

Note: The accompanying consolidated financial statements were not audited since they have been prepared only for reference purposes only. All statements are based on "Kessan Tanshin" report prepared in accordance with the provisions set forth in the accounting regulations and principals generally accepted in Japan.

**Summary of Consolidated Financial Results  
for the First Quarter ended March 31, 2018  
[Based on Japanese GAAP]**

May 8, 2018

Listed company name: MUGEN ESTATE Co., Ltd  
Listed Stock Exchange: Tokyo Stock Exchange  
Securities code: 3299 URL <https://www.mugen-estate.co.jp/en/>  
Representative: Shinichi Fujita, President  
Contact: Akira Okubo, Director, General Manager of Administrative Division [ir@mugen-estate.co.jp](mailto:ir@mugen-estate.co.jp)  
Scheduled date of quarterly securities report filing: May 11, 2018 Scheduled date of dividend payment: -  
Supplementary material for financial results: Yes  
Quarterly financial results briefing: No

(fractions of one million yean are rounded off)

**1. Consolidated financial results for the first quarter ended March 31, 2018 (January 1 to March 31, 2018)**

**(1) Consolidated financial results (cumulative) (Percentages represent changes from the previous year)**

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
1Q ended March 31, 2018	Million yen 12,639	% (14.1)	Million yen 1,431	% (18.3)	Million yen 1,267	% (19.7)	Million yen 837	% (20.3)
1Q ended March 31, 2017	14,718	22.6	1,752	19.8	1,578	21.5	1,051	29.8

(Note) Comprehensive income: 1Q ended March 31, 2018 837 million yen ( -20.3%)  
1Q ended March 31, 2017 1,051 million yen ( 29.8%)

	Net Income per share	Diluted net income per share
1Q ended March 31, 2018	Yen 34.39	Yen 34.30
1Q ended March 31, 2017	43.16	43.08

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio
As of March 31, 2018	Million yen 66,407	Million yen 19,566	% 29.3
As of December 31, 2017	59,212	19,340	32.5

(Reference) Shareholders' equity: As of March 31, 2018 19,458 million yen  
As of December 31, 2017 19,230 million yen

**2. Dividends**

	Annual dividends per share				
	End of 1 <sup>st</sup> quarter	End of 2 <sup>nd</sup> quarter	End of 3 <sup>rd</sup> quarter	Year-end	Total
Year ended December 31, 2017	Yen -	Yen 0.00	Yen -	Yen 25.00	Yen 25.00
Year ending December 31, 2018	-	-	-	-	-
Year ending December 31, 2018 (forecast)		0.00	-	30.00	30.00

(Note) Revision of the latest dividend forecast: None

**3. Forecast of consolidated financial results for the fiscal year ending December 31, 2018**

(January 1, 2018 to December 31, 2018) (Percentages represent changes from the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	Net income per share
FY2018 (Full year)	Million yen 76,284	% 20.0	Million yen 7,959	% 11.8	Million yen 7,222	% 11.5	Million yen 4,639	% 8.5

(Note) Revision of the latest consolidated financial results forecast: None

\* Notes

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

(2) Application of any accounting procedures specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and 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) Changes in accounting estimates	: None
(iv) Restatement of prior period financial statements after error corrections	: None

(4) Number of shares issued (common stock)

(i) Number of shares outstanding at end of the period (including treasury stock)	
As of March 31, 2018	24,355,000 shares
As of December 31, 2017	24,355,000 shares
(ii) Number of treasury stock held at end of the period	
As of March 31, 2018	59 shares
As of December 31, 2017	– shares
(iii) Average number of shares outstanding during the period (cumulative)	
As of March 31, 2018	24,354,977 shares
As of March 31, 2017	24,355,000 shares

\*The current quarterly financial results are not subject to the quarterly review procedures.

\* Explanation of the proper use of financial forecasts and other important notes

The statements about the future included in this report, including financial projections, are based on information currently available to the Company and certain assumptions that are considered reasonable, which do not guarantee the achievement of such projected results. Actual results may vary considerably from these projections due to a range of factors. See “(3) Information on future forecasts including consolidated financial forecasts under “1. Qualitative Information on Operating Results for the First Quarter Ended March 31, 2018“ on page 2 of the Accompanying Materials for the assumptions of the financial forecasts and points to note in the use of financial forecasts.

## 1. Qualitative Information on Operating Results for the First Quarter Ended March 31, 2018

### (1) Analysis of Operating Results

During the first quarter of the consolidated fiscal year under review (January 1, 2018 through March 31, 2018), in the real estate industry where the MUGEN ESTATE Group operates, the average fluctuation rate of official prices of nationwide housing land as of January 1, 2018 announced by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) turned up for the first time in 10 years from the flat performance of the previous year, and the official prices of commercial land rose for the third consecutive year, showing that prices of both housing and commercial land are gathering upward momentum. The average fluctuation rate in the Tokyo area rose for the fifth consecutive year in both housing and commercial land, suggesting buoyant market conditions underpinned by demand driven by the continued low interest rate environment. Meanwhile, a cautious stance on the acquisition of real estate was strengthened by rising real estate prices or the feeling that real estate prices have remained high, and the situation remained one in which we had no choice but to be sensitive to the tightening of loan standards of financial institutions and the future interest rate direction.

Under this market environment, the MUGEN ESTATE Group continued to implement its strategy of becoming the dominant player in the Tokyo area in the Real Estate Trading Business as its core segment based on the three-year medium-term management plan starting in the consolidated fiscal year under review, and to strengthen the purchase activities of investment-type properties as the growth driver. The Group also actively promoted its efforts to build a new revenue base by starting the lease back business, among other initiatives.

As a result, consolidated net sales decreased 14.1% year on year, to 12,639 million yen, consolidated operating income fell 18.3% year on year, to 1,431 million yen, consolidated ordinary income declined 19.7% year on year, to 1,267 million yen, and consolidated profit attributable to owners of parent fell 20.3% year on year, to 837 million yen in the first three months under review.

Note: The “investment-type properties” are classified as real estate generating rental income, including rental condominiums, and office blocks, which are used by buyers for the purpose of investment. The “residential-type properties” are classified as real estate used by buyers as their housing units, most of which are owned condominiums.

The following is an overview of the results by segment.

#### [Real Estate Trading Business]

In the Real Estate Trading Business, the MUGEN ESTATE Group advanced its business with top priority on enhancing inventories (real estate for sale). It also focused on profit management for each property to achieve its full-year financial forecasts.

As a result, the number of units sold in investment-type properties came to 100 (up 2 units year on year), and the average unit selling price was 103.4 million yen (down 15.5% year on year), registering net sales of 10,341 million yen (down 13.8% year on year). Because sales of investment-type property units with a lower unit selling price continued to increase steadily from the previous fiscal year, the average unit selling price declined year on year. However, sales of units priced at more than 300 million yen remained solid, totaling 8 units (down 2 units year on year. 1 unit priced at more than 1 billion yen). As a result, the average unit selling price of investment-type buildings excluding property units was 288.7 million yen (up 30.4% year on year), showing steady progress in the Group’s efforts to sell large-sized properties.

In addition, the Group conducted sales of residential-type properties such as condominiums, purchase prices of which continued to rise due to intensified competition because of low barriers to entry to the market, by implementing selected purchasing activities in areas that are convenient for daily living. Consequently, the number of units sold came to 66 (down 17 units year on year), the average unit selling price stood at 24.8 million yen (up 0.6% year on year), and net sales for residential-type properties amounted to 1,641 million yen (down 20.0% year on year).

As a result, net sales for the segment decreased 14.6% year on year, to 12,007 million yen, and segment profit

(operating income for the segment) fell 10.7% year on year, to 1,648 million yen.

[Real Estate Leasing and Other Business]

In the Real Estate Leasing and Other Business, revenue from real estate leasing came to 615 million yen (down 5.1% year on year), but inventories of investment-type properties as the source of revenue steadily increased due to smooth progress in the purchase of investment-type properties in the Real Estate Trading Business.

As a result, net sales for the segment decreased 3.3% year on year, to 632 million yen, and segment profit (operating income for the segment) fell 19.4% year on year, to 215 million yen.

(2) Analysis of Financial Position

The financial position at the end of the first quarter of the consolidated fiscal year under review included assets of 66,407 million yen (up 12.2% from the end of the previous fiscal year), liabilities of 46,841 million yen (up 17.5% from the end of the previous fiscal year), and net assets of 19,566 million yen (up 1.2% from the end of the previous fiscal year).

Principal factors contributing to the increase in assets included an increase of 9,089 million yen in real estate for sale and a decline of 2,345 million yen in cash and deposits.

The increase in liabilities was attributable primarily to an increase of 9,160 million yen in long-term loans payable (including the current portion of long-term loans payable) as well as a decrease of 1,560 million yen in short-term loans payable and a fall of 959 million yen in income taxes payable.

The increase in net assets resulted in large part from a rise of 837 million yen in retained earnings due to the recording of profit attributable to owners of parent, and a decrease of 608 million yen in retained earnings attributable to dividends paid.

(3) Information on future forecasts including consolidated financial forecasts

No changes have been made to the full-year forecasts of the consolidated results for the fiscal year ending December 31, 2018, as announced on February 13, 2018.

The descriptions of business forecasts presented in this document are based on the future assumptions, outlook, and plans as of the date of the publication of this document, which include risks and uncertain factors. The actual results may vary significantly from the forecasts presented in this document due to the economic environment, market trends, and various other factors that affect the business of the Group.

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	FY2017 (As of December 31, 2017)	FY2018 1Q (As of March 31, 2018)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	13,268	10,923
Accounts receivable - trade	15	14
Real estate for sale	41,500	50,589
Real estate for sale in process	114	139
Deferred tax assets	394	365
Other	1,057	1,469
Allowance for doubtful accounts	(10)	(8)
<b>Total current assets</b>	<b>56,339</b>	<b>63,493</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings	1,264	1,267
Accumulated depreciation	(278)	(291)
Buildings, net	986	975
Land	1,326	1,326
Other	136	148
Accumulated depreciation	(70)	(73)
Other, net	66	74
<b>Total property, plant and equipment</b>	<b>2,379</b>	<b>2,376</b>
Intangible assets	124	121
Investments and other assets		
Deferred tax assets	177	168
Other	156	203
<b>Total investments and other assets</b>	<b>334</b>	<b>372</b>
<b>Total non-current assets</b>	<b>2,837</b>	<b>2,871</b>
<b>Deferred assets</b>	<b>35</b>	<b>42</b>
<b>Total assets</b>	<b>59,212</b>	<b>66,407</b>

	(Million yen)	
	FY2017 (As of December 31, 2017)	FY2018 1Q (As of March 31, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	523	676
Short-term loans payable	4,928	3,368
Current portion of bonds	530	654
Current portion of long-term loans payable	4,853	4,228
Income taxes payable	1,379	420
Provision for bonuses	72	62
Construction warranty reserve	58	59
Other	978	656
<b>Total current liabilities</b>	<b>13,325</b>	<b>10,125</b>
<b>Non-current liabilities</b>		
Bonds payable	1,760	1,941
Long-term loans payable	23,969	33,755
Net defined benefit liability	81	83
Other	736	935
<b>Total non-current liabilities</b>	<b>26,547</b>	<b>36,715</b>
<b>Total liabilities</b>	<b>39,872</b>	<b>46,841</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	2,549	2,549
Capital surplus	2,472	2,472
Retained earnings	14,208	14,436
Treasury shares	—	(0)
<b>Total shareholders' equity</b>	<b>19,230</b>	<b>19,458</b>
Subscription rights to shares	110	107
<b>Total net assets</b>	<b>19,340</b>	<b>19,566</b>
<b>Total liabilities and net assets</b>	<b>59,212</b>	<b>66,407</b>

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

[Quarterly Consolidated Statements of Income]  
(For three months from January 1 to March 31, 2018)

	FY2017 1Q (From January 1 to March 31, 2017)	FY2018 1Q (From January 1 to March 31, 2018)	(Million yen)
Net sales	14,718	12,639	
Cost of sales	11,927	10,172	
Gross profit	2,791	2,467	
Selling, general and administrative expenses	1,038	1,035	
Operating income	1,752	1,431	
Non-operating income			
Interest and dividend income	0	0	
Commission fee	2	2	
Penalty income	2	2	
Other	3	1	
Total non-operating income	8	7	
Non-operating expenses			
Interest expenses	171	148	
Commission fee	9	17	
Other	1	4	
Total non-operating expenses	182	171	
Ordinary profit	1,578	1,267	
Extraordinary income			
Gain on sales of non-current assets	21	0	
Gain on reversal of subscription rights to shares	—	2	
Total extraordinary income	21	2	
Extraordinary losses			
Loss on sales of non-current assets	0	—	
Total extraordinary losses	0	—	
Profit before income taxes	1,599	1,270	
Income taxes - current	541	395	
Income taxes - deferred	7	38	
Total income taxes	548	433	
Profit	1,051	837	
Profit attributable to owners of parent	1,051	837	

[Quarterly Consolidated Statements of Comprehensive Income]

(For three months from January 1 to March 31, 2018)

(Million yen)

	FY2017 1Q (From January 1 to March 31, 2017)	FY2018 1Q (From January 1 to March 31, 2018)
Income before minority interests	1,051	837
Comprehensive income	1,051	837
(Breakdown)		
Comprehensive income attributable to owners of parent	1,051	837

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Segment Information)

For three months ended March 31, 2017 (From January 1 to March 31, 2017)

Information relating to the amount of net sales, and income or loss by reportable segment

	Reportable Segments			Adjustment (Note 1)	Total (Note 2)
	Real Estate Trading Business	Real Estate Leasing and Other Business	Sub-total		
Net sales					
Net sales to external customers	14,064	654	14,718	—	14,718
Inter-segment sales or transfer	—	1	1	(1)	—
Total	14,064	656	14,720	(1)	14,718
Segment profit	1,846	267	2,114	(361)	1,752

(Note) 1. The segment profit adjustment of (361) million yen consists of primarily company-wide expenses that are not allocated to the selling, general and administrative expenses of each reported segment.

2. Segment profit has been adjusted to operating income stated in quarterly consolidated statements of income.

For three months ended March 31, 2018 (From January 1 to March 31, 2018)

Information relating to the amount of net sales, and income or loss by reportable segment

	Reportable Segments			Adjustment (Note 1)	Total (Note 2)
	Real Estate Trading Business	Real Estate Leasing and Other Business	Sub-total		
Net sales					
Net sales to external customers	12,007	632	12,639	-	12,639
Inter-segment sales or transfer	-	0	0	(0)	-
Total	12,007	633	12,640	(0)	12,639
Segment profit	1,648	215	1,864	(432)	1,431

(Note) 1. The segment profit adjustment of (432) million yen consists of primarily company-wide expenses that are not allocated to the selling, general and administrative expenses of each reported segment.

2. Segment profit has been adjusted to operating income stated in quarterly consolidated statements of income.