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, 2016 [Based on Japanese GAAP]

August 5, 2016

Listed company name: MUGEN ESTATE Co., Ltd Listed Stock Exchange: Tokyo Stock Exchange
Securities code: 3299 URL http://www.mugen-estate.co.jp/
Representative: Shinichi Fujita, President
Contact: Takao Yoshioka, Managing Director, General Manager of Administrative Division ir@mugen-estate.co.jp

Scheduled date of quarterly securities report filing: August 9, 2016 Scheduled date of dividend payment: –
Supplementary material for financial results: Yes
Quarterly financial results briefing: Yes (for analysts and institutional investors, in Japanese)

(fractions of one million yean are rounded off)

1. Consolidated financial results for the Second Quarter ended June 30, 2016 (January 1 to June 30, 2016)

(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, 2016	26,533	30.0	3,185	16.1	2,870	14.7	1,774	20.3
2Q ended June 30, 2015	20,414	44.7	2,743	85.9	2,502	95.9	1,474	103.7

(Note) Comprehensive income: 2Q ended June 30,2016 809 million yen(38.8%)
2Q ended June 30,2015 583 million yen(38.0%)

	Net Income per share	Diluted net income per share
	Yen	Yen
2Q ended June 30, 2016	74.36	74.22
2Q ended June 30, 2015	67.21	66.85

(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, 2016	49,698	14,391	28.8
As of December 31, 2015	43,291	11,013	25.3

(Reference) Shareholders' equity: As of June 30, 2016 14,313 million yen
As of December 31, 2015 10,966 million yen

2. Dividends

	Annual dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2015	–	0.00	–	32.00	32.00
Year ending December 31, 2016	–	0.00			
Year ending December 31, 2016 (forecast)			–	21.00	21.00

(Note) 1. Revision of the latest dividend forecast: No
2. Distribution of Year-end dividend for the fiscal year ending December 31, 2016 (forecast)
Ordinary dividend 19.00 yen Commemorative dividend 2.00 yen
3. Year-end dividend for Year ending December 31, 2016 (forecast) indicates an amount calculated in consideration of a 2-for-1 stock split with an effective date of July 1, 2016. Annual dividends per share for Year ending December 31, 2016 (forecast) without considering the stock split is 42.00 yen.

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2016

(January 1, 2016 to December 31, 2016) (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
FY2016 (Full year)	58,397	27.8	7,425	21.3	6,632	19.0	4,185	23.7	173.58

(Note) 1. Revision of the latest consolidated financial results forecast: None

2. Net income per share for FY2016 (Full year) indicates an amount calculated in consideration of the 2-for-1 stock split with an effective date of July 1, 2016. Net income per share for FY2016 (Full year) without considering the stock split is 347.17 yen.

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): 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 : Yes
(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, 2016 24,355,000 shares
As of December 31, 2015 22,010,000 shares

(ii) Number of treasury stock held at end of the period
As of June 30, 2016 – shares
As of December 31, 2015 – shares

(iii) Average number of shares outstanding during the period (cumulative)
As of June 30, 2016 23,863,434 shares
As of December 31, 2015 21,936,596 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.

* Status of quarterly audit procedures

This financial summary is not subject to the financial statement audits under the Financial Instruments and Exchange Act, and the financial statement audits under the Financial Instruments and Exchange Act have not been completed at the time of the announcement of this financial summary.

* 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, 2016“ 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, 2016

(1) Qualitative information on financial results

During the first six months of the consolidated fiscal year under review (January 1 through June 30, 2016), the economic trends in Japan shifted from a moderate recovery led by factors such as improved corporate earnings and employment backed by the government's economic policies and the monetary easing of the Bank of Japan to a phase of strong uncertainty. This uncertainty was attributable to factors such as the economic slowdown in China and other emerging countries in Asia and resource-rich countries, the appreciation of the yen, and stock price fluctuations since the beginning of 2016.

According to the National Tax Agency, in the real estate industry, in which the MUGEN ESTATE Group operates, the national average roadside land price in 2016 (as of January 1), released on July 1, 2016, rose 0.2% from a year ago, which is the first rise in the eight years since 2008, before the Lehman shock. Tokyo showed the highest rate of increase, up 2.9%, rising for the third consecutive year on the back of firm office demand and growth in inbound tourism (visitors to Japan). On the real estate investment market, wariness toward the acquisition of properties was seen among some buyers, mainly due to a sense of deceleration in inbound demand and confusion on financial markets caused by the U.K.'s decision to leave the European Union (EU). Nevertheless, demand for high quality properties among wealthy buyers in central Tokyo and demand of buyers for inheritance tax shields is strong, and market conditions are expected to remain stable, benefitting from further falls in interest rates for housing and real estate loans following the BOJ's adoption of negative interest rates.

Under 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 as its core segment, and to strengthen the purchase and resale of investment-type properties as the growth driver.

In the sales of investment-type properties in the Real Estate Trading Business, the Company sought to further enhance its product lineup to meet the wide range of real estate purchasing needs of its customers. The Company also focused on sales to buyers for inheritance tax shields, sales to those seeking pension income (aiming to accumulate wealth) and sales to overseas investors, which are its main target, and also increased the size of the properties handled. As a result, sales of investment-type properties remained brisk, strongly leading the financial performance of the entire Group, with sales of 19 units of investment-type buildings priced at more than 300 million yen (up 7 units year on year; 2 of which were units priced at more than 1 billion yen).

In the sale of residential-type properties in the Real Estate Trading Business, the Company carefully selected the units to sell and focused on early sales, while purchase prices continued to rise due to intensified competition caused by the low barriers to entry to the market.

In the Real Estate Leasing and Other Business, revenue from real estate leasing has been gradually increasing in connection with the active purchase of investment-type properties in the Real Estate Trading Business.

As a result, net sales increased 30.0% year on year, to 26,533 million yen, operating income rose 16.1% year on year, to 3,185 million yen, ordinary income was up 14.7% year on year, to 2,870 million yen, and profit attributable to owners of parent grew 20.3% year on year, to 1,774 million yen for the first half of the consolidated fiscal year 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, 107 units of investment-type properties such as rental condominiums and office blocks were sold (up 25 units year on year), whose average unit selling price was 191.95 million yen (up 6.6% year on year), and net sales stood at 20,539 million yen (up 39.2% year on year). A total of 187 units of

residential-type properties such as owned condominiums were sold (down 2 units year on year), whose average unit selling price was 26.26 million yen (up 4.0% year on year), and net sales were 4,911 million yen (up 2.9% year on year).

As a result, net sales increased 30.2% year on year, to 25,467 million yen, and segment profit (operating income) grew 20.7% year on year, to 3,384 million yen.

[Real Estate Leasing and Other Business]

In the Real Estate Leasing and Other Business, revenue from the real estate leasing, linked to the active purchasing of investment-type properties in the Real Estate Trading Business, increased 24.9% year on year, to 1,056 million yen. The segment continues to grow steadily as a stable revenue base.

As a result, net sales increased 24.5% year on year, to 1,066 million yen, and segment profit (operating income) rose 8.9% year on year, to 439 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 49,698 million yen (up 14.8% from the end of the previous fiscal year), liabilities of 35,307 million yen (up 9.4% from the end of the previous fiscal year), and net assets of 14,391 million yen (up 30.7% from the end of the previous fiscal year).

Principal factors contributing to the growth of assets included an increase of 6,221 million yen in real estate for sale and a rise of 712 million yen in other current assets, and a decrease of 524 million yen in cash and deposits.

The growth in liabilities was attributable primarily to an increase of 3,337 million yen in long-term loans payable (including the current portion of long-term loans payable), and a decrease of 728 million yen in income taxes payable.

The increase in net assets resulted in large part from a rise of 959 million yen in capital stock and 959 million yen in capital surplus due to the issuance of new shares through public offering, and capital increase through the private placement of new shares related to offering through over allotment, and an increase of 1,774 million yen in retained earnings due to the recording of profit attributable to owners of parent, despite a decrease of 352 million yen attributable to dividends paid from surplus.

[Status of cash flows]

Cash and cash equivalents (hereinafter “net cash”) totaled 5,376 million yen as of end of the second quarter of the fiscal year under review, representing a decline of 914 million yen compared to the end of the previous fiscal year.

The status of cash flows during the first half of the fiscal year under review as well as the main factors behind them are as follows.

(Cash flows from operating activities)

Net cash used in operating activities during the first six months of the fiscal year under review amounted to 5,682 million yen (compared to net cash used during the first six months of the previous fiscal year of 5,187 million yen). The main factors were income before income taxes of 2,870 million yen, and an increase in inventories of 6,489 million yen and income taxes paid of 1,835 million yen.

(Cash flows from investing activities)

Net cash used in investing activities during the first six months of the fiscal year under review amounted to 442 million yen (compared to net cash used during the first six months of the previous fiscal year of 824 million yen). The main factor was payments into time deposits of 737 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities during the first six months of the fiscal year under review amounted to 5,210 million yen (compared to net cash provided during the first six months of the previous fiscal year of 6,569 million yen). The main factors were repayments of long-term loans payable of 10,968 million yen, and proceeds from long-term loans payable of 14,306 million yen and proceeds from share issuance of 1,904 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, 2016, as announced on February 12, 2016.

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)

	FY2015 (As of December 31, 2015)	FY2016 2Q (As of June 30, 2016)
Assets		
Current assets		
Cash and deposits	7,106,471	6,581,897
Account receivable – trade	22,863	11,816
Real estate for sale	33,046,378	39,267,448
Real estate for sale in process	57,864	62,243
Deferred tax assets	294,629	274,827
Other	774,633	1,487,290
Allowance for doubtful accounts	(9,352)	(7,789)
Total current assets	41,293,488	47,677,732
Non-current assets		
Property, plant and equipment		
Buildings	884,238	885,164
Accumulated depreciation	(220,617)	(239,265)
Buildings, net	663,621	645,899
Land	960,434	960,434
Other	116,148	128,740
Accumulated depreciation	(66,024)	(62,829)
Other, net	50,123	65,910
Total property, plant and equipment	1,674,179	1,672,244
Intangible assets	117,833	141,438
Investments and other assets		
Deferred tax assets	106,302	103,012
Other	99,752	104,473
Total investments and other assets	206,054	207,486
Total non-current assets	1,998,068	2,021,168
Total assets	43,291,556	49,698,901

(Thousand yen)

	FY2015 (As of December 31, 2015)	FY2016 2Q (As of June 30, 2016)
Liabilities		
Current liabilities		
Account payable – trade	721,108	726,822
Short-term loans payable	4,042,142	4,361,703
Current portion of long-term loans payable	2,574,573	3,596,235
Income taxes payable	1,832,086	1,103,385
Provision for bonuses	63,827	43,242
Provision for construction warranty reserve	34,845	44,328
Other	481,650	544,810
Total current liabilities	9,750,234	10,420,527
Non-current liabilities		
Long-term loans payable	21,899,246	24,215,473
Net defined benefit liability	56,844	62,453
Other	571,268	608,640
Total non-current liabilities	22,527,358	24,886,567
Total liabilities	32,277,593	35,307,095
Net assets		
Shareholders' equity		
Capital stock	1,586,930	2,549,609
Capital surplus	1,509,930	2,472,609
Retained earnings	7,869,151	9,291,359
Total shareholders' equity	10,966,011	14,313,579
Subscription rights to shares	47,952	78,227
Total net asset	11,013,963	14,391,806
Total liabilities and net assets	43,291,556	49,698,901

(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, 2016)

(Thousand yen)

	FY2015 2Q (From January 1 to June 30, 2015)	FY2016 2Q (From January 1 to June 30, 2016)
Net sales	20,414,289	26,533,571
Cost of sales	16,243,784	21,535,235
Gross profit	4,170,505	4,998,335
Selling, general and administrative expenses	1,426,771	1,813,111
Operating income	2,743,733	3,185,224
Non-operating income		
Interest and dividend income	915	1,133
Commission fee	6,422	3,293
Penalty income	29,187	6,223
Insurance income	—	7,590
Other	4,214	3,416
Total non-operating income	40,740	21,657
Non-operating expenses		
Interest expenses	243,845	299,265
Share issuance cost	—	15,457
Commission fee	29,854	22,077
Other	8,632	—
Total non-operating expenses	282,332	336,800
Ordinary income	2,502,140	2,870,080
Extraordinary income		
Gain on sales of non-current assets	25,883	12
Total extraordinary income	25,883	12
Income before income taxes and minority interests	2,528,024	2,870,092
Income taxes - current	1,166,695	1,072,622
Income taxes - deferred	(113,131)	23,092
Total income taxes	1,053,563	1,095,715
Income before minority interests	1,474,460	1,774,377
Profit attributable to owners of parent	1,474,460	1,774,377

[Quarterly Consolidated Statements of Comprehensive Income]

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

(Thousand yen)

	FY2015 2Q (From January 1 to June 30, 2015)	FY2016 2Q (From January 1 to June 30,2016)
Income before minority interests	1,474,460	1,774,377
Comprehensive income	1,474,460	1,774,377
(Breakdown)		
Comprehensive income attributable to owners of parent	1,474,460	1,774,377

(3) Quarterly Consolidated Cash Flow

(Thousand yen)

	FY2015 2Q (From January 1 to June 30, 2015)	FY2016 2Q (From January 1 to June 30,2016)
Cash flows from operating activities		
Income before income taxes and minority interests	2,528,024	2,870,092
Depreciation	230,990	297,224
Increase (decrease) in allowance for doubtful accounts	3,947	(1,563)
Increase (decrease) in provision for bonuses	145,038	(20,585)
Increase (decrease) in provision for directors' retirement benefits	6,262	—
Increase (decrease) in construction warranty reserve	5,003	9,483
Increase (decrease) in net defined benefit liability	6,295	5,609
Interest and dividend income	(915)	(1,133)
Interest expenses	243,845	299,265
Share issuance cost	—	15,457
Share-based compensation expenses	33,992	33,900
Loss (gain) on sales of non-current assets	(25,883)	(12)
Decrease (increase) in notes and accounts receivable - trade	(3,051)	11,046
Decrease (increase) in inventories	(7,392,089)	(6,489,411)
Increase (decrease) in notes and accounts payable - trade	113,797	5,714
Increase (decrease) in accrued consumption taxes	(5,858)	(2,276)
Decrease (increase) in consumption taxes refund receivable	20,042	62,778
Decrease (increase) in other current assets	19,165	(770,194)
Increase (decrease) in other current liabilities	26,577	98,766
Other, net	70,444	32,456
Subtotal	(3,974,370)	(3,543,379)
Interest and dividend income received	915	1,133
Interest expenses paid	(239,152)	(304,729)
Income taxes paid	(974,495)	(1,835,852)
Net cash provided by (used in) operating activities	(5,187,102)	(5,682,827)
Cash flows from investing activities		
Payments into time deposits	(287,819)	(737,065)
Proceeds from withdrawal of time deposits	203,362	342,795
Purchase of property, plant and equipment	(871,271)	(16,869)
Proceeds from sales of property, plant and equipment	143,468	12
Purchase of intangible assets	(12,700)	(30,961)
Collection of investments in capital	60	—
Net cash provided by (used in) investing activities	(824,900)	(442,088)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(736,407)	319,561
Proceeds from long-term loans payable	16,492,600	14,306,000
Repayments of long-term loans payable	(8,998,199)	(10,968,110)
Proceeds from issuance of common shares	—	1,904,105
Repayments of lease obligations	(1,712)	(996)
Cash dividends paid	(186,456)	(352,160)
Proceeds from exercise of share options	140	2,171
Net cash provided by (used in) financing activities	6,569,964	5,210,570
Net increase (decrease) in cash and cash equivalents	557,962	(914,345)
Cash and cash equivalents at beginning of period	3,601,319	6,291,018
Cash and cash equivalents at end of period	4,159,281	5,376,672

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

The Company carried out a capital increase through a public offering, 900,000 shares, in which the due date of payment was February 4, 2016 and a capital increase through a private placement, 255,500 shares, associated with overallotment in with the due date of payment was February 22, 2016. Following the capital increases, capital stock and capital surplus each increased 959,781 thousand yen. By exercising of stock acquisition rights, new shares were issued and the capital stock and capital surplus each increased 2,898 thousand yen.

As a result, capital stock and capital surplus each came to 2,549,609 thousand yen and 2,472,609 thousand yen at the end of the first quarter of the consolidated fiscal year under review.

(Segment Information)

For six months ended June 30, 2015 (From January 1 to June 30, 2015)

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	19,557,997	856,292	20,414,289	—	20,414,289
Inter-segment sales or transfer	—	4,133	4,133	(4,133)	—
Total	19,557,997	860,425	20,418,423	(4,133)	20,414,289
Segment profit	2,804,211	403,193	3,207,404	(463,670)	2,743,733

(Note) 1. The segment profit adjustment of (463,670) 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, 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.