



## Financial Summary of Fiscal Year Ended July 2017 (Japanese GAAP) (Consolidated)

September 14, 2017

Name of listed company: Meiho Enterprise Co., Ltd. Listing exchange: Tokyo Stock Exchange  
 Code: 8927 URL: <http://www.meiho-est.com/>  
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 Scheduled date for next regular general meeting of shareholders: October 26, 2017  
 Scheduled date for submission of periodic securities report: October 30, 2017  
 Scheduled date for start of dividend payment: -  
 Supplementary explanatory materials created for accounts? Yes/No: No  
 Accounts briefing meeting held? Yes/No: No

(Amounts are rounded down to the nearest million yen)

### 1. Consolidated results for fiscal year ended July 2017 (from August 1, 2016 to July 31, 2017)

#### (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 2017	7,496	29.8	675	47.2	536	31.8	747	137.9
Fiscal year ended July 2016	5,774	11.5	459	38.2	406	60.3	314	31.2

Note: Comprehensive income

Fiscal year ended July 2017: 752 million yen [139.9%] Fiscal year ended July 2016: 313 million yen [27.2%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
	yen	yen	%	%	%
Fiscal year ended July 2017	30.30	—	28.2	7.5	9.0
Fiscal year ended July 2016	12.74	—	14.8	8.2	8.0

Reference: Share of profit (loss) of entities accounted for using equity method

Fiscal year ended July 2017: - million yen Fiscal year ended July 2016: - million yen

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	million yen	million yen	%	yen
Fiscal year ended July 2017	8,495	3,043	35.7	119.43
Fiscal year ended July 2016	5,738	2,292	39.7	88.75

Reference: Equity

Fiscal year ended July 2017: 3,032 million yen Fiscal year ended July 2016: 2,275 million yen

#### (3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Fiscal year ended July 2017	(1,472)	4	1,970	1,528
Fiscal year ended July 2016	(408)	(432)	953	1,024

## 2. Dividends

	Annual dividend					Total dividend amount (Total) (million yen)	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 2016	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended July 2017	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending July 2018 (Forecast)	-	0.00	-	5.00	5.00		6.9	

## 3. Consolidated earnings forecast for fiscal year ending July 2018 (from August 1, 2017 to July 31, 2018)

(% figures for the full fiscal year show the rate of increase (decrease) compared with the previous fiscal year, and % figures for the first two quarters show the rate of increase (decrease) compared with the same period of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
First two quarters	6,000	82.4	1,000	244.8	900	309.1	800	323.3	32.4
Full year	15,000	100.1	2,170	221.5	2,000	273.1	1,800	141.0	73.0

### \* 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.: None

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: None

4) Restatement: None

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

1) Number of shares issued and outstanding (including treasury shares) at end of fiscal year

Fiscal year ended July 2017	24,661,000 shares	Fiscal year ended July 2016	24,661,000 shares
Fiscal year ended July 2017	359 shares	Fiscal year ended July 2016	359 shares
Fiscal year ended July 2017	24,660,641 shares	Fiscal year ended July 2016	24,660,641 shares

2) Number of treasury shares at end of fiscal year

3) Average number of shares during fiscal year

### (Reference) Overview of non-consolidated results

#### (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 2017	5,138	54.0	534	110.2	421	140.5	671	303.3
Fiscal year ended July 2016	3,335	(7.0)	254	1.0	175	0.8	166	(15.2)

	Basic earnings per share	Diluted earnings per share
	yen	yen
Fiscal year ended July 2017	27.25	—
Fiscal year ended July 2016	6.76	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	million yen	million yen	%	yen
Fiscal year ended July 2017	5,140	2,530	49.2	99.09
Fiscal year ended July 2016	4,099	1,855	45.3	71.70

Reference: Equity  
Fiscal year ended July 2017: 2,530 million yen      Fiscal year ended July 2016: 1,855 million yen

- \* The summary of accounts is outside the scope of the audit.
- \* 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 ES-CON JAPAN. 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 5.

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## 1. Overview of Operating Results

### (1) Overview of Business Performance

In the fiscal year ended July 2017 the Japanese economy saw a trend of gradual recovery as the employment and income environment continued to improve and individual consumption was resilient. On the other hand, economic trends continue to be unpredictable and there are concerns regarding the impact on the Japanese economy from abroad. These include the impact of the withdrawal of the United Kingdom from the European Union and the new US administration's policy operations on international financial markets.

In the real estate industry in which our Group is involved, while there were fears of surging sales prices due to increases in prices of raw materials and urban land, the business environment is generally favorable as actual demand continues to be strong backed by a vitalized secondhand housing market and reform/renovation market as well as the Bank of Japan's continued policy of negative interest rates.

Under these business circumstances, the Group has implemented what it believes are the best exit strategies and sales plans with regards to its owned properties and has actively advanced movements to purchase and sell profitable real estate and lots for new business, etc. while working to stabilize the financial base in view of maintaining profitability and recovering early. In the fiscal year ended July 2017, we completed the transfer of 15 MIJAS series properties including MIJAS ROKAKOENNISHI (Setagaya Ward, Tokyo), MIJAS ASAGAYA (Suginami Ward, Tokyo) and MIJAS NERIMA (Nerima Ward, Tokyo) in inner city neighborhoods.

As a result of the above, in the fiscal year ended July 2017 the Group recorded net sales of 7,496 million yen (up 29.8% from the previous fiscal year), operating income of 675 million yen (up 47.2% from the previous fiscal year), ordinary income of 536 million yen (up 31.8% from the previous fiscal year) and profit attributable to owners of parent of 747 million yen (up 137.9% from the previous fiscal year).

The performance of the segments is as follows.

#### [Real estate sales business]

In the real estate sales business, the rental apartment development project MIJAS CHOFUKUKINODAI (Chofu, Tokyo) as well as other MIJAS series properties were sold and K520 Building (Ota Ward, Tokyo) was transferred as a secondhand condominium resale project. As a result, net sales totaled 5,252 million yen (up 39.8% from the previous fiscal year) and segment income totaled 640 million yen (up 33.0% from the previous fiscal year).

#### [Real estate leasing business]

In the real estate leasing business, due to property management fees and such, net sales totaled 1,962 million yen (up 18.6% from the previous fiscal year) and segment income totaled 152 million yen (up 129.6% from the previous fiscal year).

#### [Real estate brokerage business]

In the real estate brokerage business, with the brokerage fees such as from PIER NAKANOARAI (Nakano Ward, Tokyo), net sales totaled 36 million yen (down 64.8% from the previous fiscal year) and segment income totaled 34 million yen (down 52.9% from the previous fiscal year).

#### [Contracting business]

Regarding the contracting business, due to the execution of construction contracts as well as reform work and such, net sales totaled 250 million yen (down 9.0% from the previous fiscal year) and segment income totaled 24 million yen (down 47.2% from the previous fiscal 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 30 million yen (up 200.8% from the previous

fiscal year) and segment income totaled 28 million yen (up 246.6% from the previous fiscal year).

## (2) Overview of Financial Position

### • Status of assets, liabilities and net assets

#### (Assets)

Total assets for the fiscal year ended July 2017 increased by 2,757 million yen compared to the end of the previous fiscal year to 8,495 million yen. This is due to inventories increasing a total of 2,534 million yen and cash and deposits increasing 493 million yen with the acquisition of new business lots and purchase of secondhand renewal resale properties.

#### (Liabilities)

Moreover, liabilities increased by 206 million yen from the end of the previous fiscal year to 5,452 million yen. Contributing to this is the total decrease of 3,295 million yen in short-term and long-term loans payable (including long-term loans payable scheduled to be repaid within a year; the same follows hereafter) with repayments alongside the sale of properties, etc. as well as the increase in short-term and long-term loans payable by a total of 5,178 million yen for funds to acquire new development business lots, etc.

#### (Net assets)

Net assets increased by 750 million yen compared to the end of the previous fiscal year to 3,043 million yen while the equity ratio decreased by 4.0 points from the end of the previous fiscal year to 35.7%. This is due to total assets increasing 2,757 million yen even though net assets increased by 747 million yen due to the recording of profit attributable to owners of parent in the fiscal year.

## (3) Overview of Cash Flow

### • Status of assets, liabilities and net assets

#### [Cash flows from operating activities]

Cash flows from operating activities recorded an expenditure of 1,472 million yen (the previous fiscal year recorded an expenditure of 408 million yen) due to profit before income tax increasing by 527 million yen and the decrease of 2,024 million yen as a result of increased inventories

#### [Cash flows from investing activities]

Cash flows from investing activities recorded an income of 4 million yen (the previous fiscal year recorded an expenditure of 432 million yen) such as due to the net increase of 9 million yen in other deposits, etc.

#### [Cash flows from financing activities]

Cash flows from financing activities recorded an income of 1,970 million yen (the previous fiscal year recorded an income of 953 million yen) such as due to short-term loans payable increasing 2,945 million yen and long-term loans payable increasing 2,233 million yen for funds for the acquisition of development business lots, etc. even as short-term loans payable decreased by 934 million yen and long-term loans payable decreased by 2,360 million yen alongside the sale of properties and such.

## (4) Basic Policy on Distribution of Profit, and Dividend for the Current Fiscal Year and Next Fiscal Year

Meiho Enterprise understands the redistribution of profits to our shareholders to be an important matter of management and it is our basic policy to pay out dividends on a stable and ongoing basis.

Up to the fiscal year ended July 2017, pay out of dividends to shareholders was not possible as the redemption of First Series Preferred Stocks issued had been an existing matter of management. However, as of August 1, 2017, given that all preferred stocks have been redeemed or eliminated and in light of performance in the fiscal year ended July 2017 as well as the outlook for the next fiscal year, it was determined stock dividends would be resumed in the next fiscal year ending July 2018 for the first time in 10 terms, and ordinary dividends of 5 yen per share are being planned.

## (5) Future Outlook

Regarding the outlook for the future, lot purchasing activities and sales activities will be actively promoted, with the main business as the rental apartment brand MIJAS project (15 properties already supplied in the fiscal year ended

July 2017) which was established in the fiscal year ended July 2014, in order to secure stable sales. The MIJAS project will be developed with a planned annual supply target of around 25 properties. Furthermore, as stable financing and the establishment of a healthy financial structure are targeted, business activities will be expanded by developing the townhouse, share house and detached housing projects and secondhand condominium resale renewal projects and such in which funds can be expected to be recovered in a short period.

As for the earnings forecast for the next fiscal year ending July 2019, net sales of 15,000 million yen (up 100.1% from the previous fiscal year), operating income of 2,170 million yen (up 221.5% from the previous fiscal year), ordinary income of 2,000 million yen (up 273.1% from the previous fiscal year) and profit attributable to owners of parent of 1,800 million yen (up 141.0% from the previous fiscal year) are projected.

- (6) Important Matters Related to Going Concern Assumption  
Not Applicable.

## 2. Basic Approach to Selection of Accounting Standards

Several of the Group's interested parties are domestic shareholders, creditors, business partners, etc. and have little need for procuring funds from overseas. Therefore, Japanese standards are applied to accounting.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

(Unit: million yen)

	Fiscal year ended July 2016 (as of July 31, 2016)	Fiscal year ended July 2017 (as of July 31, 2017)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	1,064,935	1,558,814
Accounts receivable	56,593	40,502
Real estate for sale	721,034	1,008,169
Real estate for sale in process	2,288,961	4,536,114
Deferred tax assets	100,705	337,709
Other	107,315	125,448
Allowance for doubtful accounts	(1,169)	(644)
<b>Total current assets</b>	<b>4,338,376</b>	<b>7,606,115</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	9,985	9,985
Accumulated depreciation	(1,856)	(2,325)
Buildings and structures, net	8,129	7,659
Land	510,498	-
Other	17,216	18,585
Accumulated depreciation	(11,996)	(12,667)
Other, net	5,219	5,917
<b>Total property, plant and equipment</b>	<b>523,847</b>	<b>13,577</b>
<b>Intangible assets</b>	<b>4,826</b>	<b>3,434</b>
<b>Investments and other assets</b>		
Investment securities	51,134	55,308
Long-term loans receivable	438,729	436,964
Long-term accrued revenue	420,600	422,800
Other	224,399	227,669
Allowance for doubtful accounts	(263,255)	(270,005)
<b>Total investments and other assets</b>	<b>871,607</b>	<b>872,736</b>
<b>Total non-current assets</b>	<b>1,400,281</b>	<b>889,748</b>
<b>Total assets</b>	<b>5,738,658</b>	<b>8,495,863</b>



(Unit: million yen)

	Fiscal year ended July 2016 (as of July 31, 2016)	Fiscal year ended July 2017 (as of July 31, 2017)
<b>Liabilities</b>		
Current liabilities		
Accounts payable	74,295	179,762
Short-term loans payable	768,574	2,779,200
Current portion of long-term loans payable	1,846,600	1,273,266
Current portion of bonds	-	20,000
Lease obligations	657	695
Income taxes payable	45,260	2,825
Provision for bonuses	38,385	34,270
Other	352,514	311,608
Total current liabilities	3,126,287	4,601,627
Non-current liabilities		
Long-term loans payable	107,000	552,912
Bonds payable	-	70,000
Lease obligations	875	180
Other	211,885	227,542
Total non-current liabilities	319,761	850,634
Total liabilities	3,446,048	5,452,262
<b>Net assets</b>		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus	1,576,783	1,582,685
Retained earnings	586,198	1,333,492
Treasury shares	(485)	(485)
Total shareholders' equity	2,262,495	3,015,691
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,160	16,637
Total accumulated other comprehensive income	13,160	16,637
Non-controlling interests	16,953	11,271
Total net assets	2,292,609	3,043,600
Total liabilities and net assets	5,738,658	8,495,863

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

(Unit: million yen)

	Fiscal year ended July 2016 (from Aug. 1, 2015 to July 31, 2016)	Fiscal year ended July 2017 (from Aug. 1, 2016 to July 31, 2017)
Net sales	5,774,056	7,496,866
Cost of sales	4,392,257	5,915,167
Gross profit	1,381,799	1,581,698
Selling, general and administrative expenses	922,695	905,747
Operating income	459,104	675,951
Non-operating income		
Interest income	665	909
Claim for damages	1,420	1,460
Insurance income	1,094	-
Insurance cancellation refunds	1,100	1,233
Reversal of deposits	32,541	1,068
Return of point allowances	-	552
Other	3,090	1,630
Total non-operating income	39,912	6,854
Non-operating expenses		
Interest expenses	80,402	96,465
Commissions paid	9,795	45,491
Other	1,976	4,644
Total non-operating expenses	92,174	146,602
Ordinary income	406,842	536,203
Extraordinary income		
Gain on negative goodwill	4,909	-
Total extraordinary income	4,909	-
Extraordinary losses		
Provision of allowance for doubtful accounts	83,884	6,750
Appraised loss for golf membership	2,900	1,848
Total extraordinary losses	86,784	8,598
Profit before income taxes	324,967	527,604
Income taxes - current	51,416	15,791
Income taxes - deferred	(48,237)	(237,701)
Total income taxes	3,178	(221,909)
Profit	321,788	749,514
Profit attributable to non-controlling interests	7,621	2,220
Profit attributable to owners of parent	314,167	747,294

(Consolidated Statement of Comprehensive Income)

(Unit: million yen)

	Fiscal year ended July 2016 (from Aug. 1, 2015 to July 31, 2016)	Fiscal year ended July 2017 (from Aug. 1, 2016 to July 31, 2017)
Profit	321,788	749,514
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,936)	3,477
Total other comprehensive income	(7,936)	3,477
Comprehensive income	313,852	752,991
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	306,230	750,771
Comprehensive income attributable to non-controlling interests	7,621	2,220

## (3) Consolidated Statement of Changes in Equity

Fiscal year ended July 2016 (from August 1, 2015 to July 31, 2016)

(Unit: million  
yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,630,171	2,820,161	(3,502,313)	(485)	1,947,532
Changes of items during period					
Capital reduction	(2,530,171)	2,530,171			—
Make up for deficit		(3,774,344)	3,774,344		—
Change in treasury shares of parent arising from transactions with non-controlling shareholders		795			795
Increase of consolidated subsidiaries non-controlling interest					—
Profit attributable to owners of parent			314,167		314,167
Net changes of items other than shareholders' equity					—
Total changes of items during period	(2,530,171)	(1,243,377)	4,088,511	—	314,962
Balance at end of current period	100,000	1,576,783	586,198	(485)	2,262,495

(Unit: million yen)

	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	21,096	21,096	13,769	1,982,398
Changes of items during period				
Capital reduction				—
Make up for deficit				—
Change in treasury shares of parent arising from transactions with non-controlling shareholders				795
Increase of consolidated subsidiaries non-controlling interest			2,755	2,755
Profit attributable to owners of parent				314,167
Net changes of items other than shareholders' equity	(7,936)	(7,936)	429	(7,507)
Total changes of items during period	(7,936)	(7,936)	3,184	310,210
Balance at end of current period	13,160	13,160	16,953	2,292,609

Fiscal year ended July 2017 (from August 1, 2016 to July 31, 2017)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	100,000	1,576,783	586,198	(485)	2,262,495
Changes of items during period					
Change in treasury shares of parent arising from transactions with non-controlling shareholders		5,901			5,901
Profit attributable to owners of parent			747,294		747,294
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	5,901	747,294	-	753,196
Balance at end of current period	100,000	1,582,685	1,333,492	(485)	3,015,691

(Unit: million yen)

	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	13,160	13,160	16,953	2,292,609
Changes of items during period				
Change in treasury shares of parent arising from transactions with non-controlling shareholders			(7,901)	(2,000)
Profit attributable to owners of parent				747,294
Net changes of items other than shareholders' equity	3,477	3,477	2,220	5,697
Total changes of items during period	3,477	3,477	(5,681)	750,991
Balance at end of current period	16,637	16,637	11,271	3,043,600

## (4) Consolidated Statement of Cash Flows

(Unit: million yen)

	Fiscal year ended July 2016 (from Aug. 1, 2015 to July 31, 2016)	Fiscal year ended July 2017 (from Aug. 1, 2016 to July 31, 2017)
<b>Cash flows from operating activities</b>		
Profit before income taxes	324,967	527,604
Depreciation loss	4,871	4,449
Increase (decrease) in allowance for doubtful accounts	84,070	6,224
Increase (decrease) in provision for bonuses	12,323	(4,115)
Interest and dividend income	(1,044)	(1,285)
Interest expenses and interest on corporate bonds	80,402	96,701
Gain on negative goodwill	(4,909)	-
Appraised loss for golf membership	2,900	1,848
Decrease (increase) in notes and accounts receivable - trade	1,327	16,090
Decrease (increase) in inventories	(812,106)	(2,024,113)
Increase (decrease) in accounts payable	(45,134)	105,467
Increase (decrease) in advances received	31,367	13,165
Increase (decrease) in deposits received	53,487	(67,000)
Other	(47,718)	16,312
Subtotal	(315,194)	(1,308,650)
Interest and dividend income received	1,044	1,285
Interest expenses paid	(78,902)	(102,867)
Income taxes paid	(15,516)	(61,898)
Income taxes refund	23	102
Net cash provided by (used in) operating activities	(408,546)	(1,472,029)
<b>Cash flows from investing activities</b>		
Other payment into deposits	(23,671)	(17,682)
Other proceeds from withdrawal of deposits	37,520	27,250
Acquisition of property, plant and equipment and intangible assets	(520,693)	(4,421)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	76,144	-
Acquisition of golf membership	(3,600)	(1,888)
Proceeds from collection of loans	1,642	1,702
Financing expenditure	(110)	(30)
Net cash provided by (used in) investing activities	(432,767)	4,929

(Unit: million yen)

	Fiscal year ended July 2016 (from Aug. 1, 2015 to July 31, 2016)	Fiscal year ended July 2017 (from Aug. 1, 2016 to July 31, 2017)
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term loans payable	459,970	2,010,625
Repayments of lease obligations	(734)	(657)
Proceeds from long-term loans payable	2,438,500	2,233,400
Repayments of long-term loans payable	(1,938,147)	(2,360,822)
Proceeds from issuance of bonds	-	100,000
Redemption of bonds	-	(10,000)
Acquisition of subsidiary's own shares	(6,400)	-
Expenditure for purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(2,000)
Net cash provided by (used in) financing activities	953,188	1,970,546
Net increase (decrease) in cash and cash equivalents	111,874	503,446
Cash and cash equivalents at beginning of period	912,779	1,024,653
Cash and cash equivalents at end of period	1,024,653	1,528,100

(5) Notes to Consolidated Financial Statements

(Notes Related to Going Concern Assumption)

Not Applicable.

(Additional Information)

“Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No.26, March 28, 2016) is applied starting from the fiscal year ended July 2017.

(Segment Information, etc.)

(Segment Information)

1. Overview of Reporting Segments

Regarding the Group’s reporting segments, separated financial information of the Company’s units can be obtained and the segments are targeted for periodic deliberations so that the Board of Directors can determine the distribution of management resources and evaluate performances.

The Group has four reporting segments. These are the real estate sales business which sells condominiums developed by the Company or jointly, the real estate leasing business which leases residences, offices, shops and such, the real estate brokerage business which brokers for condominium lots, etc. in relation to the real estate sales business, and the contracting business which executes construction contracts as well as reform work.

2. Calculation Method of Sales, Income, Loss, Assets and Other Items for Reporting Segments

The accounting treatment method for the reporting business segments is a method that conforms to the accounting policy adopted for the preparation of the consolidated financial statements.

The income of the reporting segments are figures based on operating income.

Internal revenue and transfer volume between segments are based on actual market prices.

3. Information on Assets of Each Segment

(Considerable increase in assets by including newly established subsidiary in scope of consolidation)

In the second quarter of the fiscal year, Macros Development L.C.C. was established and included in the scope of consolidation. As a result, assets in the real estate sales business segment increased by 1,283,173 thousand yen compared to the last day of the previous fiscal year.

4. Information on Net Sales, Income or Loss, Assets and Other Item Amounts by Reporting Segment

Fiscal Year Ended July 2016 (from August 1, 2015 to July 31, 2016)

(Unit: thousand yen)

	Reporting segment					Other (Note 3)	Total	Reconciliation (Note 1)	Amount on consolidated financial statements (Note 2)
	Real estate sales business	Real estate leasing business	Real estate brokerage business	Contracting business	Total				
Net sales									
Net sales to external customers	3,755,816	1,654,223	104,713	249,203	5,763,957	10,099	5,774,056	—	5,774,056
Intersegment net sales or transfers	—	193	—	26,310	26,503	—	26,503	(26,503)	—
Total	3,755,816	1,654,416	104,713	275,514	5,790,461	10,099	5,800,560	(26,503)	5,774,056
Segment income	481,829	66,447	74,273	45,679	668,230	8,086	676,316	(217,211)	459,104
Segment assets	3,728,915	1,037,342	16,734	126,197	4,909,189	2,948	4,912,138	826,519	5,738,658
Other items									
Depreciation	—	2,391	—	—	2,391	—	2,391	2,480	4,871
Interest expenses	74,499	2,107	—	—	76,607	—	76,607	3,795	80,402
Increase in property, plant and equipment and intangible assets	—	515,785	—	—	515,785	—	515,785	4,908	520,693

(Note 1) Reconciliations are as follows:



- (1) The reconciliation of segment income of -217,211 thousand yen is comprised of -13,656 thousand yen of elimination of inter-segment transactions and -203,555 thousand yen of company expenses not distributed to the reporting segments. Company expense are primarily general and administrative expenses that are not attributable to the reporting segments.
- (2) The reconciliation of segment assets of 826,519 thousand yen is comprised of -19,459 thousand yen of elimination of inter-segment transactions and 845,979 thousand yen of company assets not distributed to the reporting segments. Company assets are cash, deposits, investment securities, assets concerning the general management department, etc. for the company submitting the consolidated financial statement and the consolidated subsidiaries.
- (3) The reconciliation depreciation of 2,480 thousand yen and the increase in property, plant and equipment, and intangible assets of 4,908 thousand yen all concern company assets.
- (4) The reconciliation of interest expenses of 3,795 thousand yen includes loan interest for loans other than those concerning specified properties.
- (Note 2) Segment income and segment assets are each adjusted to the consolidated financial statements' operating income and total assets.
- (Note 3) The "Other" section represents business segments not included in the reporting segments and is primarily comprised of the insurance agency operations.

Fiscal year Ended July 2017 (from August 1, 2016 to July 31, 2017)

	Reporting segment					Other (Note 3)	Total	Reconciliation (Note 1)	Amount on consolidated financial statements (Note 2)
	Real estate sales business	Real estate leasing business	Real estate brokerage business	Contracting business	Total				
Net sales									
Net sales to external customers	5,252,060	1,950,948	36,836	226,639	7,466,486	30,380	7,496,866	—	7,496,866
Intersegment net sales or transfers	—	11,576	—	24,067	35,644	—	35,644	(35,644)	—
Total	5,252,060	1,962,525	36,836	250,707	7,502,130	30,380	7,532,510	(35,644)	7,496,866
Segment income	640,869	152,569	34,960	24,140	852,540	28,030	880,570	(204,619)	675,951
Segment assets	6,703,557	622,677	7,327	142,206	7,475,768	8,443	7,484,212	1,011,650	8,495,863
Other items									
Depreciation	—	2,462	—	—	2,462	—	2,462	1,987	4,449
Interest expenses	95,806	—	—	—	95,806	—	95,806	659	96,465
Increase in property, plant and equipment and intangible assets	—	3,992	—	—	3,992	—	3,992	429	4,421

(Note 1) Reconciliations are as follows:

- (1) The reconciliation of segment income of -204,619 thousand yen is comprised of -6,001 thousand yen of elimination of inter-segment transactions and -198,617 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 1,011,650 thousand yen is comprised of -27,525 thousand yen of elimination of inter-segment transactions and 1,039,176 thousand yen of company assets not distributed to the reporting segments. Company assets are cash, deposits, investment securities, assets concerning the general management department, etc. for the company submitting the consolidated financial statement and the consolidated subsidiaries.
- (3) The reconciliation of depreciation of 1,987 thousand yen and increase of property, plant and equipment and intangible assets of 429 thousand yen all concern company assets.
- (4) The reconciliation of interest expenses of 659 thousand yen includes loan interest for loans other than those concerning specified properties.
- (Note 2) Segment income and segment assets are each adjusted to the operating income and total assets of consolidated financial statements.

(Note 3) The "Other" section represents business segments not included in the reporting segments and is primarily comprised of the insurance agency operations.

(Related Information)

Fiscal Year Ended July 2016 (from August 1, 2015 to July 31, 2016)

1. Information by Product and Service

This section is omitted as the classification of products and services is the same as the classification of reporting segments.

2. Information by Region

(1) Sales

This section is omitted as there are no sales other than in Japan.

(2) Property, Plant and Equipment

This section is omitted as there are no property, plant and equipment owned that is outside Japan.

3. Information by Major Client

(Unit: thousand yen)

Name of client	Sales	Segment concerned
Prospect Co., Ltd.	501,549	Real estate sales business
Urbanet Corporation Co., Ltd.	451,433	Real estate sales business

Fiscal Year Ended July 2017 (from August 1, 2016 to July 31, 2017)

1. Information by Product and Service

This section is omitted as the classification of products and services is the same as the classification of reporting segments.

2. Information by Region

(1) Sales

This section is omitted as there are no sales other than in Japan.

(2) Property, Plant and Equipment

This section is omitted as there are no property, plant and equipment owned that is outside Japan.

3. Information by Major Client

This section is omitted as there are no clients that comprise more than 10% of sales in the consolidated financial statements out of sales to external clients.

[Information on Impairment Loss on Non-Current Assets by Reporting Segment]

Not Applicable

[Information concerning Goodwill Depreciation and Undepreciated Balance by Segment to be Reported]

Not Applicable

[Information concerning Negative Goodwill by Reporting Segment]

Fiscal Year Ended July 2016 (from August 1, 2015 to July 31, 2016)

In the real estate leasing business segment, negative goodwill of 4,909 thousand yen was recorded as a result of acquiring the shares of House Saison Enterprise Co., Ltd. and making it a consolidated subsidiary.

Fiscal Year Ended July 2017 (from August 1, 2016 to July 31, 2017)

Not Applicable.

(Per Share Information)

	Fiscal year ended July 2016 (from Aug. 1, 2015 to July 31, 2016)	Fiscal year ended July 2017 (from Aug. 1, 2016 to July 31, 2017)
Net assets per share	88.75 yen	119.43 yen
Profit per share	12.74 yen	30.30 yen

- (Note) 1. Diluted profit per share is not indicated as there are no potential shares  
2. The basis of calculation of profit per share is as follows.

Item	Fiscal year ended July 2016 (from Aug. 1, 2015 to July 31, 2016)	Fiscal year ended July 2017 (from Aug. 1, 2016 to July 31, 2017)
Profit per share		
Profit attributable to owners of parent (thousand yen)	314,167	747,294
Amount not attributable to normal shares (thousand yen)	—	—
Profit attributable to owners of parent concerning normal shares (thousand yen)	314,167	747,294
Average number of normal shares during the fiscal year (shares)	24,660,641	24,660,641

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

Item	Fiscal year ended July 2016 (as of July 31, 2016)	Fiscal year ended July 2017 (as of July 31, 2017)
Total of net assets (thousand yen)	2,292,609	3,043,600
Amount deducted from total of net assets (thousand yen)	104,029	98,341
(Of this, non-controlling interests (thousand yen))	( 16,953 )	( 11,271 )
(Of this, First Series Preferred Stocks (thousand yen))	( 87,070 )	( 87,070 )
Net assets at end of fiscal year concerning normal shares (thousand yen)	2,188,585	2,945,258
Number of normal shares at end of fiscal year used for calculated of net assets per share	24,660,641	24,660,641

(Subsequent Events)

Not Applicable

## 4. Non-Consolidated Financial Statements

### (1) Balance Sheet

(Unit: million yen)

	Fiscal year ended July 2016 (as of July 31, 2016)	Fiscal year ended July 2017 (as of July 31, 2017)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	573,492	1,008,351
Accounts receivable	27	97
Real estate for sale	258,545	483,250
Real estate for sale in process	2,307,221	2,443,188
Stored goods	724	1,565
Advance payments	21,255	79,580
Prepaid expenses	8,677	4,746
Deferred tax assets	79,909	324,054
Accrued revenue	82,918	19,701
Other	3,796	10,571
Allowance for doubtful accounts	(94)	(94)
<b>Total current assets</b>	<b>3,336,472</b>	<b>4,375,012</b>
<b>Non-current assets</b>		
<b>Property</b>		
Buildings	7,549	7,549
Accumulated depreciation	(1,462)	(1,863)
Buildings, net	6,086	5,685
Tools, equipment and fixtures	3,331	2,042
Accumulated depreciation	(2,845)	(1,690)
Tools, equipment and fixtures (net amount)	485	352
<b>Total property, plant and equipment</b>	<b>6,572</b>	<b>6,037</b>
<b>Intangible assets</b>		
Leased assets	1,345	747
Other	0	193
<b>Total intangible assets</b>	<b>1,345</b>	<b>940</b>
<b>Investments and other assets</b>		
Investment securities	49,834	54,008
Shares of related companies	71,551	73,551
Long-term loans receivable	425,000	425,000
Long-term loans receivable to stockholders, directors or employees	13,729	11,964
Long-term accrued revenue	420,600	422,800
Other	38,083	41,482
Allowance for doubtful accounts	(263,255)	(270,005)
<b>Total investments and other assets</b>	<b>755,542</b>	<b>758,800</b>
<b>Total non-current assets</b>	<b>763,460</b>	<b>765,779</b>
<b>Total assets</b>	<b>4,099,932</b>	<b>5,140,791</b>

(Unit: million yen)

	Fiscal year ended July 2016 (as of July 31, 2016)	Fiscal year ended July 2017 (as of July 31, 2017)
<b>Liabilities</b>		
Current liabilities		
Accounts payable	32,043	48,856
Short-term loans payable	260,574	743,200
Current portion of long-term loans payable	1,627,500	1,073,608
Current portion of bonds	-	20,000
Lease obligations	657	695
Accounts payable	18,698	22,015
Accrued expenses	3,868	2,841
Income taxes payable	257	279
Advances received	11,423	26,000
Deposits	155,440	5,638
Provision for bonuses	18,079	18,954
Other	-	19,739
Total current liabilities	2,128,543	1,981,828
Non-current liabilities		
Long-term loans payable	107,000	549,256
Bonds payable	-	70,000
Lease obligations	875	180
Deferred tax liabilities	-	628
Deposits on contract	8,242	8,242
Total non-current liabilities	116,117	628,306
<b>Total liabilities</b>	<b>2,244,660</b>	<b>2,610,134</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus		
Other capital surplus	1,575,987	1,575,987
Total capital surplus	1,575,987	1,575,987
Retained earnings		
Other retained earnings		
Retained earnings brought forward	166,610	838,518
Total retained earnings	166,610	838,518
Treasury shares	(485)	(485)
Total shareholders' equity	1,842,112	2,514,020
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	13,160	16,637
Total valuation and translation adjustments	13,160	16,637
<b>Total net assets</b>	<b>1,855,272</b>	<b>2,530,657</b>
<b>Total liabilities and net assets</b>	<b>4,099,932</b>	<b>5,140,791</b>

## (2) Statement of Income

(Unit: million yen)

	Fiscal year ended July 2016 (from Aug. 1, 2015 to July 31, 2016)	Fiscal year ended July 2017 (from Aug. 1, 2016 to July 31, 2017)
<b>Net sales</b>		
Real estate sales	3,207,702	5,032,557
Real estate leasing income	54,815	81,262
Real estate brokerage income	72,718	22,571
Contracting business income	186	-
Other	509	2,180
<b>Total net sales</b>	<b>3,335,932</b>	<b>5,138,571</b>
<b>Cost of sales</b>		
Real estate sales costs	2,548,165	4,095,123
Real estate leasing costs	28,107	39,795
Real estate brokerage costs	27,234	1,000
Contracting business costs	27	-
Other	-	95
<b>Total cost of sales</b>	<b>2,603,534</b>	<b>4,136,013</b>
<b>Gross profit</b>	<b>732,397</b>	<b>1,002,557</b>
Selling, general and administrative expenses	478,099	467,950
<b>Operating income</b>	<b>254,297</b>	<b>534,606</b>
<b>Non-operating income</b>		
Interest income	612	471
Dividend income	377	374
Claim for damages	1,420	1,460
Insurance cancellation refunds	1,035	1,208
Reversal of deposits	-	672
Other	458	227
<b>Total non-operating income</b>	<b>3,904</b>	<b>4,414</b>
<b>Non-operating expenses</b>		
Interest expenses	72,373	75,448
Commissions paid	8,411	37,030
Other	1,976	4,644
<b>Total non-operating expenses</b>	<b>82,761</b>	<b>117,123</b>
<b>Ordinary income</b>	<b>175,440</b>	<b>421,898</b>
<b>Extraordinary losses</b>		
Provision of allowance for doubtful accounts	83,884	6,750
Appraised loss for golf membership	1,450	1,386
<b>Total extraordinary losses</b>	<b>85,334</b>	<b>8,136</b>
<b>Profit before tax</b>	<b>90,105</b>	<b>413,761</b>
Income taxes - current	(37,310)	(14,001)
Income taxes - deferred	(39,194)	(244,145)
<b>Total income taxes</b>	<b>(76,504)</b>	<b>(258,146)</b>
<b>Profit</b>	<b>166,610</b>	<b>671,908</b>

## (3) Statement of Changes in Equity

Fiscal Year Ended July 2016 (from August 1, 2015 to July 31, 2016)

(Unit: million yen)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	2,630,171	2,820,161	—	2,820,161	(3,774,344)	(3,774,344)
Changes of items during period						
Capital reduction	(2,530,171)		2,530,171	2,530,171		
Transfer from legal capital surplus to other capital surplus		(2,820,161)	2,820,161	—		
Make up for deficit			(3,774,344)	(3,774,344)	3,774,344	3,774,344
Current profit					166,610	166,610
Net changes of items other than shareholders' equity						
Total changes of items during period	(2,530,171)	(2,820,161)	1,575,987	(1,244,173)	3,940,954	3,940,954
Balance at end of current period	100,000	—	1,575,987	1,575,987	166,610	166,610

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(485)	1,675,501	21,096	21,096	1,696,598
Changes of items during period					
Capital reduction		—			—
Transfer from legal capital surplus to other capital surplus		—			—
Make up for deficit		—			—
Current profit		166,610			166,610
Net changes of items other than shareholders' equity			(7,936)	(7,936)	(7,936)
Total changes of items during period	—	166,610	(7,936)	(7,936)	158,673
Balance at end of current period	(485)	1,842,112	13,160	13,160	1,855,272

Fiscal year ended July 2017 (from August 1, 2016 to July 31, 2017)

(Unit: million yen)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
				Earned surplus carried forward		
Balance at beginning of current period	100,000	-	1,575,987	1,575,987	166,610	166,610
Changes of items during period						
Current profit					671,908	671,908
Net changes of items other than shareholders' equity						
Total changes of items during period	-	-	-	-	671,908	671,908
Balance at end of current period	100,000	-	1,575,987	1,575,987	838,518	838,518

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(485)	1,842,112	13,160	13,160	1,855,272
Changes of items during period					
Current profit		671,908			671,908
Net changes of items other than shareholders' equity			3,477	3,477	3,477
Total changes of items during period	-	671,908	3,477	3,477	675,385
Balance at end of current period	(485)	2,514,020	16,637	16,637	2,530,657