

FY2022 1Q ended March 31, 2022 Financial Results

MUGEN ESTATE Co.,Ltd.

TSE1:3299 | May 13, 2022

<https://www.mugen-estate.co.jp/>

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- **Revenue and profits both fell year on year.**

Consolidated net sales declined 54.0% year on year, to 4,700 million yen. Profit attributable to owners of parent dropped 68.8% year on year, to 100 million yen.

- **Market conditions remained strong.**

The real estate market continued to show strength with a gross profit margin of 23.3%, up 9 percentage points year on year.

- **Purchases increased smoothly.**

Purchases increased smoothly with 5,900 million yen posted on a 1Q settlement basis and an additional 7,800 million yen in sight, supported by the effects that sales offices set up in the previous year gradually began to show.

- **The workforce increase also advanced smoothly.**

The number of employees was 255 as of March 31, 2022. Twenty-five new employees, including fresh graduates and mid-career recruits, joined them in April.

- **For achieving commitment-based, full-year results targets.**

Purchase reinforcement, staff expansion, and foothold solidification for improving results from 2Q progressed smoothly.

Rises in material prices and deadline delays for housing equipment attributable to geopolitical risks and the pandemic are grounds for concern. The Group will steadily implement measures for achieving results targets based on its commitment.

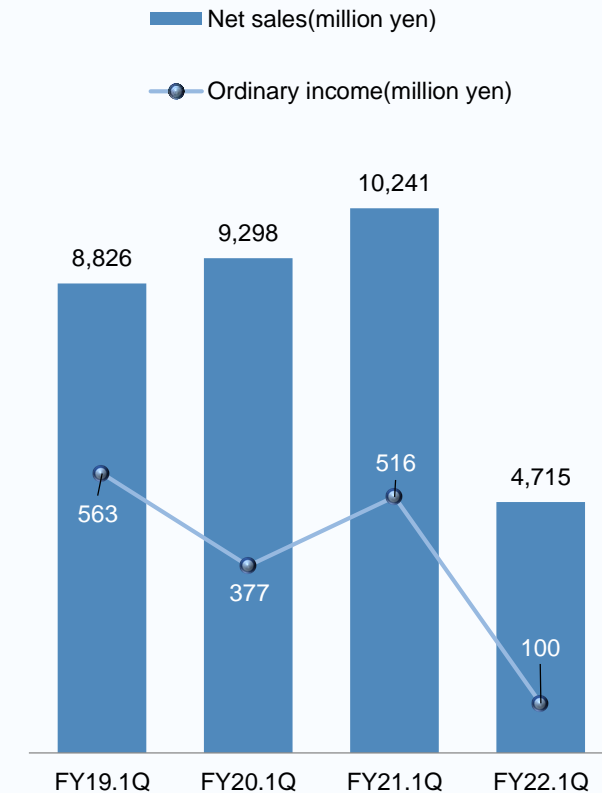
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Overview of FY2022 1Q Financial Results

Overview of Consolidated Financial Results for FY2022 1Q

- In FY2022 1Q, The Group focused on purchases. Both net sales and profit decreased year on year.
- On a contract basis, results in general improved as internally planned.

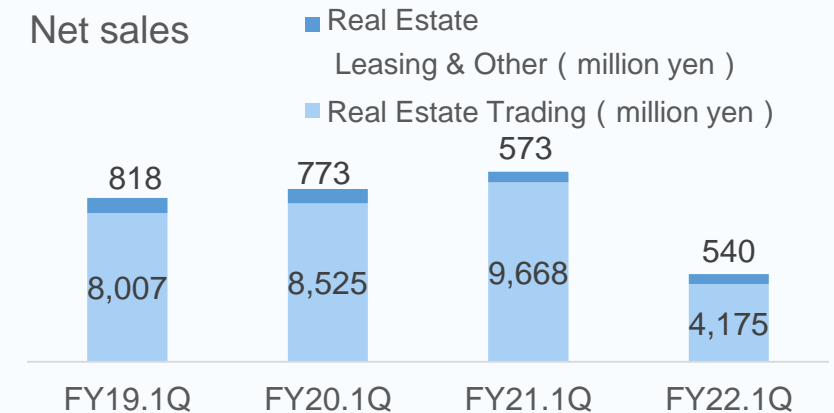
million yen	FY2021.1Q		FY2022.1Q		YOY	
	Results	Proportion (%)	Results	Proportion (%)	Change	Rate (%)
Net sales	10,241	100.0	4,715	100.0	(5,525)	(54.0)
Gross profit	1,466	14.3	1,096	23.3	(370)	(25.2)
SGA	809	7.9	856	18.2	47	5.9
Operating income	657	6.4	239	5.1	(417)	(63.5)
Ordinary income	516	5.0	100	2.1	(416)	(80.6)
Profit attributable to owners of parent	348	3.4	108	2.3	(239)	(68.8)



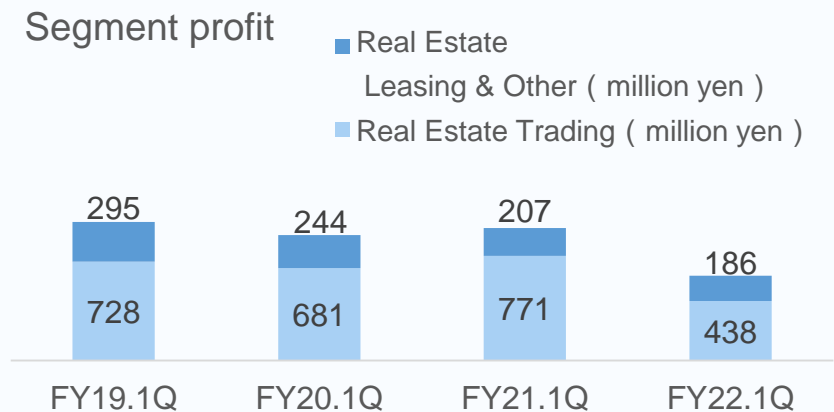
Net sales and profits for reportable business segments

- Net sales for the Real Estate Trading Business decreased substantially year on year. However, net sales for the Business rose favorably on a sales contract basis.
The segment profit ratio increased from 8.0% posted in the first quarter of the previous fiscal year, to 10.5%, reflecting sales with an emphasis on profitability.
- Net sales for the Real Estate Leasing and Other Business declined year on year. However, net sales for the Business expanded quarter on quarter (from 532 million yen posted in the fourth quarter of the previous fiscal year) due to progress with purchases.

million yen	FY2021.1Q		FY2022.1Q		YOY	
	Net sales	Proportion (%)	Net sales	Proportion (%)	Change	Rate (%)
Real Estate Trading	9,668	94.4	4,175	88.5	(5,492)	(56.8)
Real Estate Leasing & Other	573	5.6	540	11.5	(32)	(5.8)
Total	10,241	100.0	4,715	100.0	(5,525)	(54.0)



million yen	FY2021.1Q		FY2022.1Q		YOY	
	Segment profit	Proportion (%)	Segment profit	Proportion (%)	Change	Rate (%)
Real Estate Trading	771	78.8	438	70.2	(333)	(43.2)
Real Estate Leasing & Other	207	21.2	186	29.8	(21)	(10.3)
Total	979	100.0	624	100.0	(354)	(36.2)



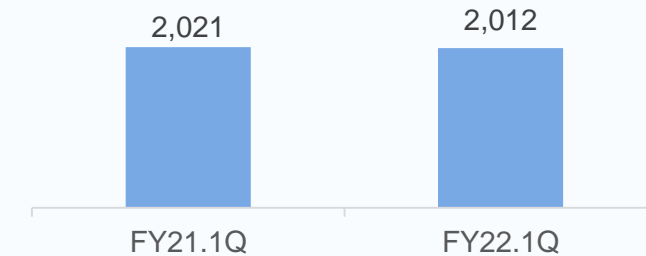
Net sales for reportable business segments

- Net sales for the residential-type properties purchase and resale business decreased 0.4% year on year, to 2,000 million yen. Net sales for investment-type properties plunged 71.5% year on year, to 2,100 million yen.
- In the Real Estate Development Business, delays occurred in sales plans for properties that had been completed in the previous fiscal year. New properties were completed in March.
- The Real Estate Specified Joint Business is expected to produce net sales from 2Q as planned.

million yen	FY2021.1Q	FY2022.1Q	YOY	
	Results	Results	Change	Rate (%)
Real Estate Trading	9,668	4,175	(5,492)	(56.8)
Purchase and Resale Business (Investment-type-properties)	2,021	2,012	(8)	(0.4)
Purchase and Resale Business (Residential-type properties)	7,450	2,125	(5,325)	(71.5)
Development Business	0	0	0	—
Real Estate Specified Joint Venture Business	169	0	(169)	—
Real Estate Leasing & Other	573	540	(32)	(5.8)

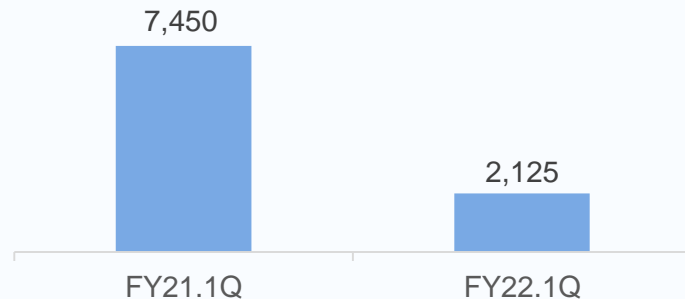
Investment-type-properties

■ Unit sales



Residential-type properties

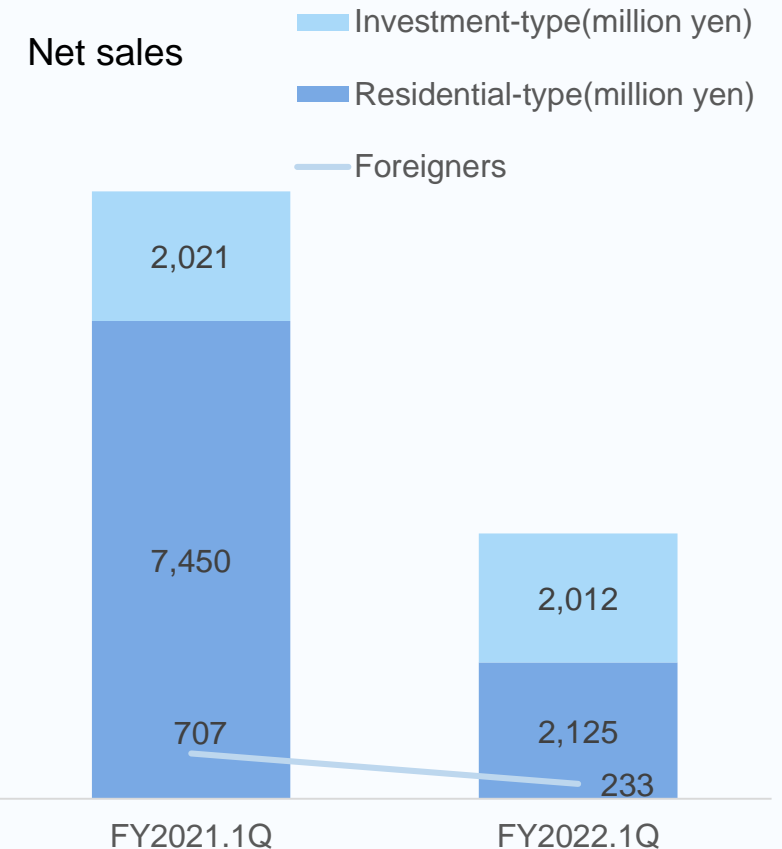
■ Unit sales



Purchase & Resale Business: Sales by Type

- Investment-type properties: Purchases advanced according to the Group's plan.
Sales fell substantially year on year, partly due to settlement delays on a monthly basis. Sales rose favorably on a contract basis.
- Residential-type properties: Purchases advanced according to the Group's plan.
Sales remained roughly on a par with the level of the first quarter of the previous fiscal year, despite the effects of housing equipment supply delays.

million yen	FY2021.1Q	FY2022.1Q	YOY	
			Change	Rate (%)
Net sales	9,471	4,137	(5,334)	(56.3)
Investment-type	7,450	2,125	(5,325)	(71.5)
Residential-type	2,021	2,012	(8)	(0.4)
Unit sales	93	60	(33)	(35.5)
Investment-type	44	13	(31)	(70.5)
Residential-type	49	47	(2)	(4.1)
Average selling price	101.8	68.9	(32.8)	(32.3)
Investment-type	169.3	163.4	(5.8)	(3.5)
Residential-type	41.2	42.8	1.5	3.8
Foreigners				
Net sales	707	233	(474)	(67.1)
Unit sales	8	7	(1)	(12.5)
Average selling price	88.4	33.2	(55.1)	(62.4)



(Note) Figures in the Real Estate Specified Joint Business are included.

Purchase & Resale Business: Sales by Area

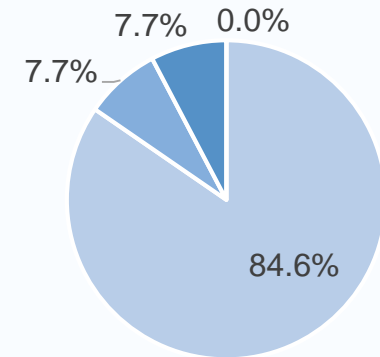
- Investment-type properties: Both unit sales and the sales amount decreased year on year in all areas due to sales with an emphasis on profitability.
- Residential-type properties: Unit sales and the sales amount increased in the Saitama and Chiba areas. The average price rose in all areas.

< Investment-type properties >

million yen

Area	FY2021.1Q				FY2022.1Q				YOY	
	Units sales	Proportion (%)	Sales amount	Average price	Units sales	Proportion (%)	Sales amount	Average price	Units sales	Average price
Tokyo	33	75.0	5,589	169.3	11	84.6	2,014	183.1	(22)	13.7
Kanagawa	5	11.4	1,039	207.9	1	7.7	44	44.7	(4)	(163.1)
Saitama	5	11.4	620	124.0	1	7.7	65	65.9	(4)	(58.0)
Chiba	1	2.3	200	200.6	0	0.0	0	—	(1)	—
Total	44	100.0	7,450	169.3	13	100.0	2,125	163.4	(31)	(5.8)

FY2022.1Q Breakdowns of unit sales

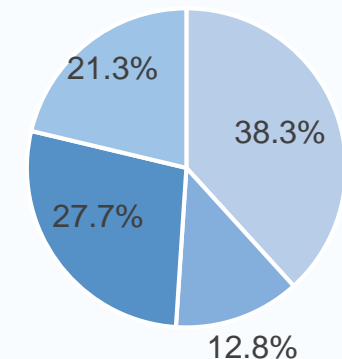


■ Tokyo ■ Kanagawa ■ Saitama ■ Chiba

< Residential-type properties >

million yen

Area	FY2021.1Q				FY2022.1Q				YOY	
	Units sales	Proportion (%)	Sales amount	Average price	Units sales	Proportion (%)	Sales amount	Average price	Units sales	Average price
Tokyo	25	51.0	1,386	55.4	18	38.3	1,205	66.9	(7)	11.5
Kanagawa	9	18.4	285	31.7	6	12.8	213	35.6	(3)	3.8
Saitama	7	14.3	156	22.3	13	27.7	331	25.5	6	3.1
Chiba	8	16.3	191	23.9	10	21.3	260	26.0	2	2.1
Total	49	100.0	2,021	41.2	47	100.0	2,012	42.8	(2)	1.5



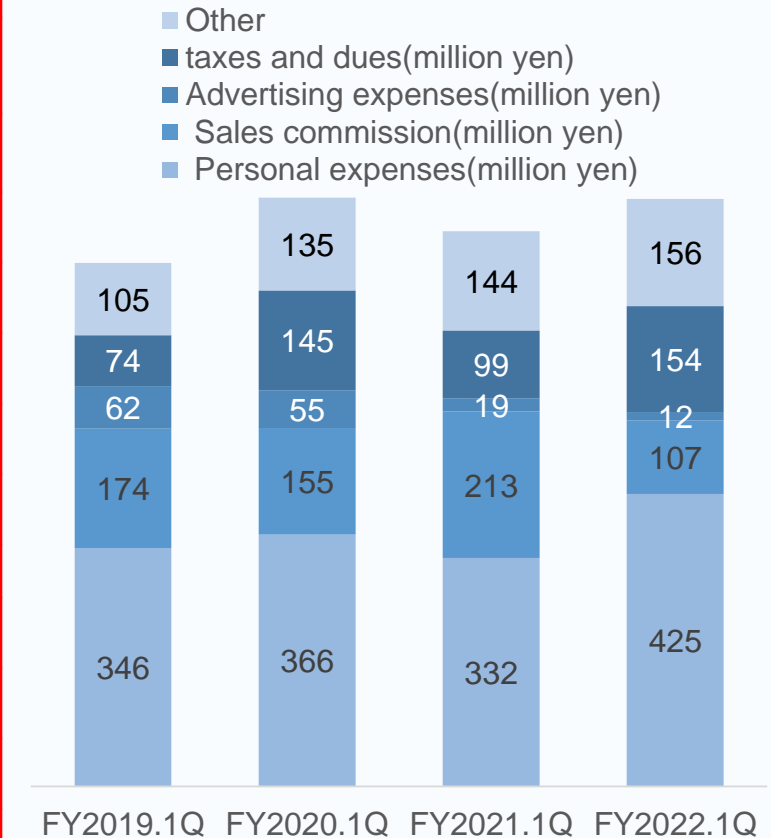
(Note) Figures in the Real Estate Specified Joint Business are included.

Selling, General & Administrative Expenses

- Selling, general and administrative expenses: Sales commission decreased year on year due to a sales decline. Meanwhile, selling, general and administrative expenses grew year on year, reflecting an increase in taxes and dues related to purchases and a rise in personnel expenses that accompanied staff expansion.
- Non-operating expenses: No significant year-on-year change occurred.

million yen	FY2021.1Q		FY2022.1Q		YOY	
	Results	Sales ratio (%)	Results	Sales ratio (%)	Change	Rate (%)
Selling, general and administrative expenses	809	7.9	856	18.2	47	5.9
Personal expenses	332	3.2	425	9.0	92	28.0
Sales commission	213	2.1	107	2.3	(105)	(49.5)
Advertising expenses	19	0.2	12	0.3	(7)	(38.0)
taxes and dues	99	1.0	154	3.3	54	54.9
Others	144	1.4	156	3.3	12	9.0
Non-operating income	7	0.1	17	0.4	10	146.6
Non-operating expenses	148	1.4	157	3.3	9	6.3
Interest expenses	130	1.3	137	2.9	6	4.9
Others	17	0.2	20	0.4	2	17.5

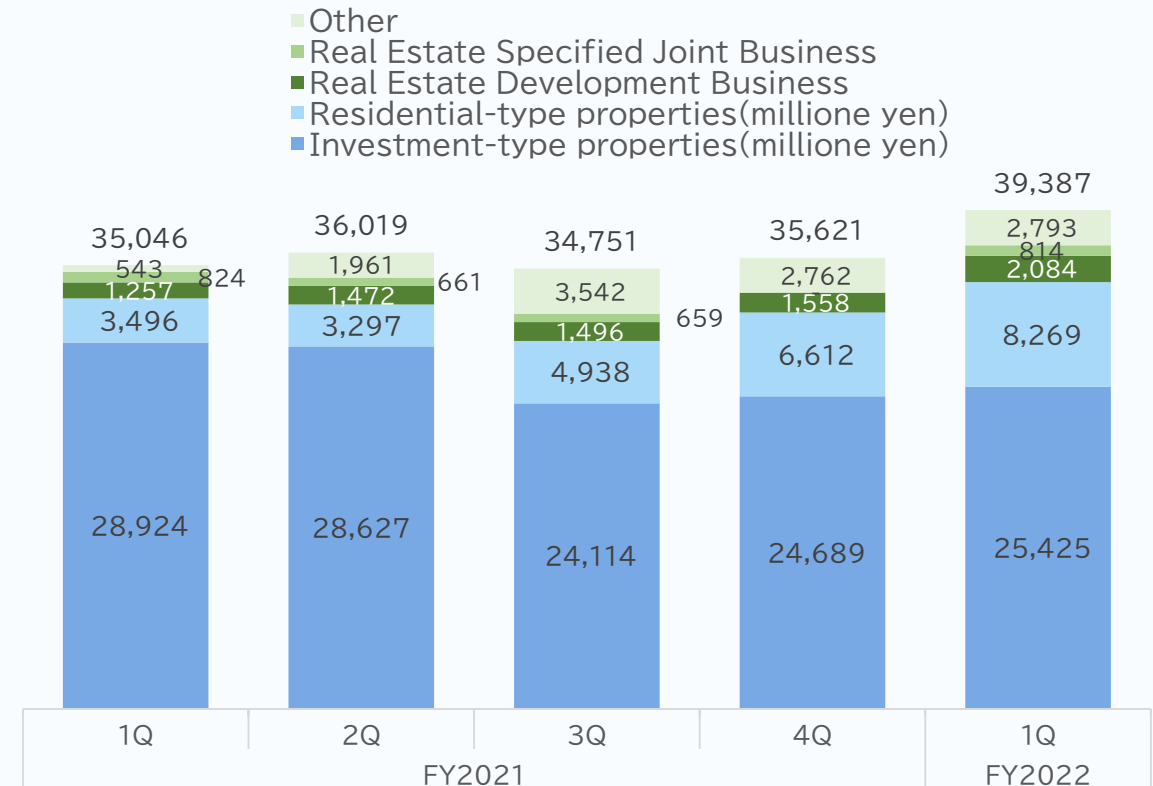
Selling, general and administrative expenses breakdown



Real Estate (Inventory) for Sales

- Purchasing activities progressed smoothly.
- In particular, the inventory of real estate for sale increased firmly with the Group's efforts to focus on purchases of actively traded residential-type properties, and purchases in the Development Business and the Real Estate Specified Joint Business undergoing growth.

million yen	As of Dec.31,2021	As of Mar.31,2022	Change
Real estate for sales	35,621	39,387	3,766
Investment-type properties	24,689	25,425	735
Residential-type properties	6,612	8,269	1,657
Real Estate Development Business	1,558	2,084	526
Real Estate Specified Joint Business	0	814	814
Other	2,762	2,793	31



(Note) Real estate for sale (inventory) figures are non-consolidated figures.

Overview of Consolidated Financial Position

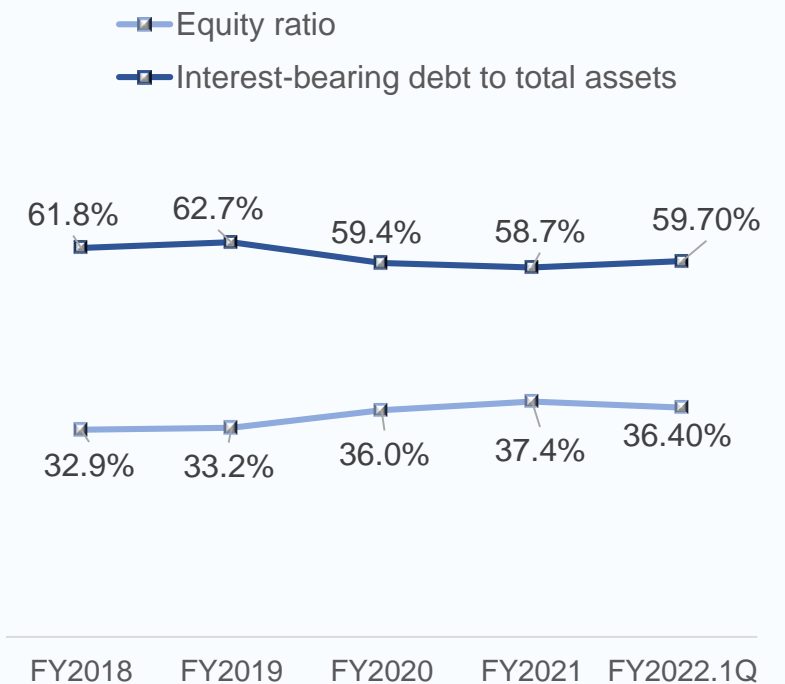
- Real estate for sale increased as a result of purchase reinforcement. Meanwhile, cash and deposits decreased.
- Interest-bearing debt also increased with growth in purchases.

million yen	As of Dec.31,2021	As of Mar.31,2022	YOY	
	Results	Results	Change	Rate (%)
Current assets	54,404	54,982	577	1.1
Cash & deposits	17,565	14,539	(3,026)	(17.2)
Real estate for sale	35,463	39,206	3,742	10.6
Non-current assets	8,331	8,403	71	0.9
Total assets	62,778	63,429	650	1.0
Current liabilities	12,168	12,318	149	1.2
Short-term interest-bearing debt	10,452	10,545	92	0.9
Non-current liabilities	27,063	27,955	891	3.3
Long-term interest-bearing debt	26,423	27,319	896	3.4
Total liabilities	39,232	40,273	1,041	2.7
Total net assets	23,546	23,156	(390)	(1.7)
Total liabilities & net assets	62,778	63,429	650	1.0

Update on Consolidated Financial Indicators

- The equity ratio and the net debt-equity ratio improved toward the targets of 30.0% to 35.0% and 1.2 times to 1.5 times, respectively.
- The Group aims to improve inventory turnover by increasing sales of residential-type properties in the future.

	As of Dec.31,2021	As of Mar.31,2022	Change
Equity ratio (%)	37.4	36.4	(1.0)
Inventory turnover (Times)	0.84	0.76	(0.08)
Net D/E ratio (x)	0.82	1.01	0.19
Average loan period (Investment-type)	4.3yrs	4.3yrs	—
Average loan period (Residential-type)	1yrs	1yrs	—



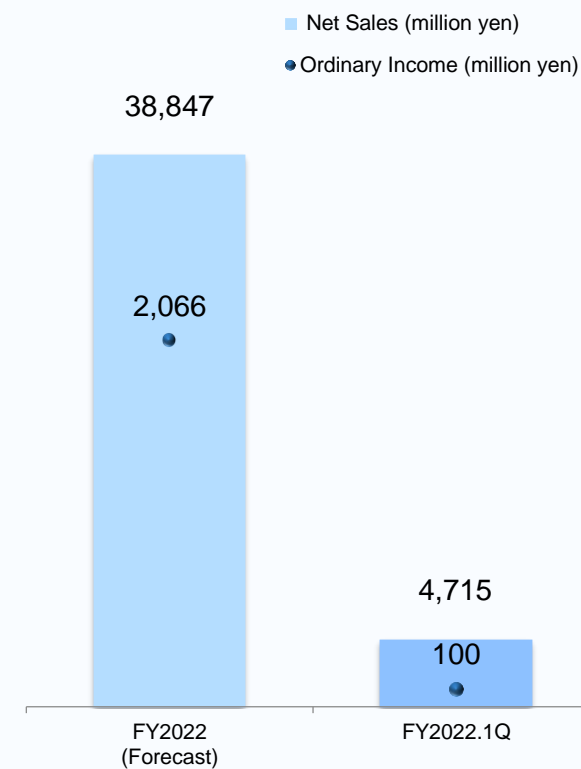
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FY2022 Earnings Forecast

FY2022 Earnings Forecast <Consolidated>

- The rate of progress will be low, but purchases will advance smoothly. Sales will also increase favorably on a contract basis.
- Markets centered on those for residential-type properties will also remain strong.
- Initiatives are also being taken to expand the workforce. The Group keeps its earnings forecast unchanged based on sales expansion expected from 2Q.

(million yen)	FY2021	FY2022	FY2022.1Q	
	Results	Forecast	Results	Progress (%)
Net Sales	33,956	38,847	4,715	12.1
Gross Profit	5,788	6,675	1,096	16.4
Operating Income	2,342	2,624	239	9.1
Ordinary Income	1,770	2,066	100	4.9
Profit Attributable to Owners of Parent	1,276	1,314	108	8.3
EPS	53.2	56.3	4.6	—



FY2022 Earnings Forecast

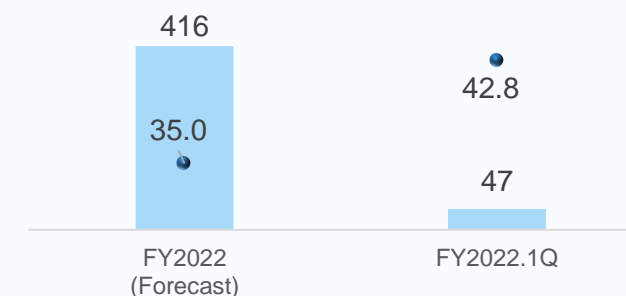
<Net sales for reportable business segments>

- In the Purchase and Resale Business, the Group will continue active purchases and a focus on sales activities.
- In the Real Estate Development Business, the Group aims to sell the completed SIDEPLACE KINSHICHO, in addition to SIDEPLACE OSHIAGE.
- In the Real Estate Specified Joint Business, the Group seeks to establish in June an association in the Setagaya Project in which the offering of units started in April.

million yen	FY2021	FY2022	FY2022.1Q	
	Results	Forecast	Results	Progress (%)
Real Estate Trading	31,842	36,648	4,175	11.4
Purchase and Resale Business (Investment-type-properties)	7,051	14,542	2,012	13.8
Purchase and Resale Business (Residential-type properties)	23,436	16,470	2,125	12.9
Development Business	—	2,968	0	—
Real Estate Specified Joint Venture Business	1,201	2,409	0	—
Real Estate Leasing & Other	2,113	2,198	540	24.6

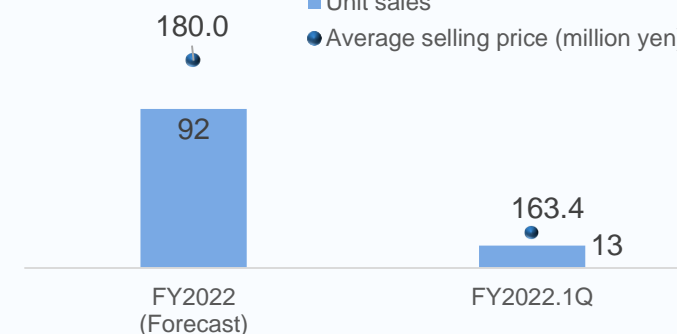
Investment-type-properties

■ Unit sales ● Average selling price (million yen)



Residential-type properties

■ Unit sales ● Average selling price (million yen)



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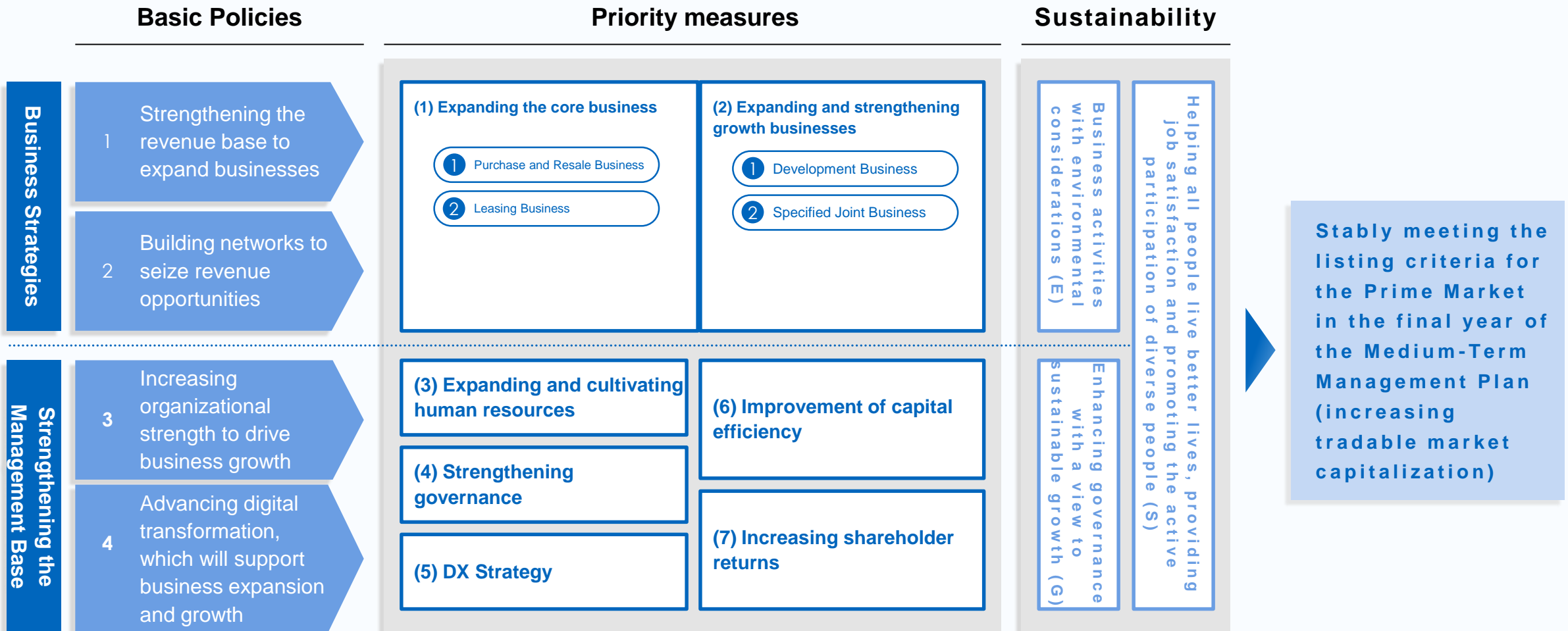
Second Medium-Term Management Plan

Second Medium-Term Management Plan

Basic Policies and Priority measures

The Group considers sustainability and shareholder return as well as the expansion of business and the strengthening of the foundation for management.

The Group will sustainably increase its corporate to stably meet the criteria for its listing on the Prime Market.



Second Medium-Term Management Plan

Consolidated Results Targets

The Group plans to achieve steady growth every year.

The Group plans to increase the operating income margin to 9.4% in the final year.

(million yen)

	FY2021 results	FY2022		FY2023		FY2024	
		Plan	Year on year comparison	Plan	Year on year comparison	Plan	Year on year comparison
Net sales	33,956	38,847	+14.4%	44,660	+15.0%	53,224	+19.2%
Real Estate Trading Business	31,842	36,648	+15.1%	41,994	+14.6%	49,797	+18.6%
Real Estate Leasing and Other Business	2,113	2,198	+4.0%	2,666	+21.3%	3,427	+28.5%
Operating income	2,342	2,624	+12.1%	3,514	+33.9%	4,991	+42.0%
Ratio to net sales	6.9%	6.8%	-	7.9%	-	9.4%	-
Ordinary income	1,770	2,066	+16.7%	2,919	+41.3%	4,411	+51.1%
Ratio to net sales	5.2%	5.3%	-	6.5%	-	8.3%	-
Profit	1,276	1,314	+3.0%	1,856	+41.3%	2,805	+51.1%
Ratio to net sales	3.8%	3.4%	-	4.2%	-	5.3%	-

Second Medium-Term Management Plan

Key Performance Indicators

The Group strives to balance growth, efficiency, soundness and shareholder returns, while considering conformance to the Prime Market.



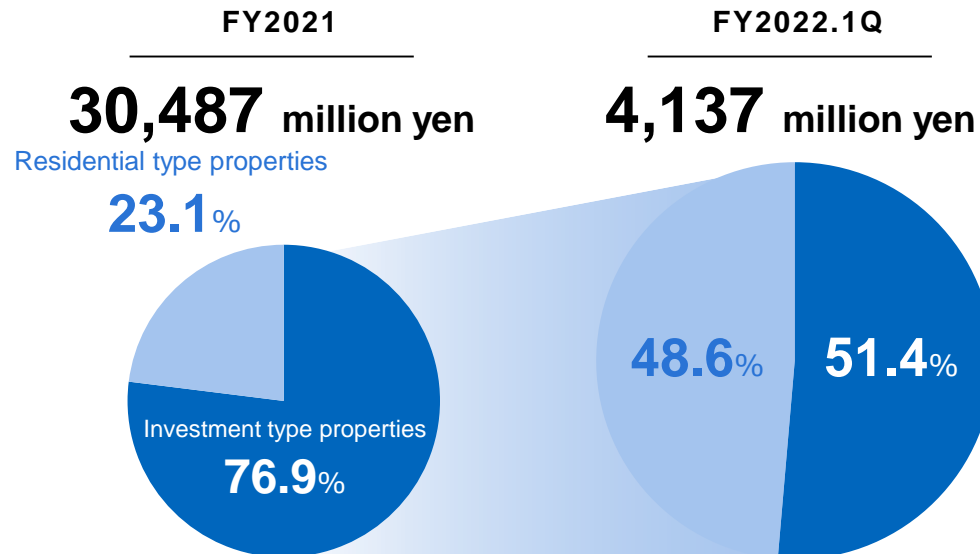
Priority Measures (1) Expansion of Core Businesses

- Sales for residential type properties are approaching 50% with the gradual appearance of the effects of established sales offices.
- The inventory amount for residential type properties is also rising sharply, paving the way for their sales in the future.

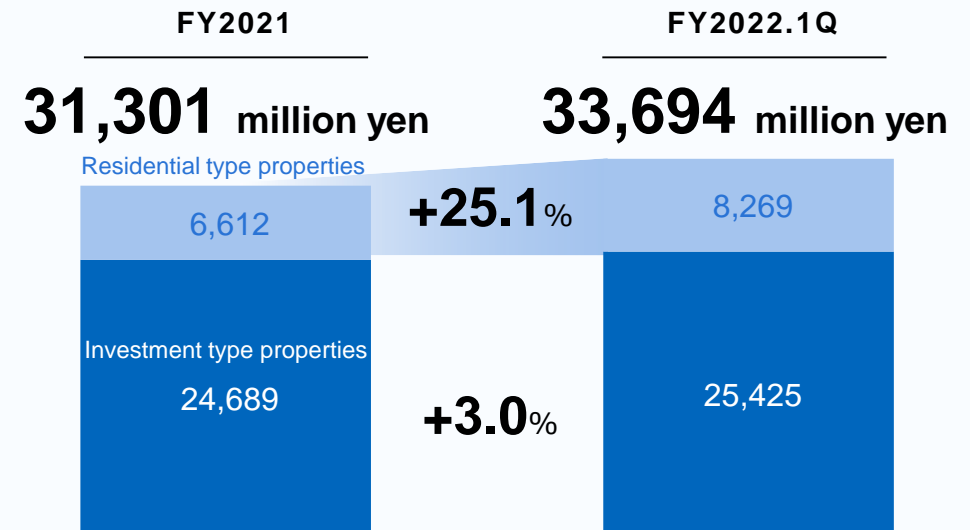
Change the sales portfolio

- Aim to increase the percentage of sales from residential-type properties to more than 50%

Breakdown of total sales in the Purchase & Resale Business



Breakdown of inventory amount in the Purchase & Resale Business



Real Estate Development Business

Real Estate Specified Joint Business

- Development Business: The Group completed condominiums with retail facilities offering high asset value, equipped with eco-friendly products and designed to blend with local communities.
- Real Estate Specified Joint Business: The Group began offering the third project in Setagaya, a quiet residential neighborhood.

Real Estate Development Business

■ SIDEPLACE KINSHICHO has been completed.

The property is a condominium with retail facilities that is a 4-minute walk from Kinshicho Station.

Its location close to the station is perfect for offices and stores. The property offers a highly convenient living environment with easy access to JR and three private railway lines.



■ Environmentally friendly initiatives

The Group sells eco-friendly products in the SIDEPLACE series to contribute to realizing a sustainable society.

Real Estate Specified Joint Business

■ Started offering the Setagaya Project as the third project.

The Group began offering in April units in Grace Seijo, a designer condominium built in a quiet residential neighborhood in Setagaya.

Total investment of 1,200 million yen (1,200 units offered at 1 million yen per unit)



<https://www.mugen-estate.co.jp/budo-san/setagaya>

The Group implemented initiatives for strengthening the management base toward the goal of achieving the targets set in the Second Medium-Term Management Plan.

- Recruitment, expansion and development of human resources, strengthening governance, upgrading non-financial information

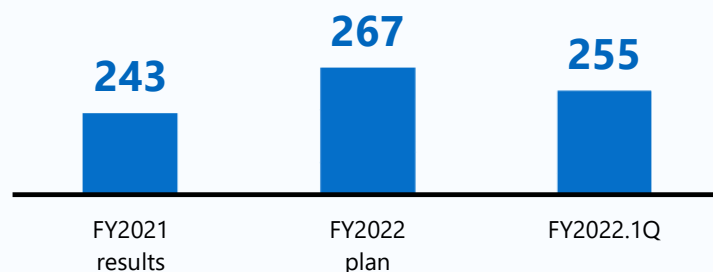
Recruitment, Expansion and Development of Human Resources

■ Staff expansion

The Group increased the number of consolidated employees from 243 at the end of the previous fiscal year to 255 at the end of the first quarter under review.

The Group's staffing plan was achieved at the end of April with the additional employment of 14 fresh graduates and 11 mid-career recruits in April.

The Group will start training them early through its education program.



Strengthening Governance

■ Resolution at the General Meeting of Shareholders

The Company's new directors were approved at the General Meeting of Shareholders held on March 25. A new officer system based on the Executive Officer system was launched with new officers approved.

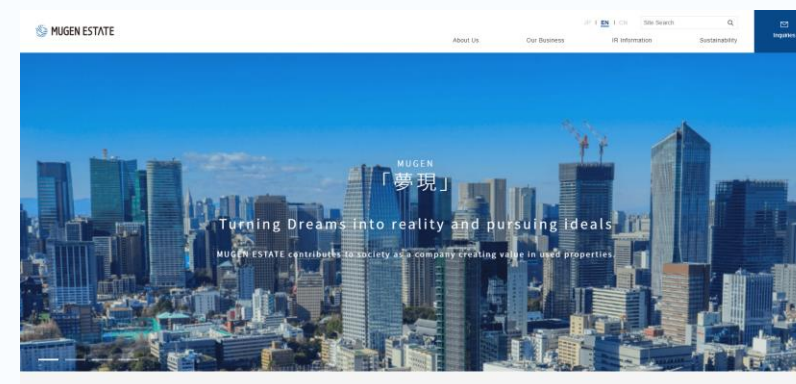
The Company also introduced performance-linked remuneration based on a report by the Nomination and Compensation Committee. The Company will advance initiatives for improving results, taking the viewpoint of shareholders.

Enhancement of Non-Financial Information

■ Website renewal

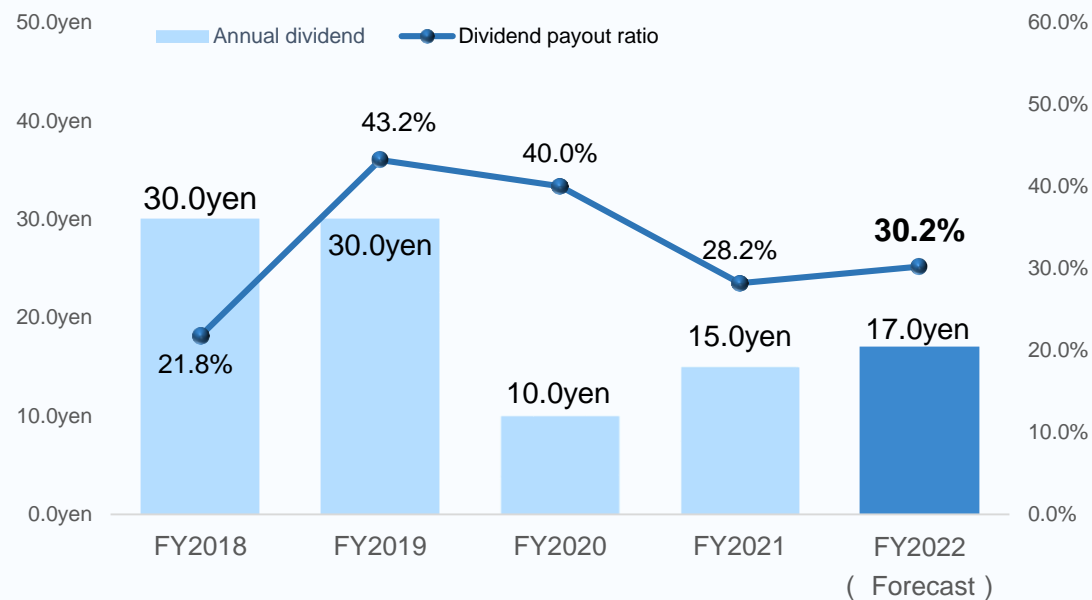
The Company renewed its website on March 31.

Considering its customers, the Company began offering the website in Chinese, in addition to Japanese and English available previously. The Company redesigned the site to make it easier to read and comprehend, in addition to expanding and upgrading the information provided there.



- The Group's basic policy
The Group continues to pay dividends consistently, while simultaneously strengthening its financial position and enhancing its internal reserves to expand its businesses on a long-term basis.
The target consolidated dividend ratio is 30% or more.
- Dividend Forecast for FY2022
Based on the earnings forecast and the basic policy above, the Group forecasts a year-end dividend (common dividend) of 17.0 yen per share and a payout ratio of 30.2%.
- Purchase of treasury shares
The Group is purchasing treasury stock to change capital policy flexibly and swiftly in response to changes in the business environment.

Trends in annual dividends and dividend payout ratios



Treasury stock purchased Announced on Nov.12, 2021

Number of shares to be acquired (upper limit)	650,000 shares
Proportion of the number of shares to be acquired to the total number of shares issued	2.71%
Total acquisition value (upper limit)	300 million yen
Acquisition period	November 16, 2021 to May 13, 2022

Total number of shares of treasury shares purchased under the abovementioned resolution of the Board of Directors
(Acquisition completed on May 9, 2022)

- (1) Total number of shares acquired : 608,600 shares
- (2) Total share acquisition cost : 299,957,100 yen

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Appendix : Company Profile

Company Profile & History

<Company Profile>

Corporate name	MUGEN ESTATE Co., Ltd.
Founded	May 1990
Representative	Susumu Fujita, Chairman Shinichi Fujita, President
Capital	2,552 million yen * as of Mar. 31, 2022
Financial period	The end of December
Stock market	TSE 1st Section (3299:JP)
Number of employees	255 on a consolidated basis (average age 39.0) 188 on a non-consolidated basis (average age 38.4) * as of Mar. 31, 2022
Head office	1-9-7 Otemachi, Chiyoda-ku, Tokyo
Branches	Yokohama: 2nd Fl. Yokohama ST Building, 1-11-15 Kitasaiwai, Nishi-ku, Yokohama-shi, Kanagawa
Sales Office	Kitasenju Office: 5th Floor, TOC Building, 1-3-6 Senju Adachi-ku, Tokyo Funabashi Office: 3rd Floor, Melfare Funabashi, 6-1-3 Honcho Funabashi-shi, Chiba Ogikubo Office: 4th Floor, Gloria Ogikubo, 5-30-12 Ogikubo Suginami-Ku, Tokyo Akabane Office: 3rd Floor, CD Building, 1-64-11 Akabane Kita-ku, Tokyo Ikebukuro Office: 5th Floor, Annex of the Fujikyū Building, 1-18-6 Nishi-Ikebukuro Toshima-ku, Tokyo
Consolidated subsidiary	FUJI HOME Co., Ltd. Mugen Funding Co., Ltd.

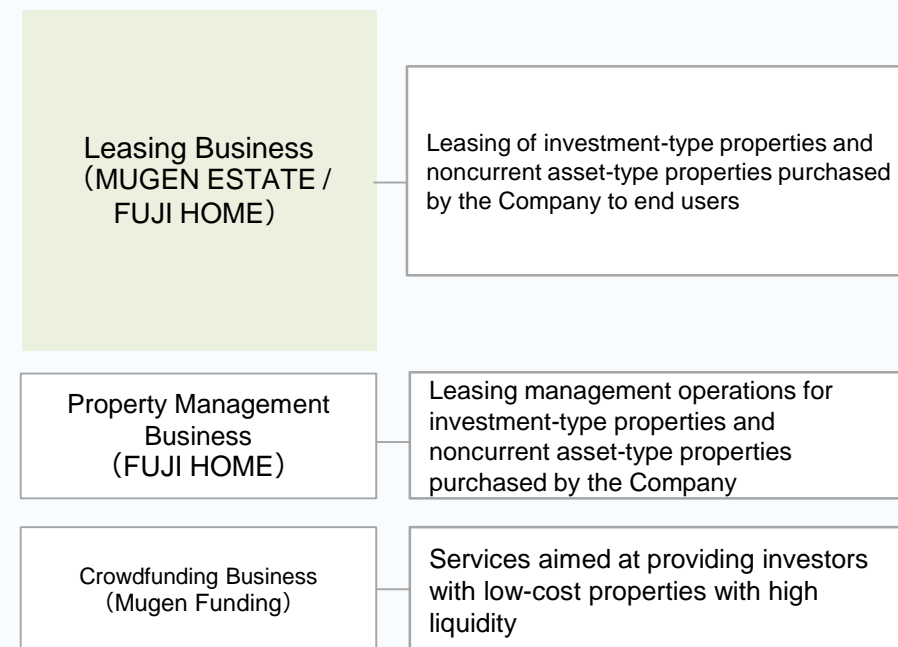
<History>

May 1990	MUGEN ESTATE founded
August 1997	Established FUJI HOME Co., Ltd. (Consolidated subsidiary)
July 2005	Registered as a first-class architect's office
May 2010	Change from the Building Lots and Buildings Transaction license to the Minister of Land, Infrastructure, Transport and Tourism Established Yokohama branch
June 2010	
June 2014	Listed on TSE Mothers
January 2015	Established Shinjuku branch
February 2016	Listed on TSE 1st Section
June 2018	Obtained the Real Estate Specified Joint Enterprise license from Tokyo Metropolitan Government
August 2018	Established Mugen Investment Advisors Co., Ltd. (Consolidated subsidiary) Established Mugen Funding Co., Ltd. (Consolidated subsidiary)
May 2020	Moved head office to Otemachi, Chiyoda-ku, Tokyo Integrated Shinjuku branch into the head office Established Nihonbashi branch in Nihonbashiamacho, Chuo-ku, Tokyo
July 2020	Integrated Nihonbashi branch into the head office
September 2021 October 2021 November 2021	Kitasenju Sales Office in Senju, Adachi-ku, Tokyo Funabashi Sales Office in Honmachi, Funabashi City, Chiba Prefecture Ogikubo Sales Office in Ogikubo, Suginami-ku, Tokyo Akabane Sales Office is established in Akabane, Kita-ku, Tokyo Ikebukuro Sales Office opened in Nishi-Ikebukuro, Toshima-ku, Tokyo
December 2021	

Real Estate Trading Business



Real Estate Leasing and Other Business



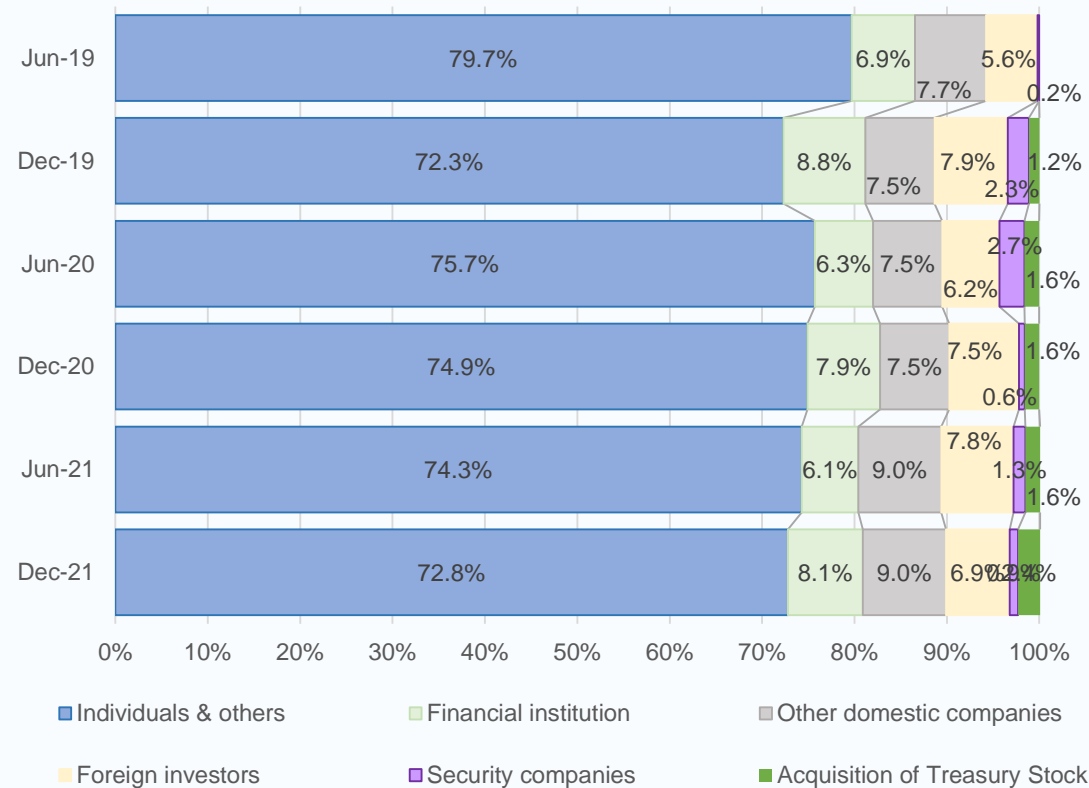
Stock Information (As of December 31, 2021)

Authorized number of shares : 64,000,000 shares

Number of shares issued : 24,361,000 shares

Number of shareholders : 29,284 people

【 Composition by number of shareholdings 】



	Name	Number of shares held (shares)	(%)
1	Susumu Fujita	5,685,700	23.9
2	Shinichi Fujita	2,483,000	10.4
3	Dream Come True Co., Ltd.	1,700,000	7.2
4	Master Trust Bank of Japan, T.	1,506,600	6.3
5	Yuriko Fujita	700,000	2.9
5	Yuka Fujita	700,000	2.9
7	Keiji Shoda	658,000	2.8
8	Yuko Shoda	655,000	2.8
9	MUGEN KIKAKU Co., Ltd.	360,000	1.5
10	Custody Bank of Japan, Ltd. (trust account)	307,300	1.3

* The number of shares of treasury stock is not included in the chart above.
The Company holds 585,709 treasury shares as of December 31, 2021.
Percentage of number of shares held is calculated based on the number of shares excluding treasury stock.

Disclaimer

- The forward-looking statements such as the forecasts of financial results included in this material are based on information that we have obtained and certain assumptions that we consider reasonable. We do not guarantee that we will achieve the forecasts. Actual results may differ from forecasts for a range of reasons. We do not assume any obligation to revise the forecasts in this material or publish them based on new information or future phenomena.
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