

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, 2020 [Based on Japanese GAAP]

November 13, 2020

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  
 Scheduled date of quarterly securities report filing: November 13, 2020      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, 2020 (January 1 to September 30, 2020)

#### (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                             | %      |
| 3Q ended September 30, 2020 | 21,857      | (27.2) | 1,419            | (48.6) | 909             | (60.1) | (32)                                    | -      |
| 3Q ended September 30, 2019 | 30,038      | (18.3) | 2,764            | (25.0) | 2,277           | (27.2) | 1,513                                   | (25.1) |

(Note) Comprehensive income: 3Q ended September 30, 2020 (32) million yen ( - %)  
 3Q ended September 30, 2019 1,513 million yen ( -25.1%)

|                             | Net Income per share | Diluted net income per share |
|-----------------------------|----------------------|------------------------------|
|                             | Yen                  | Yen                          |
| 3Q ended September 30, 2020 | (1.38)               | -                            |
| 3Q ended September 30, 2019 | 62.12                | 61.88                        |

#### (2) Consolidated financial position

|                          | Total assets | Net assets  | Equity ratio |
|--------------------------|--------------|-------------|--------------|
|                          | Million yen  | Million yen | %            |
| As of September 30, 2020 | 67,482       | 21,973      | 32.4         |
| As of December 31, 2019  | 68,512       | 22,840      | 33.2         |

(Reference) Shareholders' equity: As of September 30, 2020 21,886 million yen  
 As of December 31, 2019 22,718 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 |
|  | Yen                            | Yen                            | Yen                            | Yen      | Yen   |
| Year ended December 31, 2019             | -                              | 0.00                           | -                              | 30.00    | 30.00 |
| Year ending December 31, 2020            | -                              | 0.00                           | -                              | -        | -     |
| Year ending December 31, 2020 (forecast) | -                              | -                              | -                              | 10.00    | 10.00 |

(Note) Revision of the latest dividend forecast: Yes

Distribution of Year-end dividend for the fiscal year ending December 31, 2020 (forecast)

Ordinary dividend 5.00 yen      Commemorative dividend 5.00 yen

For details on revisions to the dividend forecast, refer to “Notice of Revisions to Earnings Forecast, Dividend Forecast and the Reversal of Deferred Tax Assets” published on November 13, 2020, for details.

### 3. Forecast of consolidated financial results for the fiscal year ending December 31, 2020

(January 1, 2020 to December 31, 2020)

(Percentages represent changes from the previous year)

|                    | Net sales   |        | Operating income |        | Ordinary income |        | Profit attributable to owners of parent |        | Net income per share |
|--------------------|-------------|--------|------------------|--------|-----------------|--------|---|--------|----------------------|
| FY2020 (Full year) | Million yen | %      | Million yen      | %      | Million yen     | %      | Million yen                             | %      | Yen                  |
|                    | 30,667      | (22.7) | 1,889            | (40.2) | 1,211           | (51.4) | 191                                     | (88.7) | 7.98                 |

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

For details on revisions to the forecast of consolidated financial results, refer to “Notice of Revisions to Earnings Forecast, Dividend Forecast and the Reversal of Deferred Tax Assets” published on November 13, 2020, for details.

#### \* 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, 2020 24,361,000 shares
  - As of December 31, 2019 24,361,000 shares
- (ii) Number of treasury stock held at end of the period
  - As of September 30, 2020 382,259 shares
  - As of December 31, 2019 281,559 shares
- (iii) Average number of shares outstanding during the period (cumulative)
  - As of September 30, 2020 23,984,192 shares
  - As of September 30, 2019 24,360,941 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, 2020” on page 2 of the Accompanying Materials for the assumptions of the financial forecasts and points to note in the use of financial forecasts.
- How to obtain the Presentation Material for financial results  
The presentation material for financial results is disclosed through together with these financial statements. This information also is posted on the Company's website on the same day.

## 1. Qualitative Information on Operating Results for the Third Quarter Ended September 30, 2020

### (1) Analysis of Operating Results

During the first nine months of the consolidated fiscal year under review (January 1, 2020 through September 30, 2020), in the real estate industry where the MUGEN ESTATE Group operates, customers continued to postpone office relocation plans and the signing of new contracts due to worsening business confidence linked to the spread of the COVID-19 infection, creating concern over the outlook for demand. Demand for used condominiums in the Tokyo metropolitan area was recovering gradually following the lifting of the state of emergency. However, concern over the real estate market grew, partly reflecting unevenness in the recovery trend attributable to the difference in asset types.

According to the trend in outstanding bank loans to the real estate industry announced by the Bank of Japan, outstanding loans to the real estate industry as of the end of June 2020 increased 4.3% year on year, to 83.7 trillion yen, exceeding previous record highs for the 19th consecutive quarter. While this increase indicated that the amount of financing for the real estate industry was expanding, the financing environment continued to be challenging for individuals, as shown by a 18.9% year-on-year decline in new personal loans, among other factors.

In the used condominium market in the Tokyo metropolitan area, the number of contracts rose 18.2% year on year in August 2020. Moreover, contracts by region rose from the same month of the previous year in all regions in Tokyo and the surrounding three prefectures. These results suggested that a recovery from the impact of COVID-19 pandemic was gradually getting underway. With respect to future demand, attention needs to be paid to a number of trends, including improvements in the employment and income environments and whether or not mortgage tax breaks will be extended to 2021 and beyond.

Under these circumstances, the Group focused on its mainstay Real Estate Trading Business and continued to advance sales of condominiums, office blocks and owned condominiums. During the period of the state of emergency, sales were affected in a number of ways, including a significant decline in the number of properties sold due to requests for self-restraint in outings and restrictions on movement, with which investors, end users and real estate agencies complied. However, once the state of emergency was lifted, there was a gradual recovery in demand as investors softened their wait-and-see attitude.

In terms of the sales status of investment type properties, the number of properties sold did not recover to the levels in the same period of the previous year or prior to the spread of the infection, mainly due to requests for restrictions on travel which overseas investors continued to observe. Even so, net sales of residential type properties, which surpassed the year-ago result, recovered to the levels seen before the spread of the infection. Regarding purchases, taking into consideration the possibility that the impact of COVID-19 would be prolonged, the Group decided to improve financial soundness by increasing cash on hand and reducing inventory levels. With this policy in mind, it continued to conduct purchases while at the same time paying attention to margins.

As a result, during the first nine months under review, consolidated net sales decreased 27.2% year on year, to 21,857 million yen, consolidated operating income declined 48.6% year on year, to 1,419 million yen, consolidated ordinary income fell 60.1% year on year, to 909 million yen, the loss attributable to owners of parent came to 32 million yen, compared with profit attributable to owners of parent of 1,513 million yen in the same period of the previous year, reflecting the reversal of deferred tax assets.

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 109 (down 81 units year on year) and the average unit selling price was 136 million yen (up 10.5% year on year), registering net sales of 14,831 million yen (down 36.6% year on year). Meanwhile, the number of units sold in residential-type properties came to 109 (down 6 units year on year) and the average unit selling price was 42 million yen (up 19.8% year on year), registering net sales of 4,614 million yen (up 13.6% year on year).

As a result, net sales for the segment decreased 29.1% year on year, to 19,548 million yen, and segment profit (operating income for the segment) fell 41.5% year on year, to 1,642 million yen.

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

In the Real Estate Leasing and Other Business, revenue from real estate leasing decreased 7.7% year on year, to 2,248 million yen. As a result, net sales for the segment decreased 6.9% year on year, to 2,309 million yen, and segment profit (operating income for the segment) fell 4.7% year on year, to 867 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 67,482 million yen (down 1.5% from the end of the previous fiscal year), liabilities of 45,509 million yen (down 0.4% from the end of the previous fiscal year), and net assets of 21,973 million yen (down 3.8% from the end of the previous fiscal year).

The major factors for decreased assets included a decrease of 936 million yen in cash and deposits and the reversal of deferred tax assets.

The decrease in liabilities was attributable primarily to a decrease of 371 million yen in Bonds payable.

The major factors for decreased net assets were a decline of 32 million yen in retained earnings due to the posting of a loss attributable to owners of parent and a decline of 722 million yen in retained earnings due to the payment of dividends.

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

The full-year consolidated earnings forecast for the fiscal year of FY2020 had been left undecided due to the difficulty of reasonably calculating the impact of the spread of COVID-19. We have now decided to announce earnings forecast calculated based on information and predictions currently available.

The dividend forecast for FY2020 had also been left undecided. We have now decided to announce a dividend forecast as well because it has become possible to make reasonable calculations with respect to earnings forecast. For details, please refer to the "Notice of Revisions to Earnings and Dividend Forecasts and Reversal of Deferred Tax Assets" announced today.

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)

|                                     | FY2019<br>(As of December 31, 2019) | FY2020 3Q<br>(As of September 30, 2020) |
|-------------------------------------|-------------------------------------|---|
| <b>Assets</b>                       |                                     |   |
| Current assets                      |                                     |   |
| Cash and deposits                   | 13,708                              | 12,771                                  |
| Accounts receivable - trade         | 23                                  | 30                                      |
| Real estate for sale                | 49,887                              | 50,077                                  |
| Real estate for sale in process     | 147                                 | 110                                     |
| Other                               | 611                                 | 273                                     |
| Allowance for doubtful accounts     | (10)                                | (7)                                     |
| Total current assets                | 64,367                              | 63,256                                  |
| Non-current assets                  |                                     |   |
| Property, plant and equipment       |                                     |   |
| Buildings                           | 1,592                               | 1,878                                   |
| Accumulated depreciation            | (394)                               | (385)                                   |
| Buildings, net                      | 1,197                               | 1,492                                   |
| Land                                | 1,790                               | 1,712                                   |
| Other                               | 180                                 | 300                                     |
| Accumulated depreciation            | (100)                               | (79)                                    |
| Other, net                          | 80                                  | 220                                     |
| Total property, plant and equipment | 3,068                               | 3,425                                   |
| Intangible assets                   | 83                                  | 82                                      |
| Investments and other assets        |                                     |   |
| Deferred tax assets                 | 777                                 | 330                                     |
| Other                               | 167                                 | 342                                     |
| Total investments and other assets  | 944                                 | 673                                     |
| Total non-current assets            | 4,096                               | 4,181                                   |
| Deferred assets                     | 48                                  | 45                                      |
| Total assets                        | 68,512                              | 67,482                                  |

(Million yen)

|   | FY2019<br>(As of December 31, 2019) | FY2020 3Q<br>(As of September 30, 2020) |
|---|-------------------------------------|---|
| <b>Liabilities</b>                      |                                     |   |
| Current liabilities                     |                                     |   |
| Accounts payable - trade                | 467                                 | 337                                     |
| Short-term borrowings                   | 2,236                               | 2,564                                   |
| Current portion of bonds                | 1,154                               | 810                                     |
| Current portion of long-term borrowings | 6,950                               | 7,508                                   |
| Income taxes payable                    | 414                                 | 406                                     |
| Provision for bonuses                   | 34                                  | 77                                      |
| Construction warranty reserve           | 41                                  | 35                                      |
| Other                                   | 887                                 | 770                                     |
| Total current liabilities               | 12,185                              | 12,511                                  |
| Non-current liabilities                 |                                     |   |
| Bonds payable                           | 3,225                               | 3,197                                   |
| Long-term borrowings                    | 29,393                              | 28,938                                  |
| Retirement benefit liability            | 89                                  | 98                                      |
| Other                                   | 777                                 | 762                                     |
| Total non-current liabilities           | 33,486                              | 32,997                                  |
| Total liabilities                       | 45,671                              | 45,509                                  |
| <b>Net assets</b>                       |                                     |   |
| Shareholders' equity                    |                                     |   |
| Capital stock                           | 2,552                               | 2,552                                   |
| Capital surplus                         | 2,475                               | 2,475                                   |
| Retained earnings                       | 17,914                              | 17,158                                  |
| Treasury shares                         | (223)                               | (300)                                   |
| Total shareholders' equity              | 22,718                              | 21,886                                  |
| Subscription rights to shares           | 122                                 | 86                                      |
| Total net assets                        | 22,840                              | 21,973                                  |
| Total liabilities and net assets        | 68,512                              | 67,482                                  |

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

[Quarterly Consolidated Statements of Income]

(For nine months from January 1 to September 30, 2020)

(Million yen)

|  | FY2019 3Q<br>(From January 1 to<br>September 30, 2019) | FY2020 3Q<br>(From January 1 to<br>September 30, 2020) |
|--|--|--|
| Net sales                                      | 30,038   | 21,857   |
| Cost of sales                                  | 24,821   | 17,965   |
| Gross profit                                   | 5,217  | 3,892  |
| Selling, general and administrative expenses   | 2,453  | 2,472  |
| Operating income                               | 2,764  | 1,419  |
| Non-operating income                           |  |  |
| Subsidies for employment adjustment            |  | 23   |
| Interest and dividend income                   | 1  | 1  |
| Commission income                              | 13   | 12   |
| Penalty income                                 | 21   | 14   |
| Refund of real estate acquisition tax          | 1  | 4  |
| Other  | 9  | 9  |
| Total non-operating income                     | 48   | 66   |
| Non-operating expenses                         |  |  |
| Interest expenses                              | 467  | 512  |
| Commission expenses                            | 43   | 36   |
| Other  | 23   | 28   |
| Total non-operating expenses                   | 535  | 576  |
| Ordinary profit                                | 2,277  | 909  |
| Extraordinary income                           |  |  |
| Gain on sales of non-current assets            | —  | 2  |
| Gain on reversal of share acquisition rights   | 5  | 38   |
| Total extraordinary income                     | 5  | 40   |
| Extraordinary losses                           |  |  |
| Loss on sales of non-current assets            | —  | 1  |
| Loss on retirement of non-current assets       | —  | 10   |
| Total extraordinary losses                     | —  | 11   |
| Profit before income taxes                     | 2,283  | 939  |
| Income taxes - current                         | 841  | 525  |
| Income taxes - deferred                        | (71)   | 446  |
| Total income taxes                             | 770  | 972  |
| Profit (loss)                                  | 1,513  | (32)   |
| Profit (loss) attributable to owners of parent | 1,513  | (32)   |

[Quarterly Consolidated Statements of Comprehensive Income]

(For nine months from January 1 to September 30, 2020)

(Million yen)

|   | FY2019 3Q<br>(From January 1 to<br>September 30, 2019) | FY2020 3Q<br>(From January 1 to<br>September 30, 2020) |
|---|--|--|
| Income before minority interests                      | 1,513  | (32)   |
| Comprehensive income                                  | 1,513  | (32)   |
| (Breakdown)   |  |  |
| Comprehensive income attributable to owners of parent | 1,513  | (32)   |



### (3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Additional information)

(Accounting estimate in relation to impact of the spread of the COVID-19 coronavirus infection)

The COVID-19 pandemic, which has a significant impact on social and economic activities, has been affecting our business activities as well. Our assumption at the end of the second quarter was that demand from real estate investors, which had been weak, would recover with the lifting of the state of emergency and our sales activities would gradually normalize in the third quarter and beyond. However, given that the recovery in demand from real estate investors has been slower than expected, we changed the assumption, and based on the new assumption that demand would start to recover gradually in the fourth quarter, we made accounting estimates such as the valuation of real estate for sale and an assessment of the recoverability of deferred tax assets.

As the result of assessing the recoverability of deferred tax assets at the end of the third quarter under review based on the aforementioned assumption, we have decided to partly reverse deferred tax assets.

There is a great deal of uncertainty with respect to the impact of the COVID-19 pandemic on the real estate trading market. Therefore, any change in the aforementioned circumstances may affect the Group's financial position and operating results going forward.

(Segment Information)

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<br>(Note 1) | Total<br>(Note 2) |
|---------------------------------|---------------------------------|--|-----------|------------------------|-------------------|
|                                 | Real Estate<br>Trading Business | Real Estate<br>Leasing and<br>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.

For nine months ended September 30, 2020 (From January 1 to September 30, 2020)

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

(Million yen)

|                                 | Reportable Segments             |  |           | Adjustment<br>(Note 1) | Total<br>(Note 2) |
|---------------------------------|---------------------------------|--|-----------|------------------------|-------------------|
|                                 | Real Estate<br>Trading Business | Real Estate<br>Leasing and<br>Other Business | Sub-total |                        |                   |
| Net sales                       |                                 |  |           |                        |                   |
| Net sales to external customers | 19,548                          | 2,309  | 21,857    |                        | 21,857            |
| Inter-segment sales or transfer | 18                              | 19   | 37        | (37)                   |                   |
| Total                           | 19,566                          | 2,328  | 21,895    | (37)                   | 21,857            |
| Segment profit                  | 1,642                           | 867  | 2,510     | (1,090)                | 1,419             |

(Note) 1. The segment profit adjustment of (1,090) 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.