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

June 12, 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

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Scheduled date for submission of quarterly report: June 12, 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 first three quarters of fiscal year ending July 2020 (from August 1, 2019 to April 30, 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 three quarters of fiscal year ending July 2020	8,506	34.4	483	158.9	417	565.4	223	715.6
First three quarters of fiscal year ended July 2019	6,326	(45.1)	186	(92.6)	62	(97.4)	27	(98.6)

(Note) Comprehensive income First three quarters of fiscal year ending July 2020 219 million yen (－%) First three quarters of fiscal year ended July 2019 14 million yen (-99.3%)

	Basic profit per share	Diluted profit per share
	yen	yen
First three quarters of fiscal year ending July 2020	9.48	－
First three quarters of fiscal year ended July 2019	1.16	－

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of April 30, 2020	9,806	4,289	43.6
As of July 31, 2019	11,521	4,190	36.3

(Reference) Equity As of April 30, 2020 4,278 million yen As of July 31, 2019 4,179million 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	As of April 30, 2020	24,661,000	As of July 31, 2019	24,661,000
2) Number of treasury shares at end of the period	As of April 30, 2020	1,047,160	As of July 31, 2019	1,047,160
3) Average number of shares during the period (quarterly cumulative)	First three quarters of fiscal year ending July 2020	23,613,840	First three quarters of fiscal year ended July 2019	23,613,840

* 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 2.

○Contents of Attachments

1. Qualitative Information on Quarterly Financial Results 1
(1) Explanation of Operating Results 1
(2) Explanation of Financial Position 2
(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information 2
2. Quarterly Consolidated Financial Statements and Main Notes 3
(1) Quarterly Consolidated Balance Sheet 3
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income 5
(3) Notes to Quarterly Consolidated Financial Statements 7
(Notes Related to Going Concern Assumption) 7
(Notes on Substantial Changes in Amount of Shareholders' Equity) 7
(Segment Information, etc.) 8

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

In the first three quarters of the fiscal year ending July 2020, the Japanese economy generally continued on a path of modest recovery, buoyed by a solid improvement in corporate capital spending and the employment and other environments. However, the COVID-19 pandemic suddenly created huge uncertainty about economic prospects and had an immeasurable impact on the Japanese economy and overseas economies.

In the real estate industry in which our Group is involved, emergency quantitative easing by the BOJ and central banks around the world pumped sufficient funds into the market, however, financial institutions and investors became increasingly cautious and real estate investment trends will need to be kept under close scrutiny.

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 third quarter of the fiscal year ending July 2020, we completed the delivery of MIJAS Shinotsuka (Bunkyo Ward, Tokyo), MIJAS Shinkoenji (Suginami Ward, Tokyo) and one other property as well as the delivery of premium rental apartment, EL FARO Akatsuka (Nerima Ward, Tokyo) and one other property. Moreover, we completed the delivery of four properties in inner-city neighborhoods, including the sale of other development project lots.

As a result of the above, in the first three quarters of the fiscal year ending July 2020, the Group recorded net sales of 8,506 million yen (up 34.4% year on year), operating income of 483 million yen (up 158.9% year on year), ordinary income of 417 million yen (up 565.4% year on year), and profit attributable to owners of parent of 223 million yen (up 715.6% year on 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 two properties in the “EL FARO” series (premium rental apartment project), and also completed sales of secondhand property renovation project and development project lots, etc. As a result, net sales totaled 6,671 million yen (up 51.0% year on year) and segment income totaled 341 million yen (up 247.1% year on year).

[Real estate leasing business]

In the real estate leasing business, due to property management fees and such, net sales totaled 1,611 million yen (down 4.1% year on year) and segment income totaled 257 million yen (up 48.1% year on year).

[Real estate brokerage business]

In the real estate brokerage business, no brokerage fees were generated. In the first three quarters of the previous fiscal year, net sales were 26 million yen and segment income was 18 million yen due to brokerage fees.

[Contracting business]

Regarding the contracting business, due to the execution of construction contracts as well as reform work and such, net sales totaled 219 million yen (up 15.7% year on year) and segment income totaled 17 million yen (down 28.7% 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 22 million yen (down 45.8% year on year) and segment income totaled 21 million yen (down 37.3% year on year).

(2) Explanation of Financial Position

Total assets at the end of the first three quarters of the fiscal year ending July 2020 decreased by 1,714 million yen compared to the end of the previous fiscal year to 9,806 million yen.

Liabilities decreased by 1,813 million yen from the end of the previous fiscal year to 5,516 million yen. This was mainly due to decreases of 302 million yen in long-term loans payable (including the current portion of long-term loans payable) as funds for acquiring new development business lots, etc. and 1,537 million yen in short-term loans payable.

Net assets increased by 99 million yen compared to the end of the previous fiscal year to 4,289 million yen while the equity ratio increased by 7.4 percentage points from the end of the previous fiscal year to 43.6%.

(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.

The Company has actively introduced a range of measures to prevent the spread of COVID-19, including staggering working hours, urging employees to work from home and promoting teleworking, and is putting health considerations for its officers, employees and customers at the forefront of its operating activities.

It is currently difficult to forecast the impact of COVID-19 on the Group’s consolidated earnings, including the outlook for the real estate market. 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 three quarters of fiscal year ending July 2020 (as of April 30, 2020)
Assets		
Current assets		
Cash and deposits	1,684,961	1,732,159
Accounts receivable	34,400	84,375
Real estate for sale	3,254,500	2,980,031
Real estate for sale in process	3,760,977	2,262,182
Short-term loans receivable from subsidiaries and associates	1,550,000	1,550,000
Other	229,585	227,292
Allowance for doubtful accounts	(1,276)	(3,662)
Total current assets	10,513,149	8,832,379
Non-current assets		
Property, plant and equipment	616,704	609,267
Intangible assets	1,434	838
Investments and other assets		
Investment securities	40,962	34,641
Long-term loans receivable	429,732	429,390
Long-term accrued revenue	422,000	421,550
Deferred tax assets	94,297	84,180
Other	249,941	240,876
Allowance for doubtful accounts	(847,000)	(846,550)
Total investments and other assets	389,934	364,089
Total non-current assets	1,008,073	974,194
Total assets	11,521,222	9,806,574

(Unit: thousand yen)

	Fiscal year ended July 2019 (as of July 31, 2019)	First three quarters of fiscal year ending July 2020 (as of April 30, 2020)
Liabilities		
Current liabilities		
Accounts payable	286,135	184,755
Short-term loans payable	2,660,020	1,122,853
Current portion of long-term loans payable	1,228,576	1,350,199
Current portion of bonds	36,000	36,000
Lease obligations	1,117	1,132
Income taxes payable	10,028	11,369
Provision for bonuses	37,191	14,696
Other	461,339	652,682
Total current liabilities	4,720,406	3,373,689
Non-current liabilities		
Long-term loans payable	2,254,090	1,830,073
Bonds payable	94,000	68,000
Lease obligations	3,674	2,822
Other	258,686	242,316
Total non-current liabilities	2,610,450	2,143,213
Total liabilities	7,330,857	5,516,903
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus	1,495,610	1,495,610
Retained earnings	2,959,739	3,065,486
Treasury shares	(380,474)	(380,474)
Total shareholders' equity	4,174,875	4,280,622
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,288	(2,032)
Total accumulated other comprehensive income	4,288	(2,032)
Non-controlling interests	11,200	11,080
Total net assets	4,190,365	4,289,671
Total liabilities and net assets	11,521,222	9,806,574

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

Quarterly Consolidated Statement of Income

First three quarters

(Unit: thousand yen)

	First three quarters of fiscal year ended July 2019 (August 1, 2018 to April 30, 2019)	First three quarters of fiscal year ending July 2020 (August 1, 2019 to April 30, 2020)
Net sales	6,326,736	8,506,049
Cost of sales	5,383,609	7,279,200
Gross profit	943,126	1,226,848
Selling, general and administrative expenses	756,275	743,008
Operating income	186,850	483,839
Non-operating income		
Interest income	38,743	34,979
Penalty income	11,653	8,701
Insurance claim income	-	10,229
Other	2,930	4,799
Total non-operating income	53,326	58,710
Non-operating expenses		
Interest expenses	115,927	90,558
Commissions paid	57,140	33,850
Other	4,425	1,039
Total non-operating expenses	177,493	125,448
Ordinary income	62,684	417,101
Extraordinary losses		
Surcharge payment	―	24,000
Special investigation expenses	―	135,466
Total extraordinary losses	―	159,466
Profit before income taxes	62,684	257,635
Income taxes - current	12,314	21,833
Income taxes - deferred	22,271	10,117
Total income taxes	34,586	31,951
Profit	28,097	225,683
Profit attributable to non-controlling interests	657	1,879
Profit attributable to owners of parent	27,440	223,804

Consolidated Statement of Comprehensive Income

First three quarters

(Unit: thousand yen)

	First three quarters of fiscal year ended July 2019 (August 1, 2018 to April 30, 2019)	First three quarters of fiscal year ending July 2020 (August 1, 2019 to April 30, 2020)
Profit	28,097	225,683
Other comprehensive income		
Valuation difference on available-for-sale securities	(13,327)	(6,320)
Total other comprehensive income	(13,327)	(6,320)
Comprehensive income	14,769	219,362
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	14,112	217,483
Comprehensive income attributable to non-controlling interests	657	1,879

(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.

(Segment Information, etc.)

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

Not applicable.

II. First three quarters of fiscal year ending July 2020 (August 1, 2019 to April 30, 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	6,671,610	1,611,661	—	199,984	8,483,256	22,792	8,506,049	—	8,506,049
Intersegment net sales or transfers	—	—	—	19,704	19,704	—	19,704	(19,704)	—
Total	6,671,610	1,611,661	—	219,688	8,502,960	22,792	8,525,753	(19,704)	8,506,049
Segment income	341,433	257,376	—	17,404	616,214	21,963	638,178	(154,338)	483,839

(Note 1) The reconciliation of segment income of -154,338 thousand yen is comprised of -7,667 thousand yen of elimination of inter-segment transactions and -146,670 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.