

Consolidated Financial Summary for the Second Quarter of the Fiscal Year Ending July 2023 (Japanese GAAP)

March 17, 2023

Name of listed company: Meiho Enterprise Co., Ltd.

Listing
exchange:

Tokyo Stock Exchange

Code 8927

URL <https://meiho-est.com>

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

Contact for inquiries: (Position) General Manager, Management Dept. (Name) Ayako Iwasaki

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Scheduled date for submission of quarterly report: March 17, 2023

Creation of supplementary explanatory materials: None

Holding of accounts briefing meeting: None

(Amounts are rounded down to the nearest million yen)

1. Consolidated results for the second quarter of the fiscal year ending July 2023 (from August 1, 2022, to January 31, 2023)

(1) Consolidated operating results (cumulative) (% figures show the rate of increase (decrease) compared with the same period of the previous fiscal year)

	Revenues		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Second quarter of fiscal year ending July 2023	3,385	16.8	89	22.7	(67)	-	(46)	-
Second quarter of fiscal year ending July 2022	2,897	(7.5)	73	(57.7)	6	(96.2)	(39)	-

(Note) Comprehensive income Second quarter of fiscal year ending July 2023 (52) million yen(-%) Second quarter of fiscal year ending July 2022 (39) Million yen (-%)

	Basic profit per share	Basic profit per share (diluted)
	yen sen	yen sen
Second quarter of fiscal year ending July 2023	(1.90)	-
Second quarter of fiscal year ending July 2022	(1.69)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	million yen	million yen	%
Second quarter of fiscal year ending July 2023	20,162	6,325	31.4
Fiscal year ended July 2022	13,987	5,530	39.5

(Reference) Equity capital Second quarter of fiscal year ending July 2023 6,321 million yen Fiscal year ended July 2022 5,530 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 2022	-	0.00	-	8.00	8.00
Fiscal year ended July 2023	-	0.00			
Fiscal year ending July 2023 (Forecast)			-	8.00	8.00

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

3. Consolidated earnings forecast for the fiscal year ending July 2023 (from August 1, 2022, to July 31, 2023)

(% figures show the rate of increase (decrease) compared with the same period of the previous fiscal year)

	Revenues		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
Full year	18,000	61.3	1,070	(4.2)	770	(17.4)	490	23.5	20.75

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

* Explanatory notes

(1) Changes in significant subsidiaries during the period : : Yes

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

Newly included: 1 company (Company name) Kyoeigumi Co., Ltd., Excluded: — companies (Company name)

(2) Application of accounting method specific to the preparation of : None
quarterly consolidated financial statements

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies with revision of accounting : None
standards

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 (ordinary shares)

1) Number of shares issued and outstanding (including treasury shares) at the end of the period	Second quarter of FY ending July 2023	30,539,900 shares	Fiscal year ended July 2022	24,661,000 shares
2) Number of treasury shares at the end of the period	Second quarter of FY ending July 2023	1,047,160 shares	Fiscal year ended July 2022	1,047,160 shares
3) Average number of shares during the period (quarterly cumulative)	Second quarter of FY ending July 2023	24,316,751 shares	Second quarter of FY ending July 2022	23,613,840 shares

* The Quarterly Financial Summary is not subject to quarterly review by a certified public accountant or audit firm.

* Explanation regarding the appropriate use of earnings forecasts, and other notes

The earnings outlook and other forward-looking statements contained herein are based on information currently available 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 factors. 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 3.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the current consolidated cumulative first quarter (August 1, 2022, to January 31, 2023), economic conditions in Japan have been showing signs of a gradual recovery, and socioeconomic activities are showing progress, albeit gradual, toward normalization as the impact of the COVID-19 pandemic is gradually coming to an end. Meanwhile, overseas economies, the deepening crisis in Ukraine, and other factors are driving up the costs of energy and raw materials, so the outlook remains uncertain.

In the real estate industry in which the Meiho Group operates, regarding real estate investments, mainly residential real estate, foreign investors are showing strong interest in Japanese real estate, and both supply and demand continue to be strong. However, the future of monetary policy continues to require attention, with high real estate prices due to soaring land prices and construction costs, as well as the Bank of Japan's decision to raise the maximum allowable long-term interest rate in December 2022, which has led to hikes in some housing loans.

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

In the real estate sales business, the Group is proceeding to enhance its ability to procure properties by leveraging its strengths in information analysis and business planning to its fullest while strengthening its resistance to market fluctuation risks by carefully selecting locations and reducing procurement costs. In addition, regarding the sales activities of our main brands, MIJAS and EL FARO, we completed the delivery of one property, Mijas Ogikubo III (Suginami-ku, Tokyo) (two properties in the same quarter of the previous fiscal year) and two other properties for development projects during the second quarter. In the same period of the previous fiscal year, two properties were delivered.

In the real estate leasing business, it continues to be difficult to have face-to-face contact with existing owners. However, we actively engage in communication and CS activities for non-face-to-face and remote locations, utilize social media, and offer VR preview tours for tenants to respond to the changing environment. As a result, we are maintaining high occupancy rates. In addition, by offering and providing services that anticipate diversifying customer needs, we are working to preserve the value of important assets, increase customer satisfaction, and maintain and improve relationships of trust with our customers. For our 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 is creating synergies within the Group, with their positive recognition as highly profitable real estate investment products, 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, from the second quarter of the current consolidated fiscal year, the Group, with the addition of Kyoeigumi Co., Ltd., worked to increase earnings through the planning, design, and construction of two buildings in the "MIJAS" series (under construction) and four buildings in the "EL FARO" series (two under construction and three completed), along with other remodeling and renovation projects tailored to the characteristics of properties under our management.

As a result of the above, in the second consolidated quarter of the Group's fiscal year, net sales stood at 3,385 million yen (up 16.8% year on year), operating income stood at 89 million yen (up 22.7% year on year), and ordinary loss stood at 67 million yen (ordinary income of 6 million yen in the same period of the previous year). In addition, during the first quarter of the fiscal year, negative goodwill accrued as a result of acquiring Kyoeigumi Co., Ltd. recorded as extraordinary income, which resulted in a net loss attributable to owners of the parent of 46 million yen (net loss attributable to owners of the parent of 39 million yen in the same period of the previous fiscal year).

Operating results by segment are as follows.

[Real estate sales business]

In the real estate sales business, during the second quarter of the current fiscal year, we delivered one property in the EL FARO series (rental apartment project), and sold an additional property for development projects. As a result, net sales totaled 1,940 million yen (up 14.8% year on year) and segment income totaled 163 million yen (up 683.4% year on year).

[Real estate leasing business]

In the real estate leasing business, due to property management fees and other factors, net sales totaled 1,019 million yen (up 2.2% year on year), and segment income totaled 91 million yen (down 21.0% year on year).

[Real estate brokerage business]

In the real estate brokerage business, net sales totaled 2 million yen (down 89.0% year on year) and segment income totaled 2 million yen (down 87.7% year on year), reflecting real estate brokerage fees.

[Contracting business]

Regarding the contracting business, net sales were 384 million yen (up 124.0% year-on-year) due to new construction contracts and renovation work, etc., but a large percentage of new construction contracts were completed in the third and fourth quarters, and the Company was unable to absorb higher construction costs due to soaring raw material costs and higher selling, general and administrative expenses. This resulted in a segment loss of 40 million yen (segment income of 2 million yen in the same period of the previous year).

[Other]

This section refers to business segments not included in the reportable segments. Mainly due to insurance agency services, net sales totaled 39 million yen (up 168.8% year on year), and segment income totaled 38 million yen (up 171.6% year on year).

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the second quarter of the current fiscal year increased by 6,174 million yen from the end of the previous consolidated fiscal year to 20,162 million yen. This was due to an increase in inventories of 6,158 million yen resulting from the acquisition of property for development projects, investment properties under construction, etc., as well as the addition of the subsidiary.

(Liabilities)

Liabilities increased by 5,378 million yen from the end of the previous consolidated fiscal year to 13,836 million yen. This was mainly attributable to the procurement of funds to acquire land for new development projects, etc. and an increase in the number of consolidated subsidiaries, which resulted in a 1,614 million yen increase in short-term borrowings and a 3,245 million yen increase in long-term borrowings (including the current portion of long-term borrowings).

(Net assets)

Net assets increased by 795 million yen from the end of the previous fiscal year to 6,325 million yen, while the equity ratio decreased by 8.1 percentage points from the end of the previous consolidated fiscal year to 31.4%.

(Cash flow status)

Cash and cash equivalents at the end of the second quarter of the current fiscal year decreased by 1,503 million yen from the end of the previous consolidated fiscal year to 1,997 million yen.

[Cash flows from (used in) operating activities]

Net cash used in operating activities amounted to 6,111 million yen (2,650 million yen in the same period of the previous year), mainly due to an increase of 117 million yen in advances received due to the receipt of sales contract deposits related to property sales and a 3,447 million yen increase in inventories.

[Cash flows from (used in) investing activities]

Net cash provided by investing activities amounted to 171 million yen (724 million yen in the same period of the previous year), mainly due to a 729 million yen decrease in proceeds from collection of loans receivable.

[Cash flows from (used in) financing activities]

Net cash provided by financing activities amounted to 4,437 million yen (versus 1,257 million yen in the same period of the

previous year) due to an increase of 1,842 million yen in proceeds from long-term loans payable to acquire land for development projects, despite a 1,022 million yen capital increase through third-party allocation and 168 million yen in repayment of long-term borrowings due to property sales, etc.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information

With respect to consolidated earnings forecasts, there is no change in the consolidated earnings forecast for the fiscal year ending July 31, 2023, which was announced in the "Consolidated Financial Summary for the Fiscal Year Ended July 31, 2022," dated September 14, 2022.

The business base, including the markets for the Group's main line of businesses, remains firm, and its purchasing and sales conditions are favorable. We will work together to promote business activities to further increase profitability.

The Group promotes operating activities while actively introducing a range of measures to prevent the spread of COVID-19, such as staggered working hours, working from home, and teleworking, in consideration of the health of its officers, employees, and customers. At this point, it is difficult to predict the impact of the COVID-19 infection on the consolidated business performance of the Group, including future conditions of the real estate market. However, if we determine that revisions to the full-year consolidated business performance forecast are necessary, we will make announcements in a timely manner, depending on changes in conditions.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (July 31, 2022)	Second quarter of the current fiscal year (January 31, 2023)
Assets		
Current assets		
Cash and deposits	3,528,925	2,218,929
Accounts receivable - trade and contract assets	93,625	228,712
Real estate for sale	2,222,879	2,620,217
Real estate for sale in process	6,075,515	11,837,024
Short-term loans receivable	725,500	575,500
Other	334,414	395,959
Allowance for doubtful accounts	(668)	(19,839)
Total current assets	12,980,191	17,856,503
Non-current assets		
Property, plant and equipment	646,123	1,870,251
Intangible assets	4,993	16,223
Investments and other assets		
Investment securities	19,800	15,900
Long-term loans receivable	428,349	429,145
Long-term accounts receivable	395,440	390,420
Deferred tax assets	66,770	121,157
Other	266,355	277,980
Allowance for doubtful accounts	(820,440)	(815,420)
Total investments and other assets	356,276	419,183
Total non-current assets	1,007,393	2,305,659
Total assets	13,987,584	20,162,162

(Unit: thousand yen)

	Previous consolidated fiscal year (July 31, 2022)	Second quarter of the current fiscal year (January 31, 2023)
Liabilities		
Current liabilities		
Notes payable and accounts payable	278,927	428,710
Short-term borrowings	884,500	2,499,061
Current portion of long-term borrowings	1,994,094	5,226,052
Current portion of bonds payable	16,000	16,000
Lease obligations	1,807	1,433
Income taxes payable	258,723	58,040
Provision for bonuses	72,973	30,065
Allowance for compensation for completed construction	-	964
Allowance for order losses	-	18,342
Other	513,161	943,767
Total current liabilities	4,020,187	9,222,437
Non-current liabilities		
Long-term borrowings	4,212,341	4,225,740
Corporate bonds	16,000	8,000
Retirement benefits liabilities	-	77,478
Lease obligations	1,365	842
Deferred tax liabilities	-	109,035
Other	207,486	192,692
Total non-current liabilities	4,437,193	4,613,790
Total liabilities	8,457,381	13,836,227
Net assets		
Shareholders' equity		
Share capital	100,000	614,403
Capital surplus	1,500,411	2,014,814
Retained earnings	4,306,266	4,071,158
Treasury shares	(380,474)	(380,474)
Total shareholders' equity	5,526,203	6,319,902
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,000	1,400
Total accumulated other comprehensive income	4,000	1,400
Non-controlling interests	-	4,633
Total net assets	5,530,203	6,325,935
Total liabilities and net assets	13,987,584	20,162,162

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

Quarterly Consolidated Statement of Income

Consolidated cumulative second quarter

(Unit: thousand yen)

	First two quarters of fiscal year ended July 2022 (August 1, 2021, to January 31, 2022)	First two quarters of fiscal year ended July 2023 (August 1, 2022, to January 31, 2023)
Revenues	2,897,146	3,385,244
Cost of sales	2,290,764	2,456,202
Gross profit	606,381	929,042
Selling, general and administrative expenses	533,300	839,339
Operating profit	73,081	89,702
Non-operating income		
Interest income	18,015	19,474
Penalty income	3,275	2,286
Surrender value of insurance policies	786	10,520
Reversal allowance for doubtful accounts	5,020	5,157
Other	191	5,048
Total non-operating income	27,289	42,487
Non-operating expenses		
Interest expenses	68,635	120,993
Commissions expenses	24,596	71,800
Share issuance costs	-	6,735
Other	477	242
Total non-operating expenses	93,708	199,771
Ordinary profit or loss	6,662	(67,580)
Extraordinary income		
Gain on sale of investment securities	-	245
Goodwill accrued	-	16,183
Total extraordinary income	-	16,429
Quarterly profit (loss) before taxes	6,662	(51,151)
Income taxes - current	25,837	54,020
Income taxes - deferred	20,316	(54,889)
Total income taxes	46,153	(869)
Quarterly profit (loss)	(39,491)	(50,282)
Profit (loss) attributable to non-controlling interests	492	(4,084)
Profit attributable to owners of parent	(39,984)	(46,198)

Quarterly Consolidated Statement of Comprehensive Income

Consolidated cumulative second quarter

(Unit: thousand yen)

	First two quarters of fiscal year ended July 2022 (August 1, 2021, ending July 2023 (August 1, 2022, to January 31, 2022)	First two quarters of fiscal year ended July 2023 (August 1, 2022, ending July 2023 (August 1, 2023, to January 31, 2023)
Quarterly profit (loss)	(39,491)	(50,282)
Other comprehensive income		
Valuation difference on available-for-sale securities	(350)	(2,600)
Total other comprehensive income	(350)	(2,600)
Quarterly comprehensive income	(39,841)	(52,882)
(Breakdown)		
Comprehensive income attributable to owners of parent	(40,334)	(48,798)
Comprehensive income attributable to non-controlling interests	492	(4,084)

(3) Quarterly consolidated statement of cash flows

(Unit: thousand yen)

	First two quarters of fiscal year ended July 2022 (August 1, 2021, to January 31, 2022)	First two quarters of fiscal year ending July 2023 (August 1, 2022, to January 31, 2023)
Cash flows from (used in) operating activities		
Quarterly profit (loss) before taxes	6,662	(51,151)
Depreciation	5,986	17,746
Goodwill accrued	-	(16,183)
Loss (gain) on sales of investment securities	-	(245)
Share issuance costs	-	6,735
Interest and dividend income	(18,015)	(19,677)
Interest expenses on borrowings and bonds	68,732	121,043
Increase (decrease) in allowance for doubtful accounts	(4,818)	(5,157)
Increase (decrease) in provision of bonuses	(48,094)	(50,568)
Increase (decrease) in other provisions	-	(3,140)
Decrease (increase) in trade receivables	(19,033)	26,439
Decrease (increase) in inventories	(2,500,592)	(5,948,260)
Decrease (increase) in advance payments to suppliers	(40,389)	(62,873)
Increase (decrease) in trade payables	72,884	(79,439)
Increase (decrease) in advances received	100,884	218,259
Increase (decrease) in deposits received	14,485	11,582
Other	(195,658)	111,714
Subtotal	(2,556,966)	(5,723,176)
Interest and dividends received	18,015	13,993
Interest paid	(76,720)	(123,059)
Income taxes paid	(55,604)	(279,800)
Income taxes refund	20,983	52
Cash flows from (used in) operating activities	(2,650,293)	(6,111,991)
Cash flows from (used in) investing activities		
Other payments into deposits	(11,870)	(36,070)
Other proceeds from withdrawal of deposits	7,200	31,200
Purchase of property, plant and equipment	-	(14,805)
Proceeds from sale of investment securities	-	1,545
Proceeds from collection of loans receivable	730,229	292
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	191,344
Payments for investment	(1,000)	(1,000)
Purchase of insurance funds	-	(1,335)
Cash flows from (used in) investing activities	724,559	171,171
Cash flows from (used in) financing activities		
Net increase (decrease) in short-term borrowings	265,900	737,871
Repayments of lease obligations	(873)	(897)
Proceeds from long-term borrowings	1,783,500	3,625,900
Repayments of long-term borrowings	(582,167)	(750,234)
Redemption of bonds	(18,000)	(8,000)
Dividends paid	(188,910)	(188,910)
Proceeds from issuance of shares	-	1,022,072
Dividends paid to non-controlling interests	(2,000)	-
Cash flows from (used in) financing activities	1,257,448	4,437,801
Net increase (decrease) in cash and cash equivalents	(668,284)	(1,503,018)
Beginning balance for cash and cash equivalents	3,382,474	3,500,175
Ending balance for cash and cash equivalents	2,714,190	1,997,156

(4) Notes to Quarterly Consolidated Financial Statements

(Notes Related to Going Concern Assumption)

Not applicable.

(Notes on Substantial Changes in Amount of Shareholders' Equity)

First two quarters of fiscal year

ended July 2022 (August 1, 2021, to January 31, 2022)

1. Dividends paid

Resolution	Classes of shares	Total amount of dividends (thousand yen)	Dividend paid per share (yen)	Record date	Effective date	Source of Dividends
October 27, 2021 Ordinary general meeting of shareholders	Ordinary shares	188,910	8.00	July 31, 2021	October 28, 2021	Retained earnings

2. For dividends for which the record date belongs to the current consolidated cumulative second quarter but the effective date comes after the end of the second quarter of the current fiscal year

Not applicable.

3. Substantial Changes in Amount of Shareholders' Equity

Not applicable.

First two quarters of fiscal year ending July 2023 (August 1, 2022, to January 31, 2023)

1. Dividends paid

Resolution	Classes of shares	Total amount of dividends (thousand yen)	Dividend paid per share (yen)	Record date	Effective date	Source of Dividends
October 27, 2022 Ordinary general meeting of shareholders	Ordinary shares	188,910	8.00	July 31, 2022	October 28, 2022	Retained earnings

2. For dividends for which the record date belongs to the current consolidated cumulative second quarter but the effective date comes after the end of the second quarter of the current fiscal year

Not applicable.

3. Substantial Changes in Amount of Shareholders' Equity

On January 10, 2023, the Company received payment for a third-party allotment of new shares from Mitsuru Yabuki, Chairman and Representative Director of the Company, and one other person. As a result, capital stock and capital surplus increased by 514 million yen and 514 million yen, respectively, during the first half of the current fiscal year, resulting in 614 million yen in share capital and 2,014 million yen in capital surplus as of the end of the second quarter of the current fiscal year.

(Additional Information)

(Application of tax effect accounting for the transition from a consolidated tax payment system to a non-consolidated tax payment system)

The Company and its consolidated subsidiaries will transition to a non-consolidated tax payment system from the current consolidated fiscal year. Accordingly, based on the Treatment of Accounting and Disclosure in the Case of Applying the Group Aggregation System (Practical Issues Report No. 42, August 12, 2021), the deferred tax assets and deferred tax liabilities since the end of the previous consolidated fiscal year are recorded as if the non-consolidated tax payment system were applied from the current consolidated fiscal year.

(Change in scope of consolidation or scope of application of equity method)

In the first quarter of the current fiscal year, Kyoeigumi Co., Ltd. was included in the scope of consolidation following the acquisition of its shares. Furthermore, as September 30, 2022 is the deemed acquisition date, only the balance sheet was consolidated in the first quarter of the current fiscal year, while from the second quarter of the current fiscal year, the income statement is also included in the consolidated financial statements.

Also, from the first quarter of the current fiscal year, Meiho Engineering Corporation has been included in the scope of consolidation due to its establishment.

(Segment Information, etc.)

I First two quarters of fiscal year

ended July 2022 (August 1, 2021, to January 31, 2022)

1. Information on Revenues and Income or Loss Amounts by Reportable Segment and Revenue Disaggregation

(Unit: thousand yen)

	Reportable segment					Other (*3)	Total	Reconciliation (Note 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				
Revenues									
MIJAS/EL FARO	1,331,001	-	-	-	1,331,001	-	1,331,001	-	1,331,001
Other	359,579	237,682	25,249	168,861	791,372	14,704	806,077	-	806,077
Revenue from contracts with customers	1,690,581	237,682	25,249	168,861	2,122,374	14,704	2,137,079	-	2,137,079
Other revenue	-	760,067	-	-	760,067	-	760,067	-	760,067
Net sales to external customers	1,690,581	997,749	25,249	168,861	2,882,441	14,704	2,897,146	-	2,897,146
Transactions with other segments	-	-	-	2,793	2,793	-	2,793	(2,793)	-
Total	1,690,581	997,749	25,249	171,655	2,885,235	14,704	2,899,940	(2,793)	2,897,146
Segment profit	20,832	115,373	21,874	2,765	160,845	13,998	174,843	(101,762)	73,081

(Note) 1. The segment income adjustment of (101,762) thousand yen consists of the elimination of inter-segment transactions of 1,507 thousand yen and corporate expenses of (103,269) thousand yen not distributed to the reportable segments.

Corporate expenses consist primarily of general and administrative expenses not attributable to the reportable 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 two quarters of fiscal year ending July 2023 (August 1, 2022, to January 31, 2023)

1. Information on Revenues and Income or Loss Amounts by Reportable Segment and Revenue Disaggregation

(Unit: thousand yen)

	Reportable segment					Other (*3)	Total	Reconciliation (Note 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				
Revenues									
MIJAS/EL FARO	836,330	-	-	-	836,330	-	836,330	-	836,330
Other	1,104,524	278,801	2,787	383,531	1,769,645	39,521	1,809,166	-	1,809,166
Revenue from contracts with customers	1,940,855	278,801	2,787	383,531	2,605,976	39,521	2,645,497	-	2,645,497
Other revenue	-	739,746	-	-	739,746	-	739,746	-	739,746
Net sales to external customers	1,940,855	1,018,548	2,787	383,531	3,345,723	39,521	3,385,244	-	3,385,244
Transactions with other segments	-	977	-	1,030	2,008	-	2,008	(2,008)	-
Total	1,940,855	1,019,526	2,787	384,561	3,347,731	39,521	3,387,252	(2,008)	3,385,244
Segment profit or loss	163,202	91,182	2,689	(40,138)	216,934	38,015	254,949	(165,247)	89,702

(Note) 1. The segment income (loss) adjustment of (165,247) yen consists of the elimination of inter-segment transactions of (2,008,000) yen and corporate expenses of (163,239,000) yen not allocated to any reportable segment. Corporate expenses consist primarily of general and administrative expenses not attributable to the reportable 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. Disclosure of assets in reportable segments

Due to the acquisition of Kyoiegumi Co., Ltd. as of September 30, 2022 (deemed acquisition date) and its inclusion in the scope of consolidation, segment assets in the "Contracting Business" segment increased by 2,095,545,000 yen from the end of the previous fiscal year.

3. Information on Impairment Loss on Non-Current Assets or Goodwill, etc. by Reporting Segment

(Significant goodwill accrued)

In the "Contracting Business" segment, negative goodwill accrued of 16,183 thousand yen was recorded as extraordinary income following the acquisition of Kyoiegumi Co., Ltd. Also, the goodwill accrued is not allocated to any reportable segment.

(Significant events after the reporting period)

(Transactions under common control)

At the Board of Directors meeting held on October 26, 2022, the Company resolved to establish a new subsidiary (Meiho Engineering Co., Ltd.) to spin-off the construction contracting business division of Meiho Properties Co., Ltd., a subsidiary of the Company and take over its business, and to conduct an absorption-type demerger (hereinafter referred to as the "Demerger") between the splitting company, Meiho Properties Co., Ltd., and the successor company, Meiho Engineering Co., Ltd. In line with this, Meiho Engineering Co., Ltd. was established on October 26, 2022, the conclusion of an absorption-type demerger agreement was approved by a resolution of the Board of Directors on December 15, 2022, and the absorption-type demerger agreement was concluded on the same date. Subsequently, the relevant proposals were approved at the Extraordinary Meetings of Shareholders of both the splitting company and the successor company held on January 26, 2023, and the absorption-type demerger became effective as of February 1, 2023.

Furthermore, upon the demerger, the successor company will issue 15 shares of common stock of the successor company, all of which will be allotted and delivered to the spin-off company. On the effective date of the demerger, the spin-off company distributed the relevant shares to the Company as surplus (distribution-in-kind). As a result, all shares of Meiho Engineering Co., Ltd. acquired by Meiho Properties Co., Ltd. were transferred to the Company, making Meiho Engineering Co., Ltd. a wholly owned subsidiary of the Company.

(1) Overview of the demerger transactions

1) Name and description of the subject business

Business name: Contracting business conducted by Meiho Properties Co., Ltd., a consolidated subsidiary of the Company

Business activities: Mainly the design, supervision, and contracting of engineering and construction work, along with consulting services related to these activities.

2) Date of business combination

February 1, 2023

3) Legal form of the demerger

An absorption-type demerger in which Meiho Properties Co., Ltd. is the demerged company and Meiho Engineering Co., Ltd. is the successor company.

4) Name of the company after combination

Meiho Engineering Co., Ltd.

(5) Other matters concerning the overview of the transaction

It is expected that the real estate and construction industry in which the Meiho Group operates will face a difficult business environment due to personnel shortages, rising construction costs, and a shrinking rental housing market caused by declining birthrates, an aging population, and a shrinking population. Under such conditions, in order for our Group to further develop as a comprehensive real estate and construction company in the future, it is necessary for each business to formulate its own growth strategy and to strengthen and expand its business base, while at the same time strengthening cooperation among the various businesses. To this end, we have decided on this demerger because it will enable us to promote the growth of the whole Group by further increasing the speed of management by building a structure specialized for each business, clarifying authority and responsibility, and accelerating decision making.

(2) Overview of accounting processing

The demerger is expected to be processed as a transaction under common control based on the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."