

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, 2017 [Based on Japanese GAAP]

Listed company name: MUGEN ESTATE Co., Ltd                      Listed Stock Exchange: Tokyo Stock Exchange  
 Securities code: 3299    URL <http://www.mugen-estate.co.jp/en/>  
 Representative: Shinichi Fujita, President  
 Contact: Takao Yoshioka, Managing Director, General Manager of Administrative Division [ir@mugen-estate.co.jp](mailto:ir@mugen-estate.co.jp)  
 Scheduled date of quarterly securities report filing: August 10, 2017                      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, 2017 (January 1 to June 30, 2017)

#### (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, 2017	31,576	19.0	3,638	14.2	3,298	14.9	2,225	25.4
2Q ended June 30, 2016	26,533	30.0	3,185	16.1	2,870	14.7	1,774	20.3

(Note) Comprehensive income: 2Q ended June 30, 2017                      2,225 million yen ( 25.4%)  
 2Q ended June 30, 2016                      1,774 million yen ( 20.3%)

	Net Income per share	Diluted net income per share
	Yen	Yen
2Q ended June 30, 2017	91.38	91.18
2Q ended June 30, 2016	74.36	74.22

(Note) MUGEN ESTATE Co., Ltd. (hereinafter “ the Company”) conducted a 2-for-1 split which became effective as of July 1, 2016. The figures for net income per share and diluted net income per share have been adjusted to reflect the number of shares after the stock split occurred at the beginning of the previous fiscal year.

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2017	56,538	17,291	30.4
As of December 31, 2016	58,145	15,557	26.6

(Reference) Shareholders' equity: As of June 30, 2017                      17,179 million yen  
 As of December 31, 2016                      15,464 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, 2016	-	0.00	-	21.00	21.00
Year ending December 31, 2017	-	0.00	-	-	-
Year ending December 31, 2017 (forecast)	-	-	-	23.00	23.00

(Note) 1. Revision of the latest dividend forecast: No  
 2. Distribution of Year-end dividend for the fiscal year ended December 31, 2016  
 Ordinary dividend 19.00 yen                      Commemorative dividend 2.00 yen

### 3. Forecast of consolidated financial results for the fiscal year ending December 31, 2017

(January 1, 2017 to December 31, 2017)

(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	%	Yen
FY2017 (Full year)	72,175	25.5	7,191	14.0	6,370	11.8	4,085	39.6	167.75

(Note) Revision of the latest consolidated financial results forecast: None: 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, 2017 24,355,000 shares

As of December 31, 2016 24,355,000 shares

(ii) Number of treasury stock held at end of the period

As of June 30, 2017 – shares

As of December 31, 2016 – shares

(iii) Average number of shares outstanding during the period (cumulative)

As of June 30, 2017 24,355,000 shares

As of June 30, 2016 23,863,434 shares

(Note) The Company conducted a 2-for-1 split which became effective as of July 1, 2016. The figures for the number of shares outstanding and the average number of shares outstanding have been adjusted to reflect the number of shares after the stock split occurred at the beginning of the previous fiscal year.

\*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, 2017” on page 3 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, 2017

### (1) Qualitative information on financial results

During the first six months of the consolidated fiscal year under review (January 1 through June 30, 2017), the Japanese economy continued its moderate recovery trend, in which employment and income conditions continued to improve and consumer spending and capital expenditure showed signs of recovery; the economic outlook, however, remained as cautious as ever because uncertainties about overseas economies and fluctuations in financial capital markets remained to be seen.

In the real estate industry where the MUGEN ESTATE Group operates, the nationwide average roadside land value (as of January 1, 2017) announced by the National Tax Agency on July 3, 2017 had increased 0.4%, expanding the growth rate from 0.2% in the previous year. The roadside land values in the Tokyo metropolitan area, the mainstay area of the MUGEN ESTATE Group, continued to climb as they did a year earlier, mainly reflecting the impacts of redevelopment projects in central Tokyo, a surge in hotel demand and consumption on the back of the increasing number of people visiting Japan and a rise in the number of logistics facilities.

In the used housing market, demand for high-quality used condominiums remains high, while the supply of new condominiums remains at a low level in the Tokyo metropolitan area. According to the Real Estate Information Network for East Japan (REINS), a public interest incorporated foundation, the number of contracts signed for used condominiums in June 2017 in the Tokyo metropolitan area increased year on year, and contracted prices and contracted unit prices per square meter, which have been surpassing those of the previous month for 54 months consecutively since January 2013, remain favorable.

In the real estate trading market, business recoveries in central Tokyo are spreading into surrounding areas and local cities and demand remains strong among investors in Japan and abroad, reflecting favorable financing conditions on the back of low interest rates.

In this market environment, the MUGEN ESTATE Group continued to implement its strategy of becoming the dominant player in the Tokyo metropolitan area in the Real Estate Trading Business, its core segment, and kept stepping up its efforts to strengthen the purchase and resale of investment-type properties, which are its growth drivers.

In sales of investment-type properties in the Real Estate Trading Business, 22 units of investment-type buildings priced at more than 300 million yen were sold (including four units priced at more than 1,000 million yen), reflecting the growth in the size of property units sold as projected. In addition, sales of properties and investment-type owned condominiums priced within the price range of mainstay products, namely from 100 million yen to 300 million yen, also increased gradually. Sales to parties seeking inheritance tax shields and overseas investors, among other customers, also remained firm, reflecting favorable financing conditions for corporate investors due to monetary easing. Sales of investment-type properties, which continued to drive the growth of the group-wide results, rose 25.5% year on year, to 25,783 million yen.

In the sale of residential-type properties in the Real Estate Trading Business, purchase prices continued to rise amid intensified competition caused by the low barriers to entry to the market. Under these conditions, the Company purchased units selectively in the center of Tokyo and other areas that offer a high level of convenient living, implementing comprehensive profit management for each property. As a result, despite a year-on-year decline of 8.5%, to 4,492 million yen, net sales of residential-type properties have been following the plan in general.

In the Real Estate Leasing and Other Business, revenue from real estate leasing increased gradually in a manner linked with the active purchase of investment-type properties in the Real Estate Trading Business.

As a result, consolidated net sales increased 19.0% year on year, to 31,576 million yen, consolidated operating income rose 14.2% year on year, to 3,638 million yen, consolidated ordinary income climbed 14.9% year on year, to 3,298 million yen, and consolidated profit attributable to owners of parent grew 25.4% year on year, to 2,225 million yen in the first six months under review.

Note: The “investment-type properties” are classified as real estate generating rental income, including rental condominiums, office blocks, and apartments, 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, 164 units of investment-type properties such as rental condominiums, office blocks and investment-type owned condominiums were sold (up 57 units year on year), whose average selling price was 157.21 million yen (down 18.1% year on year), and net sales stood at 25,783 million yen (up 25.5% year on year). The surge in the number of properties sold and the decline in the average selling price were attributable largely to a significant increase in sales of investment-type owned condominiums priced at less than 100 million yen per unit.

A total of 182 units of residential-type properties such as owned condominiums were sold (down 5 units year on year), whose average unit selling price was 24.68 million yen (down 6.0% year on year), and net sales were 4,492 million yen (down 8.5% year on year).

As a result, net sales for the segment increased 19.1% year on year, to 30,320 million yen, and segment profit (operating income for the segment) grew 14.6% year on year, to 3,879 million yen.

[Real Estate Leasing and Other Business]

In the Real Estate Leasing and Other Business, revenue from real estate leasing expanded 17.4% year on year, to 1,240 million yen, in a manner linked with the active purchase of investment-type properties in the Real Estate Trading Business. The segment continued its steady growth as a stable revenue base.

As a result, net sales for the segment increased 17.8% year on year, to 1,256 million yen, and segment profit (operating income for the segment) rose 13.4% year on year, to 498 million yen.

(2) Qualitative information on 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 56,538 million yen (down 2.8% from the end of the previous fiscal year), liabilities of 39,247 million yen (down 7.8% from the end of the previous fiscal year), and net assets of 17,291 million yen (up 11.1% from the end of the previous year).

Principal factors contributing to the contraction of assets included a decrease of 2,973 million yen in real estate for sale and an increase of 1,135 million yen in cash and deposits.

The decline in liabilities was attributable primarily to a decrease of 3,942 million yen in long-term loans payable (including the current portion of such loans).

The increase in net assets resulted in large part from a rise of 2,225 million yen in capital surplus due to the recording of profit attributable to owners of parent, and a decrease of 511 million yen attributable to dividends paid from surplus.

[Status of cash flows]

Cash and cash equivalents at the end of the second quarter of the consolidated fiscal year under review (“cash”) increased 920 million yen from the end of the previous consolidated fiscal year, to 8,584 million yen. The cash flow positions and contributing factors during the first six months of the consolidated fiscal year under review are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities during the first six months of the consolidated fiscal year under review totaled 4,970 million yen (net cash of 5,682 million yen was used in operating activities during the first six months of the previous consolidated fiscal year). This was primarily attributable to the recording of 3,460 million yen as profit before income taxes, a decrease of 2,582 million yen in inventories and the payment of 988 million yen in 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 139 million yen (net cash used in investing activities during the first six months of the previous consolidated fiscal year was 442 million yen). This was caused primarily by 912 million yen for payments into time deposits and proceeds from the withdrawal of time deposits totaling 698 million yen.

(Cash flows from financing activities)

Net cash used in financing activities during the first six months of the consolidated fiscal year under review amounted to 3,909 million yen (net cash of 5,210 million yen was provided by financing activities during the first six months of the previous consolidated fiscal year). This was primarily due to the repayment of long-term loans payable amounting to 16,545 million yen and proceeds from long-term loans payable amounting to 12,603 million yen.

(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, 2017, as announced on February 10, 2017.

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

(Thousand yen)

	FY2016 (As of December 31, 2016)	FY2017 2Q (As of June 30, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	8,825,885	9,961,109
Accounts receivable - trade	21,468	15,175
Real estate for sale	45,354,211	42,380,896
Real estate for sale in process	77,690	123,282
Deferred tax assets	339,850	357,870
Other	556,393	823,882
Allowance for doubtful accounts	(8,055)	(7,463)
Total current assets	55,167,445	53,654,754
Non-current assets		
Property, plant and equipment		
Buildings	1,282,299	1,249,733
Accumulated depreciation	(260,517)	(251,601)
Buildings, net	1,021,782	998,131
Land	1,413,516	1,326,840
Other	134,162	138,528
Accumulated depreciation	(68,737)	(74,116)
Other, net	65,424	64,412
Total property, plant and equipment	2,500,723	2,389,384
Intangible assets	138,695	130,067
Investments and other assets		
Deferred tax assets	230,372	194,437
Other	91,432	147,406
Total investments and other assets	321,805	341,843
Total non-current assets	2,961,223	2,861,295
Deferred assets	16,687	22,115
Total assets	58,145,356	56,538,164

(Thousand yen)

	FY2016 (As of December 31, 2016)	FY2017 2Q (As of June 30, 2017)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	621,824	608,902
Short-term loans payable	3,927,200	4,241,000
Current portion of bonds	180,000	300,000
Current portion of long-term loans payable	3,472,013	4,997,230
Income taxes payable	988,068	1,281,351
Provision for bonuses	45,590	54,368
Construction warranty reserve	56,836	63,085
Other	1,671,147	1,491,598
Total current liabilities	10,962,679	13,037,536
Non-current liabilities		
Bonds payable	720,000	840,000
Long-term loans payable	30,021,520	24,553,630
Net defined benefit liability	69,264	75,971
Other	814,858	739,971
Total non-current liabilities	31,625,643	26,209,574
Total liabilities	42,588,322	39,247,110
<b>Net assets</b>		
Shareholders' equity		
Capital stock	2,549,609	2,549,609
Capital surplus	2,472,609	2,472,609
Retained earnings	10,442,741	12,156,965
Total shareholders' equity	15,464,961	17,179,185
Subscription rights to shares	92,072	111,868
Total net assets	15,557,033	17,291,054
Total liabilities and net assets	58,145,356	56,538,164

(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, 2017)

(Thousand yen)

	FY2016 2Q (From January 1 to June 30, 2016)	FY2017 2Q (From January 1 to June 30, 2017)
Net sales	26,533,571	31,576,605
Cost of sales	21,535,235	25,791,329
Gross profit	4,998,335	5,785,276
Selling, general and administrative expenses	1,813,111	2,147,215
Operating income	3,185,224	3,638,061
Non-operating income		
Interest and dividend income	1,133	1,459
Commission fee	3,293	4,815
Penalty income	6,223	7,082
Insurance income	7,590	-
Other	3,416	5,833
Total non-operating income	21,657	19,190
Non-operating expenses		
Interest expenses	299,265	330,127
Share issuance cost	15,457	-
Commission fee	22,077	24,284
Other	-	4,325
Total non-operating expenses	336,800	358,736
Ordinary income	2,870,080	3,298,515
Extraordinary income		
Reversal of consumption taxes for prior period	-	133,218
Gain on sales of non-current assets	12	28,902
Total extraordinary income	12	162,120
Extraordinary losses		
Loss on sales of non-current assets	-	8
Total extraordinary losses	-	8
Profit before income taxes	2,870,092	3,460,627
Income taxes - current	1,072,622	1,217,032
Income taxes - deferred	23,092	17,915
Total income taxes	1,095,715	1,234,947
Profit	1,774,377	2,225,679
Profit attributable to owners of parent	1,774,377	2,225,679



[Quarterly Consolidated Statements of Comprehensive Income]

(For six months from January 1 to June 30, 2017)

(Thousand yen)

	FY2016 2Q (From January 1 to June 30, 2016)	FY2017 2Q (From January 1 to June 30, 2017)
Profit	1,774,377	2,225,679
Comprehensive income	1,774,377	2,225,679
(Breakdown)		
Comprehensive income attributable to owners of parent	1,774,377	2,225,679

## (3) Quarterly Consolidated Cash Flow

(Thousand yen)

	FY2016 2Q (From January 1 to June 30, 2016)	FY2017 2Q (From January 1 to June 30, 2017)
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,870,092	3,460,627
Depreciation	297,224	389,820
Increase (decrease) in allowance for doubtful accounts	(1,563)	(247)
Increase (decrease) in provision for bonuses	(20,585)	8,778
Increase (decrease) in construction warranty reserve	9,483	6,248
Increase (decrease) in net defined benefit liability	5,609	6,707
Interest and dividend income	(1,133)	(1,459)
Interest expenses	299,265	330,127
Share issuance cost	15,457	-
Share-based compensation expenses	33,900	19,795
Amortization of bond issuance cost	-	2,522
Loss (gain) on sales of non-current assets	(12)	(28,893)
Reversal of consumption taxes for prior period	-	(133,218)
Decrease (increase) in notes and accounts receivable - trade	11,046	6,237
Decrease (increase) in inventories	(6,489,411)	2,582,392
Increase (decrease) in notes and accounts payable - trade	5,714	(12,922)
Increase (decrease) in accrued consumption taxes	(2,276)	(79,888)
Decrease (increase) in consumption taxes refund receivable	62,778	17,273
Increase (decrease) in lease and guarantee deposits received	61,732	(73,883)
Decrease (increase) in other current assets	(770,194)	(287,032)
Increase (decrease) in other current liabilities	98,766	99,061
Other, net	(29,276)	(28,409)
Subtotal	(3,543,379)	6,283,637
Interest and dividend income received	1,133	1,459
Interest expenses paid	(304,729)	(326,510)
Income taxes paid	(1,835,852)	(988,346)
Net cash provided by (used in) operating activities	(5,682,827)	4,970,240
<b>Cash flows from investing activities</b>		
Payments into time deposits	(737,065)	(912,588)
Proceeds from withdrawal of time deposits	342,795	698,357
Purchase of property, plant and equipment	(16,869)	(81,179)
Proceeds from sales of property, plant and equipment	12	186,623
Purchase of intangible assets	(30,961)	(678)
Payments for investments in capital	-	(29,950)
Net cash provided by (used in) investing activities	(442,088)	(139,416)

(Thousand yen)

	FY2016 2Q (From January 1 to June 30, 2016)	FY2017 2Q (From January 1 to June 30, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	319,561	313,800
Proceeds from long-term loans payable	14,306,000	12,603,000
Repayments of long-term loans payable	(10,968,110)	(16,545,671)
Proceeds from issuance of bonds	-	292,050
Redemption of bonds	-	(60,000)
Proceeds from issuance of common shares	1,904,105	-
Repayments of lease obligations	(996)	(1,554)
Cash dividends paid	(352,160)	(511,455)
Proceeds from exercise of share options	2,171	-
Net cash provided by (used in) financing activities	5,210,570	(3,909,831)
Net increase (decrease) in cash and cash equivalents	(914,345)	920,992
Cash and cash equivalents at beginning of period	6,291,018	7,663,098
Cash and cash equivalents at end of period	5,376,672	8,584,091

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

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Additional information)

The Company has adopted the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, issued on March 28, 2016) from the first quarter of the consolidated fiscal year under review.

(Segment Information)

For six months ended June 30, 2016 (From January 1 to June 30, 2016)

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

(Thousand 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	25,467,477	1,066,094	26,533,571	—	26,533,571
Inter-segment sales or transfer	—	4,021	4,021	(4,021)	—
Total	25,467,477	1,070,116	26,537,593	(4,021)	26,533,571
Segment profit	3,384,214	439,176	3,823,391	(638,167)	3,185,224

(Note) 1. The segment profit adjustment of (638,167) thousand 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, 2017 (From January 1 to June 30, 2017)

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

(Thousand 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	30,320,401	1,256,204	31,576,605	-	31,576,605
Inter-segment sales or transfer	28,901	3,776	32,678	(32,678)	-
Total	30,349,302	1,259,981	31,609,283	(32,678)	31,576,605
Segment profit	3,879,862	498,100	4,377,962	(739,901)	3,638,061

(Note) 1. The segment profit adjustment of (739,901) thousand 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.