

Financial Summary of Fiscal Year Ended July 2020 (Japanese GAAP) (Consolidated)

September 14, 2020

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) President & Representative Director
 (Position) Director and
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 Scheduled date of annual general meeting of shareholders: October 28, 2020 Scheduled date for start of dividend payment: October 29, 2020
 Scheduled date of submission of annual securities report: October 30, 2020
 Supplementary earnings presentation material: No
 Accounts briefing meeting held? Yes/No: No

(Amounts are rounded down to the nearest million yen)

1. Consolidated results for the fiscal year ended July 2020 (from August 1, 2019 to July 31, 2020)

(1) Consolidated operating results (% 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	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended July 2020	9,907	(6.9)	551	23.1	444	52.8	305	121.5
Fiscal year ended July 2019	10,638	(26.5)	448	(83.7)	291	(88.9)	138	(93.9)

(Note) Comprehensive income Fiscal year ended July 2020 302 million yen (144.1%) Fiscal year ended July 2019 123 million yen (-94.5%)

	Basic profit per share	Diluted profit per share	Return on equity	Return on assets	Operating margin
	yen	yen	%	%	%
Fiscal year ended July 2020	12.96	-	7.2	3.9	5.6
Fiscal year ended July 2019	5.85	-	3.3	2.7	4.2

(Reference) Share of profit (loss) of entities accounted for using equity method Fiscal year ended July 2020 - million yen Fiscal year ended July 2019 - million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of July 2020	11,448	4,372	38.1	184.69
As of July 2019	11,521	4,190	36.3	176.98

(Reference) Equity As of July 2020 4,361 million yen As of July 2019 4,179 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Fiscal year ended July 2020	1,099	(0)	(438)	2,277
Fiscal year ended July 2019	(1,538)	371	1,208	1,617

2. Dividends

	Annual dividend					Total dividend amount (total)	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Fiscal year ended July 2019	-	0.00	-	5.00	5.00	118	85.5	2.8
Fiscal year ended July 2020	-	0.00	-	5.00	5.00	118	38.6	2.8
Fiscal year ending July 2021 (Forecast)	-	0.00	-	5.00	5.00		36.9	

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

(Percentages show year-on-year changes)

	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
First two quarters	4,400	(24.1)	230	(29.1)	230	(18.3)	180	77.4	7.62
Full year	10,600	7.0	590	6.9	500	12.4	320	45.8	13.55

* Explanatory notes

(1) Changes in significant subsidiaries during fiscal year (Changes in specified subsidiaries resulting in change in scope of consolidation): None

Newly included: — companies (Company name) — Excluded: — companies (Company name) —

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

- 1) Changes in accounting policies due to amendment of accounting standards, etc.: No
- 2) Changes in accounting policies other than 1): No
- 3) Changes in accounting estimates: No
- 4) Restatement: No

(3) Number of shares issued and outstanding (common shares)

1) Number of shares issued and outstanding (including treasury shares) at end of fiscal year	As of July 31, 2020	24,661,000	sh ar es	As of July 31, 2019	24,661,000	sh ar es
2) Number of treasury shares at end of fiscal year	As of July 31, 2020	1,047,160	sh ar es	As of July 31, 2019	1,047,160	sh ar es
3) Average number of shares during fiscal year	Fiscal year ended July 2020	23,613,840	sh ar es	Fiscal year ended July 2019	23,613,840	sh ar es

(Reference) Overview of non-consolidated results

1. Non-consolidated results for fiscal year ended July 2020 (from August 1, 2019 to July 31, 2020)

(1) Non-consolidated operating results (% figures show the rate of increase (decrease) compared with the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended July 2020	7,435	(6.7)	287	(0.3)	254	34.7	212	342.7
Fiscal year ended July 2019	7,967	19.1	288	(54.2)	189	(61.1)	47	(93.1)

	Basic profit per share	Diluted profit per share
	yen	yen
Fiscal year ended July 2020	8.99	-
Fiscal year ended July 2019	2.03	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of July 2020	7,230	2,113	29.2	89.50
As of July 2019	7,260	2,025	27.9	85.76

(Reference) Equity As of July 2020 2,113 million yen As of July 2019 2,025 million yen

* The financial summary is outside the scope of the audit conducted by a certified public accountant or auditing 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. Overview of Operating Results" on page 1.

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1. Overview of Operating Results

(1) Overview of Business Performance

In the fiscal year ended 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 domestic and overseas economic activities.

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 made the following efforts in each business segment.

In the real estate sales business, the Group actively purchased and sold properties under the main brand names, MIJAS and EL FARO, and delivered 14 properties in the outskirts of Tokyo. The Group developed a variety of products to find potential customers who are considering leasing properties to expand earnings. It developed and provided properties in the ME BLD. series in the real estate renovation business.

In the real estate leasing business, the Group also actively promoted communication by holding seminars on topics such as issues in leasing and inheritance tax measures for existing owners, while seeking to improve the quality of rental management services leading to the maintenance of high occupancy rates and the increase in the number of units under management.

In the real estate brokerage business, the Group made efforts to obtain earnings with the introduction of properties in line with customer needs through its unique information network, which includes other businesses, such as the real estate sales business.

Regarding the contracting business, the Group sought to expand earnings with the “MIJAS” series properties designed and constructed by the Group, and the reform and renovations in line with the characteristics of other properties under management.

Consolidated net sales in the fiscal year ended July 2020 stood at 9,907 million yen (down 6.9% year on year), reflecting the above and the stagnation and scaling down of sales activities after the declaration of a state of emergency, which resulted in a delay in the sales of properties planned in the fiscal year under review to the next fiscal year. However, operating income and ordinary income rose to 551 million yen (up 23.1% year on year) and 444 million yen (up 52.8% year on year), respectively, chiefly due to a stable profit margin and amount of profit from the sale of each property and an active reduction in selling and administrative expenses. The Company carefully examined the recoverability of deferred tax assets in consideration of results in the fiscal year under review and the expected performance trends and posted additional deferred tax assets in the fourth quarter of the fiscal year ended July 2020. Profit attributable to owners of parent reflected that and came to 305 million yen (up 121.5% year on year).

The performance of each segment is as follows.

[Real estate sales business]

In the real estate sales business, we sold nine properties in the “MIJAS” series (apartment development project) and five properties in the “EL FARO” series (premium rental apartment project). We sold three properties in Tokyo in the real estate renovation business as well as development project lots. As a result, net sales totaled 7,487 million yen (down 7.9% year on year) and segment income totaled 377 million yen (up 9.9% year on year).

[Real estate leasing business]

In the real estate leasing business, mainly due to property management fees resulting from the steady increase in the number of units under management in the management business of a real estate management company in the Group, net sales totaled 2,143 million yen (down 4.1% from the previous fiscal year) and segment income totaled 331 million yen (up 43.0% from the previous fiscal year).

[Real estate brokerage business]

In the real estate brokerage business, brokerage fees were received in the Kansai area. Net sales were 1 million yen (down 94.4% year on year) and segment income was 1 million yen (down 92.8% year on year).

[Contracting business]

Regarding the contracting business, mainly due to the execution of construction contracts as well as reform work, net sales totaled 263 million yen (up 3.5% from the previous fiscal year) and segment income totaled 18 million yen (down 38.9% from the previous fiscal year).

[Other]

This section refers to business segments not included in the segments to be reported. Mainly due to insurance agency operations, net sales totaled 35 million yen (down 13.6% from the previous fiscal year) and segment income totaled 34 million yen (down 13.3% from the previous fiscal year).

(2) Overview of Financial Position

(Status of assets, liabilities and net assets)

Total assets for the fiscal year ended July 2020 decreased by 72 million yen compared to the end of the previous fiscal year to 11,448 million yen. This is mainly due to collections of accrued interest on loans to subsidiaries and associates of 76 million yen.

The balance of liabilities decreased by 255 million yen from the end of the previous fiscal year to 7,075 million yen. Major factors include a decrease in short-term loans payable of 1,063 million yen due to repayment using funds from the sale of properties, which is partly offset by an increase in long-term loans payable (including the current portion of long-term loans payable) of 782 million yen for acquiring development business lots, etc.

Net assets increased by 182 million yen from the end of the previous fiscal year to 4,372 million yen, while the equity ratio increased by 1.8 points from the end of the previous fiscal year to 38.1%. Major factors include an increase of 305 million yen due to the posting of profit attributable to owners of parent and the payment of dividends of 118 million yen.

(3) Overview of Cash Flow

The balance of cash and cash equivalents (hereinafter referred to as "funds") at the end of the fiscal year under review increased by 659 million yen from the end of the previous fiscal year to 2,277 million yen. The status of each cash flow in the fiscal year under review and the reasons are as follows.

[Cash flows from operating activities]

Funds generated from operating activities was 1,099 million yen (the previous fiscal year recorded an expenditure of 1,538 million yen). This is chiefly due to an increase of 285 million yen attributable to profit before income taxes and an increase of 604 million yen due to the sale of inventories.

[Cash flows from investing activities]

No funds were used for investing activities (the previous fiscal year recorded an income of 371 million yen). This is attributable mainly to a decrease of 1 million yen chiefly due to purchase of property, plant and equipment.

[Cash flows from financing activities]

Funds used for financing activities was 438 million yen (the previous fiscal year recorded an income of 1,208 million yen). This is attributable mainly to a decrease of 281 million yen due to repayments of short-term and long-term borrowings for acquiring development business lots, etc. and a decrease of 118 million yen due to dividends paid.

(Reference) Cash flow-related indicators

	Fiscal year ended July 2017	Fiscal year ended July 2018	Fiscal year ended July 2019	Fiscal year ended July 2020
Equity ratio (%)	31.0	41.2	36.3	38.1

Equity ratio based on market value (%)	56.4	131.7	53.9	42.1
Ratio of interest-bearing debt to cash flow (year)	—	2.1	—	5.4
Interest coverage ratio (times)	—	19.8	—	8.9

(Note) Equity ratio = Equity / Total assets

Equity ratio based on market value = Market capitalization / Total assets

Ratio of interest-bearing debt to cash flow = Interest-bearing debt / Operating cash flow

Interest coverage ratio = Operating cash flow / Interest payments

* All of the above are calculated using the consolidated financial data.

* Market capitalization is calculated based on the number of common shares issued and outstanding excluding treasury shares.

* “Net cash provided by (used in) operating activities” and “Interest expenses paid” recorded in the consolidated statement of cash flows are used for operating cash flow and interest payments

(4) Future Outlook

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. In the fiscal year ending July 2021, to secure more stable income, we will work to develop products that meet a range of customer needs, including the premium rental apartment series EL FARO, the real estate renovation project ME BLD., and real estate securitization business, in addition to the mainstay MIJAS series, which will enter a new development stage (the first property was supplied in 2014, and the 100th (MIJAS Ikebukuro) will be supplied).

In the earnings forecast for the next 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.

The base of our main business remains strong, and the status of purchasing and sales is also favorable. We will promote the business activities as a group to further increase profits.

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.

(5) Important Matters Related to Going Concern Assumption

Not applicable.

2. Basic Approach to Selection of Accounting Standards

The Group plans to create consolidated financial statements based on the Japanese standards for the time being, considering the comparability of periods in consolidated financial statements and among corporations.

As for the application of IFRS, the Group plans to appropriately respond to the standards by considering domestic and international affairs.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	Fiscal year ended July 2019 (as of July 31, 2019)	Fiscal year ended July 2020 (as of July 31, 2020)
Assets		
Current assets		
Cash and deposits	1,684,961	2,344,133
Accounts receivable	34,400	30,776
Real estate for sale	3,254,500	3,476,655
Real estate for sale in process	3,760,977	2,932,945
Short-term loans receivable from subsidiaries and associates	1,550,000	1,550,000
Other	229,585	78,642
Allowance for doubtful accounts	(1,276)	(833)
Total current assets	10,513,149	10,412,321
Non-current assets		
Property, plant and equipment		
Buildings and structures	184,209	184,209
Accumulated depreciation	(4,037)	(13,115)
Buildings and structures, net	180,172	171,093
Land	428,215	428,215
Leased assets	5,264	8,061
Accumulated depreciation	(877)	(2,070)
Leased assets, net	4,387	5,990
Other	17,437	17,811
Accumulated depreciation	(13,508)	(14,199)
Other, net	3,929	3,611
Total property, plant and equipment	616,704	608,911
Intangible assets	1,434	639
Investments and other assets		
Investment securities	40,962	35,007
Long-term loans receivable	429,732	429,276
Long-term accrued revenue	422,000	421,400
Deferred tax assets	94,297	146,357
Other	249,941	240,844
Allowance for doubtful accounts	(847,000)	(846,400)
Total investments and other assets	389,934	426,485
Total non-current assets	1,008,073	1,036,035
Total assets	11,521,222	11,448,357

(Unit: thousand yen)

	Fiscal year ended July 2019 (as of July 31, 2019)	Fiscal year ended July 2020 (as of July 31, 2020)
Liabilities		
Current liabilities		
Accounts payable	286,135	127,076
Short-term loans payable	2,660,020	1,596,507
Current portion of long-term loans payable	1,228,576	1,569,968
Current portion of bonds	36,000	36,000
Lease obligations	1,117	1,713
Income taxes payable	10,028	18,021
Provision for bonuses	37,191	45,805
Other	461,339	685,790
Total current liabilities	4,720,406	4,080,883
Non-current liabilities		
Long-term loans payable	2,254,090	2,694,981
Bonds payable	94,000	58,000
Lease obligations	3,674	4,932
Other	258,686	236,574
Total non-current liabilities	2,610,450	2,994,488
Total liabilities	7,330,857	7,075,372
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus	1,495,610	1,495,610
Retained earnings	2,959,739	3,147,668
Treasury shares	(380,474)	(380,474)
Total shareholders' equity	4,174,875	4,362,804
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,288	(1,666)
Total accumulated other comprehensive income	4,288	(1,666)
Non-controlling interests	11,200	11,847
Total net assets	4,190,365	4,372,984
Total liabilities and net assets	11,521,222	11,448,357

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

Consolidated Statement of Income

(Unit: thousand yen)

	Fiscal year ended July 2019 (August 1, 2018 to July 31, 2019)	Fiscal year ended July 2019 (August 1, 2019 to July 31, 2020)
Net sales	10,638,169	9,907,392
Cost of sales	9,109,874	8,358,473
Gross profit	1,528,294	1,548,919
Selling, general and administrative expenses	1,079,872	997,099
Operating income	448,422	551,819
Non-operating income		
Interest income	50,430	46,712
Penalty income	10,758	8,757
Compensation received	3,528	2,612
Insurance claim income	1,080	10,229
Surrender value of insurance policies	1,764	1,818
Reversal of allowance for doubtful accounts	1,808	1,042
Other	1,409	3,562
Total non-operating income	70,779	74,734
Non-operating expenses		
Interest expenses	157,602	122,105
Commissions paid	65,055	56,925
Other	5,450	2,829
Total non-operating expenses	228,109	181,861
Ordinary income	291,092	444,693
Extraordinary losses		
Surcharge payment	-	24,000
Special investigation expenses	-	135,466
Total extraordinary losses	-	159,466
Profit before income taxes	291,092	285,227
Income taxes - current	21,147	28,654
Income taxes - deferred	131,244	(52,059)
Total income taxes	152,391	(23,404)
Profit	138,700	308,631
Profit attributable to non-controlling interests	566	2,646
Profit attributable to owners of parent	138,134	305,985

Consolidated Statement of Comprehensive Income

(Unit: thousand yen)

	Fiscal year ended July 2019 (August 1, 2018 to July 31, 2019)	Fiscal year ended July 2019 (August 1, 2019 to July 31, 2020)
Profit	138,700	308,631
Other comprehensive income		
Valuation difference on available-for-sale securities	(14,716)	(5,955)
Total other comprehensive income	(14,716)	(5,955)
Comprehensive income	123,984	302,676
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	123,417	300,030
Comprehensive income attributable to non-controlling interests	566	2,646

(3) Consolidated Statement of Changes in Equity

Fiscal year ended July 2019 (from August 1, 2018 to July 31, 2019)

(Unit: thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	100,000	1,495,610	3,010,515	(380,474)	4,225,651
Changes of items during period					
Profit attributable to owners of parent			138,134		138,134
Dividends of surplus			(188,910)		(188,910)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	(50,776)	—	(50,776)
Balance at end of current period	100,000	1,495,610	2,959,739	(380,474)	4,174,875

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of current period	19,005	19,005	12,634	4,257,291
Changes of items during period				
Profit attributable to owners of parent				138,134
Dividends of surplus				(188,910)
Net changes of items other than shareholders' equity	(14,716)	(14,716)	(1,433)	(16,149)
Total changes of items during period	(14,716)	(14,716)	(1,433)	(66,926)
Balance at end of current period	4,288	4,288	11,200	4,190,365

Fiscal year ended July 2020 (from August 1, 2019 to July 31, 2020)

(Unit: thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	100,000	1,495,610	2,959,739	(380,474)	4,174,875
Changes of items during period					
Profit attributable to owners of parent			305,985		305,985
Dividends of surplus			(118,056)		(118,056)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	187,929	—	187,929
Balance at end of current period	100,000	1,495,610	3,147,668	(380,474)	4,362,804

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of current period	4,288	4,288	11,200	4,190,365
Changes of items during period				
Profit attributable to owners of parent				305,985
Dividends of surplus				(118,056)
Net changes of items other than shareholders' equity	(5,955)	(5,955)	646	(5,308)
Total changes of items during period	(5,955)	(5,955)	646	182,621
Balance at end of current period	(1,666)	(1,666)	11,847	4,372,984

(4) Consolidated Statement of Cash Flows

(Unit: thousand yen)

	Fiscal year ended July 2019 (August 1, 2018 to July 31, 2019)	Fiscal year ended July 2019 (August 1, 2019 to July 31, 2020)
Cash flows from operating activities		
Profit before income taxes	291,092	285,227
Depreciation	5,181	12,782
Increase (decrease) in allowance for doubtful accounts	(1,832)	(1,042)
Increase (decrease) in provision for bonuses	(17,838)	8,613
Interest and dividend income	(50,808)	(47,090)
Interest expenses and interest on corporate bonds	157,862	122,542
Decrease (increase) in notes and accounts receivable - trade	12,625	3,623
Decrease (increase) in inventories	(1,649,662)	604,544
Increase (decrease) in accounts payable	128,719	(159,058)
Increase (decrease) in advances received	48,609	(17,392)
Increase (decrease) in deposits received	(83,611)	244,616
Other	52,831	61,562
Subtotal	(1,106,832)	1,118,928
Interest and dividend income received	641	124,067
Interest expenses paid	(154,999)	(122,925)
Income taxes paid	(279,739)	(41,289)
Income taxes refund	2,326	20,500
Net cash provided by (used in) operating activities	(1,538,603)	1,099,280
Cash flows from investing activities		
Other payment into deposits	(13,430)	(61,480)
Other proceeds from withdrawal of deposits	10,120	62,110
Acquisition of property, plant and equipment and intangible assets	(492)	(1,397)
Sales of golf membership	350	-
Proceeds from collection of loans	375,447	451
Financing expenditure	(470)	(620)
Net cash provided by (used in) investing activities	371,524	(936)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	1,580,106	(1,063,512)
Repayments of lease obligations	(1,096)	(1,257)
Proceeds from long-term loans payable	3,061,010	4,255,500
Repayments of long-term loans payable	(3,297,056)	(3,473,215)
Proceeds from issuance of bonds	76,591	-
Redemption of bonds	(20,000)	(36,000)
Dividends paid	(188,910)	(118,056)
Dividends paid to non-controlling interests	(2,000)	(2,000)
Net cash provided by (used in) financing activities	1,208,645	(438,541)
Net increase (decrease) in cash and cash equivalents	41,565	659,801
Cash and cash equivalents at beginning of period	1,575,969	1,617,535
Cash and cash equivalents at end of period	1,617,535	2,277,337

(5) Notes to Consolidated Financial Statements

(Notes Related to Going Concern Assumption)

Not applicable.

(Segment Information, etc.)

(Segment Information)

1. Difference Between Total Amount in Reporting Segment and Amount Recorded in Consolidated Financial Statements and Breakdown of Differences (Matters Concerning Adjustment of Differences)

Fiscal year ended July 2019 (from August 1, 2018 to July 31, 2019)

(Unit: thousand yen)

	Reporting segment					Other	Total	Reconciliation (Note)	Amount recorded in consolidated financial statements
	Real estate sales business	Real estate leasing business	Real estate brokerage business	Contracting business	Total				
Net sales									
Net sales to external customers	8,133,100	2,234,213	26,822	203,146	10,597,283	40,886	10,638,169	—	10,638,169
Intersegment net sales or transfers	—	—	—	51,165	51,165	—	51,165	(51,165)	—
Total	8,133,100	2,234,213	26,822	254,311	10,648,448	40,886	10,689,334	(51,165)	10,638,169
Segment income	343,162	231,561	18,291	30,677	623,693	39,406	663,100	(214,677)	448,422
Segment assets	7,946,995	1,437,337	2,608	266,627	9,653,568	9,882	9,663,451	1,857,771	11,521,222
Other items									
Depreciation	64	2,689	—	—	2,754	—	2,754	2,426	5,181
Interest expenses	152,364	4,223	—	—	156,588	—	156,588	1,014	157,602
Increase in property, plant and equipment and intangible assets	—	600,939	—	—	600,939	—	600,939	5,264	606,204

(Notes) Reconciliations are as follows:

- (1) The reconciliation of segment income of -214,677 thousand yen is comprised of 21,781 thousand yen of elimination of inter-segment transactions and -236,459 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.
- (2) The reconciliation of segment assets of 1,857,771 thousand yen comprises -30,044 thousand yen of elimination of inter-segment transactions and 1,887,815 thousand yen of company assets not distributed to the reporting segments. Company assets are short-term loans receivable from subsidiaries and associates, investment securities, assets concerning the general management department, etc.
- (3) The reconciliation of depreciation of 2,426 thousand yen and the increase in property, plant and equipment, and intangible assets of 5,264 thousand yen all concern company assets.
- (4) The reconciliation of interest expenses of 1,014 thousand yen includes loan interest for loans other than those concerning specified properties.

Fiscal year ended July 2020 (from August 1, 2019 to July 31, 2020)

(Unit: thousand yen)

	Reporting segment					Other	Total	Reconciliation (Note)	Amount recorded in consolidated financial statements
	Real estate sales business	Real estate leasing business	Real estate brokerage business	Contracting business	Total				
Net sales									
Net sales to external customers	7,487,728	2,143,133	1,503	239,689	9,872,054	35,338	9,907,392	—	9,907,392
Intersegment net sales or transfers	—	—	—	23,516	23,516	—	23,516	(23,516)	—
Total	7,487,728	2,143,133	1,503	263,205	9,895,570	35,338	9,930,908	(23,516)	9,907,392
Segment income	377,065	331,175	1,322	18,757	728,319	34,183	762,502	(210,683)	551,819
Segment assets	7,927,951	1,421,349	582	279,747	9,629,630	9,558	9,639,189	1,809,167	11,448,357
Other items									
Depreciation	64	9,750	—	—	9,814	—	9,814	2,967	12,782
Interest expenses	112,213	5,135	—	—	117,349	—	117,349	4,756	122,105
Increase in property, plant and equipment and intangible assets	—	1,178	—	—	1,178	—	1,178	219	1,397

(Notes) Reconciliations are as follows:

- (1) The reconciliation of segment income of -210,683 thousand yen is comprised of 10,230 thousand yen of elimination of inter-segment transactions and -200,452 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.
- (2) The reconciliation of segment assets of 1,809,167 thousand yen comprises -11,740 thousand yen of elimination of inter-segment transactions and 1,820,907 thousand yen of company assets not distributed to the reporting segments. Company assets are short-term loans receivable from subsidiaries and associates, investment securities, assets concerning the general management department, etc.
- (3) The reconciliation of depreciation of 2,967 thousand yen and the increase in property, plant and equipment, and intangible assets of 219 thousand yen all concern company assets.
- (4) The reconciliation of interest expenses of 4,756 thousand yen includes loan interest for loans other than those concerning specified properties.

(Per Share Information)

	Fiscal year ended July 2019 (August 1, 2018 to July 31, 2019)	Fiscal year ended July 2019 (August 1, 2019 to July 31, 2020)
Net assets per share	176.98 yen	184.69 yen
Profit per share	5.85 yen	12.96 yen

(Note 1) Diluted profit per share is not indicated because there are no potential shares.

(Note 2) The basis of calculation of profit per share is as follows.

Item	Fiscal year ended July 2019 (August 1, 2018 to July 31, 2019)	Fiscal year ended July 2019 (August 1, 2019 to July 31, 2020)
Profit per share		
Profit attributable to owners of parent (thousand yen)	138,134	305,985
Amount not attributable to common shareholders (thousand yen)	—	—
Profit attributable to owners of parent concerning common shares (thousand yen)	138,134	305,985
Average number of common shares during the fiscal year (shares)	23,613,840	23,613,840

(Note 3) The basis of calculation of net assets per share is as follows.

Item	Fiscal year ended July 2019 (as of July 31, 2019)	Fiscal year ended July 2020 (as of July 31, 2020)
Total of net assets (thousand yen)	4,190,365	4,372,984
Amount deducted from total of net assets (thousand yen)	11,200	11,847
[Of this, non-controlling interests (thousand yen)]	[11,200]	[11,847]
Net assets at end of fiscal year concerning common shares (thousand yen)	4,179,164	4,361,137
Number of common shares at end of fiscal year used for calculation of net assets per share	23,613,840	23,613,840

(Subsequent Events)

Not applicable.

4. Non-Consolidated Financial Statements and Main Notes

(1) Balance Sheet

(Unit: thousand yen)

	Fiscal year ended July 2019 (as of July 31, 2019)	Fiscal year ended July 2020 (as of July 31, 2020)
Assets		
Current assets		
Cash and deposits	761,375	1,420,561
Accounts receivable	929	-
Real estate for sale	2,139,352	2,464,526
Real estate for sale in process	3,748,875	2,840,476
Stored goods	1,411	2,890
Advance payments	32,251	29,582
Prepaid expenses	6,124	5,816
Accrued revenue	285,423	113,873
Other	50,418	55,350
Total current assets	7,026,163	6,933,077
Non-current assets		
Property, plant and equipment		
Buildings	8,464	8,464
Accumulated depreciation	(2,656)	(3,016)
Buildings, net	5,807	5,447
Tools, equipment and fixtures	3,642	3,266
Accumulated depreciation	(2,712)	(2,469)
Tools, equipment and fixtures, net	930	796
Leased assets	5,264	5,264
Accumulated depreciation	(877)	(1,930)
Leased assets, net	4,387	3,334
Total property, plant and equipment	11,126	9,578
Intangible assets	317	209
Investments and other assets		
Investment securities	39,662	33,707
Shares of related companies	73,601	73,601
Long-term loans receivable	425,000	425,000
Long-term loans receivable to employees	4,732	4,276
Long-term accrued revenue	422,000	421,400
Deferred tax assets	60,225	132,166
Other	44,171	43,752
Allowance for doubtful accounts	(847,000)	(846,400)
Total investments and other assets	222,393	287,504
Total non-current assets	233,836	297,292
Total assets	7,260,000	7,230,369

(Unit: thousand yen)

	Fiscal year ended July 2019 (as of July 31, 2019)	Fiscal year ended July 2020 (as of July 31, 2020)
Liabilities		
Current liabilities		
Accounts payable	137,676	60,968
Short-term loans payable	2,380,720	1,550,974
Current portion of long-term loans payable	1,148,368	1,530,560
Current portion of bonds	36,000	36,000
Lease obligations	1,117	1,137
Accounts payable	62,900	20,951
Accrued expenses	2,511	3,360
Advances received	51,500	10,000
Deposits received	28,380	21,534
Provision for bonuses	14,425	22,646
Other	80	18,375
Total current liabilities	3,863,678	3,276,511
Non-current liabilities		
Long-term loans payable	1,265,250	1,771,749
Bonds payable	94,000	58,000
Lease obligations	3,674	2,536
Deposits on contract	8,242	8,242
Total non-current liabilities	1,371,166	1,840,528
Total liabilities	5,234,844	5,117,039
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus		
Other capital surplus	1,488,913	1,488,913
Total capital surplus	1,488,913	1,488,913
Retained earnings		
Legal retained earnings	18,891	25,000
Other retained earnings		
Retained earnings brought forward	793,537	881,558
Total retained earnings	812,428	906,558
Treasury shares	(380,474)	(380,474)
Total shareholders' equity	2,020,866	2,114,996
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,288	(1,666)
Total valuation and translation adjustments	4,288	(1,666)
Total net assets	2,025,155	2,113,330
Total liabilities and net assets	7,260,000	7,230,369

(2) Statement of Income

(Unit: thousand yen)

	Fiscal year ended July 2019 (August 1, 2018 to July 31, 2019)	Fiscal year ended July 2019 (August 1, 2019 to July 31, 2020)
Net sales		
Real estate sales	7,819,179	7,300,853
Real estate leasing income	115,635	129,510
Real estate brokerage income	26,573	-
Other	6,523	5,371
Total net sales	7,967,911	7,435,735
Cost of sales		
Real estate sales costs	6,991,558	6,509,523
Real estate leasing costs	60,286	67,965
Real estate brokerage costs	7,857	-
Other	2,100	34
Total cost of sales	7,061,802	6,577,523
Gross profit	906,109	858,211
Selling, general and administrative expenses	617,744	570,750
Operating income	288,364	287,461
Non-operating income		
Interest income	794	648
Dividend income	100,377	100,389
Penalty income	280	5,056
Compensation received	3,526	2,600
Insurance claim income	443	10,229
Surrender value of insurance policies	1,706	1,800
Reversal of allowance for doubtful accounts	800	600
Other	237	2,524
Total non-operating income	108,166	123,848
Non-operating expenses		
Interest expenses	141,708	111,019
Commissions paid	61,225	44,182
Other	4,473	1,361
Total non-operating expenses	207,407	156,563
Ordinary income	189,123	254,747
Extraordinary losses		
Surcharge payment	-	24,000
Special investigation expenses	-	135,466
Total extraordinary losses	-	159,466
Profit before income taxes	189,123	95,281
Income taxes - current	(5,779)	(44,977)
Income taxes - deferred	146,971	(71,940)
Total income taxes	141,191	(116,918)
Profit	47,932	212,199

(3) Statement of Changes in Equity

Fiscal year ended July 2019 (from August 1, 2018 to July 31, 2019)

(Unit: thousand yen)

	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		
		Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings
				Retained earnings brought forward		
Balance at beginning of current period	100,000	1,488,913	1,488,913	—	953,406	953,406
Changes of items during period						
Profit					47,932	47,932
Dividends of surplus				18,891	(207,801)	(188,910)
Net changes of items other than shareholders' equity						
Total changes of items during period	—	—	—	18,891	(159,869)	(140,978)
Balance at end of current period	100,000	1,488,913	1,488,913	18,891	793,537	812,428

	Shareholders' equity		Accumulated other comprehensive income		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income	
Balance at beginning of current period	(380,474)	2,161,845	19,005	19,005	2,180,850
Changes of items during period					
Profit		47,932			47,932
Dividends of surplus		(188,910)			(188,910)
Net changes of items other than shareholders' equity			(14,716)	(14,716)	(14,716)
Total changes of items during period	—	(140,978)	(14,716)	(14,716)	(155,695)
Balance at end of current period	(380,474)	2,020,866	4,288	4,288	2,025,155

Fiscal year ended July 2020 (from August 1, 2019 to July 31, 2020)

(Unit: thousand yen)

	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		
		Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings
				Retained earnings brought forward		
Balance at beginning of current period	100,000	1,488,913	1,488,913	18,891	793,537	812,428
Changes of items during period						
Profit					212,199	212,199
Dividends of surplus				6,108	(124,178)	(118,069)
Net changes of items other than shareholders' equity						
Total changes of items during period	—	—	—	6,108	88,021	94,130
Balance at end of current period	100,000	1,488,913	1,488,913	25,000	881,558	906,558

	Shareholders' equity		Accumulated other comprehensive income		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income	
Balance at beginning of current period	(380,474)	2,020,866	4,288	4,288	2,025,155
Changes of items during period					
Profit		212,199			212,199
Dividends of surplus		(118,069)			(118,069)
Net changes of items other than shareholders' equity			(5,955)	(5,955)	(5,955)
Total changes of items during period	—	94,130	(5,955)	(5,955)	88,175
Balance at end of current period	(380,474)	2,114,996	(1,666)	(1,666)	2,113,330