

Consolidated Financial Summary for the Third Quarter of the Fiscal Year Ending July 2024 (Japanese GAAP)

June 14, 2024

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

Listing exchange Tokyo Stock Exchange

Code: 8927

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

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

Contact for inquiries:(Position) Executive Officer, Head of the Management Dept. (Name) Ayako Iwasaki Tel: 03-5434-7653

Scheduled date for submission of quarterly report: June 14, 2024

Creation of supplementary explanatory materials: Yes

Holding of accounts briefing meeting: None

(Amounts are rounded down to the nearest million yen)

1. Consolidated results for the third quarter of the fiscal year ending July 2024 (from August 1, 2023 to April 30, 2024)

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

	Revenues		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Third quarter of fiscal year ending July 2024	16,876	73.5	2,319	169.5	2,031	209.5	1,430	229.9
Third quarter of fiscal year ended July 2023	9,727	63.3	860	135.8	656	168.9	433	163.0

(Note) Comprehensive Third quarter of fiscal year ending July 2024 1,431 million yen (237.1%) Third quarter of fiscal year ended July 2023 424 million yen (155.3%)
income

	Basic earnings per share	Diluted earnings per share
	yen sen	yen sen
Third quarter of fiscal year ending July 2024	48.52	-
Third quarter of fiscal year ended July 2023	16.68	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	million yen	million yen	%
Third quarter of fiscal year ending July 2024	25,055	8,039	32.1
Fiscal year ended July 2023	22,480	7,006	31.2

(Reference) Equity capital Third quarter of fiscal year ending July 2024 8,039 million yen Fiscal year ended July 2023 7,006 million yen

2. Dividends

	Annual dividend				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	yen sen	yen sen	yen sen	yen sen	yen sen
Fiscal year ended July 2023	-	0.00	-	9.00	9.00
Fiscal year ending July 2024	-	4.50	-		
Fiscal year ending July 2024 (Forecast)				5.50	10.00

(Note) Revisions to the most recent dividend forecast: Yes

3. Consolidated earnings forecast for the fiscal year ending July 2024 (from August 1, 2023 to July 31, 2024)

(% figures show the rate of increase (decrease) from the previous fiscal year)

	Revenues		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
Full year	20,400	33.8	2,250	72.4	1,800	85.8	1,130	77.1	38.31

(Note) Revisions to the most recent earnings forecast: Yes

*** Explanatory notes**

(1) Changes in significant subsidiaries during the period : None

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

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

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

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

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

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

3) Changes in accounting estimates : Yes

4) Restatement : None

(4) Number of shares issued and outstanding (ordinary shares)

1) Number of shares issued and outstanding (including treasury shares) at the end of the period	Third quarter of FY ending July 2024	30,539,900 shares	Fiscal year ended July 2023	30,539,900 shares
2) Number of treasury shares at the end of the period	Third quarter of FY ending July 2024	1,047,160 shares	Fiscal year ended July 2023	1,047,160 shares
3) Average number of shares during the period (quarterly cumulative)	Third quarter of FY ending July 2024	29,492,740 shares	Third quarter of FY ended July 2023	26,004,161 shares

* Quarterly Financial Summary is outside the scope of the quarterly review by a certified public accountant or audit firm.

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

The earnings outlook and other forward-looking statements contained herein are based on information currently available and certain assumptions that are thought to be reasonable by the Company. Accordingly, actual business performance and other results may differ materially due to various factors. For the conditions forming the assumptions on which earnings forecasts are based and explanatory notes for use of earnings forecasts, etc., please see "1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information" on page 2 of the attachment.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the current consolidated cumulative third quarter (August 1, 2023 to April 30, 2024), the Japanese economy saw signs of a gradual economic recovery against the backdrop of the improved employment and income environment, a recovery in inbound demand, and other factors. On the other hand, the impacts on the economic environment of the prolonged situation in Ukraine and the continued high raw material and energy prices associated with the situation in the Middle East remain of concern.

In the real estate industry in which the Meiho Group operates, regarding real estate investments, mainly residential real estate, foreign investors are showing strong interest in Japanese real estate against the backdrop of the continuing low-interest rate environment and the weak yen, and both supply and demand continue to be strong. However, high real estate prices due to soaring land prices and construction costs and other situations continue to require attention.

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

In the real estate sales business, the Group is proceeding to enhance its ability to procure properties by leveraging its strengths in information analysis and business planning to its fullest while strengthening its resistance to market fluctuation risks by carefully selecting locations and reducing procurement costs. In addition, the Group is striving to enhance inbound sales by conducting seminars outside Japan in addition to sales activities within Japan. As a result, regarding the sales activities of our main brands, MIJAS and EL FARO, we completed the delivery of 21 buildings in the EL FARO series within 23 districts of Tokyo (eight buildings in the same period of the previous fiscal year).

In the real estate leasing business, in order to maximize profits for existing owners, in addition to area marketing, we aim to eliminate vacancies by setting the optimal rent based on the AI assessment system and contract execution examples and by proposing leasing strategies utilizing our network of brokerage firms in the Tokyo metropolitan area, thereby achieving high occupancy rates in the properties managed by the Group. We have also introduced an application for information exchange with owners and continue to share and exchange information through CS surveys and other measures. For our main brands, the MIJAS and EL FARO series, the Group offers a one-stop service, from the creation of products to their management, thereby endeavoring to maintain high quality and high occupancy rates. Consequently, the series is creating synergies within the Group, with their positive recognition as highly profitable real estate investment products, triggering repeated purchases of real estate investment product series.

In the real estate brokerage business, the Group is working to increase revenues by introducing properties in line with customer needs through the use of its unique information network comprising real estate sales business and other businesses.

In the contracting business, the Group worked to increase earnings through the completion and delivery of 13 buildings and the design and construction of 12 buildings in the MIJAS and EL FARO series, along with other remodeling and renovation projects tailored to the characteristics of properties under our management.

As a result of the above, in the consolidated cumulative third quarter of the current fiscal year, revenues stood at 16,876 million yen (up 73.5% year on year), operating profit stood at 2,319 million yen (up 169.5% year on year), ordinary profit stood at 2,031 million yen (up 209.5% year on year), and profit attributable to owners of parent amounted to 1,430 million yen (up 229.9% year on year).

Operating results by segment are as follows.

[Real estate sales business]

In the real estate sales business, during the third quarter of the current consolidated fiscal year, we delivered eight buildings in the EL FARO series (rental apartment project). As a result, revenues were 13,731 million yen (up 94.3% year on year), and segment profit was 2,727 million yen (up 163.2% year on year).

[Real estate leasing business]

In the real estate leasing business, revenues were 1,515 million yen (down 4.3% year on year), and segment profit was 50 million yen (down 73.4% year on year), due to property management fees and other factors.

[Real estate brokerage business]

No brokerage fees were generated in the real estate brokerage business. As for the brokerage fees in the real estate brokerage business in the same period of the previous fiscal year, revenues were 2 million yen, and segment profit was 2 million yen.

[Contracting business]

Regarding the contracting business, due to the execution of construction contracts and renovation works, revenues were 1,607 million yen (up 54.2% year on year), and segment loss was 292 million yen (a segment loss of 119 million yen in the same period of the previous fiscal year).

[Other]

This section refers to business segments not included in the reportable segments. Due mainly to insurance agency services, revenues were 42 million yen (up 16.5% year on year), and segment profit was 42 million yen (up 21.3% year on year).

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the third quarter of the current consolidated fiscal year increased by 2,575 million yen from the end of the previous consolidated fiscal year to 25,055 million yen. This was due to an increase in inventories of 1,284 million yen resulting from the acquisition of properties for new development projects, investment properties under construction, etc.

(Liabilities)

Liabilities increased by 1,542 million yen from the end of the previous consolidated fiscal year to 17,016 million yen. This was mainly due to an increase of 833 million yen in long-term borrowings (including the current portion of long-term borrowings) and an increase of 393 million yen in short-term borrowings due to the procurement of funds for the acquisition of properties for new development projects, etc.

(Net assets)

Net assets increased by 1,032 million yen from the end of the previous consolidated fiscal year to 8,039 million yen, and the equity-to-asset ratio increased by 0.9 percentage points from the end of the previous consolidated fiscal year to 32.1%.

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

With respect to the consolidated earnings forecast, the Company has determined that it will exceed the level of the consolidated earnings forecast for the fiscal year ending July 31, 2024, which was announced in the “Consolidated Financial Summary for the Fiscal Year Ended July 31, 2023,” on September 14, 2023, and will make an upward revision.

For details, please refer to the “Notice Regarding Revision of Consolidated Earnings Forecast and Dividend Forecast” released today.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	Previous consolidated fiscal year (July 31, 2023)	Third quarter of the current consolidated fiscal year (April 30, 2024)
Assets		
Current assets		
Cash and deposits	3,662,815	4,420,372
Accounts receivable - trade and contract assets	274,663	629,610
Real estate for sale	2,209,126	1,468,143
Real estate for sale in process	13,259,154	15,284,584
Short-term loans receivable	498,123	-
Current portion of long-term loans receivable	-	286
Other	315,833	552,113
Allowance for doubtful accounts	(643)	(618)
Total current assets	20,219,074	22,354,492
Non-current assets		
Property, plant and equipment	1,859,563	2,285,098
Intangible assets	19,072	21,671
Investments and other assets		
Investment securities	16,550	16,650
Long-term loans receivable	425,940	425,442
Long-term accounts receivable - other	385,440	377,930
Deferred tax assets	55,110	59,287
Other	310,063	318,264
Allowance for doubtful accounts	(810,440)	(802,930)
Total investments and other assets	382,663	394,643
Total non-current assets	2,261,300	2,701,413
Total assets	22,480,374	25,055,906

(Unit: thousand yen)

	Previous consolidated fiscal year (July 31, 2023)	Third quarter of the current consolidated fiscal year (April 30, 2024)
Liabilities		
Current liabilities		
Notes payable and accounts payable - trade	749,304	882,232
Short-term borrowings	1,816,630	2,210,000
Current portion of long-term borrowings	4,877,309	5,518,670
Current portion of bonds payable	16,000	-
Lease obligations	854	2,341
Income taxes payable	229,745	464,028
Provision for bonuses	100,432	25,590
Allowance for compensation for completed construction	964	964
Other	1,124,551	1,190,806
Total current liabilities	8,915,792	10,294,634
Non-current liabilities		
Long-term borrowings	6,191,871	6,383,652
Retirement benefits liabilities	70,735	68,673
Lease obligations	511	6,699
Deferred tax liabilities	108,028	106,518
Other	187,345	156,725
Total non-current liabilities	6,558,491	6,722,268
Total liabilities	15,474,284	17,016,902
Net assets		
Shareholders' equity		
Share capital	614,403	614,403
Capital surplus	2,014,814	2,014,814
Retained earnings	4,755,296	5,788,109
Treasury shares	(380,474)	(380,474)
Total shareholders' equity	7,004,040	8,036,853
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,050	2,150
Total accumulated other comprehensive income	2,050	2,150
Total net assets	7,006,090	8,039,003
Total liabilities and net assets	22,480,374	25,055,906

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

Quarterly Consolidated Statement of Income

Consolidated cumulative third quarter

(Unit: thousand yen)

	Previous consolidated cumulative third quarter (August 1, 2022 to April 30, 2023)	Current consolidated cumulative third quarter (August 1, 2023, to April 30, 2024)
Revenues	9,727,433	16,876,551
Cost of sales	7,631,955	13,001,772
Gross profit	2,095,477	3,874,779
Selling, general and administrative expenses	1,234,570	1,554,912
Operating profit	860,907	2,319,867
Non-operating income		
Interest income	29,342	18,310
Penalty income	2,491	414
Insurance claim income	-	500
Surrender value of insurance policies	10,991	1,729
Reversal allowance for doubtful accounts	7,510	7,510
Compensation for damage	48,744	18,253
Business compensation income	-	40,000
Other	2,394	5,268
Total non-operating income	101,473	91,985
Non-operating expenses		
Interest expenses	193,711	272,632
Commission expenses	102,858	105,979
Share issuance costs	7,195	-
Other	2,231	1,860
Total non-operating expenses	305,996	380,472
Ordinary profit	656,384	2,031,380
Extraordinary income		
Gain on sale of investment securities	245	-
Gain on bargain purchase	16,183	-
Total extraordinary income	16,429	-
Profit before income taxes	672,814	2,031,380
Income taxes - current	211,370	606,102
Income taxes - deferred	35,101	(5,687)
Total income taxes	246,472	600,414
Profit	426,341	1,430,965
Profit (loss) attributable to non-controlling interests	(7,475)	-
Profit attributable to owners of parent	433,817	1,430,965

Quarterly Consolidated Statement of Comprehensive Income

Consolidated cumulative third quarter

(Unit: thousand yen)

	Previous consolidated cumulative third quarter (August 1, 2022 to April 30, 2023)	Current consolidated cumulative third quarter (August 1, 2023, to April 30, 2024)
Profit	426,341	1,430,965
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,800)	100
Total other comprehensive income	(1,800)	100
Comprehensive income	424,541	1,431,065
(Breakdown)		
Comprehensive income attributable to owners of parent	432,017	1,431,065
Comprehensive income attributable to non-controlling interests	(7,475)	-

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Related to Going Concern Assumption)

Not applicable.

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

Previous consolidated cumulative third quarter (August 1, 2022 to April 30, 2023)

1. Dividends paid

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

2. Dividends with a record date falling in the consolidated cumulative third quarter but an effective date which comes after the end of the consolidated third quarter

Not applicable.

3. Substantial changes in the amount of shareholders' equity

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

Current consolidated cumulative third quarter (August 1, 2023 to April 30, 2024)

1. Dividends paid

Resolution	Classes of shares	Total amount of dividends (thousand yen)	Dividend paid per share (yen)	Record date	Effective date	Source of dividends
October 26, 2023 Ordinary general meeting of shareholders	Ordinary shares	265,434	9.00	July 31, 2023	October 27, 2023	Retained earnings
January 25, 2024 Board of Directors meeting	Ordinary shares	132,717	4.50	January 31, 2024	March 28, 2024	Retained earnings

2. Dividends with a record date falling in the consolidated cumulative third quarter but an effective date which comes after the end of the consolidated third quarter

Not applicable.

3. Substantial changes in the amount of shareholders' equity

Not applicable.

(Changes in Accounting Estimates)

(Asset retirement obligations)

Under a building lease contract, the Group has an obligation to restore the office space to its original state when vacating it. However, since the period of use of the leased assets related to such obligation is uncertain, and there are no plans to relocate in the future, we could not reasonably estimate the asset retirement obligations and did not record the asset retirement obligations that are commensurate with such obligation.

During the first quarter of the current consolidated fiscal year, we made changes to the estimate regarding the restoration costs necessary when vacating the space and the estimated period of use based on the information newly obtained during the expansion of our office space.

Instead of recording as liabilities, the asset retirement obligations are accounted for by a simplified method in which we reasonably estimate the amount of security deposits related to the real estate lease contract that is not expected to be collected in the future and record the amount that is attributable to the current consolidated fiscal year.

The impact of the changes in the estimate on profit and loss in the cumulative third quarter of the current consolidated fiscal year is immaterial.

(Additional Information)

House Saison Enterprise Co., Ltd., a consolidated subsidiary of the Company, collected short-term loans receivable of 392,697 thousand yen from House Saison Co., Ltd. during the third quarter of the current consolidated fiscal year. As a result, the loans receivable from House Saison Co., Ltd. have been fully recovered.

(Segment Information, etc.)

I. Previous consolidated cumulative third quarter (August 1, 2022 to April 30, 2023)

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

(Unit: thousand yen)

	Reportable segment					Other (*3)	Total	Reconciliation (*1)	Amount recorded in quarterly consolidated statement of income (*2)
	Real estate sales business	Real estate leasing business	Real estate brokerage business	Contracting business	Total				
Revenues									
MIJAS/EL FARO	5,588,749	-	-	-	5,588,749	-	5,588,749	-	5,588,749
Other	1,479,788	461,422	2,787	1,036,989	2,980,988	36,749	3,017,738	-	3,017,738
Revenue from contracts with customers	7,068,537	461,422	2,787	1,036,989	8,569,737	36,749	8,606,487	-	8,606,487
Other revenue	-	1,120,945	-	-	1,120,945	-	1,120,945	-	1,120,945
Net sales to external customers	7,068,537	1,582,367	2,787	1,036,989	9,690,683	36,749	9,727,433	-	9,727,433
Transactions with other segments	-	977	-	5,386	6,363	-	6,363	(6,363)	-
Total	7,068,537	1,583,345	2,787	1,042,376	9,697,046	36,749	9,733,796	(6,363)	9,727,433
Segment profit (loss)	1,036,576	187,754	2,712	(119,786)	1,107,256	35,075	1,142,331	(281,424)	860,907

(Note) 1. The segment profit (loss) adjustment of (281,424) thousand yen consists of the elimination of inter-segment transactions of 5,122 thousand yen and corporate expenses of (286,547) thousand yen not allocated to any reportable segment. Corporate expenses consist primarily of general and administrative expenses not attributable to the reportable segments.

2. Segment profit is adjusted to the operating profit in the quarterly consolidated statement of income.

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

2. Disclosure of Assets in Reportable Segments

Segment assets in the "Contracting business" increased by 2,095,545 thousand yen from the end of the previous consolidated fiscal year due to the acquisition of Kyoeigumi Co., Ltd. and its inclusion in the scope of consolidation on September 30, 2022 (deemed acquisition date).

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

(Significant gain on bargain purchase)

In the "Contracting Business" segment, gain on bargain purchase of 16,183 thousand yen was recorded as extraordinary income following the acquisition of Kyoeigumi Co., Ltd. Also, the gain on bargain purchase is not allocated to any reportable segment.

II. Current consolidated cumulative third quarter (August 1, 2023 to April 30, 2024)

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

(Unit: thousand yen)

	Reportable segment					Other (*3)	Total	Reconciliation (*1)	Amount recorded in quarterly consolidated statement of income (*2)
	Real estate sales business	Real estate leasing business	Real estate brokerage business	Contracting business	Total				
Revenues									
MIJAS/EL FARO	12,732,990	-	-	-	12,732,990	-	12,732,990	-	12,732,990
Other	998,147	412,084	-	1,606,910	3,017,141	42,808	3,059,950	-	3,059,950
Revenue from contracts with customers	13,731,137	412,084	-	1,606,910	15,750,131	42,808	15,792,940	-	15,792,940
Other revenue	-	1,083,610	-	-	1,083,610	-	1,083,610	-	1,083,610
Net sales to external customers	13,731,137	1,495,694	-	1,606,910	16,833,742	42,808	16,876,551	-	16,876,551
Transactions with other segments	-	19,972	-	274	20,246	-	20,246	(20,246)	-
Total	13,731,137	1,515,666	-	1,607,184	16,853,988	42,808	16,896,797	(20,246)	16,876,551
Segment profit (loss)	2,727,888	50,029	-	(292,134)	2,485,782	42,555	2,528,338	(208,470)	2,319,867

(Note) 1. The segment profit (loss) adjustment of (208,470) thousand yen consists of the elimination of inter-segment transactions of (913) thousand yen and corporate expenses of (207,557) thousand yen not allocated to any reportable segment. Corporate expenses consist primarily of general and administrative expenses not attributable to the reportable segments.

2. Segment profit is adjusted to the operating profit in the quarterly consolidated statement of income.

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

2. Disclosure of Assets in Reportable Segments

Not applicable.

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

Not applicable.

(Business Combination and Related Matters)

(Merger of consolidated subsidiaries)

At the Board of Directors meeting held on November 24, 2023, the Company resolved an absorption-type merger where House Saison Enterprise Co., Ltd., a wholly owned subsidiary of the Company, would be the surviving company and Moon Asset Co., Ltd., also a wholly owned subsidiary of the Company, would be the absorbed company. They merged on the effective date of March 1, 2024.

As the merger was between the wholly owned subsidiaries of the Company, there was no issuance of new shares, increase in capital, merger grant, or any other consideration as a result of the merger.

1. Overview of the business combination

(1) Name of the surviving company and its business

1) Name of the surviving company

House Saison Enterprise Co., Ltd.

2) Details of the business

Real estate sales business, management and operation of income-producing real estate properties

3) Name of the absorbed company

Moon Asset Co., Ltd.

4) Details of the business

Real estate sales business

(2) Date of the business combination

March 1, 2024

(3) Legal form of business combination

An absorption-type merger, with House Saison Enterprise Co., Ltd. as the surviving company and Moon Asset Co., Ltd. as the absorbed company.

(4) Name of the company after combination

House Saison Enterprise Co., Ltd.

(5) Other matters concerning the overview of the transaction

The purpose of the merger is to accelerate growth and increase profitability such as the enhancement of the management structure by unifying business activities, the improvement of productivity by streamlining operations, and the sharing and effective use of the management resources.

2. Overview of accounting processing

The merger was processed as a transaction under common control based on the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019).