

Fiscal Year ended Dec.31, 2021 Financial Results

MUGEN ESTATE Co.,Ltd.

TSE1:3299 | February 14, 2022

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

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- **Net sales fell slightly. Net profit rose significantly.**

Consolidated net sales decreased 2.6% year on year, to 33.9 billion yen. Profit attributable to owners of parent increased 113% year on year, to 1.3 billion yen.

- **Sales of residential-type properties were strong.**

Net sales of residential-type properties climbed 21.4% year on year, to 7,051 million yen. Unit sales increased 41 from a year ago, to 189.

- **The ratio of sales to overseas investors increased**

Net sales to foreign investors rose 20.7% year on year, to 5,295 million yen, reflecting sales of large properties. Sales to foreign investors as a percentage of sales of investment-type properties stood at 21.5%, recovering to pre-COVID level.

- **Opened 5 sales offices**

To strengthen the Purchase and Resale Business, the Group opened five sales offices focusing on the purchase of residential properties.

- **Established associations for two small-lot real estate products**

Two associations were established for Yoyogi Project and Shibuya Kamiyama-cho Project.

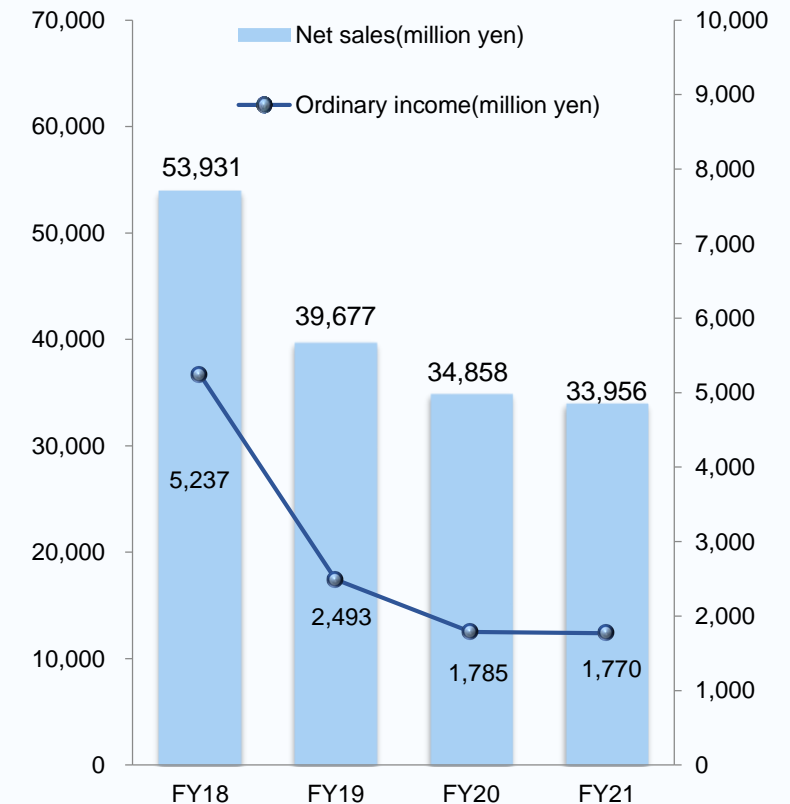
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Overview of FY2021 Financial Results

Overview of Consolidated Financial Results for FY2021

- In FY2021, net sales slightly declined and profit rose year on year.
- Profit attributable to owners of parent increased significantly due to the absence of the reversal of deferred tax assets recorded in the previous fiscal year.

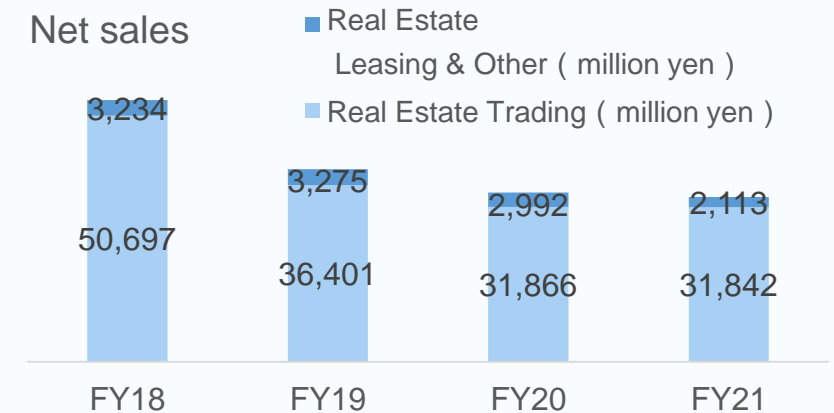
million yen	FY2020		FY2021		YOY	
	Results	Proportion (%)	Results	Proportion (%)	Change	Rate (%)
Net sales	34,858	100.0	33,956	100.0	(902)	(2.6)
Gross profit	5,864	16.8	5,788	17.0	(76)	(1.3)
SGA	3,398	9.8	3,445	10.1	46	1.4
Operating income	2,465	7.1	2,342	6.9	(123)	(5.0)
Ordinary income	1,785	5.1	1,770	5.2	(14)	(0.8)
Profit attributable to owners of parent	599	1.7	1,276	3.8	677	113.0



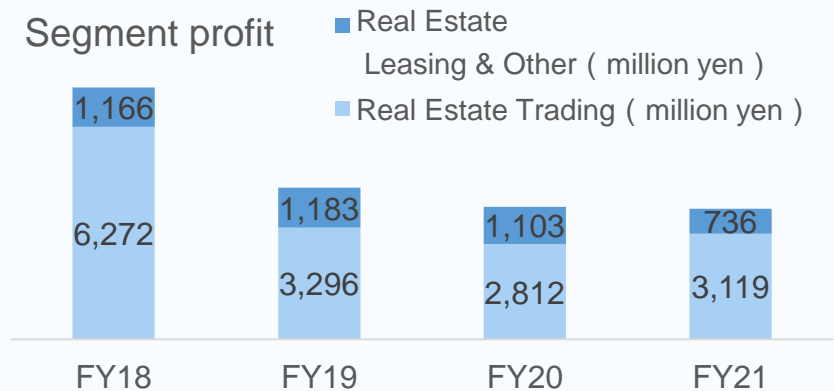
Net sales and profits for reportable business segments

- Net sales in the Real Estate Trading Business were on a par with the previous fiscal year, reflecting a strong performance in the Purchase and Resale Business and Real Estate Specified Joint Business and delays in the Development Business. Segment profit climbed due to sales emphasizing profitability.
- In the Real Estate Leasing and Other Business, rent income fell due to a decrease in the inventory of real estate for sale attributable to the tightening of purchase conditions.

million yen	FY2020		FY2021		YOY	
	Net sales	Proportion (%)	Net sales	Proportion (%)	Change	Rate (%)
Real Estate Trading	31,866	91.4	31,842	93.8	(23)	(0.1)
Real Estate Leasing & Other	2,992	8.6	2,113	6.2	(879)	(29.4)
Total	34,858	100.0	33,956	100.0	(902)	(2.6)



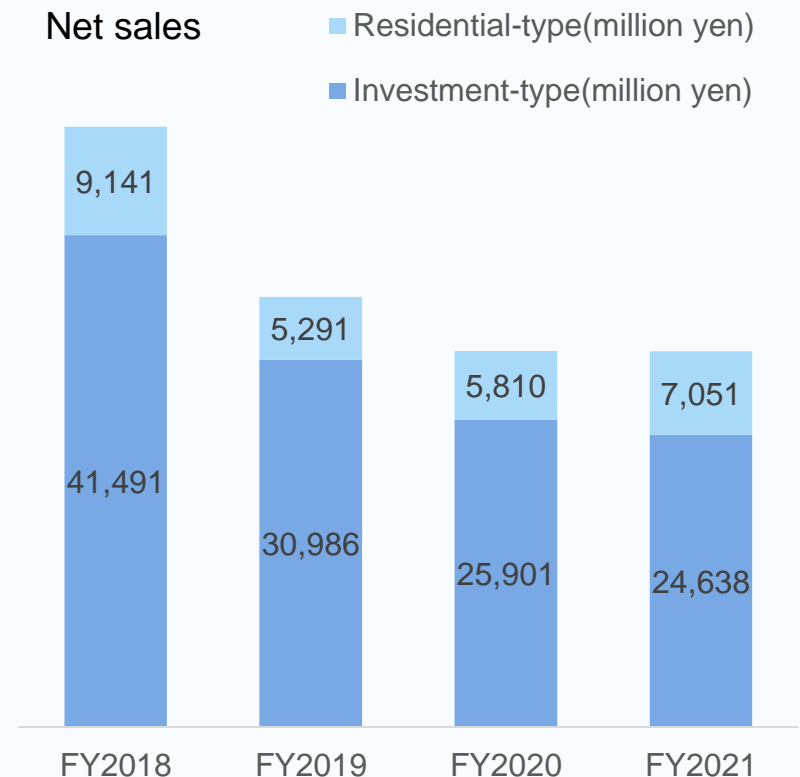
million yen	FY2020		FY2021		YOY	
	Segment profit	Proportion (%)	Segment profit	Proportion (%)	Change	Rate (%)
Real Estate Trading	2,812	71.8	3,119	80.9	307	10.9
Real Estate Leasing & Other	1,103	28.2	736	19.1	(367)	(33.3)
Total	3,916	100.0	3,855	100.0	(60)	(1.5)



Purchase & Resale Business: Sales by Type

- Investment-type properties: Net sales and unit sales decreased from a year ago, reflecting an emphasis on profitability. However, the average selling price increased significantly due to sales of large properties.
- Residential-type properties: Demand for used condominiums and detached houses remained strong from the previous fiscal year, and net sales and unit sales rose from the end of the previous fiscal year.

million yen	FY2020	FY2021	YOY	
			Change	Rate (%)
Net sales	31,712	31,689	(22)	(0.1)
Investment-type	25,901	24,638	(1,263)	(4.9)
Foreign investors	4,386	5,295	908	20.7
Residential-type	5,810	7,051	1,240	21.4
Unit sales	332	331	(1)	(0.3)
Investment-type	184	142	(42)	(22.8)
Foreign investors	49	28	(21)	(42.9)
Residential-type	148	189	41	27.7
Average selling price	95.5	95.7	0.2	0.2
Investment-type	140.7	173.5	32.7	23.3
Foreign investors	89.5	189.1	99.5	111.3
Residential-type	39.2	37.3	(1.9)	(5.0)



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

Purchase & Resale Business: Sales by Area

- Investment-type properties: Investment appetite for residential properties in central Tokyo remained strong.
- Residential-type properties: With demand for condominium units and detached houses remaining strong, the number of properties sold increased in all areas.

< Investment-type properties >

million yen

Area	FY2020				FY2021				YOY	
	Units sales	Proportion (%)	Sales amount	Average price	Units sales	Proportion (%)	Sales amount	Average price	Units sales	Average price
Tokyo	125	67.9	16,792	134.3	93	65.5	19,186	206.3	(32)	71.9
Kanagawa	26	14.1	5,810	223.4	17	12.0	1,734	102.0	(9)	(121.4)
Saitama	15	8.2	1,269	84.6	15	10.6	2,567	171.1	0	86.5
Chiba	18	9.8	2,029	112.7	17	12.0	1,149	67.6	(1)	(45.0)
Total	184	100.0	25,901	140.7	142	100.0	24,638	173.5	(42)	32.7

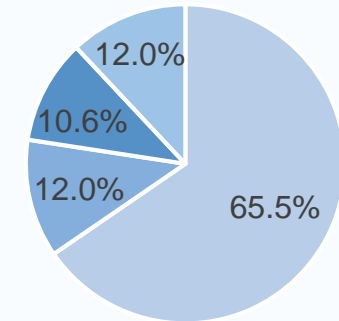
(Note) Figures in the Real Estate Specified Joint Business are included.

< Residential-type properties >

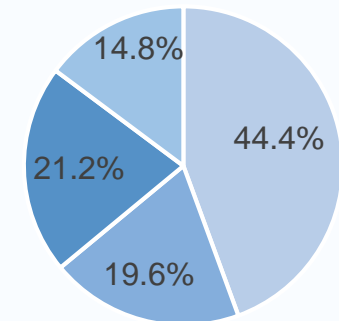
million yen

Area	FY2020				FY2021				YOY	
	Units sales	Proportion (%)	Sales amount	Average price	Units sales	Proportion (%)	Sales amount	Average price	Units sales	Average price
Tokyo	64	43.2	3,551	55.4	84	44.4	4,378	52.1	20	(3.3)
Kanagawa	31	20.9	969	31.2	37	19.6	1,081	29.2	6	(2.0)
Saitama	34	23.0	804	23.6	40	21.2	900	22.5	6	(1.1)
Chiba	19	12.8	485	25.5	28	14.8	691	24.7	9	(0.8)
Total	148	100.0	5,810	39.2	189	100.0	7,051	37.3	41	(1.9)

FY2021 Breakdowns of unit sales



■ Tokyo ■ Kanagawa ■ Saitama ■ Chiba



- Development Business: An environmentally friendly condominium that has a good location in central Tokyo and a high asset value was completed.
- Real Estate Specified Joint Business: An association for the second project at Shibuya in central Tokyo was established and started operations.

Real Estate Development Business

■ SIDEPLACE OSHIAGE has been completed.

The property is a condominium that is a four-minute walk from Oshiage station. Residents can live with pets. The property has a place for washing pet's feet and a rooftop-dog run to provide an enhanced life with pets.



■ 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

■ Operation of the second project has started

The Group received applications for all units offered (850 units, 1 million yen per units, a total of 850 million yen) in Shibuya Kamiyama-cho Project in about two months. The property commenced operation in December.



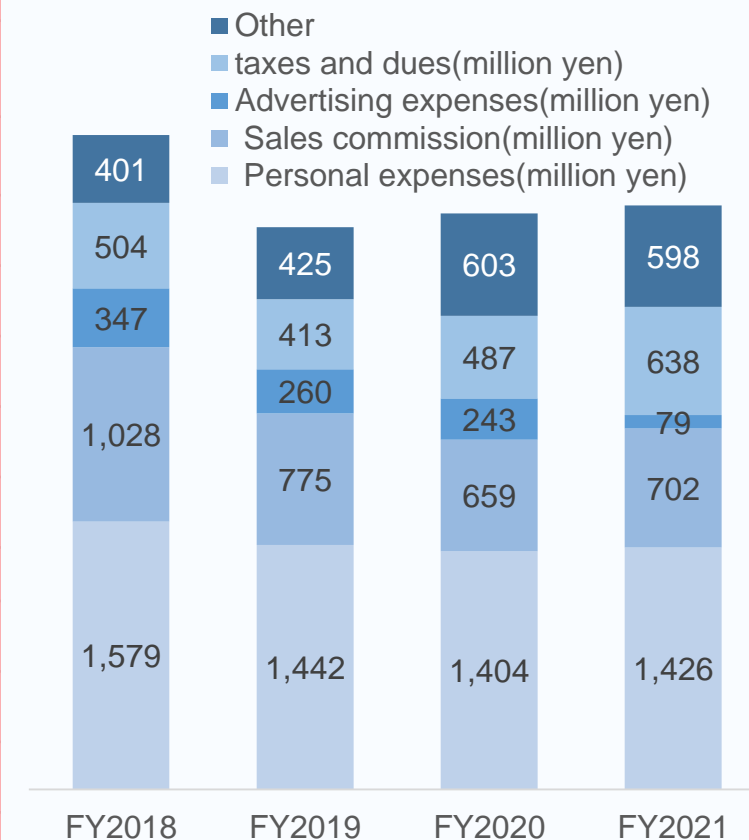
Shibuya Kamiyama-cho Project

Selling, General & Administrative Expenses

- Selling, general and administrative expenses: Rose slightly year on year due to an increase in taxes and dues related to purchases, despite a decrease in advertising expenses.
- Non-operating expenses: Interest expenses decreased as properties were sold and borrowings were repaid.

million yen	FY2020		FY2021		YOY	
	Results	Sales ratio (%)	Results	Sales ratio (%)	Change	Rate (%)
Selling, general and administrative expenses	3,398	9.8	3,445	10.1	46	1.4
Personal expenses	1,404	4.0	1,426	4.2	21	1.5
Sales commission	659	1.9	702	2.1	43	6.5
Advertising expenses	243	0.7	79	0.2	(163)	(67.4)
taxes and dues	487	1.4	638	1.9	151	31.2
Others	603	1.7	598	1.8	(5)	(1.0)
Non-operating income	76	0.2	35	0.1	(41)	(54.5)
Non-operating expenses	757	2.2	606	1.8	(150)	(19.9)
Interest expenses	669	1.9	519	1.5	(150)	(22.5)
Others	87	0.3	87	0.3	0	(0.3)

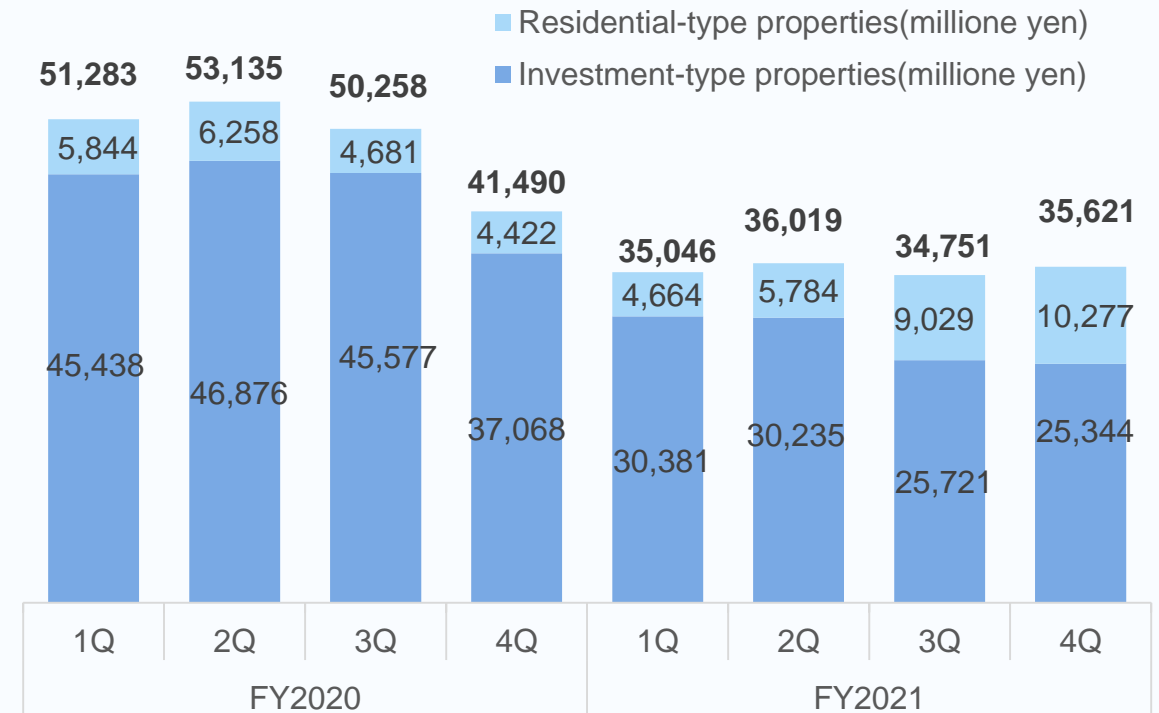
Selling, general and administrative expenses breakdown



Real Estate (Inventory) for Sales

- The inventory of real estate for sale decreased from the end of the previous year due to the transfer of real estate for sale of approx. 2,800 million yen to non-current assets in the third quarter, despite the steady progress in purchases.
- The inventory of residential-type properties rose from the end of the previous fiscal year, reflecting purchases of condominium units and detached houses.

million yen	As of Dec.31,2020	As of Dec.31,2021	Change
Real estate for sales	41,490	35,621	(5,868)
Investment-type properties	37,068	25,344	(11,723)
Residential-type properties	4,422	10,277	5,855



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

Overview of Consolidated Financial Position

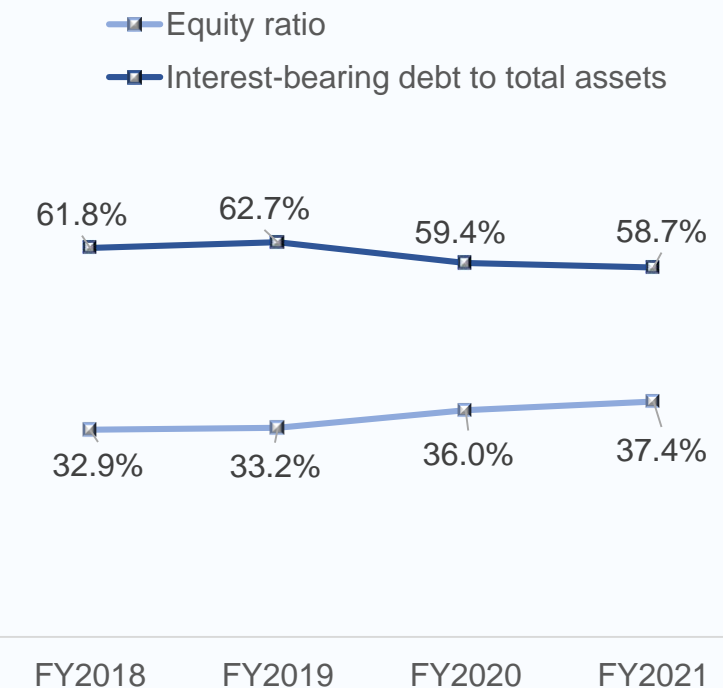
- Cash and deposits rose from a year ago as a result of sales emphasizing profitability.
- Non-current assets rose approximately 3.8 billion yen from the end of the previous fiscal year, to 8.3 billion yen, reflecting the transfer of real estate for sale to non-current assets in the third quarter and purchases for stable lease revenue.

million yen	As of Dec.31,2020	As of Dec.31,2021	YOY	
	Results	Results	Change	Rate (%)
Current assets	57,937	54,404	(3,532)	(6.1)
Cash & deposits	16,065	17,565	1,500	9.3
Real estate for sale	41,337	35,463	(5,874)	(14.2)
Non-current assets	4,504	8,331	3,826	84.9
Total assets	62,487	62,778	290	0.5
Current liabilities	11,137	12,168	1,031	9.3
Short-term interest-bearing debt	9,104	10,452	1,347	14.8
Non-current liabilities	28,744	27,063	(1,681)	(5.8)
Long-term interest-bearing debt	28,027	26,423	(1,604)	(5.7)
Total liabilities	39,882	39,232	(650)	(1.6)
Total net assets	22,605	23,546	940	4.2
Total liabilities & net assets	62,487	62,778	290	0.5

Update on Consolidated Financial Indicators

- The equity ratio rose 1.4 points from the end of the previous fiscal year, while interest-bearing debt to total assets fell 0.7 points. Through these measures, financial soundness was maintained at a high level.
- The average loan period was reduced by five months from the end of the previous fiscal year due to the transfer of some of real estate for sale to non-current assets in the third quarter.

	As of Dec.31,2020	As of Dec.31,2021	Change
Equity ratio (%)	36.0	37.4	1.4
Interest-bearing debt to total assets (%)	59.4	58.7	(0.7)
Net D/E ratio (x)	0.94	0.82	(0.11)
Average loan period (Investment-type)	4.8yrs	4.3yrs	(0.5yrs)
Average loan period (Residential-type)	1年	1年	—
Inventory turnover (Times)	0.84	0.95	0.11



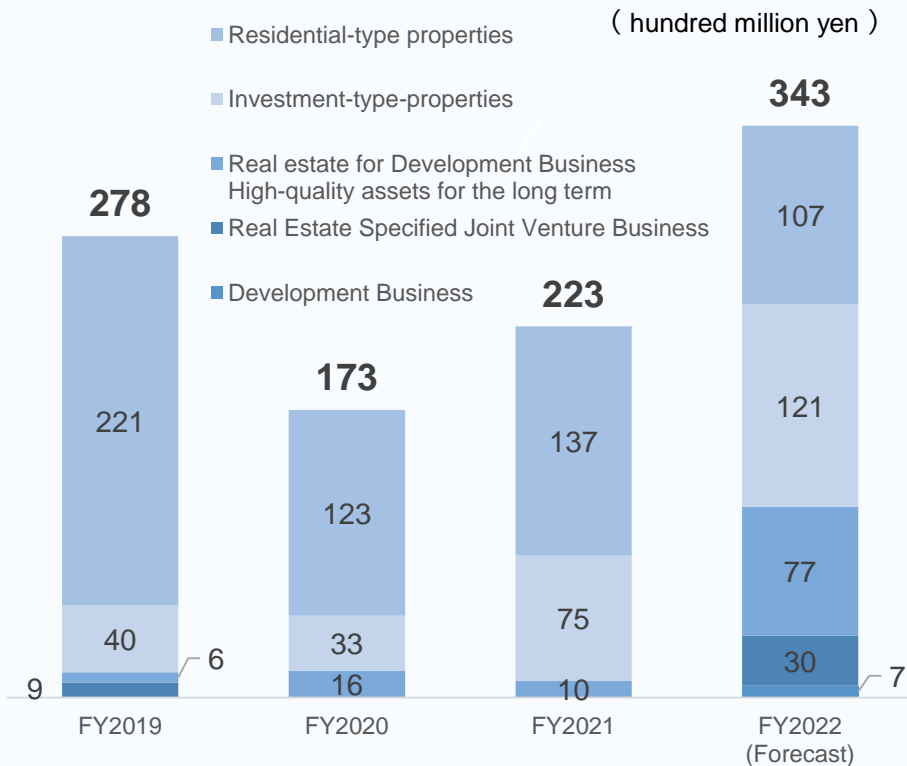
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**Initiatives for the
fiscal year ending Dec.31 2022**

Purchase plan

■ Purchasing primarily residential type properties

The Group plans to purchase 34.3 billion yen's worth of condominium units, rental condominiums, land for development, among other assets.



Strengthening purchase and sales network

■ Expansion of the network of sales offices

The Group will expand sales areas in the Tokyo area. In addition to five sales offices (Kitasenju, Funabashi, Ogikubo, Akabane, and Ikebukuro), which opened in the previous fiscal year, the Group will open new sales offices in Kanagawa prefecture and the Jonan area to expand share in the residential-type properties market.

■ Advancing digital transformation, including VR and virtual interior

The Group will strengthen cooperation with digital transformation companies and will promote non-face-to-face sales of properties using VR and strengthen its appeal to agents and end users using virtual interior and virtual renovation.

Creating VR content



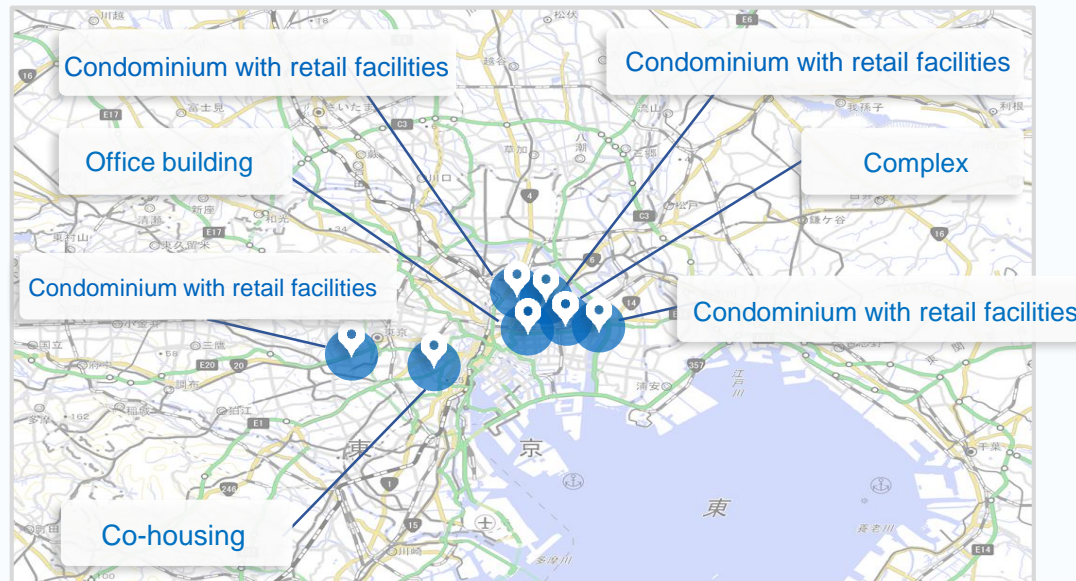
Virtual interior



Development Business

■ Promoting development in central Tokyo

The Group will develop primarily rental condominiums. In FY2022, the Group plans to complete eight buildings and sell nine buildings.



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Real Estate Specified Joint Venture Business

■ Offering a third product

The Group is considering multiplying properties, including large residential properties in Tokyo, and plans to offer a 1 billion yen product in the spring of 2022.



■ Developing new sales channels

The Group plans promote sales using seminars. In addition to face-to-face sales, the Group plans to use non-face-to-face sales, holding online seminars using online meeting systems.



Budo-san WEB Site
<https://www.mugen-estate.co.jp/budo-san/>

Under the new corporate philosophy, the Group will strive to contribute to realize a sustainable society and achieve the sustainable growth of the MUGEN ESTATE Group.

- Motto: 「MUGEN」 Making Dreams Come True
- Mission: Creating new value in real estate and taking on challenges to enrich the lives of all, making their dreams come true
- Value: Pursuing speed/Taking on challenges inexhaustibly/The linking of diverse talents/ Looking ahead/Fulfilling our responsibilities

Environment

■ Revitalization of used real estate

The Group's business model is to revitalize used properties, and the Group can reduce the environmental impact to a greater extent compared with the business of building new properties.

In FY2022, the Group will continue to implement projects that it launched in the previous fiscal year: projects to promote the use of renewable energy and reduce the environmental impact.

■ Product development with environmental considerations

We introduce environmentally friendly equipment during renovation in the Purchase and Resale Business and during work on properties in the Real Estate Development Business.

Social

■ Three-year plan to promote women's active participation

The Group will launch a number of projects related to career plans for female employees in FY2022 and will take initiatives to increase the ratio of female managers.

Numbers of male and female employees at the Group (as of December 31, 2021)

Male	Female	Target female manager ratio 8% (FY2025, non-consolidated)
179people	64people	

■ Contributing to local communities and society

We sponsor the Japan Football Association's JFA Kokorono Project. We will sponsor Yumeno Kyoshitsu in FY2022 to contribute to education for children.

Governance

■ Strengthening governance

The Group will strive to meet corporate governance criteria that companies listed on the Prime Market are required to meet and enhance corporate governance.

- Establishment of the Nomination and Compensation Committee
- Introduction of an executive officer system
- Introduction of performance-based officers' compensation system
- Increasing the ratio of outside directors
- Establishment of a CS (Customer Support) Promotion Office

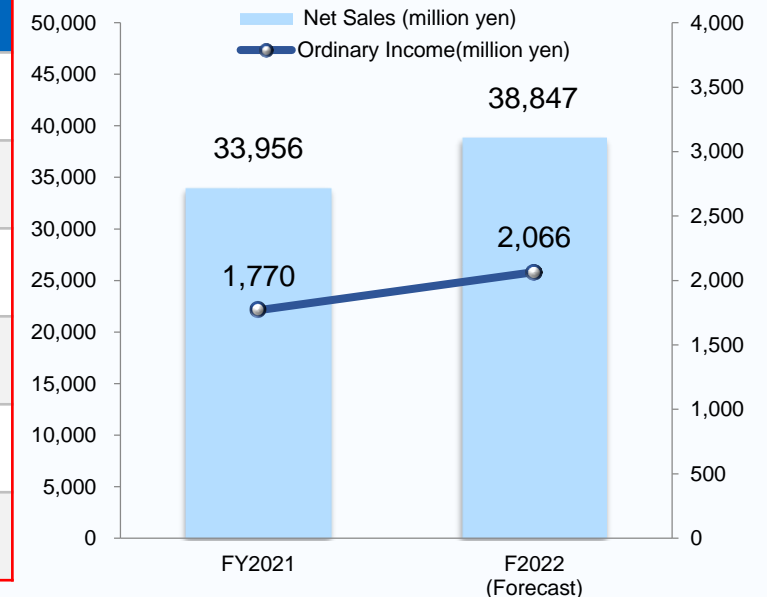
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FY2022 Earnings Forecast

FY2022 Earnings Forecast <Consolidated>

Net sales	The Group will keep the opening of new sales offices from the second half of the previous fiscal year on track and expand its growth businesses, namely the Development Business and Real Estate Specified Joint Business, to increase sales.
Gross income	The Group aims to increase the gross profit margin by expanding growth businesses (changing the product mix).
Operating income	While the Group is improving operational efficiency and reducing expenses, personnel expenses and sales commission to achieve growth are expected to increase. As a result, the operating income margin will fall.
Profit attributable to owners of parent	There will be no income taxes - deferred, and the profit attributable to owners of parent margin rate will decline.

(million yen)	FY20 Results	FY21 Forecast	Sales ratio (%)	Change	Rate (%)
Net Sales	33,956	38,847	—	4,891	14.4
Gross Profit	5,788	6,675	17.2%	886	15.3
Operating Income	2,342	2,624	6.8%	282	12.1
Ordinary Income	1,770	2,066	5.3%	295	16.7
Profit Attributable to Owners of Parent	1,276	1,314	3.4%	37	3.0
EPS	53.2	56.3	—	3.0	5.8



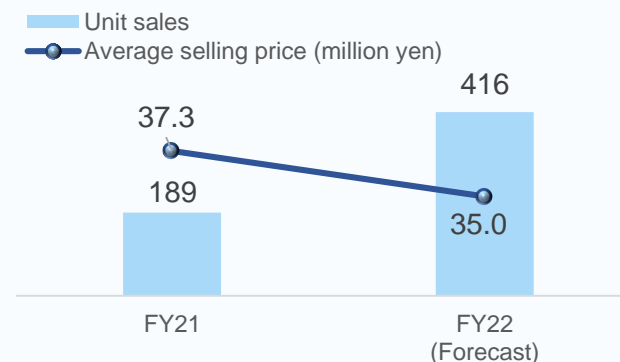
FY2022 Earnings Forecast

< Net sales for reportable business segments >

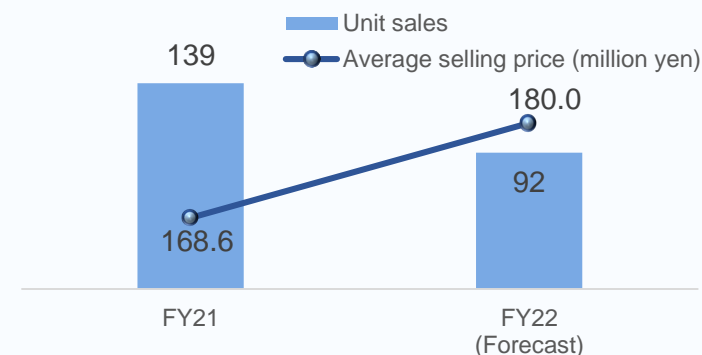
- Residential-type properties: Sales are expected to rise year on year, reflecting the facilitation of proactive purchases and sales.
- Investment-type properties: Sales are expected to decrease year on year, reflecting purchases and sales with a focus on profitability.

million yen	FY2021	FY2022	YOY	
	Results	Forecast	Change	Rate (%)
Real Estate Trading	31,842	36,648	4,805	15.1
Purchase and Resale Business (Investment-type-properties)	7,051	14,542	7,491	106.2
Purchase and Resale Business (Residential-type properties)	23,436	16,470	(6,966)	(29.7)
Development Business	—	2,968	2,968	—
Real Estate Specified Joint Venture Business	1,201	2,409	1,207	100.5
Real Estate Leasing & Other	2,113	2,198	85	4.0

Investment-type-properties

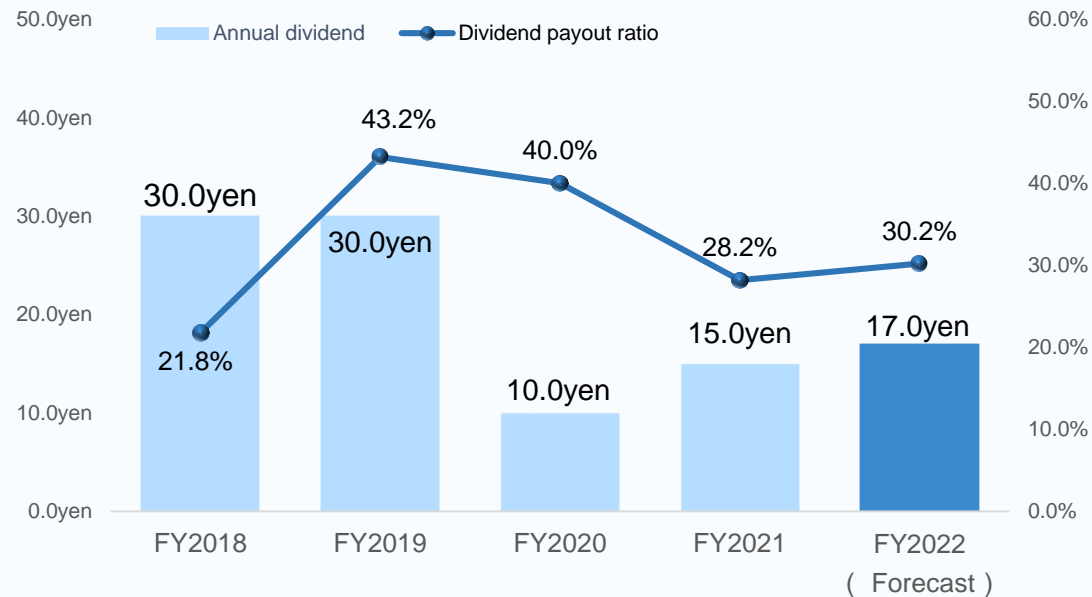


Residential-type properties



- 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 November 12, 2021 Announcement Details

Number 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 (As of January 31, 2022)

- (1) Total number of shares acquired: 296,600 shares
- (2) Total share acquisition cost: 146,197,600 yen

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 Sep. 30, 2021
Financial period	The end of December
Stock market	TSE 1st Section (3299:JP)
Number of employees	243 on a consolidated basis (average age 39.2) 176 on a non-consolidated basis (average age 38.5) * as of Dec. 31, 2021
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 Sugunami-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.

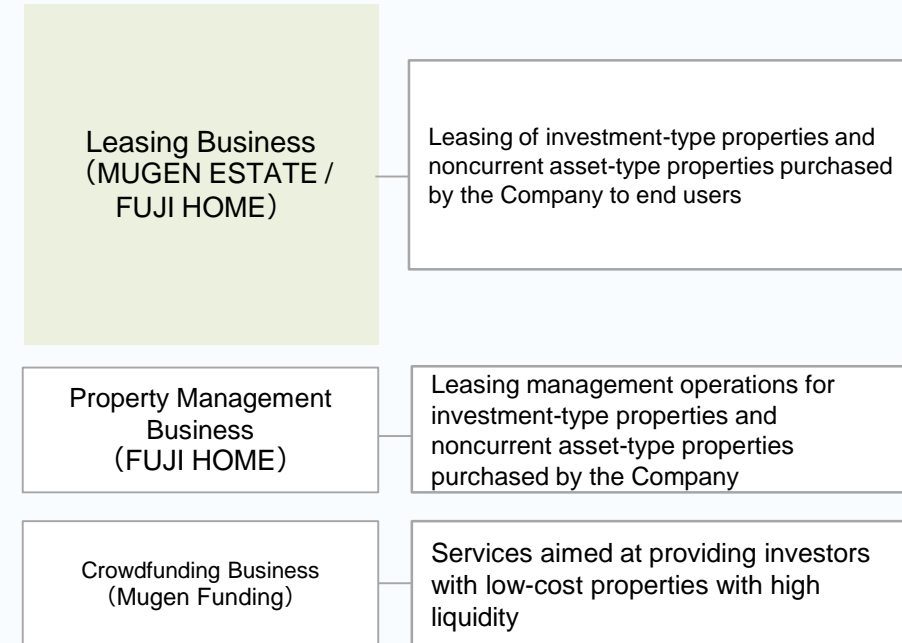
<History>

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 Nihonbashihamacho, Chuo-ku, Tokyo
July 2020	Integrated Nihonbashi branch into the head office
September 2021 October 2021 November 2021 December 2021	Kitasenju Sales Office in Senju, Adachi-ku, Tokyo Funabashi Sales Office in Honmachi, Funabashi City, Chiba Prefecture Ogikubo Sales Office in Ogikubo, Sugunami-ku, Tokyo Akabane Sales Office is established in Akabane, Kita-ku, Tokyo Ikebukuro Sales Office opened in Nishi-Ikebukuro, Toshima-ku, Tokyo

Real Estate Trading Business



Real Estate Leasing and Other Business



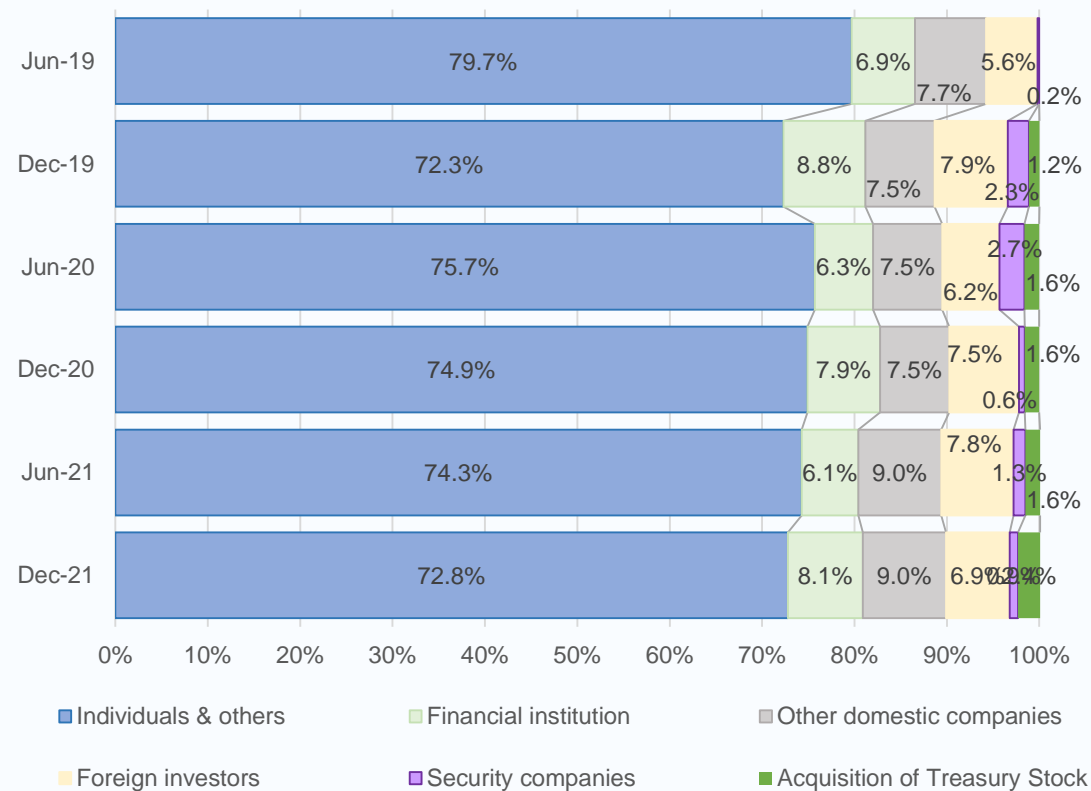
Stock Information (As of December 31, 2021)

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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