Financial Summary of First Two Quarters of Fiscal Year Ending July 2021 (Japanese GAAP) (Consolidated)

March 17, 2021

Name of listed company:	Meiho Enterprise Co., Ltd.	Listing exchange:	Tokyo Stock Exchange
Code:	8927	URL	http://www.meiho-est.com/
Representative:	(Name) Mitsuru Yabuki	(Position) Chairman & 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 17, 2021	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 2021 (from August 1, 2020 to January 31, 2021)

(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 2021	3,131	(46.0)	172	(46.8)	177	(36.9)	150	48.2
First two quarters of fiscal year ending July 2020	5,796	98.2	324	—	281	—	101	—

(Note) Comprehensive income First two quarters of fiscal year ending July 2021: 154 million yen (53.6%) First two quarters of fiscal year ending July 2020: 100 million yen (—%)

	Basic profit per share	Diluted profit per share
	yen	yen
First two quarters of fiscal year ending July 2021	6.37	—
First two quarters of fiscal year ending July 2020	4.30	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
First two quarters of fiscal year ending July 2021	11,014	4,407	39.9
Fiscal year ended July 2020	11,448	4,372	38.1

(Reference) Equity First two quarters of fiscal year ending July 2021: 4,396 million yen Fiscal year ended July 2020: 4,361 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 2020	—	0.00	—	5.00	5.00
Fiscal year ending July 2021	—	0.00			
Fiscal year ending July 2021 (Forecast)			—	5.00	5.00

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

3. Consolidated earnings forecast for fiscal year ending July 2021 (from August 1, 2020 to July 31, 2021)

(% 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	10,600	7.0	590	6.9	500	12.4	320	45.8	13.55

(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 2021	24,661,000 shares	Fiscal year ended July 2020	24,661,000 shares
2) Number of treasury shares at end of the period	First two quarters of fiscal year ending July 2021	1,047,160 shares	Fiscal year ended July 2020	1,047,160 shares
3) Average number of shares during the period (quarterly cumulative)	First two quarters of fiscal year ending July 2021	23,613,840 shares	First two quarters of fiscal year ending July 2020	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 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 4
(1) Quarterly Consolidated Balance Sheet 6
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income 6
(3) Consolidated Statement of Cash Flows 8
(4) Notes to Quarterly Consolidated Financial Statements 9
(Notes Related to Going Concern Assumption) 9
(Notes on Substantial Changes in Amount of Shareholders' Equity) 9
(Segment Information, etc.) 10

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

In the first two quarters of the fiscal year ending July 2021, the Japanese economy deteriorated rapidly due to the COVID-19 pandemic, but following the state of emergency, there had been signs of recovery. Subsequently, however, a second state of emergency was declared, primarily for metropolitan areas, and the the economic outlook has become uncertain.

In the real estate industry in which the Meiho Group operates, consumer appetite remains firm, attributable to government measures to support housing acquisition and the low interest rate environment. However, careful consideration is still required for the current situation, including concerns about a resurgence of COVID-19 infections, continuous increases in real estate prices caused by rises in costs such as land prices, and the costs of construction work.

Under these business circumstances, the Group made the following efforts in each business segment.

In the real estate sales business, the sale of properties initially planned in the first two quarters under review was postponed to the third quarter or thereafter chiefly due to the second state of emergency, and consequently, in the first two quarters, two apartment buildings, MIJAS Senkawa II (Itabashi-ku, Tokyo) and MIJAS Nakano fujimicho (Suginami-ku, Tokyo), and EL FARO Shoin-jinja-mae (Setagaya-ku, Tokyo), a premium rental apartment building, were delivered.

In the real estate leasing business, although the Group was forced to discontinue seminars for existing owners which it had been holding regularly, it conducted non-face-to-face communication activities, customer satisfaction questionnaires and other initiatives to ensure continuous information sharing and exchange with existing owners. For its main brands, the MIJAS and EL FARO series, the Group offers a one-stop service, from the creation of products to their management, thereby endeavoring to maintain high quality and high occupancy rates. Consequently, the series are creating synergies within the Group, with their good recognition as highly profitable real estate investment products, which has been triggering repeated purchases of real estate investment product series.

In the real estate brokerage business, the Group is working to increase revenues by introducing properties in line with customer needs through the use of its unique information network comprising real estate sales business and other businesses.

In the contracting business, the Group worked to increase earnings through the design and construction of four properties in the MIJAS and EL FARO series and remodeling and renovations suiting the characteristics of other properties under management.

As a result of the above, in the first two quarters of the fiscal year ending July 2021, consolidated net sales stood at 3,131 million yen (down 46.0% year on year), reflecting the postponement of the sale of properties planned in the first two quarters to the third quarter or thereafter. Operating income and ordinary income fell to 172 million yen (down 46.8%) and 177 million yen (down 36.9%), respectively. Profit attributable to owners of parent amounted to 150 million yen (up 48.2%).

The performance of the segments is as follows.

[Real estate sales business]

In the real estate sales business, we delivered two properties in the MIJAS series (apartment development project) and a property in the "EL FARO" series (premium rental apartment project). As a result, net sales totaled 1,956 million yen (down 57.7% year on year) and segment income totaled 83 million yen (down 68.0% year on year).

[Real estate leasing business]

In the real estate leasing business, due to property management fees and such, net sales totaled 1,048 million yen (down 0.5% year on year) and segment income totaled 179 million yen (up 17.8% year on year).

[Real estate brokerage business]

In the real estate brokerage business, net sales totaled 0 million yen and segment income totaled 0 million yen, reflecting brokerage fees. No brokerage fees were generated in the same period of the previous fiscal year.

[Contracting business]

Regarding the contracting business, due to the execution of construction contracts as well as reform work and such, net sales totaled 117 million yen (up 4.4% year on year) and segment income totaled 1 million yen (up 167.2% 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 13 million yen (down 1.0% year on year) and segment income totaled 13 million yen (down 0.4% 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 2021 decreased by 433 million yen compared to the end of the previous fiscal year to 11,014 million yen.

(Liabilities)

Liabilities decreased by 468 million yen from the end of the previous fiscal year to 6,607 million yen. This was mainly due to short-term loans payable decreasing by 995 million yen due to repayments associated with the sale of properties, while long-term loans payable (including the current portion of long-term loans payable; the same applies hereinafter) increased by 201 million yen to be used to acquire new development business lots, etc.

(Net assets)

Net assets increased by 34 million yen compared to the end of the previous fiscal year to 4,407 million yen while the equity ratio increased by 1.8 percentage points from the end of the previous fiscal year to 39.9%.

(Overview of Cash Flow)

Cash and cash equivalents at the end of the first two quarters of the fiscal year ending July 2021 decreased by 891 million yen from the end of the previous fiscal year to 1,385 million yen.

[Cash flows from operating activities]

Net cash provided by operating activities was 1 million yen (compared with net cash provided by operating activities of 1,117 million yen in the first two quarters of the previous fiscal year), including an increase of 177 million yen due to profit before income taxes, which was partially offset by a decrease of 117 million yen due to an increase in inventories.

[Cash flows from investing activities]

Net cash provided by investing activities was 39 million yen (compared with net cash used in investing activities of 2 million yen in the first two quarters of the previous fiscal year), mainly due to an increase of 41 million yen due to proceeds from the withdrawal of other deposits.

[Cash flows from financing activities]

Net cash used in financing activities was 932 million yen (compared with net cash used in financing activities of 1,423 million yen in the first two quarters of the previous fiscal year), reflecting a net decrease in short-term loans payable of 995 million yen and repayments of long-term loans payable of 912 million yen associated with property sales, etc. as well as 118 million yen in dividends paid, which offset proceeds from long-term loans payable of 1,114 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, where the main business is the rental apartment project under the brand name MIJAS (which performed well, and nine properties were supplied in the fiscal year ended July 2020) and the premium rental apartment project under the brand name EL FARO (five properties were supplied in the fiscal year ended July 2020), as a “comprehensive developer focusing on manufacturing” in order to become a partner for life, 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 2021, net sales of 10,600 million yen (up 7.0% from the previous fiscal year), operating income of 590 million yen (up 6.9% from the previous fiscal year), ordinary income of 500 million yen (up 12.4% from the previous fiscal year) and profit attributable to owners of parent of 320 million yen (up 45.8% 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 2021” released today, differences between the consolidated earnings forecasts and the results for the first two quarters of the fiscal year ending July 2021 have arisen. However, the full-year earnings forecast announced on September 14, 2020 remains unchanged.

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 2020 (as of July 31, 2020)	First two quarters of fiscal year ending July 2021 (as of January 31, 2021)
Assets		
Current assets		
Cash and deposits	2,344,133	1,413,899
Accounts receivable	30,776	40,455
Real estate for sale	3,476,655	3,647,686
Real estate for sale in process	2,932,945	2,880,613
Short-term loans receivable	1,550,000	1,550,000
Other	78,642	458,250
Allowance for doubtful accounts	(833)	(1,342)
Total current assets	10,412,321	9,989,562
Non-current assets		
Property, plant and equipment	608,911	602,822
Intangible assets	639	285
Investments and other assets		
Investment securities	35,007	38,083
Long-term loans receivable	429,276	429,046
Long-term accrued revenue	421,400	410,420
Deferred tax assets	146,357	136,842
Other	240,844	243,036
Allowance for doubtful accounts	(846,400)	(835,420)
Total investments and other assets	426,485	422,008
Total non-current assets	1,036,035	1,025,116
Total assets	11,448,357	11,014,678

(Unit: thousand yen)

	Fiscal year ended July 2020 (as of July 31, 2020)	First two quarters of fiscal year ending July 2021 (as of January 31, 2021)
Liabilities		
Current liabilities		
Accounts payable	127,076	184,386
Short-term loans payable	1,596,507	601,400
Current portion of long-term loans payable	1,569,968	1,660,821
Current portion of bonds	36,000	36,000
Lease obligations	1,713	1,736
Income taxes payable	18,021	15,801
Provision for bonuses	45,805	20,567
Other	685,790	1,023,582
Total current liabilities	4,080,883	3,544,295
Non-current liabilities		
Long-term loans payable	2,694,981	2,805,830
Bonds payable	58,000	40,000
Lease obligations	4,932	4,059
Other	236,574	212,988
Total non-current liabilities	2,994,488	3,062,879
Total liabilities	7,075,372	6,607,174
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus	1,495,610	1,495,610
Retained earnings	3,147,668	3,179,988
Treasury shares	(380,474)	(380,474)
Total shareholders' equity	4,362,804	4,395,124
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,666)	1,409
Total accumulated other comprehensive income	(1,666)	1,409
Non-controlling interests	11,847	10,969
Total net assets	4,372,984	4,407,504
Total liabilities and net assets	11,448,357	11,014,678

(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 2020 (August 1, 2019 to January 31, 2020)	First two quarters of fiscal year ending July 2021 (August 1, 2020 to January 31, 2021)
Net sales	5,796,302	3,131,640
Cost of sales	4,973,105	2,466,624
Gross profit	823,197	665,016
Selling, general and administrative expenses	498,922	492,358
Operating income	324,275	172,657
Non-operating income		
Interest income	23,484	23,485
Penalty income	8,701	328
Compensation received	304	41,800
Insurance claim income	10,229	-
Other	1,773	19,084
Total non-operating income	44,492	84,697
Non-operating expenses		
Interest expenses	63,685	63,564
Commissions paid	23,012	13,983
Other	705	2,347
Total non-operating expenses	87,403	79,896
Ordinary income	281,364	177,458
Extraordinary losses		
Surcharge payment	24,000	-
Special investigation expenses	135,466	-
Total extraordinary losses	159,466	-
Profit before income taxes	121,898	177,458
Income taxes - current	11,451	16,432
Income taxes - deferred	8,096	9,514
Total income taxes	19,548	25,946
Profit	102,349	151,512
Profit attributable to non-controlling interests	897	1,122
Profit attributable to owners of parent	101,452	150,389

Consolidated Statement of Comprehensive Income

First Two Quarters

(Unit: thousand yen)

	First two quarters of fiscal year ended July 2020 (August 1, 2019 to January 31, 2020)	First two quarters of fiscal year ending July 2021 (August 1, 2020 to January 31, 2021)
Profit	102,349	151,512
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,695)	3,075
Total other comprehensive income	(1,695)	3,075
Comprehensive income	100,653	154,588
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	99,756	153,465
Comprehensive income attributable to non-controlling interests	897	1,122

(3) Consolidated Statement of Cash Flows

(Unit: thousand yen)

	First two quarters of fiscal year ended July 2019 (August 1, 2019 to January 31, 2020)	First two quarters of fiscal year ending July 2021 (August 1, 2020 to January 31, 2021)
Cash flows from operating activities		
Profit before income taxes	121,898	177,458
Depreciation	6,237	6,443
Increase (decrease) in allowance for doubtful accounts	(372)	(10,470)
Interest and dividend income	(23,506)	(23,507)
Interest expenses on borrowings and bonds	63,921	63,730
Increase (decrease) in provision for bonuses	(14,299)	(25,238)
Decrease (increase) in trade receivables	3,924	(9,678)
Decrease (increase) in inventories	1,093,826	(117,252)
Increase (decrease) in trade payables	(154,810)	57,309
Increase (decrease) in advances received	(15,620)	460,032
Increase (decrease) in deposits received	41,603	(113,001)
Other, net	67,031	(403,787)
Subtotal	1,189,833	62,039
Interest and dividends received	65	15,608
Interest paid	(62,064)	(57,055)
Income taxes paid	(30,814)	(39,132)
Income taxes refund	20,500	20,502
Net cash provided by (used in) operating activities	1,117,521	1,963
Cash flows from investing activities		
Payments into other deposits	(3,860)	(2,330)
Proceeds from withdrawal of other deposits	1,200	41,206
Collection of loans receivable	225	227
Investments in capital	(110)	(100)
Net cash provided by (used in) investing activities	(2,545)	39,004
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,008,166)	(995,107)
Repayments of lease obligations	(555)	(850)
Proceeds from long-term loans payable	1,725,500	1,114,665
Repayments of long-term loans payable	(2,002,678)	(912,963)
Redemption of bonds	(18,000)	(18,000)
Dividends paid	(118,069)	(118,069)
Dividends paid to non-controlling interests	(2,000)	(2,000)
Net cash provided by (used in) financing activities	(1,423,969)	(932,325)
Net increase (decrease) in cash and cash equivalents	(308,993)	(891,357)
Cash and cash equivalents at beginning of period	1,617,535	2,277,337
Cash and cash equivalents at end of period	1,308,541	1,385,979

(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 two quarters of fiscal year ended 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	(10,852)	—
Total	4,627,071	1,053,602	—	112,375	5,793,050	14,104	5,807,155	(10,852)	5,796,302
Segment income	259,530	152,751	—	385	412,667	13,580	426,247	(101,972)	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 expense consists primarily of 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 two quarters of fiscal year ending July 2021 (August 1, 2020 to January 31, 2021)

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	1,956,260	1,048,863	952	111,600	3,117,677	13,963	3,131,640	—	3,131,640
Intersegment net sales or transfers	—	—	—	5,774	5,774	—	5,774	(5,774)	—
Total	1,956,260	1,048,863	952	117,374	3,123,451	13,963	3,137,414	(5,774)	3,131,640
Segment income	83,141	179,901	881	1,029	264,954	13,521	278,475	(105,817)	172,657

(Note 1) The reconciliation of segment income of -105,817 thousand yen is comprised of -3,910 thousand yen of elimination of inter-segment transactions and -101,907 thousand yen of company expenses not distributed to the reporting segments. Company expense consists primarily of 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.