Financial Summary of First Two Quarters of Fiscal Year Ending July 2020 (Japanese GAAP) (Consolidated)

March 13, 2020

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

Contact for inquiries: (Name) Shunji Yasuda (Position) Director and Executive Officer, Management Dept. TEL: 03 (5434) 7653

Scheduled date for submission of quarterly report: March 31, 2020 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 second quarter of fiscal year ending July 2020 (from August 1, 2019 to January 31, 2020)

(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 2020	5,796	98.2	324	—	281	—	101	—
First two quarters of fiscal year ending July 2019	2,923	(53.8)	(3)	—	(78)	—	(90)	—

(Note) Comprehensive income First two quarters of fiscal year ending July 2020 100 million yen (—%) First two quarters of fiscal year ending July 2019 (100) million yen (—%)

	Basic profit per share	Diluted profit per share
	yen	yen
First two quarters of fiscal year ending July 2020	4.30	—
First two quarters of fiscal year ending July 2019	(3.84)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
First two quarters of fiscal year ending July 2020	10,036	4,170	41.5
Fiscal year ended July 2019	11,521	4,190	36.3

(Reference) Equity First two quarters of fiscal year ending July 2020 4,160 million yen First two quarters of fiscal year ending July 2019 4,179 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 2019	—	0.00	—	5.00	5.00
Fiscal year ending July 2020	—	0.00			
Fiscal year ending July 2020 (Forecast)			—	5.00	5.00

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

3. Consolidated earnings forecast for fiscal year ending July 2020 (from August 1, 2019 to July 31, 2020)

(% 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 profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Full year	13,200	24.1	590	31.7	410	40.9	200	45.0	8.47

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

* Explanatory notes

(1) Changes in significant subsidiaries during the period (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 the period	First two quarters of fiscal year ending July 2020	24,661,000 shares	Fiscal year ended July 2019	24,661,000 shares
2) Number of treasury shares at end of the period	First two quarters of fiscal year ending July 2020	1,047,160 shares	Fiscal year ended July 2019	1,047,160 shares
3) Average number of shares during the period (quarterly cumulative)	First two quarters of fiscal year ending July 2020	23,613,840 shares	First two quarters of fiscal year ending July 2019	23,613,840 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 6.

○Contents of Attachments

1. Qualitative Information on Quarterly Financial Results 5
(1) Explanation of Operating Results 5
(2) Explanation of Financial Position 6
(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information 6
2. Quarterly Consolidated Financial Statements and Main Notes 8
(1) Quarterly Consolidated Balance Sheet 8
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income 10
(3) Consolidated Statement of Cash Flows 12
(4) Notes to Quarterly Consolidated Financial Statements 13
(Notes Related to Going Concern Assumption) 13
(Notes on Substantial Changes in Amount of Shareholders' Equity) 13
(Segment Information, etc.) 14

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

In the first two quarters of the fiscal year ending July 2020, the Japanese economy continued to look gloomy amid depressed consumer confidence since the consumption tax hike, despite moderate improvement in the corporation earnings and the employment and income environment. Overseas economies also continued to face an uncertain future, with trade wars caused by trade policy and concerns about financial policy in the United States, a chaotic situation in the EU, notably Brexit, and the impact of the spread of the new coronavirus disease Covid-19 on the global economy.

In the real estate industry in which our Group is involved, rising selling prices gave cause for concern as land prices continued their upward trend. However, investment momentum among real estate investors remained strong mainly due to low interest rates backed by the BOJ's policy of monetary easing, and the market held firm.

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 second quarter of the fiscal year ending July 2020, we completed the delivery of MIJAS Ogikubo (Suginami Ward, Tokyo), MIJAS Sangen-jaya (Setagaya Ward, Tokyo) and one other property as well as the delivery of one premium rental apartment, EL FARO Nerima (Nerima Ward, Tokyo). Moreover, as a secondhand property renovation resale project, we completed the delivery of two properties in an inner-city neighborhood.

As a result of the above, in the first two quarters of the fiscal year ending July 2020, the Group recorded net sales of 5,796 million yen (up 98.2% year on year), operating income of 324 million yen (compared with an operating loss of 3 million yen in the first two quarters of the previous fiscal year), ordinary income of 281 million yen (compared with an ordinary loss of 78 million yen in the first two quarters of the previous fiscal year), and profit attributable to owners of parent of 101 million yen (compared with a loss attributable to owners of parent of 90 million yen in the first two quarters 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 three properties in the "MIJAS" series (apartment development project) and one property in the "EL FARO" series (premium rental apartment project), delivered two properties from the secondhand property renovation project, and also sold other development project lots. As a result, net sales totaled 4,627 million yen (up 172.4% year on year) and segment income totaled 259 million yen (compared with a segment loss of 27 million yen in the first two quarters 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 1,053 million yen (down 3.6% year on year) and segment income totaled 152 million yen (up 61.5% year on year).

[Real estate brokerage business]

In the real estate brokerage business, no brokerage fees were generated. In the first two quarters of the previous fiscal year, net sales were 3 million yen and segment income was 3 million yen due to brokerage fees and such.

[Contracting business]

Regarding the contracting business, due to the execution of construction contracts as well as reform work and such, net sales totaled 112 million yen (up 0.6% year on year) and segment income totaled 0 million yen (down 93.0% 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 14 million yen (down 47.0% year on year) and segment income totaled 13 million yen (down 38.0% 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 2020 decreased by 1,484 million yen compared to the end of the previous fiscal year to 10,036 million yen.

(Liabilities)

Liabilities decreased by 1,465 million yen from the end of the previous fiscal year to 5,865 million yen. This was mainly due to decreases of 277 million yen in long-term loans payable (including the current portion of long-term loans payable; hereinafter the same) as funds for acquiring new development business lots, etc. and 1,008 million yen in short-term loans payable.

(Net assets)

Net assets decreased by 19 million yen compared to the end of the previous fiscal year to 4,170 million yen while the equity ratio increased by 5.2 percentage points from the end of the previous fiscal year to 41.5%.

(Overview of Cash Flow)

Cash and cash equivalents at the end of the first two quarters of the fiscal year ending July 2020 decreased by 308 million yen from the end of the previous fiscal year to 1,308 million yen.

[Cash flows from operating activities]

Net cash provided by operating activities was 1,117 million yen (compared with net cash used in operating activities of 3,027 million in the first two quarters of the previous fiscal year), with a decrease of 154 million yen due to a decrease in trade payables offset by an increase of 1,093 million yen due to a decrease in inventories.

[Cash flows from investing activities]

Net cash used in investing activities was 2 million yen (compared with net cash provided by investing activities of 370 million yen in the first two quarters of the previous fiscal year), mainly due to a decrease of 3 million yen due to payments into other deposits.

[Cash flows from financing activities]

Net cash used in financing activities was 1,423 million yen (compared with net cash provided by financing activities of 2,132 million yen in the first two quarters of the previous fiscal year), reflecting a net decrease in short-term borrowings of 1,008 million yen and repayments of long-term borrowings of 2,002 million yen associated with property sales, etc. as well as 118 million yen in dividends paid, which offset proceeds from long-term borrowings of 1,725 million as funds for acquiring new 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 activities and sales activities in the real estate sales business, with the main business as the strong rental apartment brand “MIJAS” project (22 properties already supplied in the fiscal year ended July 2019), as a “comprehensive developer focusing on manufacturing” in order to become a partner for life which is our corporate philosophy. The “MIJAS” project will be developed with a planned annual supply target of around 25 properties. With the aim of securing more stable income, we will also promote business activities such as the premium rental apartment series “EL FARO” project, the real estate renovation “ME BLD.” project, and the real estate securitization business, in addition to our mainstay “MIJAS” project, by working on the development of products that will meet a range of customer needs.

As for the consolidated earnings forecast for the fiscal year ending July 2020, net sales of 13,200 million yen (up 24.1% from the previous fiscal year), operating income of 590 million yen (up 31.7% from the previous fiscal year), ordinary income of 410 million yen (up 40.9% from the previous fiscal year) and profit attributable to owners of parent of 200 million yen (up 45.0% from the previous fiscal year) are projected.

As stated in “Notice Concerning Difference Between Earnings Forecasts and Actual Results for First Two Quarters of Fiscal Year Ending July 2020” released today, differences between the consolidated earnings forecasts and the results for the first two quarters of the fiscal year ending July 2020 have arisen. However, the full-year earnings forecast announced on September 13, 2019 remains unchanged. The impact of the spread of Covid-19 on the Group’s consolidated earnings is currently unclear. However, if, in the light of changing circumstances in the future, the Company judges revision of the full-year consolidated earnings forecasts necessary, the Company will make a timely announcement of its decision.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	Fiscal year ended July 2019 (as of July 31, 2019)	First two quarters of fiscal year ending July 2020 (as of January 31, 2020)
Assets		
Current assets		
Cash and deposits	1,684,961	1,378,628
Accounts receivable	34,400	30,476
Real estate for sale	3,254,500	1,780,740
Real estate for sale in process	3,760,977	4,140,060
Short-term loans receivable from subsidiaries and associates	1,550,000	1,550,000
Other	229,585	173,017
Allowance for doubtful accounts	(1,276)	(1,204)
Total current assets	10,513,149	9,051,718
Non-current assets		
Property, plant and equipment	616,704	612,042
Intangible assets	1,434	1,036
Investments and other assets		
Investment securities	40,962	39,266
Long-term loans receivable	429,732	429,504
Long-term accrued revenue	422,000	421,700
Deferred tax assets	94,297	86,201
Other	249,941	241,671
Allowance for doubtful accounts	(847,000)	(846,700)
Total investments and other assets	389,934	371,644
Total non-current assets	1,008,073	984,723
Total assets	11,521,222	10,036,442

(Unit: thousand yen)

	Fiscal year ended July 2019 (as of July 31, 2019)	First two quarters of fiscal year ending July 2020 (as of January 31, 2020)
Liabilities		
Current liabilities		
Accounts payable	286,135	131,324
Short-term loans payable	2,660,020	1,651,853
Current portion of long-term loans payable	1,228,576	1,722,016
Current portion of bonds	36,000	36,000
Lease obligations	1,117	1,127
Income taxes payable	10,028	11,271
Provision for bonuses	37,191	22,892
Other	461,339	477,617
Total current liabilities	4,720,406	4,054,101
Non-current liabilities		
Long-term loans payable	2,254,090	1,483,472
Bonds payable	94,000	76,000
Lease obligations	3,674	3,108
Other	258,686	248,810
Total non-current liabilities	2,610,450	1,811,390
Total liabilities	7,330,857	5,865,492
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus	1,495,610	1,495,610
Retained earnings	2,959,739	2,943,122
Treasury shares	(380,474)	(380,474)
Total shareholders' equity	4,174,875	4,158,258
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,288	2,592
Total accumulated other comprehensive income	4,288	2,592
Non-controlling interests	11,200	10,098
Total net assets	4,190,365	4,170,949
Total liabilities and net assets	11,521,222	10,036,442

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

Quarterly Consolidated Statement of Income

First two quarters

(Unit: thousand yen)

	First two quarters of fiscal year ended July 2019 (August 1, 2018 to January 31, 2019)	First two quarters of fiscal year ending July 2020 (August 1, 2019 to January 31, 2020)
Net sales	2,923,774	5,796,302
Cost of sales	2,445,939	4,973,105
Gross profit	477,835	823,197
Selling, general and administrative expenses	481,523	498,922
Operating income (loss)	(3,687)	324,275
Non-operating income		
Interest income	27,326	23,484
Penalty income	672	8,701
Insurance claim income	-	10,229
Other	2,016	2,077
Total non-operating income	30,014	44,492
Non-operating expenses		
Interest expenses	73,645	63,685
Commissions paid	30,641	23,012
Other	581	705
Total non-operating expenses	104,868	87,403
Ordinary income (loss)	(78,541)	281,364
Extraordinary losses		
Surcharge payment	-	24,000
Special investigation expenses	-	135,466
Total extraordinary losses	-	159,466
Profit (loss) before income taxes	(78,541)	121,898
Income taxes - current	5,070	11,451
Income taxes - deferred	6,950	8,096
Total income taxes	12,020	19,548
Profit (loss)	(90,562)	102,349
Profit attributable to non-controlling interests	130	897
Profit (loss) attributable to owners of parent	(90,693)	101,452

Consolidated Statement of Comprehensive Income

First Two Quarters

(Unit: thousand yen)

	First two quarters of fiscal year ended July 2019 (August 1, 2018 to January 31, 2019)	First two quarters of fiscal year ending July 2020 (August 1, 2019 to January 31, 2020)
Profit (loss)	(90,562)	102,349
Other comprehensive income		
Valuation difference on available-for-sale securities	(10,399)	(1,695)
Total other comprehensive income	(10,399)	(1,695)
Comprehensive income	(100,962)	100,653
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(101,092)	99,756
Comprehensive income attributable to non-controlling interests	130	897

(3) Consolidated Statement of Cash Flows

(Unit: thousand yen)

	First two quarters of fiscal year ended July 2019 (August 1, 2018 to January 31, 2019)	First two quarters of fiscal year ending July 2020 (August 1, 2019 to January 31, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	(78,541)	121,898
Depreciation	2,207	6,237
Increase (decrease) in allowance for doubtful accounts	(350)	(372)
Interest and dividend income	(27,345)	(23,506)
Interest expenses on borrowings and bonds	73,786	63,921
Increase (decrease) in provision for bonuses	(34,428)	(14,299)
Decrease (increase) in trade receivables	1,222	3,924
Decrease (increase) in inventories	(2,493,549)	1,093,826
Increase (decrease) in trade payables	(12,634)	(154,810)
Increase (decrease) in advances received	14,041	(15,620)
Increase (decrease) in deposits received	(127,123)	41,603
Other, net	(5,601)	67,031
Subtotal	(2,688,317)	1,189,833
Interest and dividends received	236	65
Interest paid	(73,299)	(62,064)
Income taxes paid	(268,604)	(30,814)
Income taxes refund	2,326	20,500
Net cash provided by (used in) operating activities	(3,027,659)	1,117,521
Cash flows from investing activities		
Payments into other deposits	(4,440)	(3,860)
Proceeds from withdrawal of other deposits	-	1,200
Proceeds from sales of golf club memberships	350	-
Purchase of property, plant and equipment and intangible assets	(492)	-
Collection of loans receivable	375,223	225
Investments in capital	-	(110)
Net cash provided by (used in) investing activities	370,639	(2,545)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,812,934	(1,008,166)
Repayments of lease obligations	(544)	(555)
Proceeds from long-term borrowings	1,512,400	1,725,500
Repayments of long-term borrowings	(991,508)	(2,002,678)
Redemption of bonds	(10,000)	(18,000)
Dividends paid	(188,910)	(118,069)
Dividends paid to non-controlling interests	(2,000)	(2,000)
Net cash provided by (used in) financing activities	2,132,370	(1,423,969)
Net increase (decrease) in cash and cash equivalents	(524,648)	(308,993)
Cash and cash equivalents at beginning of period	1,575,969	1,617,535
Cash and cash equivalents at end of period	1,051,321	1,308,541

(4) 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.

(Segment Information, etc.)

[Segment Information]

I. First two quarters of fiscal year ended July 2019 (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 (loss)	(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 inter-segment 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, etc. by Reporting Segment

Not applicable.

II. First two quarters of fiscal year ending July 2020 (August 1, 2019 to January 31, 2020)

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	4,627,071	1,053,602	—	101,523	5,782,198	14,104	5,796,302	—	5,796,302
Intersegment net sales or transfers	—	—	—	10,852	10,852	—	10,852	(0,852)	—
Total	4,627,071	1,053,602	—	112,375	5,793,050	14,104	5,807,155	(0,852)	5,796,302
Segment income	259,530	152,751	—	385	412,667	13,580	426,247	(01,972)	324,275

(Note 1) The reconciliation of segment income (loss) of -101,972 thousand yen is comprised of -6,201 thousand yen of elimination of inter-segment transactions and -95,771 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, etc. by Reporting Segment

Not applicable.