

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 First Quarter ended March 31, 2022 [Based on Japanese GAAP]

May 13, 2022

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, Managing Executive Officer, ir@mugen-estate.co.jp
 Executive General Manager of Administrative Division
 Scheduled date of quarterly securities report filing: May 13, 2022 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 first quarter ended March 31, 2022 (January 1 to March 31, 2022)

(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	%
1Q ended March 31, 2022	4,715	(54.0)	239	(63.5)	100	(80.6)	108	(68.8)
1Q ended March 31, 2021	10,241	10.1	657	18.8	516	36.8	348	38.5

(Note) Comprehensive income: 1Q ended March 31, 2022 108 million yen (-68.8%)
 1Q ended March 31, 2021 348 million yen (38.5%)

	Net Income per share	Diluted net income per share
	Yen	Yen
1Q ended March 31, 2022	4.60	4.58
1Q ended March 31, 2021	14.55	14.47

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2022	63,429	23,156	36.4
As of December 31, 2021	62,778	23,546	37.4

(Reference) Shareholders' equity: As of March 31, 2022 23,063 million yen
 As of December 31, 2021 23,453 million yen

2. Dividends

	Annual dividends per share				
	End of 1 st quarter	End of 2 nd quarter	End of 3 rd quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2021	—	0.00	—	15.00	15.00
Year ending December 31, 2022	—	—	—	—	—
Year ending December 31, 2022 (forecast)	—	0.00	—	17.00	17.00

(Note) Revision of the latest dividend forecast: None

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2022

(January 1, 2022 to December 31, 2022) (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
FY2022 (Full year)	38,847	14.4	2,624	12.1	2,066	16.7	1,314	3.0	56.33

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

* 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 March 31, 2022 24,361,000 shares
 - As of December 31, 2021 24,361,000 shares
 - (ii) Number of treasury stock held at end of the period
 - As of March 31, 2022 879,925 shares
 - As of December 31, 2021 585,709 shares
 - (iii) Average number of shares outstanding during the period (cumulative)
 - As of March 31, 2022 23,644,034 shares
 - As of March 31, 2021 23,978,691 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) Financial forecasts

The statements about the future included in this report, including financial forecasts, 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. Operating Results and Financial Position“ on page 1 of the Accompanying Materials for the assumptions of the financial forecasts and points to note in the use of financial forecasts

(2) Access to presentation materials for financial results

Presentation materials are disclosed through TDnet and on the Company’s website on the day on which the presentation is made.

1. Qualitative Information on Operating Results for the First Quarter Ended March 31, 2022

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter under review and makes a comparative analysis with the first quarter of the previous fiscal year and the previous fiscal year, using figures after retroactively applying the Accounting Standard, etc.

(1) Analysis of Operating Results

In the first quarter under review (January 1, 2022 to March 31, 2022), demand remained firm and trading prices continued to climb in the real estate industry where the MUGEN ESTATE Group operates, even though a sense of business uncertainty was observed due to factors such as the COVID-19 pandemic and the situation in Ukraine. The sense that real properties in Japan are inexpensive is strengthening, too, as the yen continues to depreciate at a record pace. Under the condition, funds are anticipated to keep flowing into the real estate market.

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 19.5% year on year, to 3,405 in March 2022, 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 10.8% from the same month a year earlier, showing a year-on-year increase for the 23rd consecutive month since May 2020. The average unit price rose 8.4% from the same month a year earlier, a year-on-year rise for the 22nd consecutive month since June 2020. The number of inventory properties rose 8.5% year on year, continuing the consistent year-on-year increases since February. Looking at investment-type properties, the uptrend in the vacancy rate slowed while office rents continued to fall in central Tokyo. Investment appetite remained high, partly due to the continued policy of monetary easing.

In this business environment, the MUGEN ESTATE Group focused on expanding residential-type properties operations in the Real Estate Trading Business, a core business, to meet rising demand for used condominium units and detached houses in the Tokyo metropolitan area. Purchases grew favorably, partly due to the effects generated by five sales offices set up in the previous year. Meanwhile, sales remained almost unchanged from the first quarter the previous fiscal year, due to factors such as construction delays caused by the tight supply and demand situation for housing equipment. Regarding investment-type properties, the MUGEN ESTATE Group worked to improve their inventory turnover by bolstering sales through an increase in the occupancy rate and the addition of greater value to such properties. Meanwhile, sales decreased year on year owing to factors such as an emphasis placed on profitability determination and settlement delays occurring on a monthly basis.

As a result, consolidated net sales decreased 54.0% year on year, to 4,715 million yen, consolidated operating income fell 63.5% year on year, to 239 million yen, consolidated ordinary income decreased 80.6% year on year, to 100 million yen, and consolidated profit attributable to owners of parent fell 68.8% year on year, to 108 million yen in the first three months under review.

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 13 (down 31 units year on year) and the average unit selling price was 163 million yen (down 3.5% year on year), registering net sales of 2,125 million yen (down 71.5% year on year). Meanwhile, the number of units sold in residential-type properties came to 47 (down 2 units year on year) and the average unit selling price was 42 million yen (up 3.8% year on year), registering net sales of 2,012 million yen (down 0.4% year on year).

As a result, net sales for the segment decreased 56.8% year on year, to 4,175 million yen, and the segment profit (operating income for the segment) decreased 43.2% year on year, to 438 million yen.

[Real Estate Leasing and Other Business]

In the Real Estate Leasing and Other Business, revenue from real estate leasing came to 506 million yen (down 7.3% year on year).

As a result, net sales for the segment decreased 5.8% year on year, to 540 million yen, and segment profit (operating income for the segment) down 10.3% year on year, to 186 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” includes real estate used by purchasers for residential purposes, mainly condominiums, as well as land and other properties.

(2) Analysis of Financial Position

The financial position at the end of the first quarter of the consolidated fiscal year under review included assets of 63,429 million yen (up 1.0% from the end of the previous fiscal year), liabilities of 40,273 million yen (up 2.7% from the end of the previous fiscal year), and net assets of 23,156 million yen (down 1.7% from the end of the previous fiscal year).

Principal factors contributing to the increase in assets included a decrease of 3,026 million yen in cash and deposits, more than offsetting an increase of 3,742 million yen in real estate properties for sale.

The increase in liabilities was attributable primarily to an increase of 1,053 million yen in short-term borrowings.

The decrease in net assets resulted in large part from a decrease of 356 million yen in retained earnings attributable to dividends paid, and a rise of 108 million yen in retained earnings due to the recording of profit attributable to owners of parent.

(3) Information on future forecasts including consolidated financial forecasts

Forecasts for consolidated financial results and dividends for the fiscal year ending December 31, 2022 remain unchanged from the Summary of Consolidated Financial Results for the Fiscal Year ended December 31, 2021 on February 14, 2022.

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)

	FY2021 (As of December 31, 2021)	FY2022 1Q (As of March 31, 2022)
Assets		
Current assets		
Cash and deposits	17,565	14,539
Accounts receivable - trade	19	27
Real estate for sale	35,463	39,206
Real estate for sale in process	630	476
Other	728	735
Allowance for doubtful accounts	(3)	(4)
Total current assets	54,404	54,982
Non-current assets		
Property, plant and equipment		
Buildings	3,949	3,971
Accumulated depreciation	(522)	(564)
Buildings, net	3,426	3,407
Land	4,157	4,157
Other	111	114
Accumulated depreciation	(81)	(84)
Other, net	30	30
Total property, plant and equipment	7,614	7,596
Intangible assets	85	91
Investments and other assets		
Investment securities	21	21
Deferred tax assets	252	336
Other	357	358
Total investments and other assets	631	715
Total non-current assets	8,331	8,403
Deferred assets	41	43
Total assets	62,778	63,429

(Million yen)

	FY2021 (As of December 31, 2021)	FY2022 1Q (As of March 31, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	361	436
Short-term borrowings	4,739	5,793
Current portion of bonds payable	727	865
Current portion of long-term borrowings	4,982	3,882
Income taxes payable	287	89
Provision for bonuses	20	77
Construction warranty reserve	48	41
Other	1,002	1,132
Total current liabilities	12,168	12,318
Non-current liabilities		
Bonds payable	3,219	3,436
Long-term borrowings	23,192	23,870
Retirement benefit liability	109	103
Other	542	545
Total non-current liabilities	27,063	27,955
Total liabilities	39,232	40,273
Net assets		
Shareholders' equity		
Share capital	2,552	2,552
Capital surplus	2,475	2,475
Retained earnings	18,827	18,579
Treasury shares	(401)	(543)
Total shareholders' equity	23,453	23,063
Share acquisition rights	92	92
Total net assets	23,546	23,156
Total liabilities and net assets	62,778	63,429

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
 [Quarterly Consolidated Statements of Income]
 (For three months from January 1 to March 31, 2022)

(Million yen)

	FY2021 1Q (From January 1 to March 31, 2021)	FY2022 1Q (From January 1 to March 31, 2022)
Net sales	10,241	4,715
Cost of sales	8,774	3,618
Gross profit	1,466	1,096
Selling, general and administrative expenses	809	856
Operating profit	657	239
Non-operating income		
Interest and dividend income	0	0
Commission income	3	2
Penalty income	1	11
Other	1	3
Total non-operating income	7	17
Non-operating expenses		
Interest expenses	130	137
Commission expenses	9	12
Other	7	7
Total non-operating expenses	148	157
Ordinary profit	516	100
Profit before income taxes	516	100
Income taxes - current	134	75
Income taxes - deferred	33	(83)
Total income taxes	167	(8)
Profit	348	108
Profit attributable to owners of parent	348	108

[Quarterly Consolidated Statements of Comprehensive Income]
(For three months from January 1 to March 31, 2022)

(Million yen)

	FY2021 1Q (From January 1 to March 31, 2021)	FY2022 1Q (From January 1 to March 31, 2022)
Income before minority interests	348	108
Comprehensive income	348	108
(Breakdown)		
Comprehensive income attributable to owners of parent	348	108

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. began to be applied from the beginning of the first quarter under review. Under this standard, the Company recognizes the amount of revenue as that which it expects to be entitled to in exchange for promised goods or services to the customer, and the recognition is made at the time of the transfer of the control of the said goods or services to the customer.

The Company applies the Accounting Standard for Revenue Recognition, etc. pursuant to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. This has no impact on the beginning balance of retained earnings. In addition, there is no impact on profit and loss in the first three months of the fiscal year under review. In accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue from contracts with customers for the first quarter of the previous fiscal year is not stated.

(Additional information)

(Application of accounting standard for fair value measurement, etc.)

The Company began applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. and the implementation guidance on the Accounting Standard for Fair Value Measurement from the first quarter under review. Accordingly, the Company will apply the new accounting policies prescribed in the Accounting Standard for Fair Value Measurement, etc. in the future in accordance with transitional measures stipulated in Paragraph 19 of the standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). These changes had no impact on Quarterly Consolidated Financial Statements for the first quarter under review because the Company has no financial instrument whose market price is adopted as the price stated in Quarterly Consolidated Balance Sheets.

(Accounting estimates concerning the influence of the COVID-19 pandemic)

In the first quarter under review, no significant change resulted in assumptions concerning the impact of COVID-19 stated in significant accounting estimates in the annual securities report for the previous fiscal year.

(Segment Information)

For three months ended March 31, 2021 (From January 1 to March 31, 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	9,668	573	10,241	—	10,241
Inter-segment sales or transfer	3	8	12	(12)	—
Total	9,672	581	10,253	(12)	10,241
Segment profit	771	207	979	(321)	657

(Note) 1. The segment profit adjustment of (321) 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 three months ended March 31, 2022 (From January 1 to March 31, 2022)

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	4,175	540	4,715	—	4,715
Inter-segment sales or transfer	13	4	18	(18)	—
Total	4,189	544	4,734	(18)	4,715
Segment profit	438	186	624	(384)	239

(Note) 1. The segment profit adjustment of (384) 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.