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

June 14, 2019

Name of listed company: Meiho Enterprise Co., Ltd. Listing exchange: Tokyo Stock Exchange
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Scheduled date for submission of quarterly report: June 14, 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 three quarters of fiscal year ending July 2019 (from August 1, 2018 to April 30, 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 three quarters of fiscal year ending July 2019	6,326	(45.1)	186	(92.6)	62	(97.4)	27	(98.6)
First three quarters of fiscal year ended July 2018	11,531	129.4	2,537	460.5	2,448	599.8	1,998	539.6

Note: Comprehensive income
First three quarters of fiscal year ending July 2019: 14 million yen [-99.3%]
First three quarters of fiscal year ended July 2018: 2,003 million yen [529.0%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
First three quarters of fiscal year ending July 2019	1.16	—
First three quarters of fiscal year ended July 2018	82.73	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
First three quarters of fiscal year ending July 2019	12,710	4,081	32.0
Fiscal year ended July 2018	10,310	4,257	41.2

Reference: Equity
First three 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 three 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 three 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 three 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 three quarters of fiscal year ending July 2019	23,613,840 shares	First three quarters of fiscal year ended July 2018	24,158,330 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 three 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 three quarters of the fiscal year ending July 2019, we completed the delivery of MIJAS Yūtenji, MIJAS Umegaoka (both in Meguro Ward, Tokyo), MIJAS Magome (Ota Ward, Tokyo), MIJAS Kashiwa-III, MIJAS Kashiwa-IV (both in Kashiwa City, Chiba) and two other properties. Furthermore, as a secondhand property renovation resale project, we completed the delivery of 3 properties in inner-city neighborhoods.

As a result of the above, in the first three quarters of the fiscal year ending July 2019, the Group recorded net sales of 6,326 million yen (down 45.1% year on year), operating income of 186 million yen (down 92.6% year on year), ordinary income of 62 million yen (down 97.4% year on year) and profit attributable to owners of parent of 27 million yen (down 98.6% year on year).

The performance of the segments is as follows.

[Real estate sales business]

In the real estate sales business, we sold 7 properties of the MIJAS series (apartment development project) and delivered 3 properties, including ME Shin-otsuka Building (Bunkyo Ward, Tokyo) and Nishi-waseda Residence (Shinjuku Ward, Tokyo), as a secondhand property renovation resale project. As a result, net sales totaled 4,418 million yen (down 54.5% year on year) and segment income totaled 98 million yen (down 96.0% year on year).

[Real estate leasing business]

In the real estate leasing business, due to property management fees and such, net sales totaled 1,679 million yen (up 11.9% year on year) and segment income totaled 173 million yen (down 1.6% year on year).

[Real estate brokerage business]

In the real estate brokerage business, due to brokerage fees of properties located in Yamagata, net sales totaled 26 million yen (up 821.7% year on year) and segment income totaled 18 million yen (up 843.0% year on year).

[Contracting business]

Regarding the contracting business, due to the execution of construction contracts as well as reform work and such, net sales totaled 189 million yen (down 38.4% year on year) and segment income totaled 24 million yen (down 36.1% 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 42 million yen (up 63.9% year on year) and segment income totaled 35 million yen (up 39.5% year on year).

(2) Explanation of Financial Position

"Partial Amendments to 'Accounting Standard for Tax Effect Accounting'" (ASBJ Statement No. 28, February 16, 2018), etc. are applied from the beginning of the first quarter of the fiscal year ending July 2019, and the status of financial position adopts figures obtained by retrospectively applying the accounting standard for comparison with the previous fiscal year and the analysis.

(Assets)

Total assets at the end of the first three quarters of the fiscal year ending July 2019 increased by 2,399 million yen compared to the end of the previous fiscal year to 12,710 million yen. This is mainly due to inventories, etc. increasing by 3,320 million yen in total with the acquisition of new development business lots, properties for a secondhand condominium, etc. resale project and others.

(Liabilities)

Moreover, liabilities increased by 2,575 million yen from the end of the previous fiscal year to 8,629 million yen. Contributing to this is mainly the increase of 235 million yen in long-term loans payable (including current portion of long-term loans payable) and increase of 2,455 million yen in short-term loans payable as funds to acquire new development business lots, etc.

(Net assets)

Net assets decreased by 176 million yen compared to the end of the previous fiscal year to 4,081 million yen while the equity ratio decreased by 9.2 percentage points from the end of the previous fiscal year to 32.0%.

(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 premium rental apartment series "ELFARO" project, 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.

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 three quarters of fiscal year ending July 2019 (as of April 30, 2019)
Assets		
Current assets		
Cash and deposits	1,640,084	1,125,303
Accounts receivable	47,026	37,917
Real estate for sale	3,219,651	3,988,825
Real estate for sale in process	2,746,548	5,297,636
Short-term loans receivable from subsidiaries and associates	1,925,000	1,550,000
Other	196,781	207,202
Allowance for doubtful accounts	(2,908)	(1,651)
Total current assets	9,772,184	12,205,233
Non-current assets		
Property, plant and equipment	14,735	17,418
Intangible assets	2,379	1,633
Investments and other assets		
Investment securities	57,621	42,351
Long-term loans receivable	430,184	429,845
Long-term accrued revenue	422,200	421,550
Deferred tax assets	223,599	202,284
Other	234,651	236,435
Allowance for doubtful accounts	(847,200)	(846,550)
Total investments and other assets	521,056	485,917
Total non-current assets	538,172	504,969
Total assets	10,310,356	12,710,202

(Unit: thousand yen)

	Fiscal year ended July 2018 (as of July 31, 2018)	First three quarters of fiscal year ending July 2019 (as of April 30, 2019)
Liabilities		
Current liabilities		
Accounts payable	157,415	211,633
Short-term loans payable	1,079,913	3,535,042
Current portion of long-term loans payable	2,038,516	1,605,544
Current portion of bonds	20,000	36,000
Lease obligations	180	1,111
Income taxes payable	247,819	1,116
Provision for bonuses	55,030	24,529
Other	490,335	500,382
Total current liabilities	4,089,210	5,915,359
Non-current liabilities		
Long-term loans payable	1,680,196	2,348,924
Bonds payable	50,000	104,000
Lease obligations	-	3,955
Other	233,659	256,813
Total non-current liabilities	1,963,855	2,713,692
Total liabilities	6,053,065	8,629,052
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus	1,495,610	1,495,610
Retained earnings	3,010,515	2,849,045
Treasury shares	(380,474)	(380,474)
Total shareholders' equity	4,225,651	4,064,181
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,005	5,677
Total accumulated other comprehensive income	19,005	5,677
Non-controlling interests	12,634	11,291
Total net assets	4,257,291	4,081,150
Total liabilities and net assets	10,310,356	12,710,202

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

(Quarterly Consolidated Statement of Income)

(First three quarters of fiscal year)

(Unit: thousand yen)

	First three quarters of fiscal year ended July 2018 (August 1, 2017 to April 30, 2018)	First three quarters of fiscal year ending July 2019 (August 1, 2018 to April 30, 2019)
Net sales	11,531,053	6,326,736
Cost of sales	8,267,109	5,383,609
Gross profit	3,263,943	943,126
Selling, general and administrative expenses	726,385	756,275
Operating income	2,537,557	186,850
Non-operating income		
Interest income	12,413	38,743
Penalty income	18,064	11,653
Other	3,979	2,930
Total non-operating income	34,457	53,326
Non-operating expenses		
Interest expenses	80,311	115,927
Commissions paid	42,330	57,140
Other	1,373	4,425
Total non-operating expenses	124,015	177,493
Ordinary income	2,448,000	62,684
Profit before income taxes	2,448,000	62,684
Income taxes - current	275,249	12,314
Income taxes - deferred	172,306	22,271
Total income taxes	447,555	34,586
Profit	2,000,445	28,097
Profit attributable to non-controlling interest	1,787	657
Profit attributable to owners of parent	1,998,658	27,440

(Quarterly Consolidated Statement of Comprehensive Income)

(First three quarters of fiscal year)

(Unit: thousand yen)

	First three quarters of fiscal year ended July 2018 (August 1, 2017 to April 30, 2018)	First three quarters of fiscal year ending July 2019 (August 1, 2018 to April 30, 2019)
Profit	2,000,445	28,097
Other comprehensive income		
Valuation difference on available-for-sale securities	2,722	(13,327)
Total other comprehensive income	2,722	(13,327)
Comprehensive income	2,003,167	14,769
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,001,380	14,112
Comprehensive income attributable to non-controlling interests	1,787	657

(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.)

(Segment Information)

I. First Three Quarters of the Previous Fiscal Year (from August 1, 2017 to April 30, 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	9,718,498	1,500,592	2,910	283,395	11,505,396	25,656	11,531,053	—	11,531,053
Intersegment net sales or transfers	—	—	—	24,883	24,883	—	24,883	(24,883)	—
Total	9,718,498	1,500,592	2,910	308,279	11,530,279	25,656	11,555,936	(24,883)	11,531,053
Segment income	2,433,265	176,644	1,923	38,202	2,650,036	25,103	2,675,140	(137,582)	2,537,557

(Note 1) The reconciliation of segment income of -137,582 thousand yen is comprised of 15,285 thousand yen of elimination of inter-segment transactions and -152,867 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 Three Quarters of the Fiscal Year Ending July 2019 (from August 1, 2018 to April 30, 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	4,418,304	1,679,754	26,822	159,814	6,284,696	42,039	6,326,736	—	6,326,736
Intersegment net sales or transfers	—	—	—	30,136	30,136	—	30,136	(30,136)	—
Total	4,418,304	1,679,754	26,822	189,951	6,314,832	42,039	6,356,872	(30,136)	6,326,736
Segment income	98,359	173,792	18,142	24,425	314,720	35,013	349,733	(162,882)	186,850

(Note 1) The reconciliation of segment income of -162,882 thousand yen is comprised of 7,755 thousand yen of elimination of intersegment transactions and -170,637 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.