

Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2022 (under Japanese GAAP)

February 10, 2022

Name of the Listed Company: Miyakoshi Holdings, Inc.
 Listed Stock Exchanges: Tokyo Stock Exchange
 Securities Code: 6620 URL: <http://www.miyakoshi-holdings.com>
 Representative: Kunimasa Miyakoshi, Representative Director Chairman & CEO
 Contact: Keita Itakura, Director and Managing Executive Officer Tel: +81-3-3298-7111
 Scheduled date to submit securities report: February 10, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary materials on quarterly financial results: None
 Holding of financial results presentation meeting: None

(Million yen with fractional amounts rounded down)

1. Consolidated financial results for the third quarter of the fiscal year ending March 31, 2022 (April 1, 2021 to December 31, 2021)

(1) Consolidated operating results (Percentages indicate year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third quarter ended December 31, 2021	1,061	(14.1)	385	(53.5)	622	(35.5)	318	(43.8)
December 31, 2020	1,235	12.4	828	16.9	965	14.7	567	43.9

Note: Comprehensive income Third quarter ended December 31, 2021: 973 million yen (60.2%)
 Third quarter ended December 31, 2020: 607 million yen (499.0%)

	Basic earnings per share	Diluted earnings per share
Third quarter ended	Yen	Yen
December 31, 2021	7.96	–
December 31, 2020	14.17	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	25,712	24,238	89.6	576.07
As of March 31, 2021	24,780	23,265	89.7	555.30

Reference: Shareholder's equity As of December 31, 2021: 23,051 million yen As of March 31, 2021: 22,220 million yen

2. Cash dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	–	0.00	–	0.00	0.00
Fiscal year ending March 31, 2022	–	0.00	–	–	–
Fiscal year ending March 31, 2022 (forecast)	–	0.00	–	5.00	5.00

Note: Revisions to the most recently announced forecast of the dividend: No

3. Consolidated financial forecasts for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending March 31, 2022	1,250	(22.8)	580	(44.4)	930	(27.6)	510	(32.6)	12.75

Note: Revisions to the most recently announced financial forecasts: None

* **Notes**

- (1) Changes in significant subsidiaries during the period (Transfer of specified subsidiaries resulting in changes in the scope of consolidation): None
- (2) Application of specific accounting for preparing the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies other than (i): None
 - (iii) Change in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of shares issued (common shares)
 - (i) Total number of shares issued at the end of the period (including treasury shares)
As of December 31, 2021: 40,014,943 shares
As of March 31, 2021: 40,014,943 shares
 - (ii) Number of treasury shares at the end of the period
As of December 31, 2021: 563 shares
As of March 31, 2021: 563 shares
 - (iii) Average number of shares during the period (nine months)
Third quarter ended December 31, 2021: 40,014,380 shares
Third quarter ended December 31, 2020: 40,014,390 shares

* Quarterly financial results are outside the scope of the quarterly review by certified public accountants or audit corporations.

* Proper use of earnings forecasts, and other special matters

Financial results forecasts and other forward-looking statements contained in this material are based on information available to the Company as of this moment and certain assumptions that are deemed reasonable. Therefore, actual results may differ significantly from these forward-looking statements due to various factors. For assumptions underlying the forecasts and notes to the use of the forecasts, please refer to “1. Qualitative Information on Consolidated Financial Results for the Nine Months Ended December 31, 2021, (3) Explanation of Information on Future Forecasts, Including the Forecast of Consolidated Results” on page 3 of the accompanying materials.

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1. Qualitative Information on Consolidated Financial Results for the Nine Months Ended December 31, 2021

(1) Explanation of Operating Results

During the nine months ended December 31, 2021, the global economy surrounding the Miyakoshi Group remained uncertain, as a new variant of COVID-19 is spreading quickly and had a considerable impact on the economy activities, with the addition of geopolitical risks in Europe.

Meanwhile, in Shenzhen, China, where the Group has established a business presence, the economic activities were expanding rapidly, thanks to the contribution of increasing domestic consumption, as well as the cases of infections to the new variant of COVID-19 is able to be suppressed within less than one hundred, the impact on the manufacturing industry is minor.

In this environment, the Group continues worked to strengthen the revenue base for the real estate leasing and management business, and make preparation for the start of redevelopment. The Group demolished a food supply facility and refrained from taking in new tenants who planned long-term occupancy, which would involve a large investment. Furthermore, in anticipation of the redevelopment situation, the Group will refrain from renewing long-term contracts for tenants whose rental contracts will expired.

As a result, consolidated operating revenue during the nine months ended December 31, 2021, stood at 1,061 million yen (down 14.1% year on year). Operating profit amounted to 385 million yen (down 53.5% year on year), ordinary profit was 622 million yen (down 35.5% year on year), and profit attributable to owners of parent stood at 318 million yen (down 43.8% year on year).

Real Estate Development Business

Shenzhen, where the Group is advancing city redevelopment, as the central city of the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area), the largest economic zone in South China promoted by the Chinese central government, has a clear presence as an innovative engine of economic development through innovation, bringing together some of the world's most cutting-edge companies in high-tech, finance, and medicine. In this advanced Greater Bay Area, the Group is proceeding with a project to build the World Innovation Center (tentative name: WIC), a large-scale facility with a total floor area of 700,000 square meters where 200 global companies will gather from 30 countries including Japan to form a full-scale research and development base or headquarters in China.

On December of the previous year, the People's Government of Futian District approved the city renewal plan. In order to work on the renewal unit planning for the application subject (Shenzhen Crown China Electronics Co., Ltd.) in the second stage, the Group executed planning and design agreement with Urban Planning & Design Institute of Shenzhen and Nikken Sekkei Ltd on January 18, 2022, to proceed further on the development project. The Group is aiming to start the construction as soon as possible after finalizing the various conditions for the development, with the first phase to be completed in 2024 and the grand opening to take place in 2026. In addition, the Group is strengthening the Shenzhen project organization in terms of human resources by hiring and appointing redevelopment manager who is highly skilled in the construction field.

At the same time, the Group is attracting companies to WIC under the commission of the Shenzhen municipal government, and more than 80 blue-chip companies from Japan, mainly listed companies, have expressed their intent to move into WIC, as well as major companies from overseas such as the United States, Germany, France, etc. have showed strong interests for WIC. The number of companies entering the WIC is expected to rise further as the development process progresses.

Regarding the market segments of Tokyo Stock Exchange, Inc., the Group changed the sector classification on the Tokyo Stock Exchange, Inc. from "Electric Appliances" to "Real Estate" since October 1, 2021. Although the Group is currently promoting WIC as a redevelopment project in Shenzhen China, the Group is aiming to become a comprehensive investment company, and WIC project has been positioned as our first investment project.

Segment information is omitted because the Group has only one segment, namely Real estate development, leasing and management.

(2) Explanation of Financial Position

Total assets at the end of the nine months ended December 31, 2021, were 25,712 million yen, an increase of 932 million yen from the end of the previous fiscal year. This was mainly due to an increase in cash and deposits, etc. of overseas subsidiaries, reflecting fluctuations in exchange rates.

Total liabilities came to 1,474 million yen, a decrease of 40 million yen from the end of the previous fiscal year. This was chiefly attributable to a decrease in deposits received and long-term deposits received, etc.

Net assets increased 973 million yen from the end of the previous fiscal year. This was primarily due to increases in retained earnings and foreign currency translation adjustment.

(3) Explanation of Information on Future Forecasts, Including the Forecast of Consolidated Results

The forecasts for the fiscal year ending March 31, 2022, which we announced on May 14, 2021, remain unchanged. Furthermore, the forecast for the year-end dividend, which we announced on November 12, 2021, also remain unchanged.

In the future, we will promptly provide public notification in matters necessitating the revision of the forecasts.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	Previous fiscal year (As of March 31, 2021)	Third quarter under review (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	8,176	9,012
Trade accounts receivable	154	306
Other	671	727
Allowance for doubtful accounts	(18)	(152)
Total current assets	8,983	9,894
Non-current assets		
Property, plant and equipment	7	7
Intangible assets		
Goodwill	157	127
Land-use rights	896	933
Other	0	0
Total intangible assets	1,054	1,062
Investments and other assets		
Long-term loans receivable	13,368	13,340
Other	1,366	1,407
Total investments and other assets	14,734	14,748
Total non-current assets	15,796	15,818
Total assets	24,780	25,712
Liabilities		
Current liabilities		
Income taxes payable	102	85
Provisions	1	1
Other	251	227
Total current liabilities	355	314
Non-current liabilities		
Retirement benefit liability	7	7
Other	1,151	1,151
Total non-current liabilities	1,159	1,159
Total liabilities	1,515	1,474
Net assets		
Shareholders' equity		
Share capital	9,217	9,217
Capital surplus	8,962	8,962
Retained earnings	4,582	4,901
Treasury shares	(0)	(0)
Total shareholders' equity	22,762	23,081
Accumulated other comprehensive income		
Foreign currency translation adjustment	(542)	(30)
Total accumulated other comprehensive income	(542)	(30)
Non-controlling interests	1,045	1,187
Total net assets	23,265	24,238
Total liabilities and net assets	24,780	25,712

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

Quarterly consolidated statement of income

Nine months

(Million yen)

	Nine months ended December 31, 2020 (April 1, 2020 - December 31, 2020)	Nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021)
Operating revenue	1,235	1,061
Operating costs	114	130
Operating gross profit	1,121	930
Selling, general and administrative expenses	292	545
Operating profit	828	385
Non-operating income		
Interest income	127	184
Other	24	55
Total non-operating income	152	240
Non-operating expenses		
Foreign exchange losses	15	-
Loss on disposals of noncurrent assets	-	3
Other	0	-
Total non-operating expenses	15	3
Ordinary profit	965	622
Extraordinary losses		
Loss on lapse of stock warrant	-	10
Total extraordinary losses	-	10
Profit before income taxes	965	612
Income taxes - current	269	238
Income taxes - deferred	57	9
Total income taxes	326	247
Profit	639	364
Profit attributable to non-controlling interests	71	45
Profit attributable to owners of parent	567	318

Quarterly consolidated statement of comprehensive income
Nine months

(Million yen)

	Nine months ended December 31, 2020 (April 1, 2020 - December 31, 2020)	Nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021)
Profit	639	364
Other comprehensive income		
Foreign currency translation adjustment	(31)	608
Total other comprehensive income	(31)	608
Comprehensive income	607	973
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	542	831
Comprehensive income attributable to non-controlling interests	64	141

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable

(Notes on significant fluctuations in shareholders' equity)

Not applicable

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No.29 issued on March 31, 2020, hereinafter the "Revenue Recognition Accounting Standard") and related measures at the beginning of the first quarter under review. Accordingly, the Company recognizes amounts expected to be received in exchange for promised goods or services as revenue at the point where control over the goods and services has been transferred to the customer.

For the application of the Revenue Recognition Accounting Standard and the like, the Company follows the provisional treatment prescribed in the proviso in Paragraph 84 of the same Standard, but the practice has no effect on the balance of retained earnings at the beginning of the first quarter under review.

In addition, there is no impact on profit and loss in the nine months ended December 31, 2021. Moreover, in accordance with the provisional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information that decomposes revenue from contracts with customers for the third quarter of the previous fiscal year is not stated.

(Application of accounting standard for fair value measurement, etc.)

The Company started applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the "Fair Value Measurement Accounting Standard"), etc. from the beginning of first quarter under review.

Accordingly, the Company will apply new accounting policies prescribed in the Fair Value Measurement Accounting Standard and the like in the future in accordance with the provisional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of the Fair Value Measurement Accounting Standard and others mentioned above has no impact on quarterly consolidated financial statements.

(Additional information)

(Accounting estimates associated with the spread of COVID-19)

There are no significant changes to the assumptions regarding the impact of COVID-19 for making the accounting estimates described in the notes (significant accounting estimates) in the securities report for the previous fiscal year.