

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, 2021 [Based on Japanese GAAP]

November 12, 2021

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](mailto:ir@mugen-estate.co.jp)  
 Scheduled date of quarterly securities report filing: November 12, 2021      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, 2021 (January 1 to September 30, 2021)

#### (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, 2021	26,541	21.4	1,853	30.6	1,442	58.6	1,071	—
3Q ended September 30, 2020	21,857	(27.2)	1,419	(48.6)	909	(60.1)	(32)	—

(Note) Comprehensive income: 3Q ended September 30, 2021 1,071 million yen ( —%)  
 3Q ended September 30, 2020 (32) million yen ( —%)

	Net Income per share	Diluted net income per share
	Yen	Yen
3Q ended September 30, 2021	44.68	44.44
3Q ended September 30, 2020	(1.38)	—

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2021	61,728	23,442	37.8
As of December 31, 2020	62,487	22,605	36.0

(Reference) Shareholders' equity: As of September 30, 2021 23,350 million yen  
 As of December 31, 2020 22,518 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, 2020	—	0.00	—	10.00	10.00
Year ending December 31, 2021	—	0.00	—	—	—
Year ending December 31, 2021 (forecast)	—	—	—	15.00	15.00

(Note) Revision of the latest dividend forecast: No

### 3. Forecast of consolidated financial results for the fiscal year ending December 31, 2021

(January 1, 2021 to December 31, 2021)

(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
FY2021 (Full year)	34,315	(1.6)	2,434	(1.3)	1,865	4.5	1,268	111.6	52.88

(Note) Revision of the latest consolidated financial results forecast: No

\* 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, 2021                                                         | 24,361,000 shares |
| As of December 31, 2020                                                          | 24,361,000 shares |
| (ii) Number of treasury stock held at end of the period                          |                   |
| As of September 30, 2021                                                         | 382,309 shares    |
| As of December 31, 2020                                                          | 382,309 shares    |
| (iii) Average number of shares outstanding during the period (cumulative)        |                   |
| As of September 30, 2021                                                         | 23,978,691 shares |
| As of September 30, 2020                                                         | 23,984,192 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

1. 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, 2021“ on page 2 of the Accompanying Materials for the assumptions of the financial forecasts and points to note in the use of financial forecasts.
2. 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, 2021

### (1) Analysis of Operating Results

During the first nine months of the consolidated fiscal year under review (January 1, 2021 through September 30, 2021), in the real estate industry, where the MUGEN ESTATE Group operates, there were continued signs of recovery despite challenging conditions such as the repeated declaration of a state of emergency due to the spread of COVID-19.

In addition, the inflow of funds into the real estate market is expected to continue into the future, supported by the effects of policies and improvements in overseas economies, in addition to measures to prevent the spread of COVID-19 including vaccinations.

According to the Real Estate Information Network for East Japan (East Japan REINS), the number of contracts concluded for used condominium units in the Tokyo metropolitan area decreased 4.6% year on year in September 2021, falling short of the year-ago level for the third consecutive month. However, the average unit price per square meter of contracted condominium units recorded a double-digit increase of 11.0% from the same month a year earlier, showing a year-on-year increase for the 17th consecutive month from May 2020. The average unit price rose 7.9% from the same month a year earlier, recording a year-on-year rise for the 16th consecutive month from June 2020.

The level of inventory, which recorded a double-digit decline of 15.5% year on year, has been continuously declining for the 22nd consecutive month since December 2019.

In this business environment, the Real Estate Trading Business, the core business of the MUGEN ESTATE Group, has been performing strongly in residential properties in particular amid growing demand for used housing properties in the Tokyo metropolitan area.

On the other hand, rent income has been decreasing due to the delay in the completion of real estate development projects and a decline in the inventory of real estate for sale.

The Company is in the process of opening sales offices in target areas in the Tokyo metropolitan area to swiftly respond to a rise in demand for residential type properties.

The Company opened the Kitasenju sales office in September 2021 and Funabashi sales office in October 2021. It plans to open five offices in total by the end of the year including those to be established in other areas.

It will seek to increase the business of residential type properties by stepping up marketing efforts in respective areas and expediting payment procedures for purchases and sales.

In its core Real Estate Trading Business, the MUGEN ESTATE Group has endeavored to increase the occupancy rates of investment type properties and improve inventory turnover by boosting sales with the measures such as increasing the added value provided by properties.

Competition for purchasing residential type properties increased while steady demand was maintained, so we committed ourselves to enhance purchase and sales activities strictly considering profitability.

As a result, consolidated net sales increased 21.4% year on year, to 26,541 million yen, consolidated operating income rose 30.6% year on year, to 1,853 million yen, consolidated ordinary income climbed 58.6% year on year, to 1,442 million yen, and consolidated profit attributable to owners of parent to 1,071 million yen. (Loss attributable to owners of parent of 32 million yen in the same period of the previous year)

The following is an overview of the results by segment.

[Real Estate Trading Business]

In the Real Estate Trading Business, the number of units sold in investment-type properties came to 114 (up 5 units year on year) and the average unit selling price was 170 million yen (up 25.4% year on year), registering net sales of 19,444 million yen (up 31.1% year on year). Furthermore, the number of units sold in residential-type properties came to 131 (up 22 units year on year) and the average unit selling price was 40 million yen (down 4.6% year on year), registering net sales of 5,288 million yen (up 14.6% year on year).

As a result, net sales for the segment increased 27.7% year on year, to 24,960 million yen, and the segment profit (operating income for the segment) grew 46.4% year on year, to 2,404 million yen.

[Real Estate Leasing and Other Business]

In the Real Estate Leasing and Other Business, revenue from real estate leasing came to 1,506 million yen (down 33.0% year on year). As a result, net sales for the segment decreased 31.5% year on year, to 1,581 million yen, and segment profit (operating income for the segment) fell 36.3% year on year, to 552 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 61,728 million yen (down 1.2% from the end of the previous fiscal year), liabilities of 38,285 million yen (down 4.0% from the end of the previous fiscal year), and net assets of 23,442 million yen (down 3.7% from the end of the previous fiscal year).

Principal factors contributing to the decrease in assets included a decrease of 6,720 million yen in real estate properties for sale.

The decrease in liabilities was attributable primarily to decrease of 2,356 million yen in Current portion of long-term borrowings .

The increase in net assets resulted in large part from a rise of 1,071 million yen in retained earnings due to the recording of profit attributable to owners of parent, and a decrease of 239 million yen in retained earnings attributable to dividends paid.

(3) Information on future forecasts including consolidated financial forecasts

Forecasts for consolidated financial results and dividends for the fiscal year ending December 31, 2021 remain unchanged from the Notice Regarding Revisions to Forecasts for Financial Results and Dividend announced on October 14, 2021.

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)

	FY2020 (As of December 31, 2020)	FY2021 3Q (As of September 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	16,065	18,392
Accounts receivable – trade	16	21
Real estate for sale	41,337	34,617
Real estate for sale in process	283	498
Other	242	483
Allowance for doubtful accounts	(8)	(5)
<b>Total current assets</b>	<b>57,937</b>	<b>54,007</b>
Non-current assets		
Property, plant and equipment		
Buildings	2,292	3,610
Accumulated depreciation	(397)	(482)
Buildings, net	1,895	3,127
Land	1,908	3,824
Other	114	121
Accumulated depreciation	(79)	(80)
Other, net	34	41
<b>Total property, plant and equipment</b>	<b>3,838</b>	<b>6,992</b>
Intangible assets	83	77
Investments and other assets		
Investment securities	—	21
Deferred tax assets	241	228
Other	342	355
<b>Total investments and other assets</b>	<b>583</b>	<b>605</b>
<b>Total non-current assets</b>	<b>4,504</b>	<b>7,676</b>
Deferred assets	45	44
<b>Total assets</b>	<b>62,487</b>	<b>61,728</b>

(Million yen)

	FY2020 (As of December 31, 2020)	FY2021 3Q (As of September 30, 2021)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	216	342
Short-term borrowings	2,050	3,609
Current portion of bonds payable	860	792
Current portion of long-term borrowings	6,192	3,836
Income taxes payable	573	121
Provision for bonuses	23	70
Construction warranty reserve	42	58
Other	1,178	905
Total current liabilities	11,137	9,735
Non-current liabilities		
Bonds payable	3,307	3,265
Long-term borrowings	24,713	24,591
Retirement benefit liability	101	105
Other	622	588
Total non-current liabilities	28,744	28,550
Total liabilities	39,882	38,285
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,552	2,552
Capital surplus	2,475	2,475
Retained earnings	17,790	18,622
Treasury shares	(300)	(300)
Total shareholders' equity	22,518	23,350
Subscription rights to shares	86	92
Total net assets	22,605	23,442
Total liabilities and net assets	62,487	61,728

(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, 2021)

(Million yen)

	FY2020 3Q (From January 1 to September 30, 2020)	FY2021 3Q (From January 1 to September 30, 2021)
Net sales	21,857	26,541
Cost of sales	17,965	22,221
Gross profit	3,892	4,320
Selling, general and administrative expenses	2,472	2,466
Operating income	1,419	1,853
Non-operating income		
Subsidies for employment adjustment	23	—
Interest and dividend income	1	1
Commission income	12	11
Penalty income	14	6
Refund of real estate acquisition tax	4	2
Other	9	7
Total non-operating income	66	29
Non-operating expenses		
Interest expenses	512	381
Commission expenses	36	35
Other	28	23
Total non-operating expenses	576	440
Ordinary profit	909	1,442
Extraordinary income		
Gain on sales of non-current assets	2	6
Gain on reversal of share acquisition rights	38	—
Total extraordinary income	40	6
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	939	1,448
Income taxes - current	525	364
Income taxes - deferred	446	12
Total income taxes	972	377
Profit (loss)	(32)	1,071
Profit (loss) attributable to owners of parent	(32)	1,071

[Quarterly Consolidated Statements of Comprehensive Income]

(For nine months from January 1 to September 30, 2021)

(Million yen)

	FY2020 3Q (From January 1 to September 30, 2020)	FY2021 3Q (From January 1 to September 30, 2021)
Income before minority interests	(32)	1,071
Comprehensive income	(32)	1,071
(Breakdown)		
Comprehensive income attributable to owners of parent	(32)	1,071



### (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.

	FY2020 (From January 1, 2020 to December 31, 2020)	FY2021 3Q (From January 1 to September 30, 2021)
Buildings	—million yen	1,084million yen
Land	—	1,699
	—	2,784

(Segment Information)

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 (Note 1)	Total (Note 2)
	Real Estate Trading Business	Real Estate Leasing and Other Business	Sub-total		
Net sales					
Net sales to external customers	19,548	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.

For nine months ended September 30, 2021 (From January 1 to September 30, 2021)

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

(Million yen)

	Reportable Segments			Adjustment (Note 1)	Total (Note 2)
	Real Estate Trading Business	Real Estate Leasing and Other Business	Sub-total		
Net sales					
Net sales to external customers	24,960	1,581	26,541	—	26,541
Inter-segment sales or transfer	37	26	63	(63)	—
Total	24,997	1,607	26,605	(63)	26,541
Segment profit	2,404	552	2,956	(1,102)	1,853

(Note) 1. The segment profit adjustment of (1,102) 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.