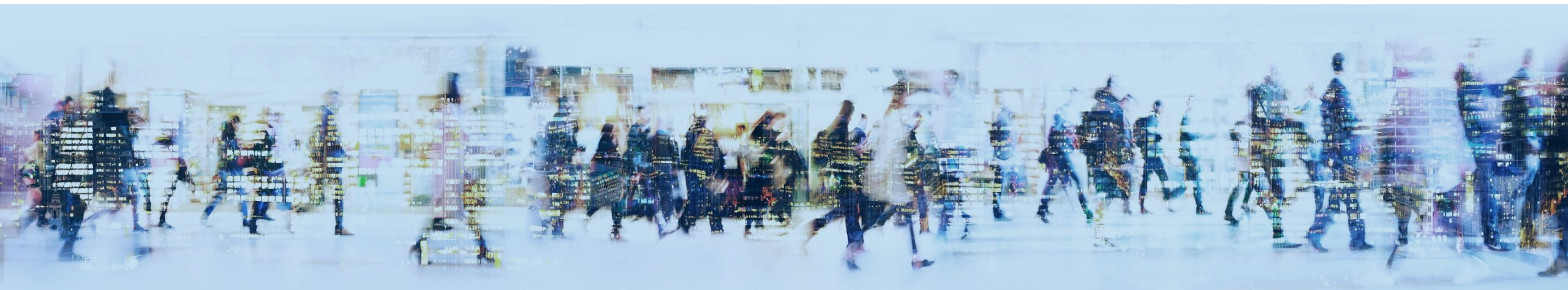


Second Medium-Term Management Plan

— FY2022 - FY2024 —

MUGEN ESTATE Co.,Ltd.

Securities code: 3299 | February 14, 2022 | <https://www.mugen-estate.co.jp/>



1.	Review of Implementation of First Medium-Term Management Plan	<u>2</u>
2.	Basic Policies of Second Medium-Term Management Plan	<u>9</u>
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4.	Strengthening the Management Base	<u>26</u>

1

Review of Implementation of First Medium-Term Management Plan

Overview of First Medium-Term Management Plan



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The Group has set out three management policies: Making products that support the business base, building networks that support the revenue base and creating human resources and systems that support the management base. Under these management policies, the Group will advance initiatives to diversify its revenue sources.

Making products that support the business base

1 Providing products that respond to environmental changes, meet social needs and please customers

2 Refurbishing properties held

3 Mastering products and services

4 Mastering the selling and buying of properties

Building networks that support the revenue base

6 Further strengthening Group power

Creating human resources and systems that support the management base

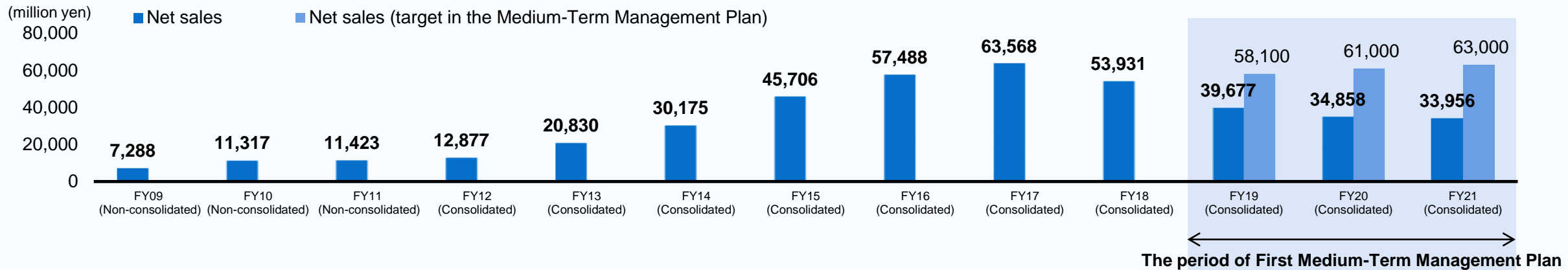
4 Mastering the selling and buying of properties

5 Responding to diverse work styles

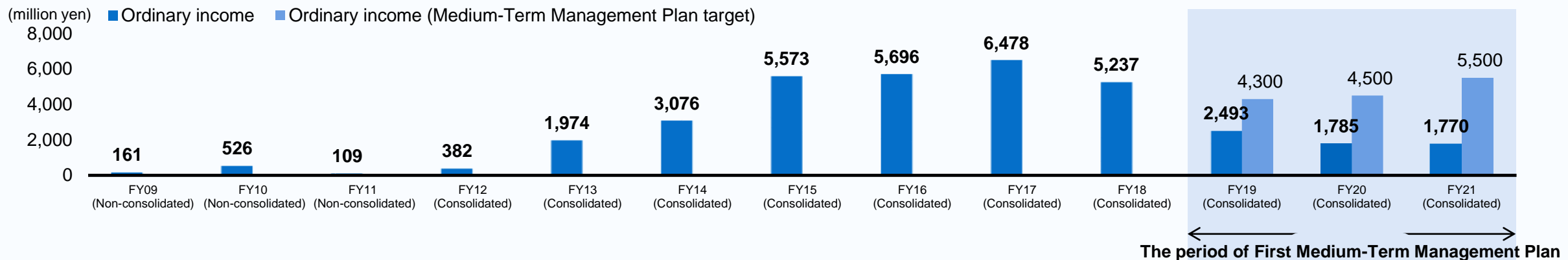
Results were strong until FY2017, but results declined in the last four years due to the external environment. Results were far below the targets for the final year of the Medium-Term Management Plan.

In FY2021, net sales fell slightly from the previous year, but profit attributable to owners of parent rose to 1,294 yen (up 116.1% year on year).

Trend in net sales

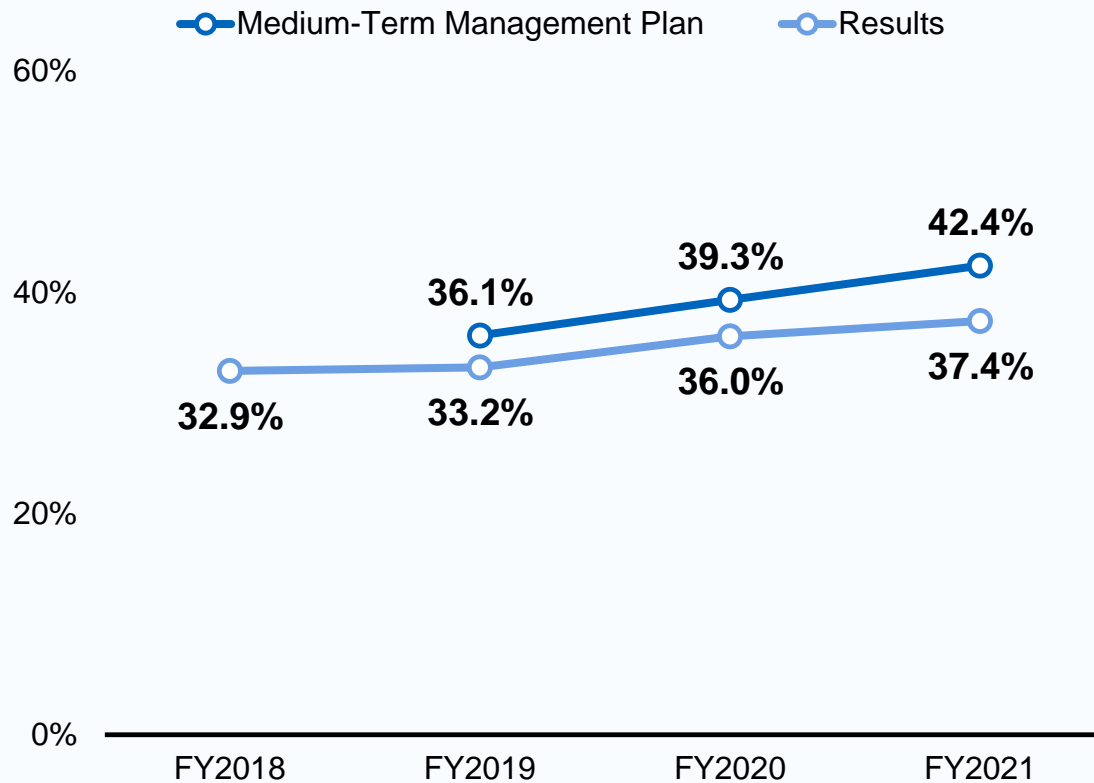


Trend in Ordinary Income

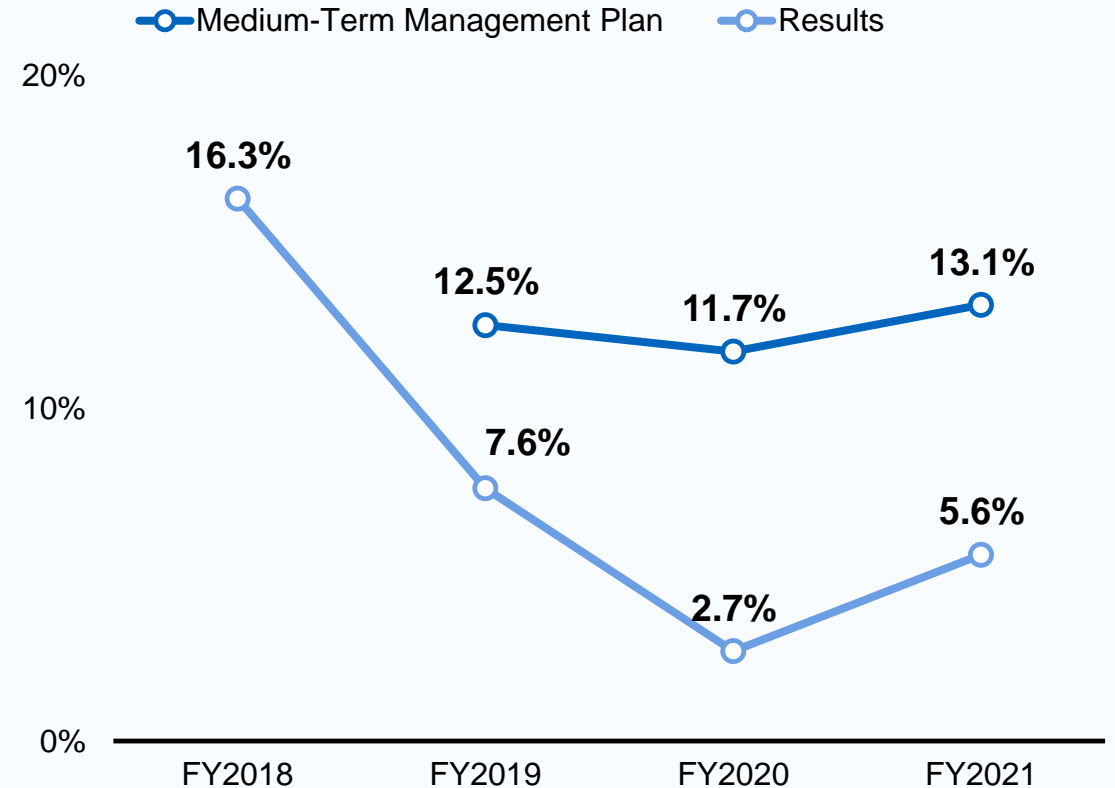


The equity ratio remained on an improving trend.
ROE declined due to a decrease in profit.

Equity ratio

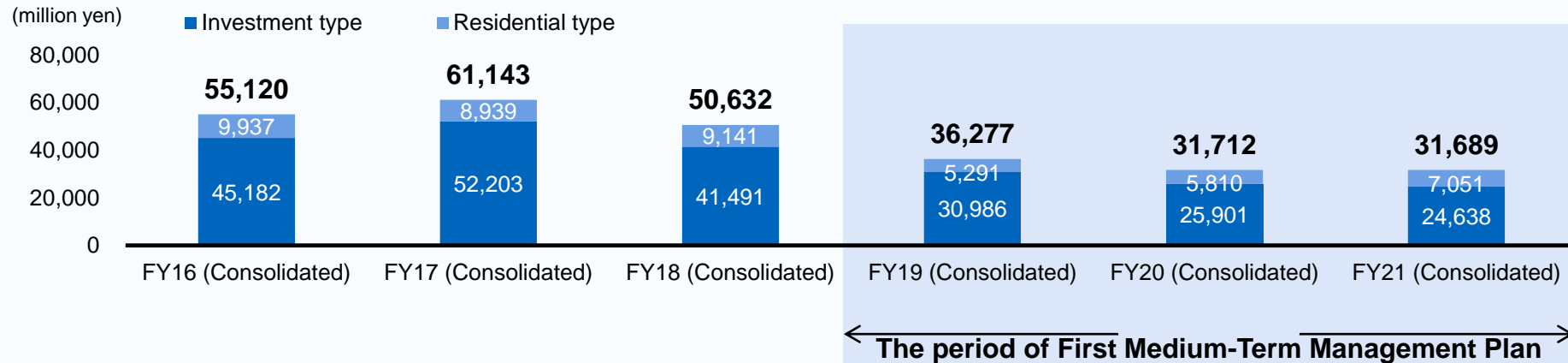


ROE

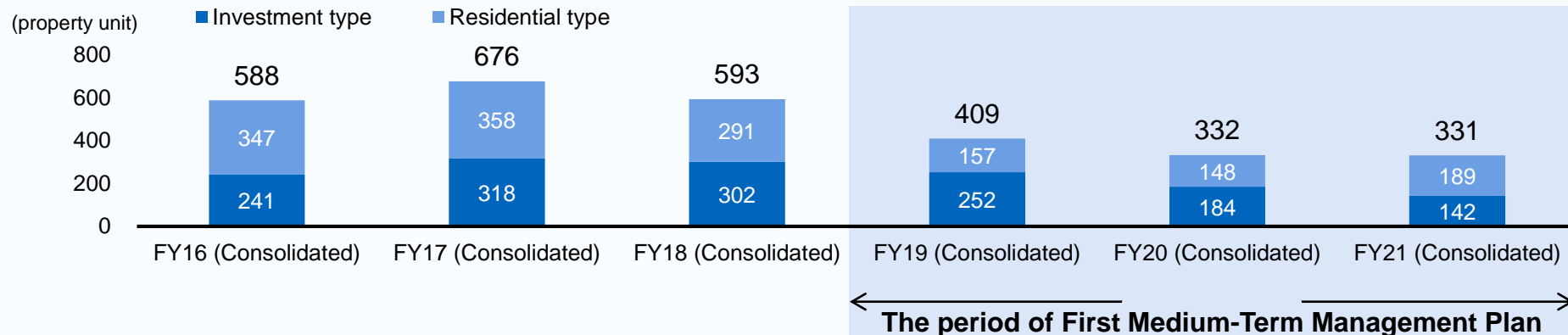


Net sales and unit sales of investment type properties peaked in FY2017 and they have continued to fall since then due to the tightening of financing conditions and real estate prices remaining high (polarization of prices). Net sales and unit sales of residential type properties rose in FY2021 compared with the previous year.

Trend in net sales



Trends in unit sales



Achievements in the First Medium-Term Management Plan



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The Group achieved certain results from its business initiatives, under the three management policies, including the launch of new businesses, the expansion of revenue from outside parties, that is, from interior and exterior work and leasing, and recruiting.

Initiatives	Policy category
Launches of new businesses – Development business, real estate specified joint business, cloud funding	Products Network
Expanding sales channels through real estate information websites for real estate agencies	Products Network
Expanding revenue from outside parties (interior and exterior work and leasing)	Products Network
Acquiring a specialized construction business license and a condominiums management business license	Human resources and systems
Enhancement of financial soundness – An equity ratio of 30% or more	Network
Relocating to Otemachi and recruiting high-quality human resources	Human resources and systems
Promoting work style reform – Teleworking, staggered work schedules, maternity leave and child care leave systems, employment of people with disabilities	Human resources and systems
Changing the personnel evaluation system	Human resources and systems

Products

Making products that support the business base

Network

Building networks that support the revenue base

Human resources and systems

Creating human resources and systems that support the management base



Real Estate Specified
Joint Business
All units offered in the
Shibuya Kamiyama-cho project



Moving the head office
to Otemachi

Challenges and Actions



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Under the Second Medium-Term Management Plan, the Group will continue to take measures to achieve targets that have not been achieved.

- Products
- Network
- Human resources and systems

Making products that support the business base
 Building networks that support the revenue base
 Creating human resources and systems that support the management base

Challenge	Policy category
Sales and profit targets that are not achieved, a decrease in ROE, a decrease in inventory turnover	Products Network
Generating revenue from new businesses	Products Network
Reducing cost for refurbishment	Products
Improving customer satisfaction	Products
Improving employee engagement	Human resources and systems
Cultivating human resources, developing the education system	Human resources and systems
Increasing business efficiency, using IT	Human resources and systems

Actions
<ul style="list-style-type: none"> • Opened five sales offices in FY2021 Expand residential-type properties, which are performing well • Develop human resources and strengthen the sales force through sales of a large number of small properties • Expand residential-type properties and increase turnover • Expand customers through activities of sales offices
<ul style="list-style-type: none"> • Development Business: Increase projects by increasing purchases and strengthening the supervisory system • Real Estate Specified Joint Business: Use cloud funding, earn recognition, and increase repeat customers
<ul style="list-style-type: none"> • Reduce delivery lead time by standardizing materials • Expand residential-type properties and gain cost advantages
<ul style="list-style-type: none"> • Stabilize quality through the standardization of refurbishment work • Formulate rules that reflect voices of customers. The Customer Satisfaction Promotion Office will take the lead.
<ul style="list-style-type: none"> • Gather statistics on and analyze information regarding retirement and recruitment • Consider ways to instill the new corporate philosophy among employees
<ul style="list-style-type: none"> • Strengthen employees' sense of belonging through training for new employees and rank-specific training
<ul style="list-style-type: none"> • Examine the use of systems and IT according to the operation flows of individual departments

2

Basic Policies of Second Medium-Term Management Plan

MUGEN ESTATE Group has updated its corporate philosophy to unite the Group's strengths and dramatically jump forward toward the realization of our new dream: achieving the growth and sustainability of our businesses over the next 50 and 100 years.



Motto

「MUGEN」

Making Dreams Come True

The corporate motto of our group is an expression of our desire to help customers make their dream of buying a home come true. By making customers' dreams come true, we also aim to achieve development as a company and realize the aspirations of our stakeholders'.

The company name, MUGEN ESTATE, derives from the "MUGEN" in our corporate motto.

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

The growth trend in the used properties market will not change during the Second Medium-Term Management Plan (2022-2024). Residential-type properties recovered to the pre-COVID level in 2021. Demand for investment-type properties is expected to remain high due to the continuing monetary easing, although demand will be different according to asset type.

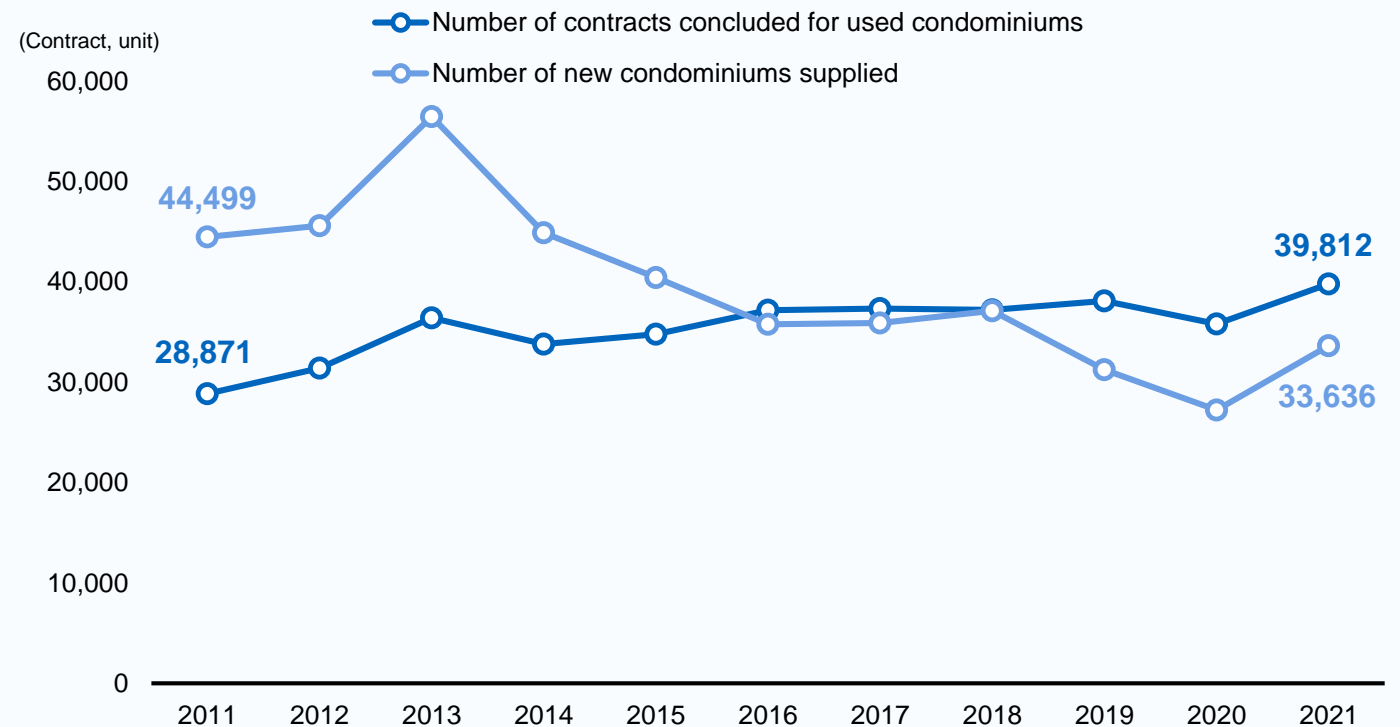
External environment

- Prolonged low interest rates due to the continuation of monetary easing
- Continuing growth in the used properties market
- Increase in investment in real estate in Japan from overseas
- Expansion of demand for environmentally friendly real estate
- Extension of the period of home loan deductions
- Expanding needs for spacious homes in the suburbs due to the ubiquitization of working from home
- Uncertainty regarding political situations in Asia
- Rising prices of materials for renovations and delays in their supply
- Financial institutions' tighter policies on loans

Internal environment

- Promoting participation and advancement for diverse human resources
- New ways of working suited to new lifestyles
- Meeting the listing criteria for the Prime Market
- Emphasis on sustainability and ESG issues

Trend in the number of contracts concluded for used condominiums in the Tokyo area



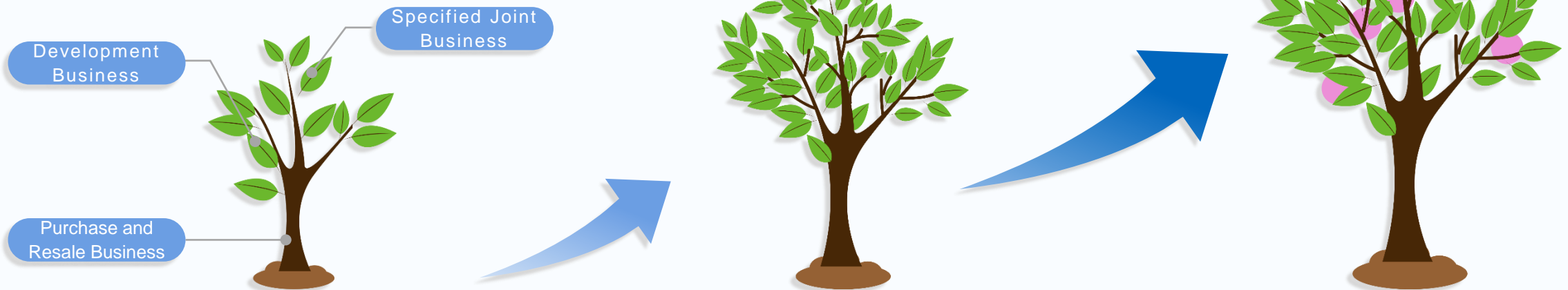
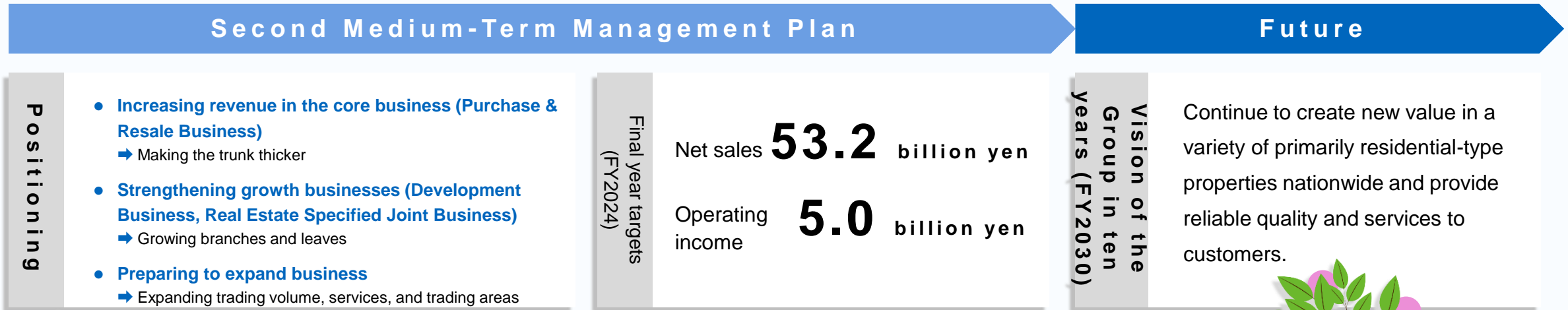
Sources: REINS (number of contracts concluded for used condominiums)
Real Estate Economic Institute Co., Ltd. (number of new condominiums supplied)

Positioning of Second Medium-Term Management Plan



MUGEN ESTATE

The Group backcast to formulate the Second Medium-Term Management Plan based on its vision of itself in ten years. In the period of the plan, the Group will strive to expand its core business and strengthen growth businesses.



Second Medium-Term Management Plan

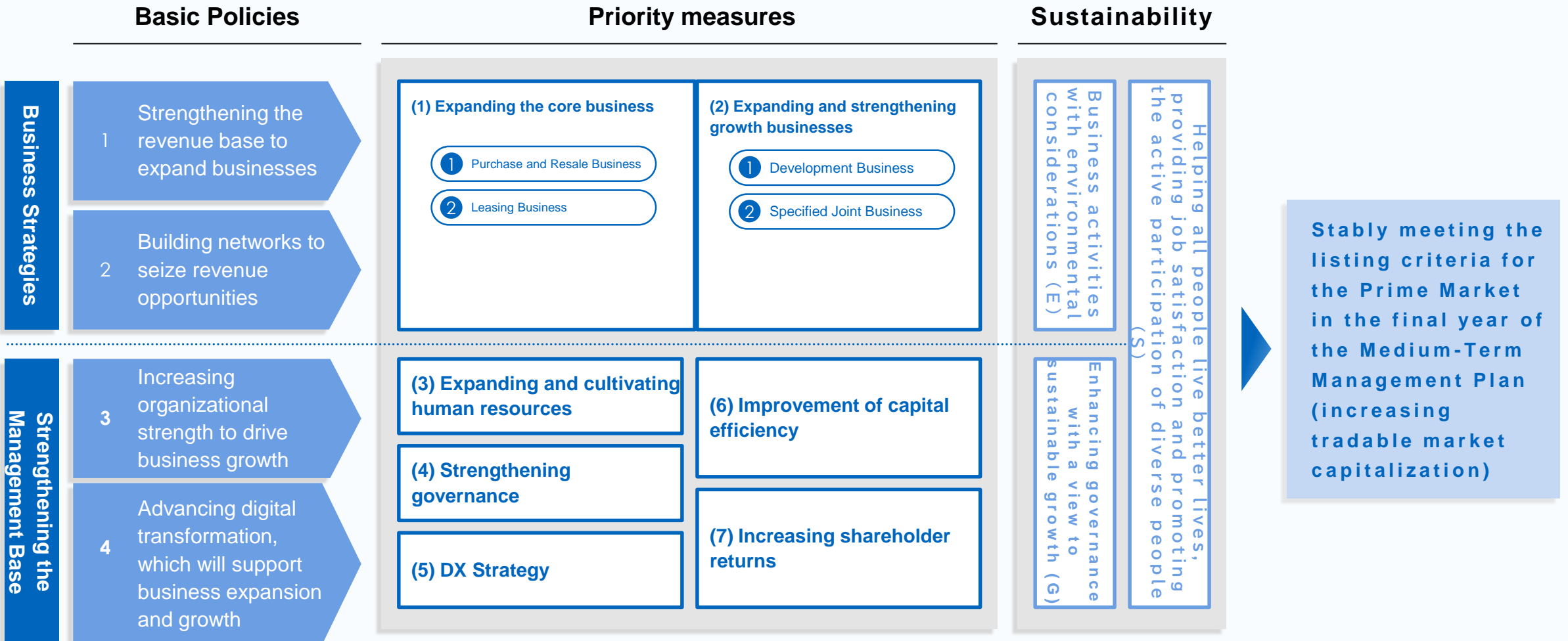
Basic Policies and Priority measures



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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



MUGEN ESTATE

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)

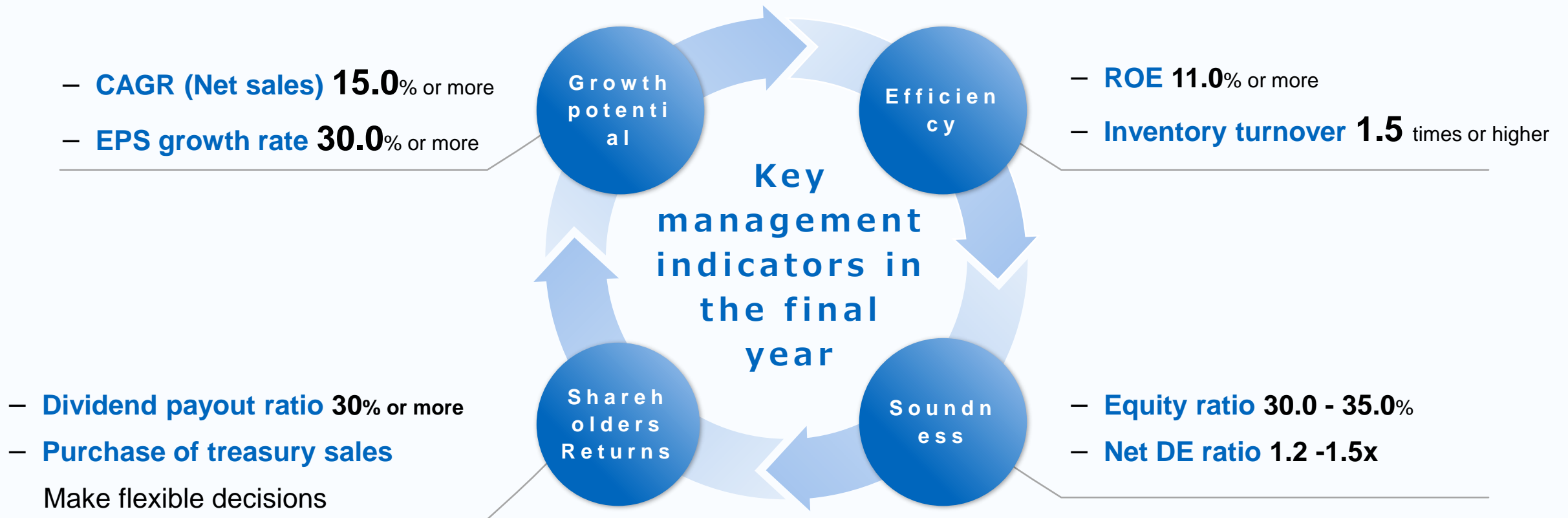
	FY2021 results	FY2022		FY2023		FY2024	
		Plan	Year on year comparison	Plan	Year on year comparison	Plan	Year on year comparison
Net sales	33,956	38,847	+14.4%	44,660	+15.0%	53,224	+19.2%
Real Estate Trading Business	31,842	36,648	+15.1%	41,994	+14.6%	49,797	+18.6%
Real Estate Leasing and Other Business	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.



Second Medium-Term Management Plan (by Business)

Consolidated Results Targets



The Group will expand the Purchase & Resale Business, its main business which is primarily residential-type properties, and will strive to generate profit in its growth businesses, the Development Business and the Real Estate Specified Joint Business.

(million yen)

			FY2021 results	FY2022		FY2023		FY2024	
				Plan	Year on year comparison	Plan	Year on year comparison	Plan	Year on year comparison
Main stay Busi ness	Purchase and Resale Business	Net sales	30,487	31,012	+1.7%	33,048	+6.6%	37,830	+14.5%
		Residential type properties	7,051	14,542	+106.2%	18,144	+24.8%	20,604	+13.6%
		Investment type properties	23,436	16,470	-29.7%	14,904	-9.5%	17,226	+15.6%
	Leasing Business	Net sales	2,008	2,029	+1.0%	2,417	+19.1%	3,023	+25.0%
Growt h Busin esses	Development Business	Net sales	—	2,968	—	4,368	+47.2%	6,000	+37.3%
	Specified Joint Business	Net sales	1,201*	2,409	+100.5%	4,095	+70.0%	5,300	+29.4%
Others		Net sales	258	427	+65.5%	730	+70.8%	1,071	+46.6%
Total		Net sales	33,956	38,847	+14.4%	44,660	+15.0%	53,224	+19.2%
		Gross profit	5,788	6,675	+15.3%	7,841	+17.5%	9,447	+20.5%
		Profit margin	17.0%	17.2%	-	17.6%	-	17.8%	-

*In segment information, net sales in the Real Estate Specified Joint Business are included in net sales in investment-type properties.

The Group will focus investment on growth businesses, the Development Business and Real Estate Specified Joint Business, to expand them as new core revenue sources.

The Group will increase the ratio of growth businesses and build a healthy business portfolio.

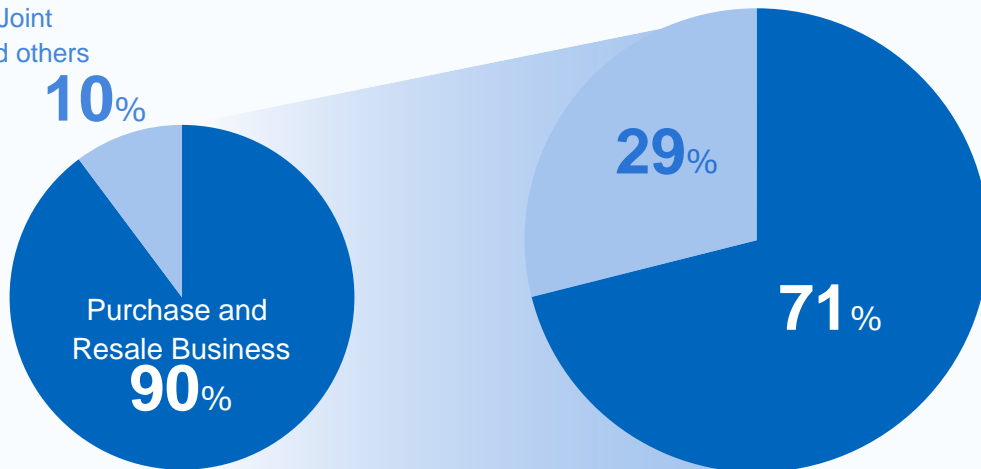
Net sales

FY2021 results

FY2024 plan

33,956 million yen **53,224** million yen

Leasing Business,
Development Business,
Specified Joint
Business and others



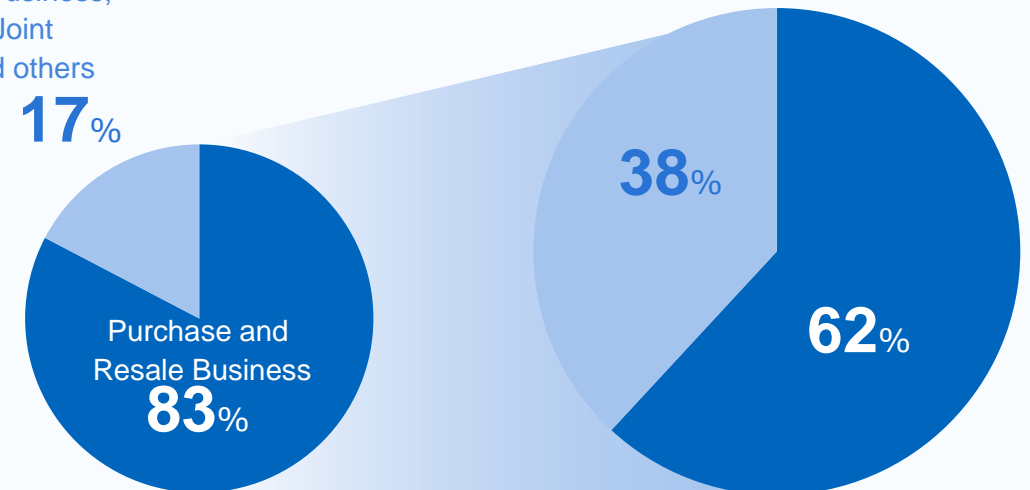
Gross profit

FY2021 results

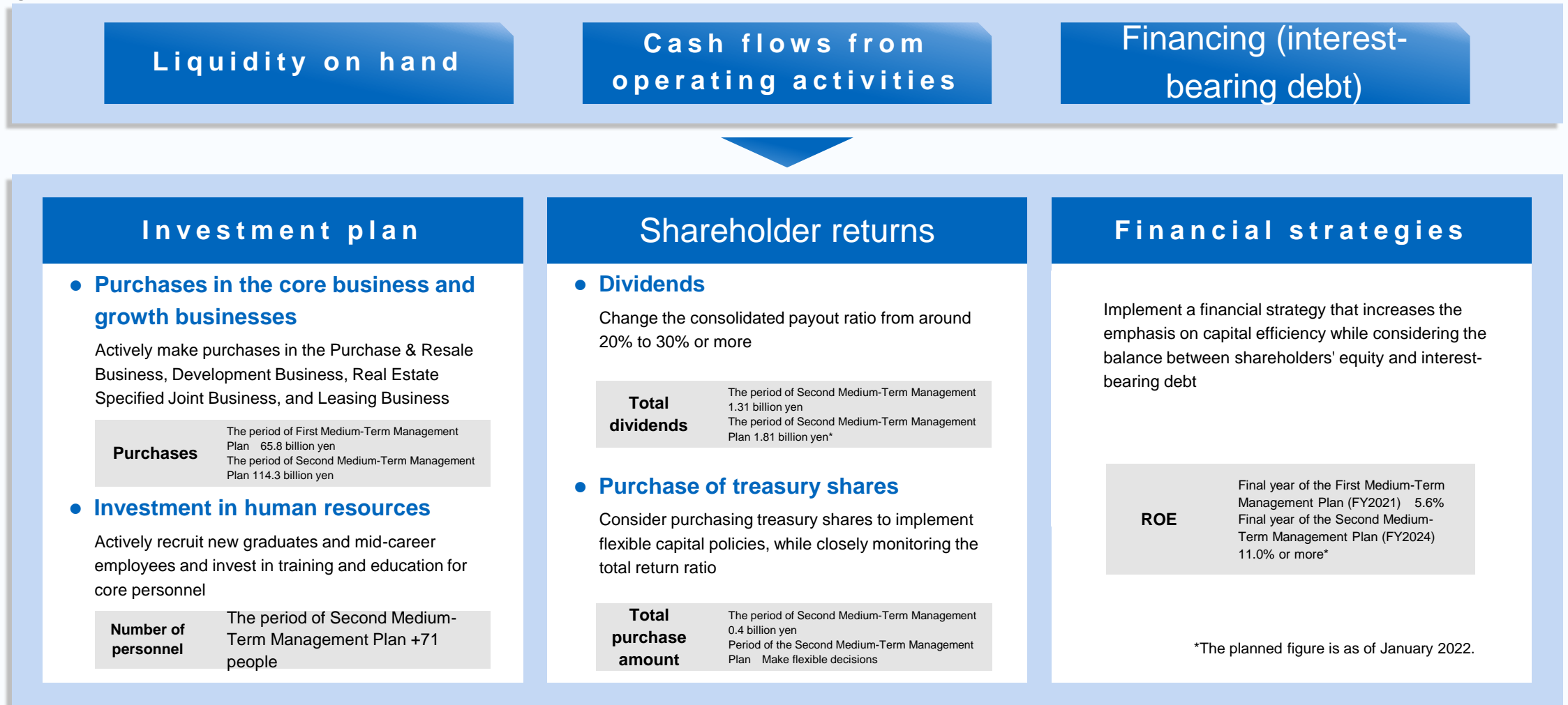
FY2024 plan

5,788 million yen **9,447** million yen

Leasing Business,
Development Business,
Specified Joint
Business and others



The Group will improve shareholder returns by investing in its core business and growth businesses while maintaining a high level of financial soundness.



3

Business Strategies

Priority Measures (1) Expansion of Core Businesses

(i) Purchase and Resale Business



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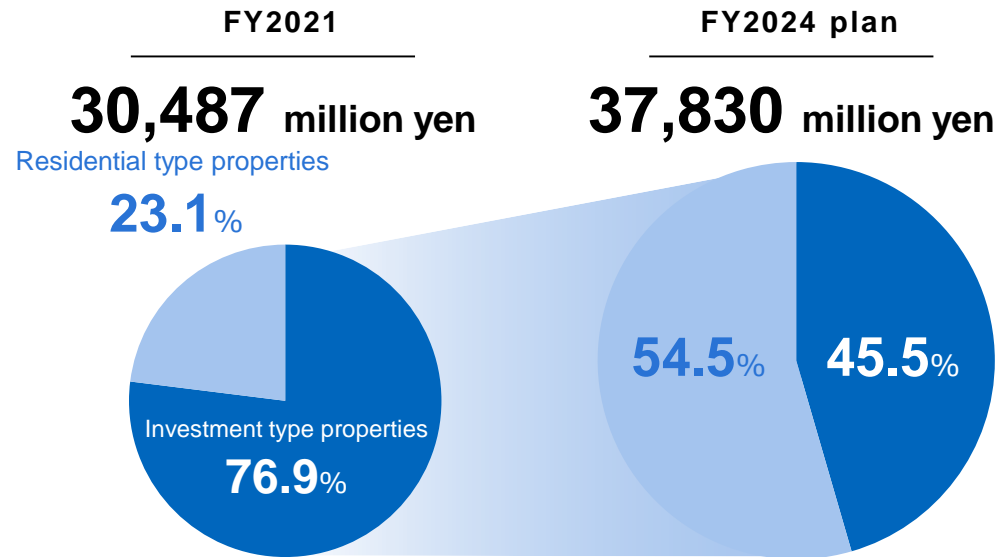
Increase purchases and sales of residential-type properties in Tokyo and three prefectures around Tokyo, aiming to become No. 1 in terms of the number of properties purchased.

Accelerate the opening of sales offices to increase sales in areas where demand is expected.

Change the sales portfolio

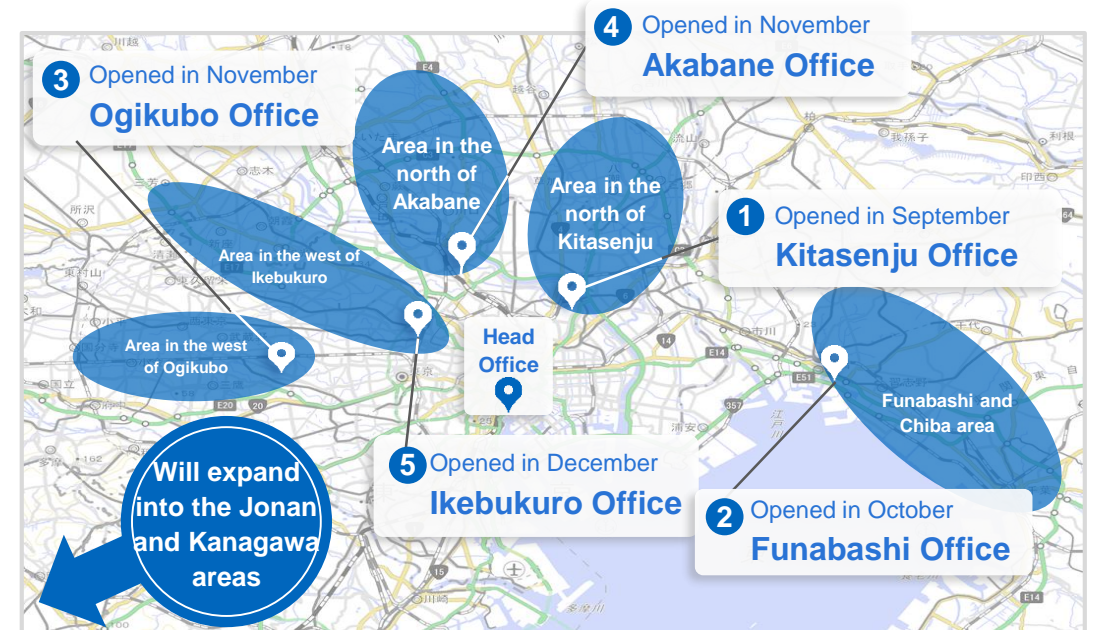
- Aim to increase the percentage of sales from residential-type properties to more than 50%

Breakdown of total sales in the Purchase & Resale Business



Open sales offices focusing on specific areas

- Start to profit at an early stage at five sales offices that opened in FY2021
- Prepare to open new sales offices and strengthen relationships with real estate agencies



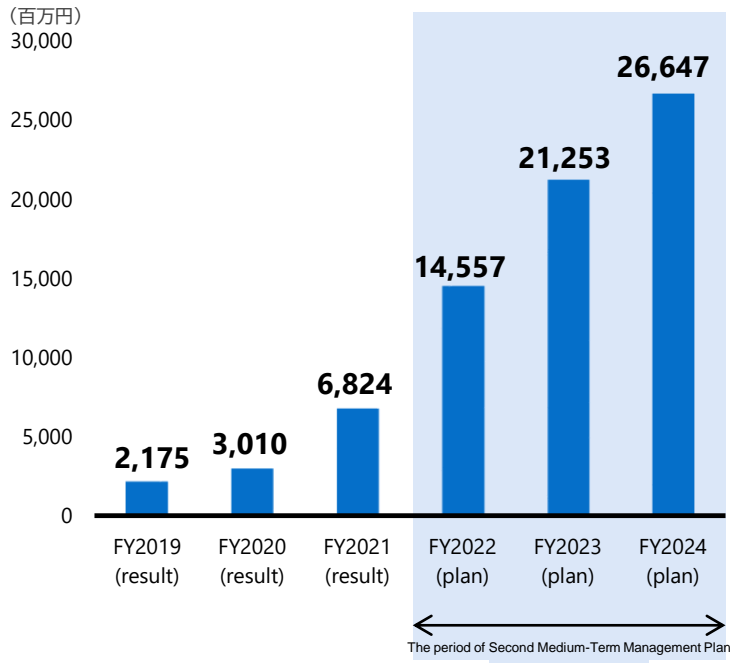
Source: <https://mapps.gsi.go.jp/maplibSearch.do#1>

Priority Measures (1) Expansion of Core Businesses (ii) Leasing Business

Accelerate the purchase of high-quality assets, enhance their value, diversify the owned properties and achieve stable revenue.

Accelerate the purchase of high-quality assets

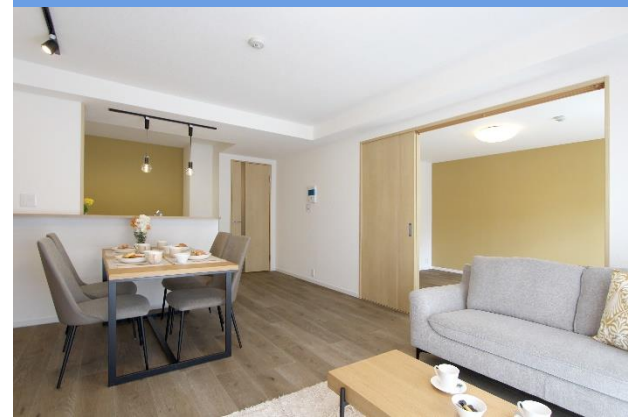
Trends in assets to be held over the medium to long term



Enhancing value

Aim to gain and maintain stable lessees and improve yields by enhancing the value of properties and modifying rental prices

Property whose value has been enhanced



Diversifying owned properties

- Purchase assets other than rental condominiums and office buildings and diversify the portfolio of properties
- Purchase properties that will be held for the medium to long term to achieve stable revenue



Priority Measures (2) Strengthening and Expanding Growth Businesses (i) Development Business

Secure stable pipelines and develop exit strategies to expand revenue.

Promoting development in urban areas

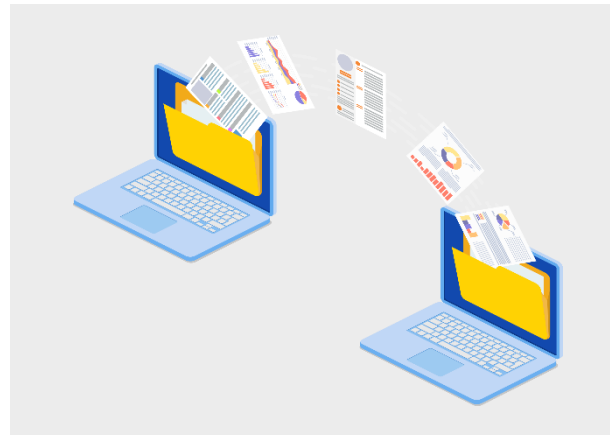
Develop rental condominiums that meet local needs. Sell them quickly and improve turnover.



The Group provides the SIDEPLACE series of rental condominiums for singles, primarily in urban areas. (SIDEPLACE OSHIAGE completed in FY2021)

Increasing purchases using information from within the Group

Share requirements for development sites within the Group and increase purchases in new businesses, such as in the condominiums for sale business.



Advancing development in consideration of the SDGs

Introduce environmentally friendly materials, products and facilities and renewable energy to provide high-value-added properties

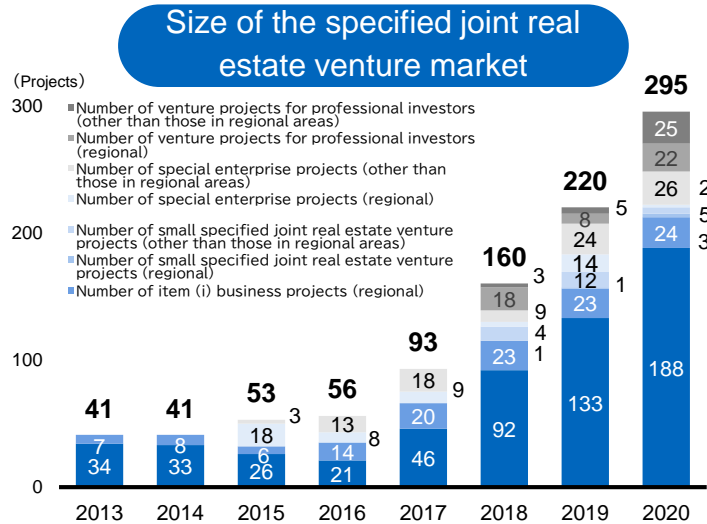


Priority Measures (2) Strengthening and Expanding Growth Businesses (ii) Real Estate Specified Joint Business

Increase revenue by expanding sales networks, increasing the scale of projects and diversifying projects.

Diversifying sales networks

As the business gains recognition, the Group will expand its referral networks nationwide in cooperation with financial institutions, accounting firms, tax accountant firms, independent FPs, and others.



Source: Handbook on the Promotion of Use of Specified Joint Real Estate Ventures on the website of the Ministry of Land, Infrastructure, Transport and Tourism (July 2021)

Expanding the scale of projects

Expand the scale of projects primarily in urban areas where asset values are high to respond to increasing demand



ブドーさん
備える不動産小口投資

Shibuya Kamiyama-cho project



Diversifying projects

Expand projects including operational assets to meet customer needs for a more diverse portfolio

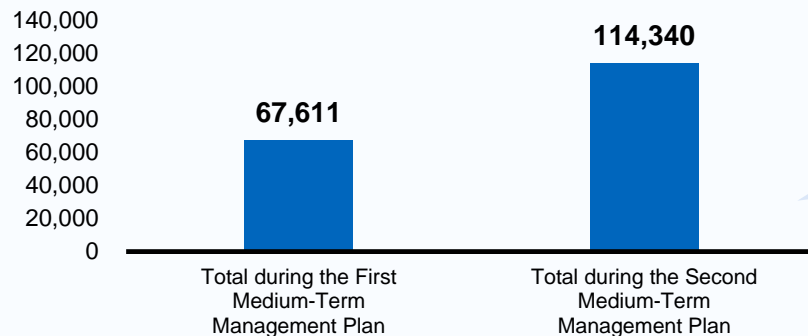
Yoyogi Project



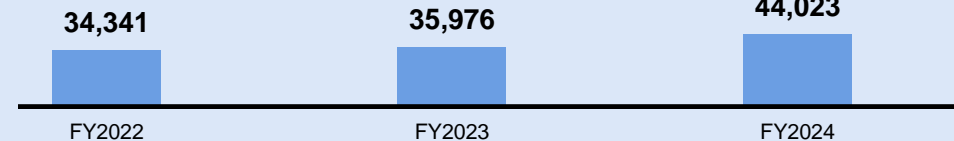
Actively purchase real estate to achieve sustainable growth in both core and growth businesses.

Purchases

(million yen)

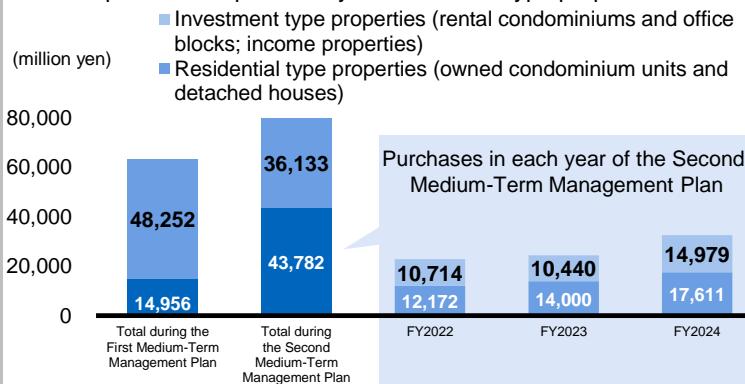


Purchases in each year of the Second Medium-Term Management Plan



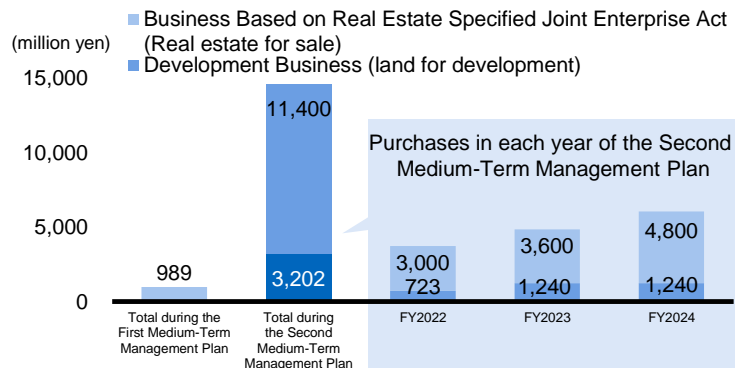
Purchase and Resale Business

- Emphasize the turnover period from purchase to sale
- Accelerate the purchase of residential-type properties
- Emphasize the profitability of investment-type properties



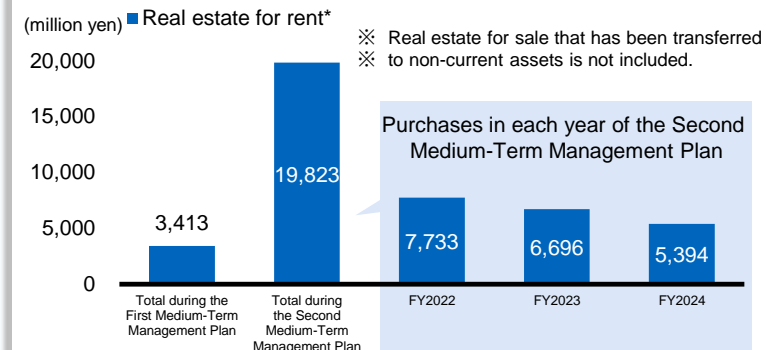
Development Business and Specified Joint Business

- Actively purchase assets for these growth businesses
- Relaunch the fund business in FY2024



Leasing Business

- Purchase properties that are in good locations and whose value can be enhanced significantly



Interior and Exterior Refurbishment Business, Property Management Business, Brokerage Business



Respond to the expansion of the Purchase & Resale Business.

Strive to strengthen organizational power and expand the customer base in each of the three businesses and maximize the synergy between Group companies.

Interior and Exterior Refurbishment Business

Maintaining and developing human resources according to the number of orders

Secure human resources to respond to increasing condominium units in the Purchase & Resale Business and develop personnel who can handle multiple tasks from process management to cost management and quality management.

Strengthening interior and exterior work system

Find new subcontractors and control quality thoroughly as the number of orders increases.

Strengthening materials buying power

Find new housing equipment manufacturers and wholesalers to minimize the impact of delays in the production of housing materials due to COVID-19.

Property Management Business

Maintaining personnel according to the number of units held

Maintain the personnel that are necessary for responding to the expansion of the Purchase & Resale Business and the Leasing Business and cultivate human resources.

Strengthening PM and BM

Maximize the number of units under management per person and reduce the number of units whose management is outsourced.

Increasing the number of units under contract management

Strengthen cooperation within the Group and increase the number of units under contract management

Promotion of DX

Renovate the leasing management system to improve operational efficiency per person

Brokerage Business

Expanding the customer base

Approach Chinese real estate agents and gain potential customers via real estate investment sites

Promoting proposal-based sales

Promote proposal-based sales in fully custom renovation services for individuals

Strengthening of digital marketing

Strengthen digital marketing through the dissemination of information using social media and product listing ads

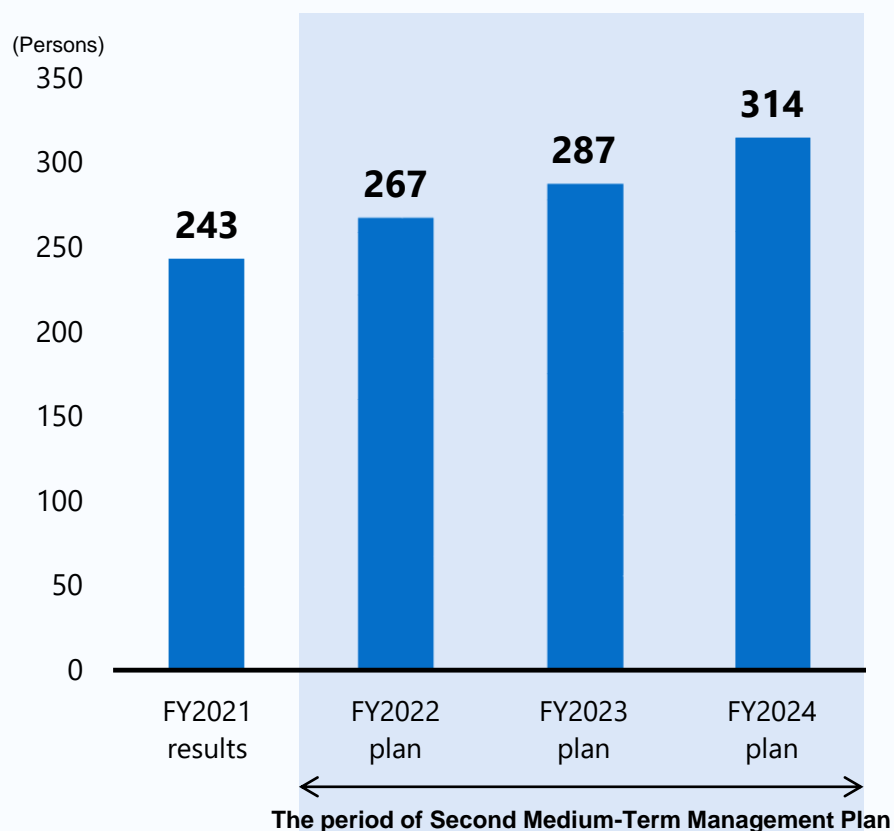
4

Strengthening the Management Base

Priority Measures (3) Recruitment, Expansion and Development of Human Resources

Increase the organization's capabilities by promoting the recruitment and cultivation of human resources. Aim to grow businesses under the organizational structure with more than 300 employees as the entire Group, by the end of the final year of the Medium-Term Management Plan.

The Group's personnel plan



Policy on recruitment and development

Recruitment

- Promote recruitment, primarily of new graduates
- Also strive to recruit mid-career personnel
- Increase sales staff and work site supervision staff



Development

- Training for new graduates and young employees
 - ① Systematic training for new employees
 - ② Increase expertise and cultivate professionals
- Management training for mid-level employees
 - Enhance the management skills of personnel
- Introduce a training system for sales staff
- Improving employee engagement

Priority Measures (4) Strengthening Governance



Undertake initiatives to strengthen corporate governance, including the active consideration of the balance between members of the Board of Directors, the diversity of the members, and the size of the Board, and the analysis and evaluation of the effectiveness of the Board.

	2014-2020	2022-
Outside Directors	<p><2014></p> <ul style="list-style-type: none"> One director assumed office <p><2017></p> <ul style="list-style-type: none"> Two directors assumed office 	
Non-mandatory advisory committee		<p><2021></p> <ul style="list-style-type: none"> Nomination and Compensation Committee established
Remuneration system	<p><2015></p> <ul style="list-style-type: none"> Retirement benefits system abolished 	<p><2022></p> <ul style="list-style-type: none"> Officers' remuneration system will be changed Restricted stock compensation plan will be introduced
System, policy	<p><2016></p> <ul style="list-style-type: none"> Established Corporate Governance Guidelines Established standards concerning the independence of outside officers 	<p><2022></p> <ul style="list-style-type: none"> Introduction of an executive officer system Ratio of outside directors will increase (from 28.6% to 50%)
Others	<p><2018></p> <ul style="list-style-type: none"> Establishment of Risk and Compliance Committee <p><2020></p> <ul style="list-style-type: none"> General employer action plan (advancement of measures to support the raising of future generations of children) 	<p><2022-></p> <ul style="list-style-type: none"> Enhancement of risk management system Standardization of interior and exterior work Enhancement of work site management structure CS Office's functions will be enhanced (to improve quality)

Implement digital transformation strategies at points of customer contact and within the Company to increase productivity, improve operational efficiency, and reduce environmental impact.

DX at points of customer contact

Internal DX

Use DX to strengthen competitiveness

- Draw attention to appraisal values and differentiate the Company from competitors by introducing real estate tech, including AI assessment and explanations of important matters using IT.
- Introduce preliminary inspections using VR to remove physical restrictions and save time
- Build a database of owned properties and develop an exit strategy



Virtual model room

Letting end customers have specific images after refurbishment will shorten the sales period (improve turnover).

Promote digitization

- Digitalize contract documents, transaction documents, and internal documents and reduce paper (reduce the environmental impact)
- Analyze and use digitalized data



Use of the cloud (from ownership to use)

- Continue to switch from on-premises software (ownership) to the cloud (rental) to quickly respond to diverse needs



Increasing operational efficiency and cultivating human resources

- Automate operations using AI-OCR and RPA and increase the efficiency of organizational management
- Centrally manage personnel data to cultivate human resources
Centralized management



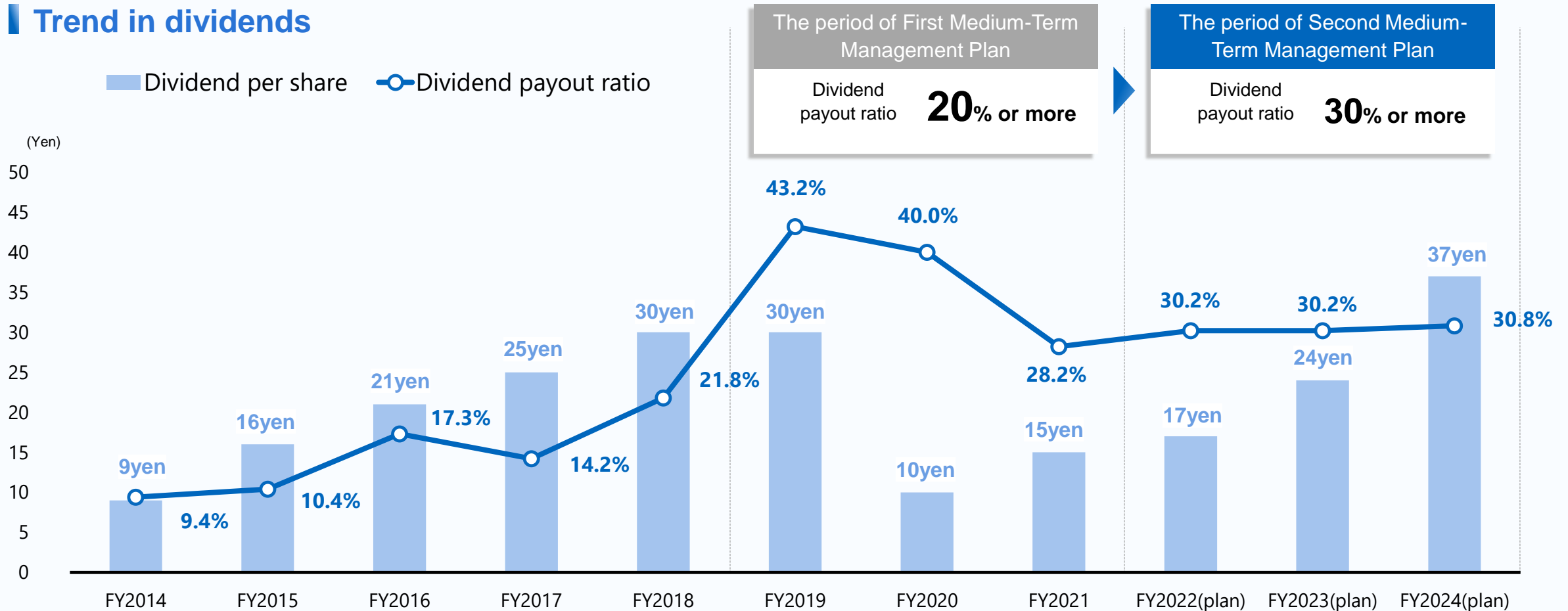
Priority Measures (6) Increasing Shareholder Returns



Increase the payout ratio target from around 20% to 30% or more.

Purchase treasury stock to implement flexible capital policies, considering dividends, the total return ratio and capital efficiency.

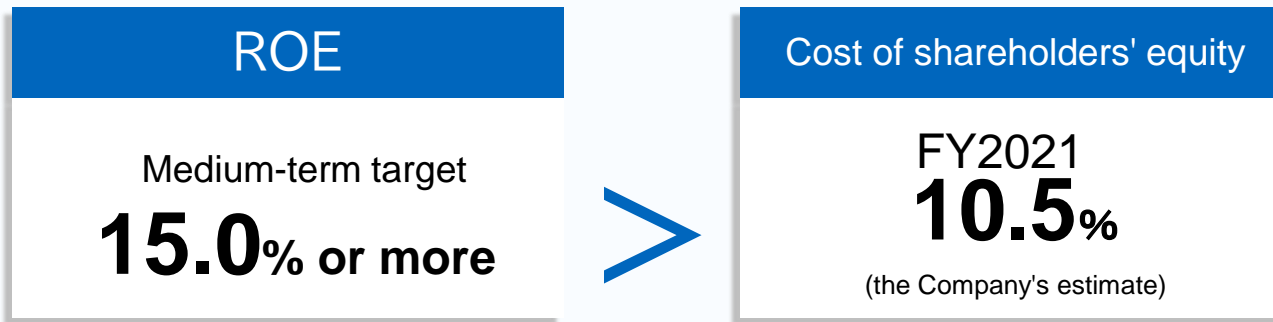
Trend in dividends



Priority Measures (7) Improving Capital Efficiency

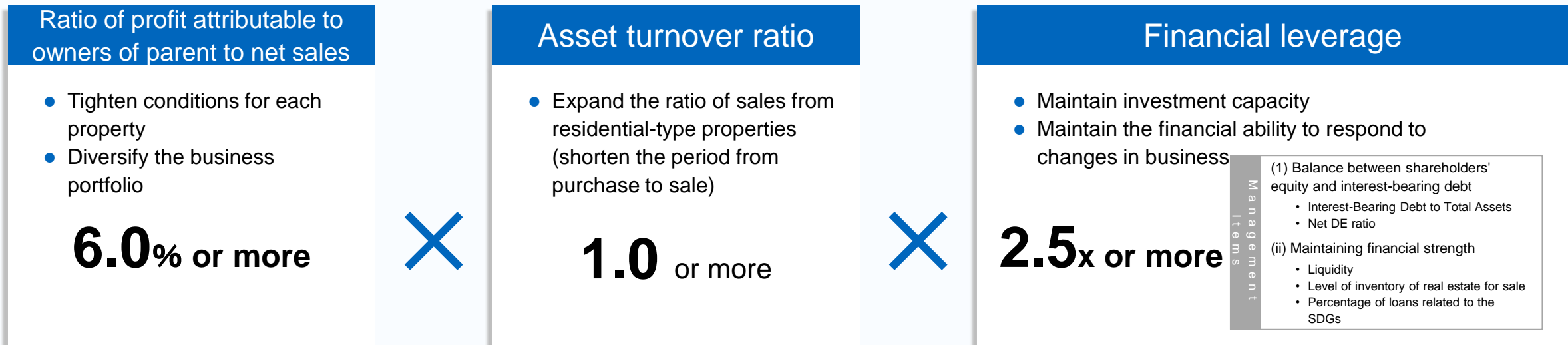


Aim to maintain profit (ROE) that exceeds the cost of equity capital, while maintaining the financial ability to respond to changes in the environment



- Strive to improve the disclosure of financial and non-financial information and promote constructive dialogue, and operate business in ways that increase investors' trust in the Company. Through this, reduce the cost of equity capital (10.5%) over the medium and long term.
- Balance investing, financial soundness and shareholder returns and raise awareness of the cost of equity capital and increase ROE (return on equity).

Medium-term targets for increasing ROE



Implement business plans and conduct business activities, in consideration of ESG issues and the SDS, under the basic sustainability policy below.

Meet the sustainability standards that the companies listed on the Prime Market are required to meet.

— Basic Sustainability Policy —

Under our corporate motto "Mugen" (Making Dreams Come True) which is also the origin of our company name, we at the MUGEN ESTATE Group hope to play a useful role in making the dreams of all people, including our customers, come true.

We share the contributions that our business—creating new value in used real estate—makes to society, and see it as our common dream to help realize the creation of a sustainable society through our business.

We define our mission as creating new value in real estate and taking on challenges to enrich the lives of all, making their dreams come true. By carrying out this mission, we are taking on the challenges of creating a sustainable society and achieving sustainable growth for the MUGEN ESTATE Group.

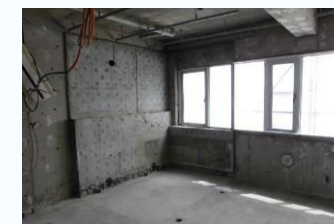
Operate business activities in harmony with the environment and society and contribute to the achievement of the sustainable development goals (SDGs).

Example of the Company's contributions through its business activities

A large-scale renovation of a used property

ESG	Material Issues	Related SDGs
Environment E	<p>Business activities with environmental considerations</p> <ul style="list-style-type: none"> Revitalization of used real estate Product development with environmental considerations 	  
Society S	<p>Providing enriched lives for all people</p> <ul style="list-style-type: none"> Support for enriching lives through the used property business. Contributing to local communities and society Investments in startups 	   
	<p>Providing job satisfaction, promoting the participation and advancement of diverse human resources</p> <ul style="list-style-type: none"> Diversity and work-life balance 	  
Governance G	<p>Enhancing governance with a view to sustainable growth</p> <ul style="list-style-type: none"> Basic Policy on Corporate Governance Disclosure Policy 	 

Before



After



- The industrial waste generated and environmental impact of the property will be less than what would result from the demolition of used properties and the building of new properties.
- Contribute to the development of local communities by extending the life of used properties