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

June 14, 2021

Name of listed company: Meiho Enterprise Co., Ltd. Listing exchange: Tokyo Stock Exchange

Code 8927 URL http://www.meiho-est.com/

Representative: (Position) Chairman & Representative Director (Name) Mitsuru Yabuki

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Scheduled date for submission of quarterly report: June 14, 2021 Scheduled date for start of dividend payment: -

Creation of supplementary explanatory materials: None

Holding of accounts briefing meeting: None

(Amounts are rounded down to the nearest million yen)

1. 1. Consolidated results for the second first three quarters of fiscal year ending July 2021 (from August 1, 2020 to April 30, 2021)

(1) Consolidated operating results (cumulative)

(% 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 2021	7,082	(16.7)	678	40.1	687	64.9	644	188.0
First three quarters of fiscal year ended July 2020	8,506	34.4	483	158.9	417	565.4	223	715.6

(Note) Comprehensive income First three quarters of fiscal year ending July 2021 649 Million yen (196%) First three quarters of fiscal year ended July 2020 219 Million yen (-%)

	Basic profit per share	Basic profit per share (diluted)
	yen sen	yen sen
First three quarters of fiscal year ending July 2021	27.29	-
First three quarters of fiscal year ending July 2020	9.48	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Million yen	Million yen	%
First three quarters of fiscal year ending July 2021	11,701	4,902	41.8
Fiscal year ended July 2020	11,448	4,372	38.1

(Reference) Equity First three quarters of fiscal year ending July 2021 4,890 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 sen	yen sen	yen sen	yen sen	yen sen
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 same period of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen sen
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 : None

(Changes in specified subsidiaries resulting in change in scope of consolidation)

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	3Q of FY 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	3Q of FY 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)	3Q of FY ending July 2021	23,613,840 shares	3Q of FY ended 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.

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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 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, the second state of emergency was declared, primarily for metropolitan areas, and 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 sales of properties initially planned for the second quarter were postponed to the third quarter of the current fiscal year chiefly due to the second state of emergency. Consequently, in the third quarter of the current fiscal year, the Company delivered six properties, including MIJAS Hatsudai (Shibuya-ku, Tokyo) and MIJAS Ikebukuro (Toshima-ku, Tokyo), and one premium rental condominium, EL FARO Hikawa-dai (Nerima-ku, Tokyo), as well as other properties, such as used property renewal and resale business and land for development projects.

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 five 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 three quarters of the fiscal year ending July 2021, consolidated net sales stood at 7.082 million yen (down 16.7% year on year), operating income stood at 678 million yen (up 40.1% year on year, ordinary profit stood at 687 million yen (up 64.9% year on year), and profit attributable to owners of parent amounted to 644 million yen (up 188.0% year on year).

The performance of each segment is as follows.

[Real estate sales business]

In the real estate sales business, we delivered eight properties in the MIJAS series (apartment development project) and one property in the "EL FARO" series (premium rental apartment project), and in addition, we sold used property renewal and resale business and land for development projects. As a result, net sales totaled 5,267 million yen (down 21.0% year on year) and segment income totaled 493 million yen (up 44.6% year on year).

[Real estate leasing business]

In the real estate leasing business, due to property management fees and such, net sales totaled 1,612 million yen (up 0.0% year on year) and segment income totaled 292 million yen (up 13.7% year on year).

[Real estate brokerage business]

In the real estate brokerage business, net sales totaled 5 million yen and segment income totaled 4 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 renovation work and such, net sales totaled 188 million yen (down 14.2% year on year) and segment income totaled 3 million yen (down 79.1% 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 22 million yen (down 3.2% year on year) and segment income totaled 21 million yen (down 3.1% year on year)

(2) Explanation of Financial Position

Total assets at the end of the first three quarters of the fiscal year ending July 2021 increased by 253 million yen compared to the end of the previous fiscal year to 11,701 million yen.

Liabilities decreased by 275 million yen from the end of the previous fiscal year to 6,799 million yen. This was mainly due to a decrease of 1,004 million yen in short-term borrowings payable due to repayment associated with the sale of properties, while there is an increase of 853 million yen in long-term loans used to acquire new development business lots (including the current portion of long-term loans payable within one year).

Net assets increased by 529 million yen compared to the end of the previous fiscal year to 4,902 million yen while the equity ratio increased by 3.7 percentage points from the end of the previous fiscal year to 41.8%.

(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 a planned annual supply target of around 25 properties, focusing on 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. With the aim to secure 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 profit of 590 million yen (up 6.9% from the previous fiscal year), ordinary profit 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.

The consolidated operating results for the first three quarters of the fiscal year ending July 2021 exceeded the full-year forecast in terms of profit. This is mainly due to the steady progress of our core businesses, the rental apartment brand "MIJAS" and the premium rental condominium "EL FARO", as well as the contribution of other businesses, such as the resale of pre-owned renovated buildings and the sale of land for development projects.

Nevertheless, due to the impact of COVID-19, trends in the adoption of government subsidies, and other factors, the future outlook remains uncertain, and the same is true for our sales forecast, so we are leaving our forecast unchanged. 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.

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.

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 three quarters of fiscal year ending July 2021 (as of April 30, 2021)
Assets		
Current assets		
Cash and deposits	2,344,133	2,885,703
Accounts receivable	30,776	42,094
Real estate for sale	3,476,655	2,276,520
Real estate for sale in process	2,932,945	3,830,311
Short-term loans receivable	1,550,000	1,550,000
Other	78,642	100,557
Allowance for doubtful accounts	(833)	(1,166)
Total current assets	10,412,321	10,684,020
Non-current assets		
Property, plant and equipment	608,911	600,721
Intangible assets	639	218
Investments and other assets		
Investment securities	35,007	37,808
Long-term loans receivable	429,276	428,931
Long-term accounts receivable	421,400	407,930
Deferred tax assets	146,357	132,580
Other	240,844	242,684
Allowance for doubtful accounts	(846,400)	(832,930)
Total investments and other assets	426,485	417,004
Total non-current assets	1,036,035	1,017,944
Total assets	11,448,357	11,701,965

(Unit: thousand yen)

	Fiscal year ended July 2020 (as of July 31, 2020)	First three quarters of fiscal year ending July 2021 (as of April 30, 2021)
Liabilities		
Current liabilities		
Accounts payable	127,076	126,844
Short-term borrowings	1,596,507	592,000
Current portion of long-term borrowings	1,569,968	1,636,098
Current portion of bonds payable	36,000	36,000
Lease obligations	1,713	1,747
Income taxes payable	18,021	14,479
Provision for bonuses	45,805	9,618
Other	685,790	639,658
Total current liabilities	4,080,883	3,056,447
Non-current liabilities		
Long-term borrowings	2,694,981	3,481,928
Bonds payable	58,000	32,000
Lease obligations	4,932	3,617
Other	236,574	225,793
Total non-current liabilities	2,994,488	3,743,338
Total liabilities	7,075,372	6,799,786
Net assets		
Shareholders' equity		
Share capital	100,000	100,000
Capital surplus	1,495,610	1,495,610
Retained earnings	3,147,668	3,674,066
Treasury shares	(380,474)	(380,474)
Total shareholders' equity	4,362,804	4,889,202
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,666)	1,134
Total accumulated other comprehensive income	(1,666)	1,134
Non-controlling interests	11,847	11,842
Total net assets	4,372,984	4,902,179
Total liabilities and net assets	11,448,357	11,701,965

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

Quarterly Consolidated Statement of Income

First three quarters of fiscal year

ending July 2021

(Unit: thousand yen)

	First three quarters of fiscal year ended July 2020 (August 1, 2019 to April 30, 2020)	First three quarters of fiscal year ending July 2021 (August 1, 2020 to April 30, 2021)
Net sales	8,506,049	7,082,403
Cost of sales	7,279,200	5,678,775
Gross profit	1,226,848	1,403,627
Selling, general and administrative expenses	743,008	725,623
Operating profit	483,839	678,003
Non-operating income		
Interest income	34,979	34,956
Penalty income	8,701	8,033
Insurance claim income	10,229	84
Compensation received	2,454	78,167
Other	2,345	21,973
Total non-operating income	58,710	143,214
Non-operating expenses		
Interest expenses	90,558	93,253
Commissions expenses	33,850	34,971
Other	1,039	5,032
Total non-operating expenses	125,448	133,257
Ordinary profit	417,101	687,960
Extraordinary losses		
Surcharge payment	24,000	-
Special investigation expenses	135,466	-
Total extraordinary losses	159,466	-
Profit before income taxes	257,635	687,960
Income taxes - current	21,833	27,722
Income taxes - deferred	10,117	13,776
Total income taxes	31,951	41,498
Profit	225,683	646,462
Profit attributable to non-controlling interests	1,879	1,995
Profit attributable to owners of parent Profit attributable to owners of parent	223,804	644,467

Quarterly Consolidated Statement of Comprehensive Income

First three quarters of fiscal year ending July 2021

(Unit: thousand yen)

	First three quarters of fiscal year ended July 2020 (August 1, 2019 to April 30, 2020)	First three quarters of fiscal year ending July 2021 (August 1, 2020 to April 30, 2021)
Profit	225,683	646,462
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,320)	2,800
Total other comprehensive income	(6,320)	2,800
Comprehensive income	219,362	649,263
(Breakdown)		
Comprehensive income attributable to owners of parent	217,483	647,268
Comprehensive income attributable to non-controlling interests	1,879	1,995

(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 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 (* 3)	Total	Reconciliation (* 1)	Amount recorded in quarterly consolidated statement of income (* 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 (loss) 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 expense consists primarily of general and administrative expenses that are not attributable to the reporting segments.

2. Segment income is adjusted to the operating profit in quarterly consolidated statement of income.

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 2021 (August 1, 2020 to April 30, 2021)

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

(Unit: thousand yen)

	Reporting segment					Other (* 3)	Total	Reconciliation (* 1)	Amount recorded in quarterly consolidated statement of income (* 2)
	Real estate sales business	Real estate leasing business	Real estate brokerage business	Contracting business	Total				
Net sales									
Net sales to external customers	5,267,359	1,612,336	5,032	175,622	7,060,351	22,052	7,082,403	-	7,082,403
Intersegment net sales or transfers	-	-	-	12,872	12,872	-	12,872	(12,872)	-
Total	5,267,359	1,612,336	5,032	188,495	7,073,224	22,052	7,095,276	(12,872)	7,082,403
Segment income	493,647	292,634	4,877	3,635	794,795	21,290	816,085	(138,081)	678,003

(Note) 1. The reconciliation of segment income (loss) of -138,081 thousand yen is comprised of -632 thousand yen of elimination of inter-segment transactions and -137,449 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.

2. Segment income is adjusted to the operating profit in quarterly consolidated statement of income.

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.