

Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2023 (under Japanese GAAP)

November 11, 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
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 Scheduled date to submit securities report: November 11, 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 second quarter of the fiscal year ending March 31, 2023 (April 1, 2022 to September 30, 2022)

(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	%
Second quarter ended September 30, 2022	666	(7.1)	232	(14.3)	467	11.2	273	24.7
September 30, 2021	717	(4.6)	271	(44.3)	420	(27.1)	219	(34.6)

Note: Comprehensive income
 Second quarter ended September 30, 2022: 1,337 million yen (71.4%)
 Second quarter ended September 30, 2021: 780 million yen (257.8%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Second quarter ended September 30, 2022	6.83	–
September 30, 2021	5.48	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2022	27,362	26,041	89.9	614.60
As of March 31, 2022	26,202	24,904	90.3	591.11

Reference: Shareholder's equity
 As of September 30, 2022: 24,592 million yen
 As of March 31, 2022: 23,652 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, 2022	–	0.00	–	5.00	5.00
Fiscal year ending March 31, 2023	–	0.00			
Fiscal year ending March 31, 2023 (forecast)			–	0.00	0.00

Note: Revisions to the most recently announced forecast of the dividend: None

3. Consolidated financial forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2023	1,160	(17.6)	380	(23.9)	680	(20.5)	370	(43.8)	9.25

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: None
 - (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 September 30, 2022: 40,014,943 shares
 - As of March 31, 2022: 40,014,943 shares
 - (ii) Number of treasury shares at the end of the period
 - As of September 30, 2022: 745 shares
 - As of March 31, 2022: 596 shares
 - (iii) Average number of shares during the period (first six months)
 - Second quarter ended September 30, 2022: 40,014,311 shares
 - Second quarter ended September 30, 2021: 40,014,380 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 Six Months Ended September 30, 2022, (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 Six Months Ended September 30, 2022

(1) Explanation of Operating Results

During the six months ended September 30, 2022, the economic environment is expected to recover gradually as COVID-19 restrictions are loosened. However, due to the prolonged conflict of Russia in Ukraine, acceleration of inflation, rapid depreciation of yen, as well as the disruption of supply chain, the future of the global economy remained uncertain.

On the other hand, in Shenzhen China, where the Group has established a business presence, compared to other regions, the outbreak of COVID-19 was only temporary, and mainly the service industry such as restaurant industry was affected, while the impact on major manufacturer and other industries was minimal. In addition, the geopolitical risks such as the situation in Ukraine on the Group's operation are considered 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 project. The Group will refrain from taking in new tenants who planned long-term occupancy and involve renovation cost. Furthermore, in anticipation of the redevelopment situation, the Group will continue to refrain from renewing long-term contracts for tenants whose rental contracts will expired.

As a result, consolidated operating revenue of second quarter of the fiscal year ended March 31, 2023, stood at 666 million yen (down 7.1% year on year). Operating profit amounted to 232 million yen (down 14.3% year on year), ordinary profit was 467 million yen (up 11.2% year on year), and profit attributable to owners of parent stood at 273 million yen (up 24.7% year on year).

Real Estate Development Business

The Group is promoting 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 major cutting-edge foreign companies including Fortune Global 500 will gather from 30 countries to form a full-scale research and development base or marketing base or headquarters in China and create new innovation, through redeveloping the land (127,000 square meters) and buildings (89,000 square meters) owned by the Group's subsidiary Shenzhen Crown (China) Electronics Co., Ltd. (hereinafter referred to as "Crown Electronics").

The Chinese Central Government had clearly positioned Greater Bay Area (bay area economic zone consisting 9 municipalities of Guangdong Province, two Special Administrative Regions of Hong Kong and Macau) as an area that will lead the country and become the driving force of innovation, technology, economy, and culture. The Government promoted various policy breakthroughs and increases the degree of development especially in the high-tech and advanced medical fields. The WIC will be built at the very center of international city Shenzhen.

In this environment, WIC will construct facilities that emphasizes Sustainable Development Goals (SDGs) in terms of environment, and the Group will support the creativity and innovation by the companies entering the WIC through providing network that enables business expansion in major economic cities (13 provinces and 4 municipalities) in China and concierge service available all-year-round with the support from the Chinese Government.

At the same time, the Group is attracting companies to WIC under the commission of Shenzhen Municipal People's Government, and mainly Fortune Global 500 companies in Japan, United States, Europe and Asia have showed strong interests for WIC. The number of companies entering the WIC is expected to rise further as the development process progresses.

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 six months ended September 30, 2022, were 27,362 million yen, an increase of 1,160 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 1,321 million yen, an increase of 23 million yen from the end of the previous fiscal year. This was chiefly attributable to a decrease in deposits received.

Net assets came to 26,041 million yen, an increase of 1,136 million yen from the end of the previous fiscal year. This was primarily due to increases in 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, 2023, which we announced on May 13, 2022, remain unchanged. In the future, we will promptly provide public notification in matters necessitating the revisions 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, 2022)	Second quarter under review (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	9,397	10,343
Trade accounts receivable	323	298
Other	845	856
Allowance for doubtful accounts	(198)	(160)
Total current assets	10,367	11,338
Non-current assets		
Property, plant and equipment	7	87
Intangible assets		
Goodwill	118	98
Land-use rights	959	1,049
Other	0	0
Total intangible assets	1,078	1,148
Investments and other assets		
Long-term loans receivable	13,340	13,326
Other	1,408	1,462
Total investments and other assets	14,748	14,789
Total non-current assets	15,834	16,024
Total assets	26,202	27,362
Liabilities		
Current liabilities		
Income taxes payable	89	89
Provisions	2	1
Other	301	256
Total current liabilities	392	346
Non-current liabilities		
Retirement benefit liability	7	8
Other	897	966
Total non-current liabilities	905	975
Total liabilities	1,297	1,321
Net assets		
Shareholders' equity		
Share capital	9,217	9,217
Capital surplus	8,962	8,962
Retained earnings	5,241	5,315
Treasury shares	(0)	(0)
Total shareholders' equity	23,421	23,494
Accumulated other comprehensive income		
Foreign currency translation adjustment	231	1,098
Total accumulated other comprehensive income	231	1,098
Non-controlling interests	1,251	1,448
Total net assets	24,904	26,041
Total liabilities and net assets	26,202	27,362

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

Quarterly consolidated statement of income

First six months

(Million yen)

	Six months ended September 30, 2021 (April 1, 2021 - September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)
Operating revenue	717	666
Operating costs	85	97
Operating gross profit	632	569
Selling, general and administrative expenses	361	336
Operating profit	271	232
Non-operating income		
Interest income	121	137
Foreign exchange gains	4	79
Other	26	18
Total non-operating income	152	235
Non-operating expenses		
Loss on disposals of noncurrent assets	3	—
Total non-operating expenses	3	—
Ordinary profit	420	467
Profit before income taxes	420	467
Income taxes - current	162	149
Income taxes - deferred	7	14
Total income taxes	170	164
Profit	249	303
Profit attributable to non-controlling interests	30	30
Profit attributable to owners of parent	219	273

Quarterly consolidated statement of comprehensive income
 First six months

(Million yen)

	Six months ended September 30, 2021 (April 1, 2021 - September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)
Profit	249	303
Other comprehensive income		
Foreign currency translation adjustment	530	1,033
Total other comprehensive income	530	1,033
Comprehensive income	780	1,337
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	666	1,140
Comprehensive income attributable to non-controlling interests	114	197

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable

(Notes on significant fluctuations in shareholders' equity)

Not applicable

(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.