

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 Second Quarter ended June 30, 2022 [Based on Japanese GAAP]

August 5, 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: August 5, 2022      Scheduled date of dividend payment: —  
 Supplementary material for financial results: Yes  
 Quarterly financial results briefing: Yes

(fractions of one million yen are rounded off)

### 1. Consolidated financial results for the second quarter ended June 30, 2022 (January 1 to June 30, 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	%
2Q ended June 30, 2022	14,006	(21.3)	1,093	(17.1)	793	(24.5)	588	(20.3)
2Q ended June 30, 2021	17,795	24.8	1,318	62.3	1,050	129.2	737	121.0

(Note) Comprehensive income: 2Q ended June 30, 2022 588 million yen ( -20.3%)  
 2Q ended June 30, 2021 737 million yen ( 121.0%)

	Net Income per share	Diluted net income per share
	Yen	Yen
2Q ended June 30, 2022	24.97	24.82
2Q ended June 30, 2021	30.77	30.60

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2022	72,086	23,627	32.6
As of December 31, 2021	62,778	23,546	37.4

(Reference) Shareholders' equity: As of June 30, 2022 23,535 million yen  
 As of December 31, 2021 23,453 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, 2021	—	0.00	—	15.00	15.00
Year ending December 31, 2022	—	0.00	—	—	—
Year ending December 31, 2022 (forecast)	—	—	—	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 : Yes
- (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 June 30, 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 June 30, 2022 897,325 shares

As of December 31, 2021 585,709 shares

(iii) Average number of shares outstanding during the period (cumulative)

As of June 30, 2022 23,554,019 shares

As of June 30, 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 2 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 Second Quarter Ended June 30, 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

During the first six months of the fiscal year under review (January 1, 2022 through June 30, 2022), the real estate industry, where the MUGEN ESTATE Group operates, saw the nationwide average price of housing land per square meter (as of January 1, 2022), announced by the National Tax Agency on July 1, 2022, rise 0.5% year on year. The figure climbed for the first time in two years. As the impact of the pandemic lessened, the Japanese economy was trending generally upward. However, demand from overseas visitors to the country is still recovering. Land prices continued to slide in some tourist destinations and in some commercial districts.

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 fell 7.9% year on year in June 2022. The figure was lower than in the same period of the previous fiscal year for the sixth consecutive month. Meanwhile, the average unit price per square meter of contracted condominium units increased 12.8% year on year. It rose for the 26th consecutive month. The contract price increased 9.2% year on year. It has been rising on a year-on-year basis for 25 straight months since June 2020. The number of inventory properties rose 10.5% year on year. The increases compared with the same month of the previous year have continued for five consecutive months.

Prices of materials rose and supply was restrained due to the pandemic and the prolongation of the conflict in Ukraine. However, real estate demand remained solid and trading prices stayed on the increase. Amid the ongoing depreciation of the yen, real properties in Japan are increasingly perceived as inexpensive. In the future, the recovery of inbound tourists will increase the influx of money.

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 of residential-type properties grew favorably, partly due to the effects of the five sales offices established in the previous year. Unit sales and net sales were both up year on year despite adverse factors such as an emphasis on the assessment of profitability and delayed work due to the tight supply of housing and facility 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. Despite this, net sales dropped from the same period in the previous year. This is attributable to the focus on the assessment of profitability, as we did for residential-type properties.

In the Real Estate Development Business, progress was slow because sales activities were conducted while assessing profitability. Following the completion of new properties with environmentally friendly products in the SIDEPLACE series in Kinshicho, Ojima and Asakusa, we are stepping up our sales activities to help improve financial results for the current fiscal year.

In the Real Estate Specified Joint Venture Business, sales of the Setagaya Project started this past April. The offering in phase 1 has finished. The phase 2 offering has already begun. In tandem, purchases for the next project are in progress.

As a result, consolidated net sales decreased 21.3% year on year, to 14,006 million yen, consolidated operating income fell 17.1% year on year, to 1,093 million yen, consolidated ordinary income decreased 24.5% year on year, to 793 million yen, and consolidated profit attributable to owners of parent fell 20.3% year on year, to 588 million yen in the first six 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 32 (down 50 units year on year) and the average unit selling price was 259 million yen (up 74.3% year on year), registering net sales of 8,303 million yen (down 32.0% year on year). Meanwhile, the number of units sold in residential-type properties came to 116 (up 27 units year on year) and the average unit selling price was 38 million yen (down 16.7% year on year), registering net sales of 4,412 million yen (up 8.5% year on year).

As a result, net sales for the segment decreased 22.7% year on year, to 12,925 million yen, and the segment profit (operating income for the segment) increased 2.0% year on year, to 1,616 million yen.

#### [Real Estate Leasing and Other Business]

In the Real Estate Leasing and Other Business, revenue from real estate leasing came to 1,007 million yen (down 1.6% year on year).

As a result, net sales for the segment increased 0.6% year on year, to 1,080 million yen, and segment profit (operating income for the segment) down 4.7% year on year, to 362 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 second quarter of the consolidated fiscal year under review included assets of 72,086 million yen (up 14.8% from the end of the previous fiscal year), liabilities of 48,458 million yen (up 23.5% from the end of the previous fiscal year), and net assets of 23,627 million yen (up 0.3% from the end of the previous fiscal year).

The increase in assets resulted mainly from a 9,295 million yen increase in real estate for sale.

The increase in liabilities was attributable chiefly to a 3,879 million yen increase in long-term borrowings, a 3,641 million yen increase in bonds payable and a 1,380 million yen increase in short-term borrowings.

Principal factors related to net assets include a 223 million yen increase in retained earnings after the posting of profit attributable to owners of parent and dividends paid and a 141 million yen decrease due to the purchase of treasury shares and other factors.

(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 2Q (As of June 30, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	17,565	17,836
Accounts receivable - trade	19	23
Real estate for sale	35,463	44,759
Real estate for sale in process	630	438
Other	728	645
Allowance for doubtful accounts	(3)	(4)
<b>Total current assets</b>	<b>54,404</b>	<b>63,698</b>
Non-current assets		
Property, plant and equipment		
Buildings	3,949	4,023
Accumulated depreciation	(522)	(606)
Buildings, net	3,426	3,416
Land	4,157	4,157
Other	111	116
Accumulated depreciation	(81)	(86)
Other, net	30	29
<b>Total property, plant and equipment</b>	<b>7,614</b>	<b>7,604</b>
Intangible assets	85	92
Investments and other assets		
Investment securities	21	21
Deferred tax assets	252	245
Other	357	358
<b>Total investments and other assets</b>	<b>631</b>	<b>624</b>
<b>Total non-current assets</b>	<b>8,331</b>	<b>8,320</b>
Deferred assets	41	66
<b>Total assets</b>	<b>62,778</b>	<b>72,086</b>

(Million yen)

	FY2021 (As of December 31, 2021)	FY2022 2Q (As of June 30, 2022)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	361	472
Short-term borrowings	4,739	6,120
Current portion of bonds payable	727	1,007
Current portion of long-term borrowings	4,982	4,791
Income taxes payable	287	230
Provision for bonuses	20	7
Construction warranty reserve	48	44
Other	1,002	1,219
Total current liabilities	12,168	13,893
Non-current liabilities		
Bonds payable	3,219	6,861
Long-term borrowings	23,192	27,072
Retirement benefit liability	109	105
Other	542	526
Total non-current liabilities	27,063	34,564
Total liabilities	39,232	48,458
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,552	2,552
Capital surplus	2,475	2,475
Retained earnings	18,827	19,050
Treasury shares	(401)	(543)
Total shareholders' equity	23,453	23,535
Share acquisition rights	92	92
Total net assets	23,546	23,627
Total liabilities and net assets	62,778	72,086

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income  
 [Quarterly Consolidated Statements of Income]  
 (For six months from January 1 to June 30, 2022)

(Million yen)

	FY2021 2Q (From January 1 to June 30, 2021)	FY2022 2Q (From January 1 to June 30, 2022)
Net sales	17,795	14,006
Cost of sales	14,913	10,963
Gross profit	2,882	3,043
Selling, general and administrative expenses	1,563	1,949
Operating profit	1,318	1,093
Non-operating income		
Interest and dividend income	1	1
Commission income	7	6
Penalty income	3	14
Refund of real estate acquisition tax	1	1
Other	4	5
Total non-operating income	18	29
Non-operating expenses		
Interest expenses	250	291
Commission expenses	21	21
Other	15	16
Total non-operating expenses	287	329
Ordinary profit	1,050	793
Extraordinary income		
Gain on sale of non-current assets	6	—
Total extraordinary income	6	—
Extraordinary losses		
Loss on retirement of non-current assets	—	0
Total extraordinary losses	—	0
Profit before income taxes	1,056	793
Income taxes - current	285	197
Income taxes - deferred	33	7
Total income taxes	318	205
Profit	737	588
Profit attributable to owners of parent	737	588

[Quarterly Consolidated Statements of Comprehensive Income]  
(For six months from January 1 to June 30, 2022)

(Million yen)

	FY2021 2Q (From January 1 to June 30, 2021)	FY2022 2Q (From January 1 to June 30, 2022)
Income before minority interests	737	588
Comprehensive income	737	588
(Breakdown)		
Comprehensive income attributable to owners of parent	737	588



## (3) Quarterly Consolidated Cash Flow

(Million yen)

	FY2021 2Q (From January 1 to June 30, 2021)	FY2022 2Q (From January 1 to June 30, 2022)
Cash flows from operating activities		
Profit before income taxes	1,056	793
Depreciation	324	325
Increase (decrease) in allowance for doubtful accounts	(3)	1
Increase (decrease) in provision for bonuses	(19)	(12)
Increase (decrease) in construction warranty reserve	11	(4)
Increase (decrease) in net defined benefit liability	2	(4)
Interest and dividend income	(1)	(1)
Interest expenses	250	291
Share-based remuneration expenses	5	12
Refund of real estate acquisition tax	1	1
Amortization of bond issuance costs	9	10
Loss (gain) on sales of non-current assets	(6)	—
Loss on retirement of non-current assets	—	0
Decrease (increase) in trade receivables	(3)	(4)
Decrease (increase) in inventories	5,093	(9,334)
Increase (decrease) in trade payables	67	111
Increase (decrease) in accrued consumption taxes	(168)	(14)
Decrease (increase) in consumption taxes refund receivable	1	(74)
Increase (decrease) in lease and guarantee deposits received	(62)	(16)
Decrease (increase) in other current assets	(237)	191
Increase (decrease) in other current liabilities	(28)	226
Other, net	10	0
Subtotal	6,301	(7,500)
Interest and dividends received	1	1
Interest paid	(254)	(287)
Income taxes refund	0	0
Income taxes paid	(530)	(255)
Net cash provided by (used in) operating activities	5,519	(8,042)
Cash flows from investing activities		
Payments into time deposits	(975)	(926)
Proceeds from withdrawal of time deposits	828	827
Purchase of property, plant and equipment	(46)	(76)
Proceeds from sales of property, plant and equipment	24	—
Purchase of intangible assets	(0)	(10)
Payments of leasehold and guarantee deposits	(0)	(0)
Proceeds from refund of leasehold and guarantee deposits	0	0
Payments for investments in capital	—	—
Net cash provided by (used in) investing activities	(168)	(185)

(Million yen)

	FY2021 2Q (From January 1 to June 30, 2021)	FY2022 2Q (From January 1 to June 30, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(34)	1,380
Proceeds from long-term borrowings	6,780	10,960
Repayments of long-term borrowings	(10,686)	(7,271)
Proceeds from issuance of bonds	391	4,265
Redemption of bonds	(425)	(378)
Repayments of lease obligations	(0)	(1)
Purchase of treasury shares	—	(198)
Dividends paid	(239)	(356)
Net cash provided by (used in) financing activities	(4,215)	8,399
Net increase (decrease) in cash and cash equivalents	(1,135)	171
Cash and cash equivalents at beginning of period	14,649	16,116
Cash and cash equivalents at end of period	15,785	16,287

(4) 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 second 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 second 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 six months 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 six months ended June 30, 2021 (From January 1 to June 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	16,721	1,074	17,795	—	17,795
Inter-segment sales or transfer	4	16	21	(21)	—
Total	16,725	1,091	17,817	(21)	17,795
Segment profit	1,584	380	1,965	(646)	1,318

(Note) 1. The segment profit adjustment of (646) 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 six months ended June 30, 2022 (From January 1 to June 30, 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	12,925	1,080	14,006	—	14,006
Inter-segment sales or transfer	53	9	63	(63)	—
Total	12,979	1,090	14,069	(63)	14,006
Segment profit	1,616	362	1,978	(885)	1,093

(Note) 1. The segment profit adjustment of (885) 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.