

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, 2019
[Based on Japanese GAAP]**

May 9, 2019

Listed company name: MUGEN ESTATE Co., Ltd

Securities code: 3299

Representative: Shinichi Fujita, President

Contact: Akira Okubo, Director, General Manager of Administrative Division

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Scheduled date of quarterly securities report filing: May 13, 2019

Scheduled date of dividend payment: -

Supplementary material for financial results: Yes

Quarterly financial results briefing: No

(fractions of one million yen are rounded off)

1. Consolidated financial results for the first quarter ended March 31, 2019 (January 1 to March 31, 2019)

(1) Consolidated financial results (cumulative)

(Percentages represent changes from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q ended March 31, 2019	8,826	(30.2)	727	(49.2)	563	(55.6)	385	(53.9)
1Q ended March 31, 2018	12,639	(14.1)	1,431	(18.3)	1,267	(19.7)	837	(20.3)

(Note) Comprehensive income: 1Q ended March 31, 2019 385 million yen (-53.9%)
1Q ended March 31, 2018 837 million yen (-20.3%)

	Net Income per share	Diluted net income per share
	Yen	Yen
1Q ended March 31, 2019	15.84	15.79
1Q ended March 31, 2018	34.39	34.30

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2019	65,126	21,757	33.2
As of December 31, 2018	66,760	22,106	32.9

(Reference) Shareholders' equity: As of March 31, 2019 21,638 million yen
As of December 31, 2018 21,983 million yen

2. Dividends

	Annual dividends per share				
	End of 1 st quarter	End of 2 nd quarter	End of 3 rd quarter	Year-end	Total
Year ended December 31, 2018	Yen -	Yen 0.00	Yen -	Yen 30.00	Yen 30.00
Year ending December 31, 2019	Yen -	Yen 0.00	Yen -	Yen 30.00	Yen 30.00
Year ending December 31, 2019 (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, 2019

(January 1, 2019 to December 31, 2019) (Percentages represent changes from the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2019 (Full year)	58,143	7.8	5,043	(15.7)	4,381	(16.3)	2,826	(15.8)

(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, 2019	24,361,000 shares
As of December 31, 2018	24,361,000 shares
(ii) Number of treasury stock held at end of the period	
As of March 31, 2019	59 shares
As of December 31, 2018	59 shares
(iii) Average number of shares outstanding during the period (cumulative)	
As of March 31, 2019	24,360,941 shares
As of March 31, 2018	24,354,977 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, 2019“ 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, 2019

(1) Analysis of Operating Results

During the first quarter of the consolidated fiscal year under review (January 1, 2019 through March 31, 2019), the Japanese economy maintained a moderate recovery amid the continued improvement in the employment and household income environment against a backdrop of strong corporate earnings. Meanwhile, the outlook of the economy is faced with uncertainties because there are some other factors requiring our attention in terms of impact on the economy, such as the outlook for the Chinese economy, uncertainties surrounding the global economy and state policies implemented by governments around the world, and volatility in the financial and capital markets.

In the real estate industry where the MUGEN ESTATE Group operates, the average price of land for all purposes in Japan as of January 1, 2019 announced by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) increased for the fourth consecutive year, while some parts in metropolitan regions saw a slowdown in the pace of price growth because of emerging concerns regarding the sizzling land markets. In the meantime, high-priced real estate has made market players more cautious about acquisition deals, while financial institutions have adopted tougher requirements for obtaining real estate investment loans in the wake of the recent scandals over improper lending practices.

Given this situation, the number of investment-type property units sold during the period dropped significantly by 59.0% year on year to 41, while an improvement was seen in the average unit selling price for investment-type properties in the Real Estate Trading Business, a core segment for the Group.

As a result, consolidated net sales decreased 30.2% year on year, to 8,826 million yen, consolidated operating income fell 49.2% year on year, to 727 million yen, consolidated ordinary income declined 55.6% year on year, to 563 million yen, and consolidated profit attributable to owners of parent fell 53.9% year on year, to 385 million yen in the first three months under review.

The following is an overview of the results by segment.

[Real Estate Trading Business]

In the Real Estate Trading Business, the number of units sold in investment-type properties came to 41 (down 59 units year on year) and the average unit selling price was 151 million yen (up 46.8% year on year), registering net sales of 6,223 million yen (down 39.8% year on year). Meanwhile, the number of units sold in residential-type properties came to 51 (down 15 units year on year) and the average unit selling price was 34 million yen (up 38.3% year on year), registering net sales of 1,754 million yen (up 6.9% year on year).

As a result, net sales for the segment decreased 33.3% year on year, to 8,007 million yen, sending the segment profit (operating income for the segment) down 55.8% year on year, to 728 million yen.

[Real Estate Leasing and Other Business]

In the Real Estate Leasing and Other Business, revenue from real estate leasing came to 801 million yen (up 30.3% year on year).

As a result, net sales for the segment increased 29.4% year on year, to 818 million yen, and segment profit (operating income for the segment) rose 37.1% year on year, to 295 million yen.

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.

(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 65,126 million yen (down 2.4% from the end of the previous fiscal year), liabilities of 43,368 million yen (down 2.9% from the end of the previous fiscal year), and net assets of 21,757 million yen (down 1.6% from the end of the previous fiscal year).

Principal factors contributing to the decrease in assets included a decrease of 1,782 million yen in real estate properties for sale.

The decrease in liabilities was attributable primarily to a decrease of 1,169 million yen in income taxes payable.

The decrease in net assets resulted in large part from a rise of 385 million yen in retained earnings due to the recording of profit attributable to owners of parent, and a decrease of 730 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, 2019, as announced on February 12, 2019.

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)

	FY2018 (As of December 31, 2018)	FY2019 1Q (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	10,517	11,131
Accounts receivable - trade	22	22
Real estate for sale	51,635	49,852
Real estate for sale in process	87	107
Other	1,067	599
Allowance for doubtful accounts	(11)	(10)
Total current assets	63,319	61,703
Non-current assets		
Property, plant and equipment		
Buildings	1,295	1,296
Accumulated depreciation	(334)	(349)
Buildings, net	960	947
Land	1,343	1,343
Other	148	148
Accumulated depreciation	(86)	(91)
Other, net	61	57
Total property, plant and equipment	2,366	2,348
Intangible assets	83	86
Investments and other assets		
Deferred tax assets	772	763
Other	181	178
Total investments and other assets	954	942
Total non-current assets	3,404	3,377
Deferred assets	36	45
Total assets	66,760	65,126

	(Million yen)	
	FY2018 (As of December 31, 2018)	FY2019 1Q (As of March 31, 2019)
Liabilities		
Current liabilities		
Accounts payable - trade	400	295
Short-term loans payable	3,213	2,712
Current portion of bonds	754	824
Current portion of long-term loans payable	4,142	4,525
Income taxes payable	1,359	189
Provision for bonuses	47	55
Construction warranty reserve	49	41
Other	567	750
Total current liabilities	10,532	9,394
Non-current liabilities		
Bonds payable	1,694	2,017
Long-term loans payable	31,462	30,994
Net defined benefit liability	88	84
Other	876	878
Total non-current liabilities	34,121	33,974
Total liabilities	44,654	43,368
Net assets		
Shareholders' equity		
Capital stock	2,552	2,552
Capital surplus	2,475	2,475
Retained earnings	16,956	16,611
Treasury shares	(0)	(0)
Total shareholders' equity	21,983	21,638
Subscription rights to shares	122	118
Total net assets	22,106	21,757
Total liabilities and net assets	66,760	65,126

(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, 2019)

	FY2018 1Q (From January 1 to March 31, 2018)	FY2019 1Q (From January 1 to March 31, 2019)	(Million yen)
Net sales	12,639	8,826	
Cost of sales	10,172	7,334	
Gross profit	2,467	1,491	
Selling, general and administrative expenses	1,035	764	
Operating income	1,431	727	
Non-operating income			
Interest and dividend income	0	0	
Commission fee	2	4	
Penalty income	2	2	
Other	1	7	
Total non-operating income	7	15	
Non-operating expenses			
Interest expenses	148	157	
Commission fee	17	13	
Other	4	7	
Total non-operating expenses	171	179	
Ordinary profit	1,267	563	
Extraordinary income			
Gain on sales of non-current assets	0	-	
Gain on reversal of subscription rights to shares	2	3	
Total extraordinary income	2	3	
Profit before income taxes	1,270	566	
Income taxes - current	395	172	
Income taxes - deferred	38	8	
Total income taxes	433	180	
Profit	837	385	
Profit attributable to owners of parent	837	385	

[Quarterly Consolidated Statements of Comprehensive Income]
 (For three months from January 1 to March 31, 2019)

(Million yen)

	FY2018 1Q (From January 1 to March 31, 2018)	FY2019 1Q (From January 1 to March 31, 2019)
Income before minority interests	837	385
Comprehensive income	837	385
(Breakdown)		
Comprehensive income attributable to owners of parent	837	385

(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, 2018 (From January 1 to March 31, 2018)

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

(Million yen)

	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.

For three months ended March 31, 2019 (From January 1 to March 31, 2019)

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

(Million yen)

	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	8,007	818	8,826	-	8,826
Inter-segment sales or transfer	-	-	-	-	-
Total	8,007	818	8,826	-	8,826
Segment profit	728	295	1,023	(296)	727

(Note) 1. The segment profit adjustment of (296) 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.

(Additional Information)

(Application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

The MUGEN ESTATE Group has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the first quarter of the current fiscal year. Accordingly, deferred tax assets have been classified under Investments and Other Assets.