

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 Third Quarter ended September 30, 2019  
[Based on Japanese GAAP]**

November 7, 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: November 11, 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 third quarter ended September 30, 2019 (January 1 to September 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	
3Q ended September 30, 2019	Million yen 30,038	% (18.3)	Million yen 2,764	% (25.0)	Million yen 2,277	% (27.2)	Million yen 1,513	% (25.1)
3Q ended September 30, 2018	36,748	(24.9)	3,685	(35.1)	3,128	(39.7)	2,021	(41.1)

(Note) Comprehensive income: 3Q ended September 30, 2019 1,513 million yen (-25.1%)  
3Q ended September 30, 2018 2,021 million yen (-41.1%)

	Net Income per share	Diluted net income per share
3Q ended September 30, 2019	Yen 62.12	Yen 61.88
3Q ended September 30, 2018	82.99	82.73

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio
As of September 30, 2019	Million yen 68,259	Million yen 22,888	% 33.4
As of December 31, 2018	66,760	22,106	32.9

(Reference) Shareholders' equity: As of September 30, 2019 22,766 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	Yen —	Yen 0.00	Yen —	Yen 30.00	Yen 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: No

**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
FY2019 (Full year)	Million yen 40,175	% (25.5)	Million yen 3,710	% (38.0)	Million yen 3,048	% (41.8)	Million yen 1,959	% (41.6)

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

For details on revisions to the forecast of consolidated financial results, refer to the notice of revisions to the forecast for financial results announced today (November 7, 2019).

\* 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 September 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 September 30, 2019   | 59 shares         |
| As of December 31, 2018  | 59 shares         |
| (iii) Average number of shares outstanding during the period (cumulative)        |                   |
| As of September 30, 2019   | 24,360,941 shares |
| As of September 30, 2018   | 24,358,931 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 Third Quarter Ended September 30, 2019“ on page 1 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 Third Quarter Ended September 30, 2019

### (1) Analysis of Operating Results

During the first nine months of the consolidated fiscal year under review (January 1, 2019 through September 30, 2019), in the real estate industry where the MUGEN ESTATE Group operates, the nationwide average (all uses) of benchmark land values (as of July 1, 2019) announced by the Ministry of Land, Infrastructure, Transport, Tourism increased 0.4%, marking an increase for the second consecutive year. In the Tokyo metropolitan area, land prices continued to increase, reflecting the expansion of demand for accommodation and commercial facilities due to a rise in the number of foreigners visiting Japan.

In addition, real estate loan balances increased to 80.3 trillion yen at the end of June 2019 against the backdrop of a decline in capital procurement costs attributable to very low interest rates. Reflecting these development, demand for investments in real estate remained firm. Meanwhile, personal real estate loans continued to show a declining trend because financial institutions became increasingly careful due to the issue of inappropriate loans.

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 business plan announced in February 2019.

In the Real Estate Trading Business, its core segment, the Group continued to focus on the promotion of property sales by reviewing sales prices and improving occupancy rates mainly in conjunction with properties held on a long-term basis. With the improvement of the number of units sold, the Group has started to see such efforts bear fruit. Even so, purchases in central Tokyo slowed compared to the initial plan due to the prolonged effects of the tightening of loan standards for individual investors by financial institutions and the divergence of real estate prices depending on the area. Accordingly, reflecting the lower-than-expected number of units sold, the number of units sold declined from 443 to 305, down 31.2% year on year. In terms of purchasing, the Group continued to make purchases with a focus on profitability in sales despite difficult purchasing situations partly due to the impact of a surge in purchase prices.

As a result, during the first nine months under review, consolidated net sales decreased 18.3% year on year, to 30,038 million yen, consolidated operating income declined 25% year on year, to 2,764 million yen, consolidated ordinary income fell 27.2% year on year, to 2,277 million yen, and consolidated profit attributable to owners of parent stood at 1,513 million yen, or a decrease of 25.1% year on year.

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 190 (down 40 units year on year) and the average unit selling price was 123 million yen (down 1.6% year on year), registering net sales of 23,392 million yen (down 16.1% year on year). Meanwhile, the number of units sold in residential-type properties came to 115 (down 98 units year on year) and the average unit selling price was 35 million yen (up 16.5% year on year), registering net sales of 4,062 million yen (down 37.1% year on year).

As a result, net sales for the segment decreased 19.9% year on year, to 27,559 million yen, and segment profit (operating income for the segment) fell 33.9% year on year, to 2,808 million yen.

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

In the Real Estate Leasing and Other Business, revenue from real estate leasing increased 5.2% year on year, to 2,436 million yen. As a result, net sales for the segment increased 5.1% year on year, to 2,479 million yen, and segment profit (operating income for the segment) rose 4.6% year on year, to 910 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) Qualitative information on financial position

The financial position of the MUGEN ESTATE Group at the end of the third quarter of the consolidated fiscal year under review included assets of 68,259 million yen (up 2.2% from the end of the previous fiscal year), liabilities of 45,370 million yen (up 1.6% from the end of the previous fiscal year), and net assets of 22,888 million yen (up 3.5% from the end of the previous fiscal year).

Principal factors contributing to the increase in assets included an increase of 3,698 million yen in cash and deposits, more than offsetting a decrease of 1,763 million yen in real estate properties for sale.

The decline in liabilities was attributable primarily to decreases of 922 million yen and 628 million yen in income taxes payable and short-term loans payable, respectively, despite an increase of 2,071 million yen in bonds payable (including the current portion of bonds).

The growth in net assets resulted in large part from a rise of 1,513 million yen in retained earnings due to the recording of profit attributable to owners of parent, partly offset by a decrease of 730 million yen in retained earnings attributable to dividends paid.

### (3) Information on future forecasts including consolidated financial forecasts

Revisions have been made to the full-year forecasts of the consolidated results for the fiscal year ending December 31, 2019 announced on February 12, 2019. For details, refer to the Notice Regarding Revisions to Earnings Forecasts announced today (November 7, 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. Actual results may vary significantly from the forecasts presented in this document due to the economic environment, market trends, and 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 3Q (As of September 30, 2019)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	10,517	14,216
Accounts receivable - trade	22	39
Real estate for sale	51,635	49,871
Real estate for sale in process	87	156
Other	1,067	480
Allowance for doubtful accounts	(11)	(13)
<b>Total current assets</b>	<b>63,319</b>	<b>64,750</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings	1,295	1,339
Accumulated depreciation	(334)	(378)
Buildings, net	960	960
Land	1,343	1,343
Other	148	148
Accumulated depreciation	(86)	(100)
Other, net	61	47
<b>Total property, plant and equipment</b>	<b>2,366</b>	<b>2,352</b>
Intangible assets	83	86
Investments and other assets		
Deferred tax assets	772	844
Other	181	172
<b>Total investments and other assets</b>	<b>954</b>	<b>1,017</b>
<b>Total non-current assets</b>	<b>3,404</b>	<b>3,455</b>
Deferred assets	36	53
<b>Total assets</b>	<b>66,760</b>	<b>68,259</b>

	(Million yen)	
	FY2018 (As of December 31, 2018)	FY2019 3Q (As of September 30, 2019)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	400	364
Short-term loans payable	3,213	2,584
Current portion of bonds	754	1,154
Current portion of long-term loans payable	4,142	6,474
Income taxes payable	1,359	436
Provision for bonuses	47	129
Construction warranty reserve	49	42
Other	567	698
Total current liabilities	<u>10,532</u>	<u>11,883</u>
Non-current liabilities		
Bonds payable	1,694	3,365
Long-term loans payable	31,462	29,261
Net defined benefit liability	88	87
Other	876	773
Total non-current liabilities	<u>34,121</u>	<u>33,487</u>
Total liabilities	<u>44,654</u>	<u>45,370</u>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	2,552	2,552
Capital surplus	2,475	2,475
Retained earnings	16,956	17,738
Treasury shares	(0)	(0)
Total shareholders' equity	<u>21,983</u>	<u>22,766</u>
Subscription rights to shares	122	122
Total net assets	<u>22,106</u>	<u>22,888</u>
Total liabilities and net assets	<u>66,760</u>	<u>68,259</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 September 30, 2019)

	FY2018 3Q (From January 1 to September 30, 2018)	FY2019 3Q (From January 1 to September 30, 2019)	(Million yen)
Net sales	36,748	30,038	
Cost of sales	29,831	24,821	
Gross profit	6,917	5,217	
Selling, general and administrative expenses	3,231	2,453	
Operating income	3,685	2,764	
Non-operating income			
Interest and dividend income	1	1	
Commission fee	11	13	
Penalty income	8	21	
Refund of real estate acquisition tax	10	1	
Other	3	9	
Total non-operating income	35	48	
Non-operating expenses			
Interest expenses	521	467	
Commission fee	55	43	
Other	14	23	
Total non-operating expenses	592	535	
Ordinary profit	3,128	2,277	
Extraordinary income			
Gain on sales of non-current assets	0	—	
Gain on reversal of subscription rights to shares	5	5	
Total extraordinary income	5	5	
Extraordinary losses			
Loss on sales of non-current assets	0	—	
Total extraordinary losses	0	—	
Profit before income taxes	3,134	2,283	
Income taxes - current	1,287	841	
Income taxes - deferred	(174)	(71)	
Total income taxes	1,113	770	
Profit	2,021	1,513	
Profit attributable to owners of parent	2,021	1,513	

[Quarterly Consolidated Statements of Comprehensive Income]

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

(Million yen)

	FY2018 3Q (From January 1 to September 30, 2018)	FY2019 3Q (From January 1 to September 30, 2019)
Income before minority interests	2,021	1,513
Comprehensive income	2,021	1,513
(Breakdown)		
Comprehensive income attributable to owners of parent	2,021	1,513

(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 nine months ended September 30, 2018 (From January 1 to September 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	34,390	2,358	36,748	—	36,748
Inter-segment sales or transfer	1	0	2	(2)	—
Total	34,392	2,358	36,751	(2)	36,748
Segment profit	4,245	870	5,116	(1,430)	3,685

(Note) 1. The segment profit adjustment of (1,430) 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 nine months ended September 30, 2019 (From January 1 to September 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	27,559	2,479	30,038	—	30,038
Inter-segment sales or transfer	41	—	41	(41)	—
Total	27,600	2,479	30,080	(41)	30,038
Segment profit	2,808	910	3,718	(953)	2,764

(Note) 1. The segment profit adjustment of (953) 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.

(Major Subsequent Events)

Acquisition of Treasury Stock

MUGEN ESTATE Co., Ltd. announced that it has resolved at a meeting of the Board of Directors held on November 7, 2019 to repurchase its own shares based on Article 156 of the Corporation Law of Japan as applied pursuant to Article 165, Paragraph 3 of the same law, as outlined below.

1. Reason for Repurchase

To enhance shareholder returns and to secure flexibility and mobility from a capital policy perspective in response to changes in the management environment.

2. Class of shares to be repurchased

Common shares

3. Total number of shares to be repurchased

500,000 shares

4. Total amount of repurchase

300 million yen

5. Period of repurchase

November 8, 2019 to March 31, 2020

6. Method of repurchase

Market transactions on the Tokyo Stock Exchange