

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 Second Quarter ended June 30, 2019  
[Based on Japanese GAAP]**

August 6, 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: August 9, 2019

Scheduled date of dividend payment: —

Supplementary material for financial results: Yes

Quarterly financial results briefing: Yes

(fractions of one million yen are rounded off)

**1. Consolidated financial results for the second quarter ended June 30, 2019 (January 1 to June 30, 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	%
2Q ended June 30, 2019	18,797	(23.7)	1,651	(35.0)	1,321	(39.4)	906	(35.7)
2Q ended June 30, 2018	24,631	(22.0)	2,542	(30.1)	2,182	(33.8)	1,411	(36.6)

(Note) Comprehensive income: 2Q ended June 30, 2019 906 million yen ( -35.7%)  
2Q ended June 30, 2018 1,411 million yen ( -36.6%)

	Net Income per share	Diluted net income per share
	Yen	Yen
2Q ended June 30, 2019	37.23	37.09
2Q ended June 30, 2018	57.94	57.77

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2019	64,253	22,282	34.5
As of December 31, 2018	66,760	22,106	32.9

(Reference) Shareholders' equity: As of June 30, 2019 22,159 million yen  
As of December 31, 2018 21,983 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 ending December 31, 2018	—	0.00	—	30.00	30.00
Year ending December 31, 2019	—	0.00	—	—	—
Year ending December 31, 2019 (forecast)			—	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 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 June 30, 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 June 30, 2019	59 shares
As of December 31, 2018	59 shares
(iii) Average number of shares outstanding during the period (cumulative)	
As of June 30, 2019	24,360,941 shares
As of June 30, 2018	24,357,909 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 Second Quarter Ended June 30, 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 Second Quarter Ended June 30, 2019

### (1) Analysis of Operating Results

During the first six months of the consolidated fiscal year under review (January 1, 2019 through June 30, 2019), in the real estate industry where the MUGEN ESTATE Group operates, the nationwide average price of housing land per square meter (as of January 1, 2019) announced on July 1, 2019 by the National Tax Administration Agency increased by 1.3%, marking an increase for the fourth straight year. In the Tokyo metropolitan area, demand for accommodation and commercial facilities continued to grow due to an increase in the number of foreigners visiting Japan. In addition, demand for investments in properties remained firm, despite concerns over an increase in property prices attributable to a surge in land prices and the tightening of loan standards by financial institutions, among other reasons.

In these business circumstances, with a view to evolving into a business entity that will continue to grow going forward, the Group is in the process of reinforcing its management foundations by creating products that support the business base, building networks that support the revenue base and creating human resources and systems that support the management base, which are initiatives set out as management policies in the medium-term management plan announced in February 2019.

In the Real Estate Trading Business, gross profit decreased from 19.3% in the same period of the previous year to 17.1% because the Group conducted a review of sales prices for the replacement of inventories. It also made efforts in terms of a range of sales activities including the review of sales prices, given the bipolarization of property prices depending on areas. However, the number of units sold declined significantly to 173 from 293, which was the year-ago level. In terms of purchasing, the Group continued to purchase properties selectively to secure profits in the difficult situations it experienced due to the impact of a surge in purchase prices, among other factors.

As a result, during the first six months under review, consolidated net sales decreased 23.7% year on year, to 18,797 million yen, consolidated operating income declined 35.0% year on year, to 1,651 million yen, consolidated ordinary income fell 39.4% year on year, to 1,321 million yen, and consolidated profit attributable to owners of parent shrank 35.7% year on year, to 906 million yen due to the impact of a decline in the number of properties sold in the Purchase and Resale business.

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 88 (down 66 units year on year) and the average unit selling price was 161 million yen (up 29.1% year on year), registering net sales of 14,205 million yen (down 26.2% year on year). Meanwhile, the number of units sold in residential-type properties came to 85 (down 54 units year on year) and the average unit selling price was 33 million yen (down 19.7% year on year), registering net sales of 2,858 million yen (down 26.8% year on year).

As a result, net sales for the segment decreased 26.1% year on year, to 17,125 million yen, and the segment profit (operating income for the segment) fell 45.4% year on year, to 1,640 million yen.

#### [Real Estate Leasing and Other Business]

In the Real Estate Leasing and Other Business, revenue from real estate leasing came to 1,642 million yen (up 16.3% year on year). As a result, net sales for the segment increased 15.9% year on year, to 1,672 million yen, and segment profit (operating income for the segment) rose 16.5% year on year, to 622 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

#### [Status of assets, liabilities and net assets]

The financial position at the end of the second quarter of the consolidated fiscal year under review included assets of 64,253 million yen (down 3.8% from the end of the previous fiscal year), liabilities of 41,970 million yen (down 6.0% from the end of the previous fiscal year), and net assets of 22,282 million yen (up 0.8% from the end of the previous fiscal year).

Principal factors contributing to the decrease in assets included a decrease of 2,384 million yen in real estate properties for sale.

The decrease in liabilities was attributable primarily to a decrease of 1,264 million yen in short-term loans payable, and 921 million yen in income taxes payable.

The decrease in net assets resulted in large part from a rise of 906 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.

#### [Status of cash flows]

Cash and cash equivalents at the end of the second quarter of the consolidated fiscal year under review (“cash”) increased 424 million yen from the end of the previous consolidated fiscal year, to 9,576 million yen. The cash flow positions and contributing factors during the first six months under review are as follows:

##### (Cash flows from operating activities)

Net cash provided for operating activities during the first six months of the consolidated fiscal year under review totaled 3,132 million yen (net cash of 16,673 million yen used during the first six months of the previous fiscal year). This was primarily attributable to a decrease of 1,928 million yen in inventories and the recording of 1,326 million yen as profit before income taxes.

##### (Cash flows from investing activities)

Net cash used in investing activities during the first six months of the consolidated fiscal year under review was 132 million yen (net cash used during the first six months of the previous fiscal year was 236 million yen). This was caused primarily by proceeds from the withdrawal of time deposits of 900 million yen, offset by payments into time deposits of 978 million yen and purchase of property, plant and equipment of 41 million yen.

(Cash flows from financing activities)

Net cash used in financing activities during the first six months under review amounted to 2,576 million yen (net cash of 11,542 million yen was provided during the first six months of the previous fiscal year). This was mainly due to the result of proceeds from long-term loans payable amounting to 8,969 million yen, offset by the repayment of long-term loans payable amounting to 9,828 million yen and a net decline of 1,264 million yen in short-term loans payable.

(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 2Q (As of June 30, 2019)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	10,517	11,019
Accounts receivable - trade	22	36
Real estate for sale	51,635	49,250
Real estate for sale in process	87	83
Other	1,067	455
Allowance for doubtful accounts	(11)	(13)
Total current assets	63,319	60,832
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings	1,295	1,336
Accumulated depreciation	(334)	(363)
Buildings, net	960	972
Land	1,343	1,343
Other	148	148
Accumulated depreciation	(86)	(96)
Other, net	61	52
Total property, plant and equipment	2,366	2,368
Intangible assets	83	84
Investments and other assets		
Deferred tax assets	772	752
Other	181	174
Total investments and other assets	954	926
Total non-current assets	3,404	3,379
Deferred assets	36	41
<b>Total assets</b>	<b>66,760</b>	<b>64,253</b>

	(Million yen)	
	FY2018 (As of December 31, 2018)	FY2019 2Q (As of June 30, 2019)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	400	342
Short-term loans payable	3,213	1,949
Current portion of bonds	754	864
Current portion of long-term loans payable	4,142	5,621
Income taxes payable	1,359	437
Provision for bonuses	47	14
Construction warranty reserve	49	40
Other	567	738
Total current liabilities	<u>10,532</u>	<u>10,007</u>
Non-current liabilities		
Bonds payable	1,694	1,877
Long-term loans payable	31,462	29,123
Net defined benefit liability	88	85
Other	876	877
Total non-current liabilities	<u>34,121</u>	<u>31,962</u>
Total liabilities	<u>44,654</u>	<u>41,970</u>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	2,552	2,552
Capital surplus	2,475	2,475
Retained earnings	16,956	17,132
Treasury shares	(0)	(0)
Total shareholders' equity	<u>21,983</u>	<u>22,159</u>
Subscription rights to shares	122	123
Total net assets	<u>22,106</u>	<u>22,282</u>
Total liabilities and net assets	<u>66,760</u>	<u>64,253</u>

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

[Quarterly Consolidated Statements of Income]  
(For six months from January 1 to June 30, 2019)

	FY2018 2Q (From January 1 to June 30, 2018)	FY2019 2Q (From January 1 to June 30, 2019)	(Million yen)
Net sales	24,631	18,797	
Cost of sales	19,871	15,584	
Gross profit	4,760	3,212	
Selling, general and administrative expenses	2,217	1,560	
Operating income	2,542	1,651	
Non-operating income			
Interest and dividend income	1	1	
Commission fee	7	9	
Penalty income	5	4	
Refund of real estate acquisition tax	4	1	
Other	2	9	
Total non-operating income	20	26	
Non-operating expenses			
Interest expenses	330	314	
Commission fee	39	27	
Other	9	14	
Total non-operating expenses	379	356	
Ordinary profit	2,182	1,321	
Extraordinary income			
Gain on sales of non-current assets	0	—	
Gain on reversal of subscription rights to shares	4	5	
Total extraordinary income	4	5	
Profit before income taxes	2,187	1,326	
Income taxes - current	893	399	
Income taxes - deferred	(117)	20	
Total income taxes	775	419	
Profit	1,411	906	
Profit attributable to owners of parent	1,411	906	

[Quarterly Consolidated Statements of Comprehensive Income]

(For six months from January 1 to June 30, 2019)

	FY2018 2Q (From January 1 to June 30, 2018)	FY2019 2Q (From January 1 to June 30, 2019)	(Million yen)
Income before minority interests	1,411	906	
Comprehensive income	1,411	906	
(Breakdown)			
Comprehensive income attributable to owners of parent	1,411	906	

(3) Quarterly Consolidated Cash Flow

	(Million yen)	
	FY2018 2Q (From January 1 to June 30, 2018)	FY2019 2Q (From January 1 to June 30, 2019)
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,187	1,326
Depreciation	442	504
Increase (decrease) in allowance for doubtful accounts	4	4
Increase (decrease) in provision for bonuses	(37)	(32)
Increase (decrease) in construction warranty reserve	(8)	(8)
Increase (decrease) in net defined benefit liability	4	(3)
Interest and dividend income	(1)	(1)
Interest expenses	330	314
Share issuance cost	24	5
Refund of real estate acquisition tax	4	1
Share-based compensation expenses	6	8
Amortization of bond issuance cost	(0)	—
Reversal of consumption taxes for prior period	(4)	(5)
Decrease (increase) in notes and accounts receivable - trade	(7)	(13)
Decrease (increase) in inventories	(17,777)	1,928
Increase (decrease) in notes and accounts payable - trade	210	(57)
Increase (decrease) in accrued consumption taxes	(422)	156
Decrease (increase) in consumption taxes refund receivable	(360)	627
Increase (decrease) in lease and guarantee deposits received	332	1
Decrease (increase) in other current assets	(1)	(17)
Increase (decrease) in other current liabilities	(29)	(6)
Other, net	4	14
<b>Subtotal</b>	<b>(15,097)</b>	<b>4,747</b>
Interest and dividend income received	1	1
Interest expenses paid	(324)	(321)
Income taxes paid	(1,252)	(1,295)
<b>Net cash provided by (used in) operating activities</b>	<b>(16,673)</b>	<b>3,132</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(931)	(978)
Proceeds from withdrawal of time deposits	753	900
Purchase of property, plant and equipment	(58)	(41)
Proceeds from sales of property, plant and equipment	2	—
Purchase of intangible assets	(1)	(5)
Payments for investments in capital	—	(7)
<b>Net cash provided by (used in) investing activities</b>	<b>(236)</b>	<b>(132)</b>

	FY2018 2Q (From January 1 to June 30, 2018)	FY2019 2Q (From January 1 to June 30, 2019)	(Million yen)
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term loans payable	(392)	(1,264)	
Proceeds from long-term loans payable	24,471	8,969	
Repayments of long-term loans payable	(12,182)	(9,828)	
Proceeds from issuance of bonds	490	636	
Redemption of bonds	(235)	(357)	
Proceeds from issuance of common shares	(1)	(1)	
Repayments of lease obligations	(0)	—	
Cash dividends paid	(608)	(730)	
Proceeds from exercise of share options	0	—	
<b>Net cash provided by (used in) financing activities</b>	<b>11,542</b>	<b>(2,576)</b>	
Net increase (decrease) in cash and cash equivalents	(5,367)	424	
<b>Cash and cash equivalents at beginning of period</b>	<b>11,942</b>	<b>9,151</b>	
<b>Cash and cash equivalents at end of period</b>	<b>6,574</b>	<b>9,576</b>	

(4) 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 six months ended June 30, 2018 (From January 1 to June 30, 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	23,189	1,442	24,631	—	24,631
Inter-segment sales or transfer	1	0	2	(2)	—
Total	23,190	1,443	24,634	(2)	24,631
Segment profit	3,007	534	3,541	(999)	2,542

(Note) 1. The segment profit adjustment of (999) 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 six months ended June 30, 2019 (From January 1 to June 30, 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	17,125	1,672	18,797	—	18,797
Inter-segment sales or transfer	38	—	38	(38)	—
Total	17,163	1,672	18,835	(38)	18,797
Segment profit	1,640	622	2,263	(611)	1,651

(Note) 1. The segment profit adjustment of (611) 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.