the increase of 520 million yen in long-term loans payable (including current portion of long-term loans payable) and increase of 1,812 million yen in short-term loans payable as funds to acquire new development business lots, etc.

(Net assets)

Net assets decreased by 291 million yen compared to the end of the previous fiscal year to 3,965 million yen while the equity ratio decreased by 8.1 percentage points from the end of the previous fiscal year to 33.1%.

(Status of Cash Flow)

Cash and cash equivalents at the end of the first two quarters of the fiscal year ending July 2019 decreased by 578 million yen from the same quarters in the previous fiscal year to 1,021 million yen.

[Cash flows from operating activities]

Cash flows from operating activities recorded expenditures of 3,027 million yen (the first two quarters in the previous fiscal year recorded income of 648 million yen) due to a decrease of 2,493 million yen resulted from increased inventories and a decrease of 127 million yen resulted from decreased deposits received.

[Cash flows from investing activities]

Cash flows from investing activities recorded income of 340 million yen (the first two quarters in the previous fiscal year recorded expenditures of 474 million yen) mainly due to an increase of 375 million yen resulted from collection of business loans receivable.

[Cash flows from financing activities]

Cash flows from financing activities recorded income of 2,132 million yen (the first two quarters in the previous fiscal year recorded expenditures of 102 million yen). This is due to long-term loans payable decreasing by 991 million yen alongside the sale of properties and such as well as a decrease of 188 million yen as a result of dividend payment, offset by an increase of short-term loans payable by 1,812 million yen and of long-term loans payable by 1,512 million yen for funds for the acquisition of development business lots, etc.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information

Regarding the outlook for the future, we will actively promote lot purchasing and sales activities in the real estate sales business with the rental apartment brand “MIJAS” project (20 properties already supplied in the fiscal year ended July 2018) as the main business and as a “comprehensive developer focusing on manufacturing,” setting an annual supply target of around 25 properties, in order to become a partner for life, our corporate philosophy. Furthermore, in addition to the “MIJAS” project, we will implement product development addressing various customer needs and expand business activities such as the rental apartment development business, real estate securitization business and real estate development and renovation business with an aim to further secure stable income.

As for the consolidated earnings forecast for the fiscal year ending July 2019, net sales of 14,000 million yen (down 3.3% from the previous fiscal year), operating income of 920 million yen (down 66.5% from the previous fiscal year), ordinary income of 710 million yen (down 72.9% from the previous fiscal year) and profit attributable to owners of parent of 600 million yen (down 64.2% from the previous fiscal year) are projected.

Although difference has arisen between earnings forecasts and actual results for the first two quarters of the fiscal year ending July 2019 as described in “Notice Concerning Difference Between Earning Forecasts and Actual Results for First Two Quarters of Fiscal Year Ending July 2019” separately announced today, there is no change in the full-year forecasts announced on September 14, 2018. In case any revision to the full-year forecasts is judged to be necessary due to factors such as changes in circumstances in the future, such shall be promptly announced.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	Fiscal year ended July 2018 (as of July 31, 2018)	First two quarters of fiscal year ending July 2019 (as of January 31, 2019)
Assets		
Current assets		
Cash and deposits	1,640,084	1,119,876
Accounts receivable	47,026	45,804
Real estate for sale	3,219,651	4,125,223
Real estate for sale in process	2,746,548	4,333,951
Short-term loans receivable from subsidiaries and associates	1,925,000	1,550,001
Other	196,781	230,654
Allowance for doubtful accounts	(2,908)	(3,058)
Total current assets	9,772,184	11,402,453
Non-current assets		
Property, plant and equipment	14,735	18,340
Intangible assets	2,379	1,832
Investments and other assets		
Investment securities	57,621	45,279
Long-term loans receivable	430,184	429,958
Long-term accrued revenue	422,200	421,700
Deferred tax assets	223,599	218,857
Other	234,651	240,043
Allowance for doubtful accounts	(847,200)	(846,700)
Total investments and other assets	521,056	509,139
Total non-current assets	538,172	529,312
Total assets	10,310,356	11,931,766

(Unit: thousand yen)

	Fiscal year ended July 2018 (as of July 31, 2018)	First two quarters of fiscal year ending July 2019 (as of January 31, 2019)
Liabilities		
Current liabilities		
Accounts payable	157,415	144,780
Short-term loans payable	1,079,913	2,892,847
Current portion of long-term loans payable	2,038,516	2,701,416
Current portion of bonds	20,000	20,000
Lease obligations	180	1,107
Income taxes payable	247,819	5,189
Provision for bonuses	55,030	20,601
Other	490,335	334,218
Total current liabilities	4,089,210	6,120,160
Non-current liabilities		
Long-term loans payable	1,680,196	1,538,188
Bonds payable	50,000	40,000
Lease obligations	-	4,235
Other	233,659	263,763
Total non-current liabilities	1,963,855	1,846,187
Total liabilities	6,053,065	7,966,347
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus	1,495,610	1,495,610
Retained earnings	3,010,515	2,730,911
Treasury shares	(380,474)	(380,474)
Total shareholders' equity	4,225,651	3,946,047
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,005	8,605
Total accumulated other comprehensive income	19,005	8,605
Non-controlling interests	12,634	10,764
Total net assets	4,257,291	3,965,418
Total liabilities and net assets	10,310,356	11,931,766

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

(Quarterly Consolidated Statement of Income)

(First two quarters of fiscal year)

(Unit: thousand yen)

	First two quarters of fiscal year ended July 2018 (August 1, 2017 to January 31, 2018)	First two quarters of fiscal year ending July 2019 (August 1, 2018 to January 31, 2019)
Net sales	6,333,489	2,923,774
Cost of sales	4,525,694	2,445,939
Gross profit	1,807,795	477,835
Selling, general and administrative expenses	481,934	481,523
Operating income (loss)	1,325,860	(3,687)
Non-operating income		
Interest income	5,400	27,326
Penalty income	-	672
Other	986	2,016
Total non-operating income	6,386	30,014
Non-operating expenses		
Interest expenses	49,805	73,645
Commissions paid	26,988	30,641
Other	1,158	581
Total non-operating expenses	77,952	104,868
Ordinary income (loss)	1,254,293	(78,541)
Profit (loss) before income taxes	1,254,293	(78,541)
Income taxes - current	139,518	5,070
Income taxes - deferred	(3,106)	6,950
Total income taxes	136,411	12,020
Profit (loss)	1,117,881	(90,562)
Profit attributable to non-controlling interest	786	130
Profit (loss) attributable to owners of parent	1,117,095	(90,693)

(Quarterly Consolidated Statement of Comprehensive Income)

(First two quarters of fiscal year)

(Unit: thousand yen)

	First two quarters of fiscal year ended July 2018 (August 1, 2017 to January 31, 2018)	First two quarters of fiscal year ending July 2019 (August 1, 2018 to January 31, 2019)
Profit (loss)	1,117,881	(90,562)
Other comprehensive income		
Valuation difference on available-for-sale securities	3,025	(10,399)
Total other comprehensive income	3,025	(10,399)
Comprehensive income	1,120,907	(100,962)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,120,121	(101,092)
Comprehensive income attributable to non-controlling interests	786	130

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Related to Going Concern Assumption)
Not Applicable.

(Notes on Substantial Changes in Amount of Shareholders' Equity)
Not Applicable.

(Additional Information)
"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been applied from the beginning of the first quarter of the fiscal year ending July 2019 and deferred tax assets are classified as investments and other assets.

(Segment Information, etc.)

I. First Two Quarters of the Previous Fiscal Year (from August 1, 2017 to January 31, 2018)

1. Information on Net Sales and Income or Loss Amounts by Reporting Segment

(Unit: thousand yen)

	Reporting segment					Other (Note 3)	Total	Reconciliation (Note 1)	Amount recorded in quarterly consolidated statement of income (Note 2)
	Real estate sales business	Real estate leasing business	Real estate brokerage business	Contracting business	Total				
Net sales									
Net sales to external customers	5,205,490	962,224	—	149,124	6,316,839	16,650	6,333,489	—	6,333,489
Intersegment net sales or transfers	—	—	—	12,615	12,615	—	12,615	(12,615)	—
Total	5,205,490	962,224	—	161,740	6,329,454	16,650	6,346,105	(12,615)	6,333,489
Segment income	1,287,244	101,628	—	15,417	1,404,289	16,157	1,420,447	(94,586)	1,325,860

(Note 1) The reconciliation of segment income of -94,586 thousand yen is comprised of 3,846 thousand yen of elimination of inter-segment transactions and -98,433 thousand yen of company expenses not distributed to the reporting segments. Company expenses are primarily general and administrative expenses that are not attributable to the reporting segments.

(Note 2) Segment income is adjusted to the operating income in quarterly consolidated statement of income.

(Note 3) The “Other” section represents business segments not included in the reporting segments and is primarily comprised of the insurance agency operations.

2. Information on Impairment Loss on Non-Current Assets or Goodwill by Reporting Segment, Etc.

Not Applicable.

II. First Two Quarters of the Fiscal Year Ending July 2019 (from August 1, 2018 to January 31, 2019)

1. Information on Net Sales and Income or Loss Amounts by Reporting Segment

(Unit: thousand yen)

	Reporting segment					Other (Note 3)	Total	Reconciliation (Note 1)	Amount recorded in quarterly consolidated statement of income (Note 2)
	Real estate sales business	Real estate leasing business	Real estate brokerage business	Contracting business	Total				
Net sales									
Net sales to external customers	1,698,525	1,092,998	3,249	102,388	2,897,162	26,612	2,923,774	—	2,923,774
Intersegment net sales or transfers	—	—	—	9,350	9,350	—	9,350	(9,350)	—
Total	1,698,525	1,092,998	3,249	111,738	2,906,512	26,612	2,933,125	(9,350)	2,923,774
Segment income	(27,979)	94,604	3,138	5,520	75,284	21,898	97,183	(100,871)	(3,687)

(Note 1) The reconciliation of segment income (loss) of -100,871 thousand yen is comprised of 5,445 thousand yen of elimination of intersegment transactions and -106,317 thousand yen of company expenses not distributed to the reporting segments. Company expenses are primarily general and administrative expenses that are not attributable to the reporting segments.

(Note 2) Segment income (loss) is adjusted to the operating income in quarterly consolidated statement of income.

(Note 3) The “Other” section represents business segments not included in the reporting segments and is primarily comprised of the insurance agency operations.

2. Information on Impairment Loss on Non-Current Assets or Goodwill by Reporting Segment, Etc.

Not Applicable.