

MUGEN ESTATE Co.,Ltd.

FY2022 2Q ended June 30, 2022 Financial Results

Prime Market:3299 | Aug 5, 2022

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

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FY2022.2Q Highlights

- **Revenue and profits both fell year on year.**

Consolidated net sales decreased 21.3% year on year, to 14,000 million yen. Profit attributable to owners of parent was also down 20.3% year on year, to 580 million yen.

- **Sales activities with a focus on profitability**

In response to the upward trend of real estate contract prices, sales activities were conducted with a focus on profit. As a result, the gross profit margin stood at 21.7%, up 5.6 percentage points year on year.

- **Buoyant purchases**

Purchases for the Purchase and Resale Business were buoyant. They surged 85.1% from the previous quarter, to 14,300 million yen on a 2Q settlement basis. As the sales offices set up in the previous year began to produce an effect, purchases of residential-type properties including land hit a record high, at 7,400 million yen.

- **Staff expansion**

Active recruiting took the number of employees to 273 as of 2Q to achieve this year's staff plan of 267 employees earlier than planned. We will develop personnel by means of on-the-job and other training to build up organizational capacity.

- **For achieving full-year results targets**

In the first half, emphasis was placed on purchases for the Purchase and Resale Business. That reduced the pace of sales.

Meanwhile, the focus on profit in sales activities produced a positive effect. Profit attributable to owners of parent was as planned.

Following efforts to cultivate new suppliers, delays in deliveries of building materials and housing and facility equipment are easing. The construction period is expected to be shorter.

In view of inventory piling up, we are stepping up sales activities in 3Q and later with a view to meeting the full-year earnings forecast.

01

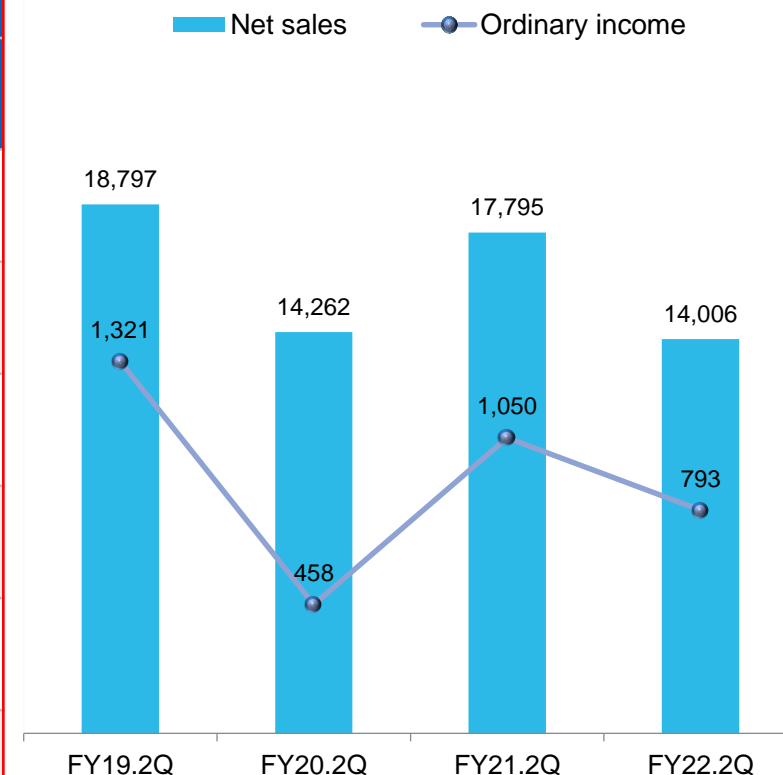
**Overview of FY2022 2Q
Financial Results**

Overview of Consolidated Financial Results for FY2022 2Q

- For FY2022 2Q, net sales and profit declined year on year due to emphasis on purchases for the Purchase and Resale Business.
- Income figures moved roughly as planned.

million yen	FY2021.2Q		FY2022.2Q		YOY	
	Results	Proportion (%)	Results	Proportion (%)	Results	Rate (%)
Net sales	17,795	100.0	14,006	100.0	(3,789)	(21.3)
Gross profit	2,882	16.2	3,043	21.7	160	5.6
SGA	1,563	8.8	1,949	13.9	386	24.7
Operating income	1,318	7.4	1,093	7.8	(225)	(17.1)
Ordinary income	1,050	5.9	793	5.7	(256)	(24.5)
Profit attributable to owners of parent	737	4.1	588	4.2	(149)	(20.3)

Net sales & Ordinary income (million yen)

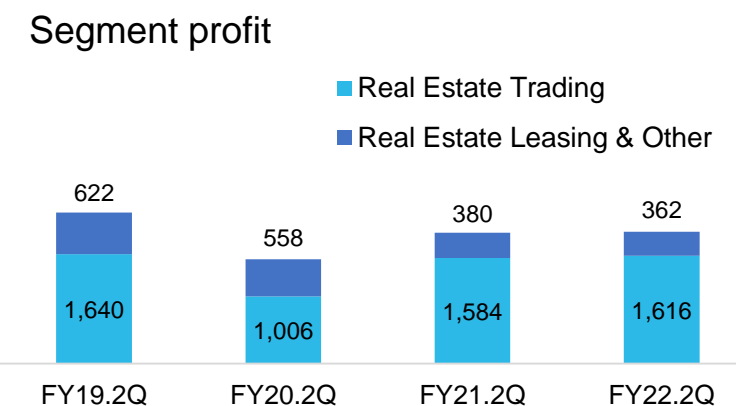
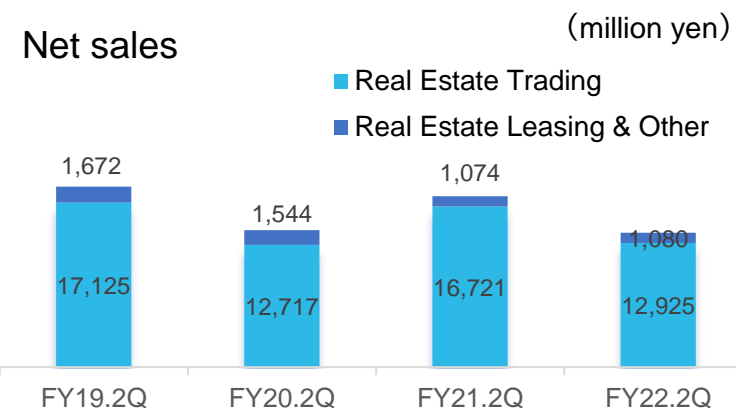


Net sales and profits for reportable business segments

- Real Estate Trading Business: Segment profit hiked year on year while net sales tumbled year on year following sales activities focused on profit.
- Real Estate Leasing and Other Business: Results were almost unchanged year on year.

million yen	FY2021.2Q		FY2022.2Q		YOY	
	Net sales	Proportion (%)	Net sales	Proportion (%)	Change	Rate (%)
Real Estate Trading	16,721	94.0	12,925	92.3	(3,795)	(22.7)
Real Estate Leasing & Other	1,074	6.0	1,080	7.7	5	0.6
Total	17,795	100.0	14,006	100.0	(3,789)	(21.3)

million yen	FY2021.2Q		FY2022.2Q		YOY	
	Segment profit	Proportion (%)	Segment profit	Proportion (%)	Change	Rate (%)
Real Estate Trading	1,584	80.6	1,616	81.7	31	2.0
Real Estate Leasing & Other	380	19.4	362	18.3	(18)	(4.7)
Total	1,965	100.0	1,978	100.0	13	0.7



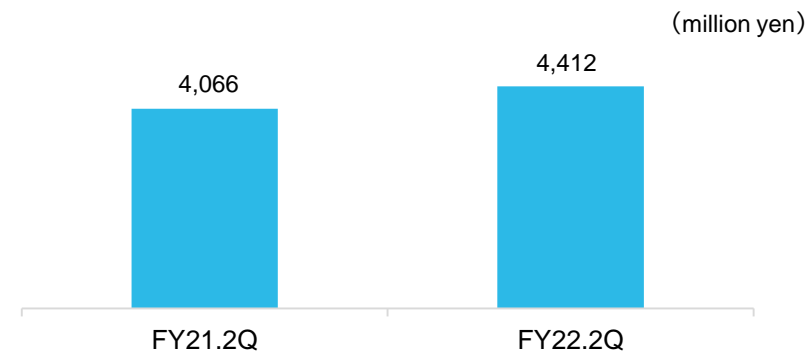
※ Net sales and Proportion indicates sales to external customers. Segment profit and Proportion indicates segment profit in comparison with operating income before segment adjustments

Net sales for reportable business segments

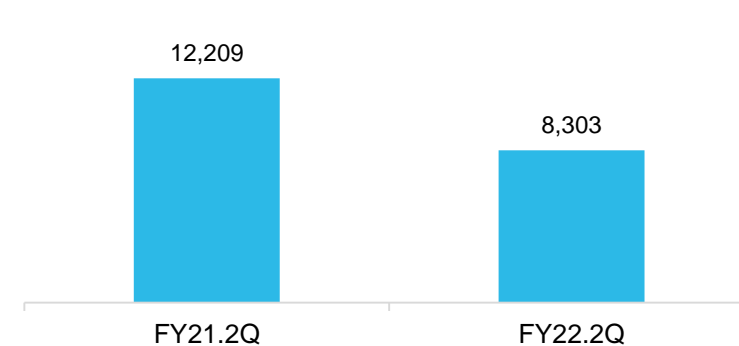
- Purchase and Resale Business: Net sales of residential-type properties increased 8.5% year on year, to 4,400 million yen, while those of investment-type properties were down 32.0%, to 8,300 million yen.
- Development Business: Three new properties reached completion. We worked on leasing and sales activities but failed to attain sales.
- Real Estate Specified Joint Venture Business: Formation of the phase 1 partnership is done for the Setagaya Project.

million yen	FY2021.2Q	FY2022.2Q	YOY	
	Results	Results	Change	Rate (%)
Real Estate Trading	16,721	12,925	(3,795)	(22.7)
Purchase and Resale Business (Residential-type-properties)	4,066	4,412	346	8.5
Purchase and Resale Business (Investment-type properties)	12,209	8,303	(3,906)	(32.0)
Development Business	0	0	0	—
Real Estate Specified Joint Venture Business	376	151	(225)	(59.9)
Real Estate Leasing & Other	1,074	1,080	5	0.6

Net sales of residential-type properties



Net sales of investment-type properties

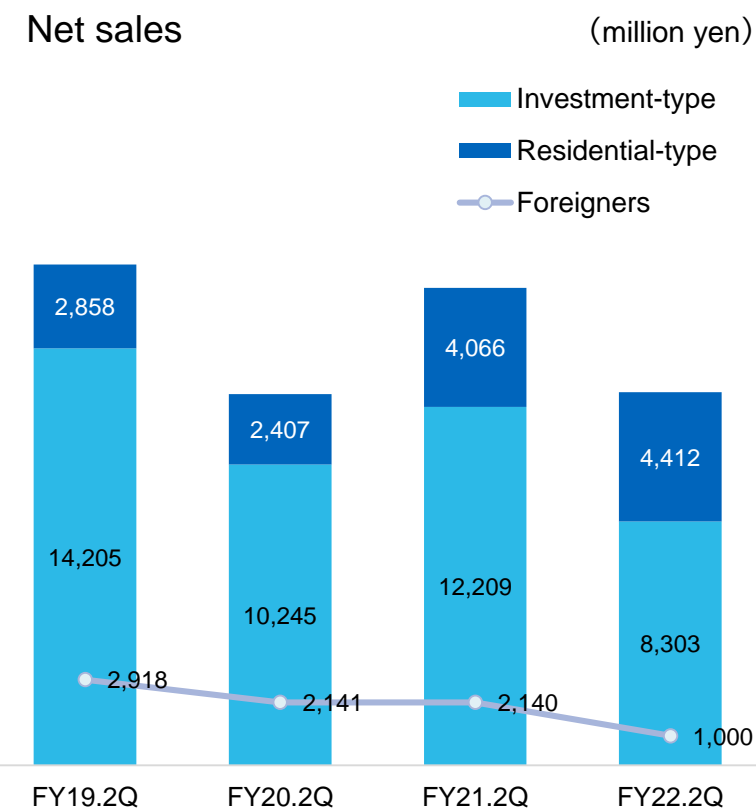


※ Sales of land are included in Residential type properties

Purchase & Resale Business: Sales by Type

- Investment-type properties : Unit sales and net sales dropped year on year following sales activities with close attention paid to profit.
- Residential-type properties : As sales offices were coming on stream, the number of contracts and sales climbed year on year.

million yen	FY2021.2Q	FY2022.2Q	YOY	
			Change	Rate(%)
Net sales	16,275	12,715	(3,560)	(21.9)
Investment-type	12,209	8,303	(3,906)	(32.0)
Residential-type	4,066	4,412	346	8.5
Unit sales	171	148	(23)	(13.5)
Investment-type	82	32	(50)	(61.0)
Residential-type	89	116	27	30.3
Average selling price	95.1	85.9	(9.2)	(9.7)
Investment-type	148.8	259.4	110.5	74.3
Residential-type	45.6	38.0	(7.6)	(16.7)
Foreigners				
Net sales	2,140	1,000	(1,139)	(53.2)
Unit sales	19	14	(5)	(26.3)
Average selling price	112.6	71.4	(41.1)	(36.5)



※ Sales of land are included in Residential type properties.

Results of the Real Estate Specified Joint Venture Business are excluded from the figures for investment-type properties.

Purchase & Resale Business: Sales by Area

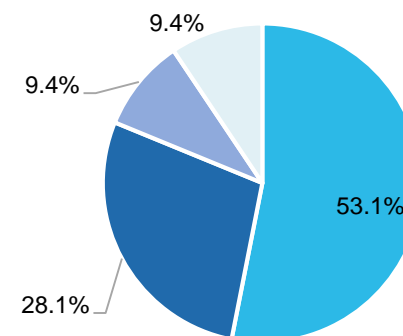
- Investment-type properties : While unit sales were sluggish, the average price was higher in all areas than in the same period of the previous year.
- Residential-type properties : The launch of sales offices produced an effect. Unit sales grew year on year in all areas.

< Investment-type properties >

million yen

Area	FY2021.2Q				FY2022.2Q				YOY	
	Units sales	Proportion (%)	Sales amount	Average price	Units sales	Proportion (%)	Sales amount	Average price	Units sales	Average price
Tokyo	52	63.4	8,978	172.6	17	53.1	4,599	270.5	(35)	97.9
Kanagawa	8	9.8	1,100	137.5	9	28.1	2,613	290.4	1	152.8
Saitama	10	12.2	1,377	137.7	3	9.4	616	205.4	(7)	67.7
Chiba	12	14.6	752	62.7	3	9.4	473	157.6	(9)	94.9
Total	82	100.0	12,209	148.8	32	100.0	8,303	259.4	(50)	110.5

FY2022.2Q Breakdowns of sales by area

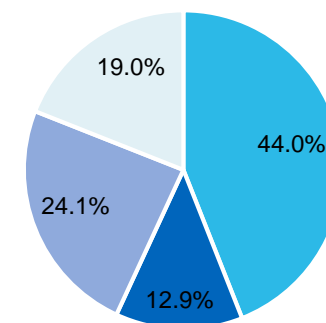


< Residential-type properties >

million yen

Area	FY2021.2Q				FY2022.2Q				YOY	
	Units sales	Proportion (%)	Sales amount	Average price	Units sales	Proportion (%)	Sales amount	Average price	Units sales	Average price
Tokyo	44	49.4	2,947	66.9	51	44.0	2,513	49.2	7	(17.7)
Kanagawa	14	15.7	408	29.2	15	12.9	419	27.9	1	(1.2)
Saitama	16	18.0	344	21.5	28	24.1	842	30.0	12	8.5
Chiba	15	16.9	365	24.3	22	19.0	637	28.9	7	4.6
Total	89	100.0	4,066	45.6	116	100.0	4,412	38.0	27	(7.6)

■ Tokyo ■ Kanagawa ■ Saitama ■ Chiba



※ Residential type properties include land, etc. that purchasing parties use for residential purposes.

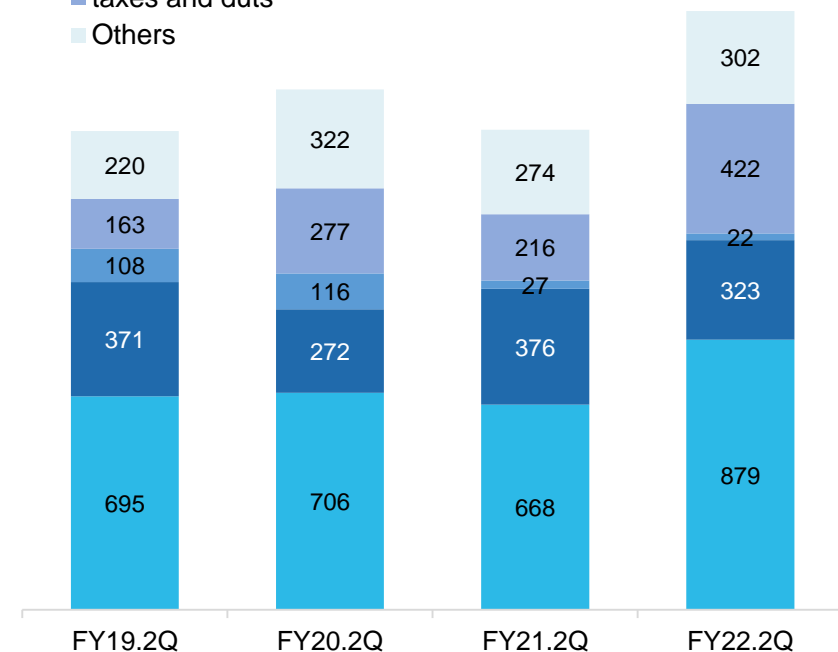
Selling, General & Administrative Expenses

- Selling, general and administrative expenses : Increased year on year due to higher personnel expenses after the staff increase and an increase in taxes and dues following strong purchases.
- Non-operating expenses : Interest expenses increased after buoyant purchases.

million yen	FY2021.2Q		FY2022.2Q		YOY	
	Results	Sales ratio (%)	Results	Sales ratio (%)	Change	Rate (%)
Selling, general and administrative expenses	1,563	8.8	1,949	13.9	386	24.7
Personal expenses	668	3.8	879	6.3	210	31.5
Sales commission	376	2.1	323	2.3	(53)	(14.2)
Advertising expenses	27	0.2	22	0.2	(5)	(18.6)
taxes and dues	216	1.2	422	3.0	206	95.4
Others	274	1.5	302	2.2	27	10.0
Non-operating income	18	0.1	29	0.2	10	56.8
Non-operating expenses	287	1.6	329	2.4	42	14.7
Interest expenses	250	1.4	291	2.1	41	16.4
Others	36	0.2	37	0.3	1	2.8

Selling, general and administrative expenses breakdown

- Personal expenses
- Sales commission
- Advertising expenses
- taxes and dues
- Others

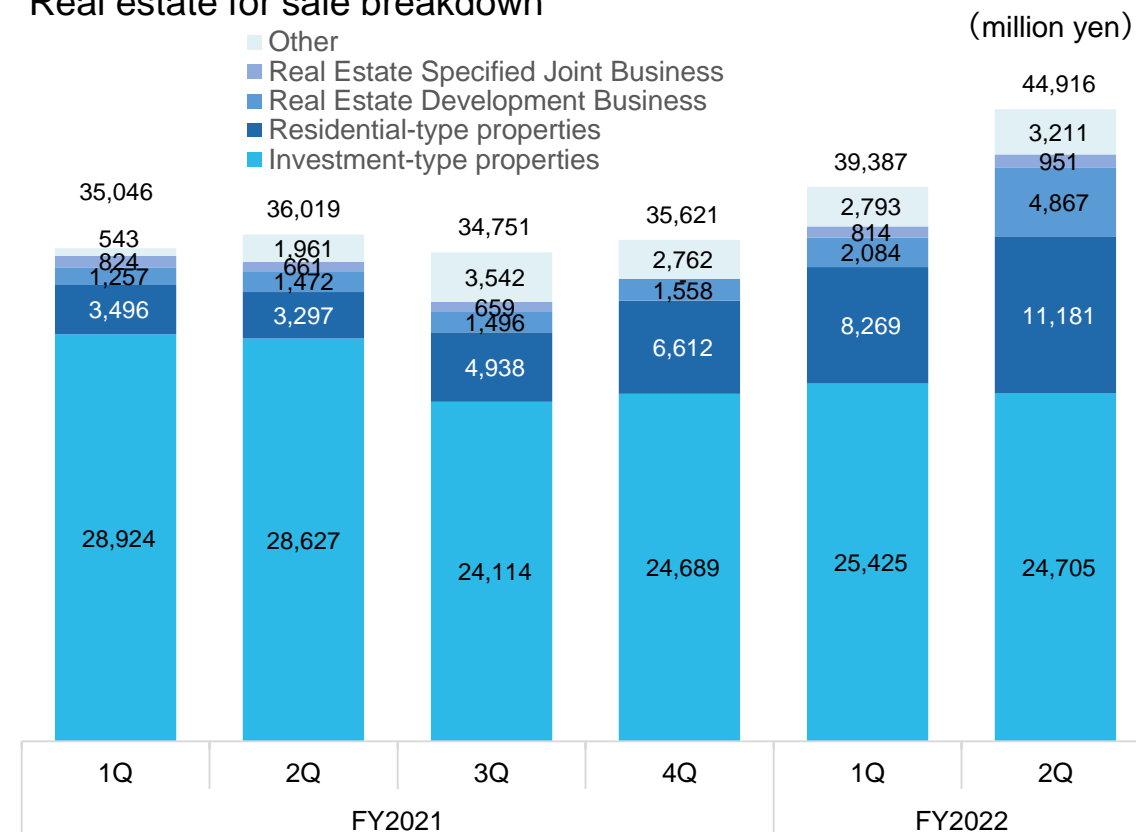


Real Estate (Inventory) for Sales

- Purchases were very strong, growing 9,200 million yen from the end of the previous year.
- The inventory of residential-type properties on which the focus was placed and that for the development business, which is expanding, increased considerably.

million yen	As of Dec.31,2021	As of Jun.30,2022	Change
Real estate for sales	35,621	44,916	9,294
Investment-type properties	24,689	24,705	16
Residential-type properties	6,612	11,181	4,568
Real Estate Development Business	1,558	4,867	3,309
Real Estate Specified Joint Business	0	951	951
Other	2,762	3,211	448

Real estate for sale breakdown



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

Overview of Consolidated Financial Position

- Real estate for sale and interest-bearing debt increased markedly.
- Net sales fell below the planned level and unsecured bonds worth 3,000 million yen were issued at the end of May. Accordingly, cash and deposits rose.

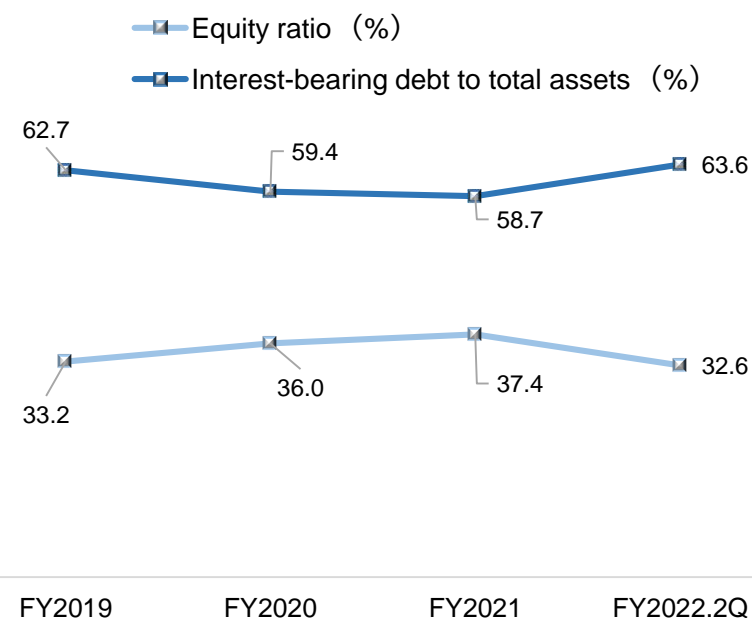
million yen	As of Dec.31,2021	As of Jun.30,2022	YOY	
	Results	Results	Change	Rate (%)
Current assets	54,404	63,698	9,293	17.1
Cash & deposits	17,565	17,836	270	1.5
Real estate for sale	35,463	44,759	9,295	26.2
Non-current assets	8,331	8,320	(10)	(0.1)
Total assets	62,778	72,086	9,307	14.8
Current liabilities	12,168	13,893	1,724	14.2
Short-term interest-bearing debt	10,452	11,922	1,470	14.1
Non-current liabilities	27,063	34,564	7,501	27.7
Long-term interest-bearing debt	26,423	33,945	7,522	28.5
Total liabilities	39,232	48,458	9,226	23.5
Total net assets	23,546	23,627	81	0.3
Total liabilities & net assets	62,778	72,086	9,307	14.8

Progress on Key Performance Indicators

- The equity ratio and the net debt-equity ratio improved toward the targets of 30.0% to 35.0% and 1.2 times to 1.5 times, respectively.
- We aim to improve inventory turnover by increasing sales of residential-type properties.

	As of Dec.31,2021	As of Jun.30,2022	Change
Equity ratio(%)	37.4	32.6	(4.7)
Inventory turnover (Times)	0.83	0.79	(0.04)
Net D/E ratio (x)	0.82	1.19	0.36
Average loan period (Investment-type)	4yr3mo	4yr1mo	(2mo)
Average loan period (Residential-type)	1yr	1yr	—

Equity ratio & Interest-bearing debt to total assets



02

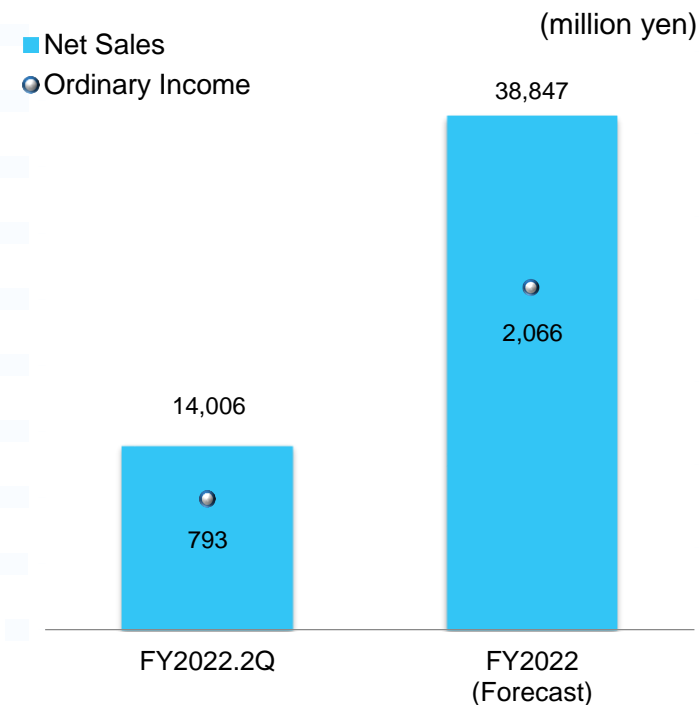
FY2022 Earnings Forecast

FY2022 Earnings Forecast <Consolidated>

- Little progress was made in net sales. As a result of sales activities with a focus on profit, progress in income and profit figures was better than that in net sales.
- Purchases made more progress than planned. In 3Q and later, we will step up sales activities with a view to meeting the full-year earnings forecast.

million yen	FY2021	FY2022	FY2022.2Q	
	Results	Forecast	Results	Progress (%)
Net Sales	33,956	38,847	14,006	36.1
Gross Profit	5,788	6,675	3,043	45.6
Operating Income	2,342	2,624	1,093	41.6
Ordinary Income	1,770	2,066	793	38.4
Profit Attributable to Owners of Parent	1,276	1,314	588	44.8
EPS	53.2	56.3	24.9	—

Net Sales & Ordinary Income

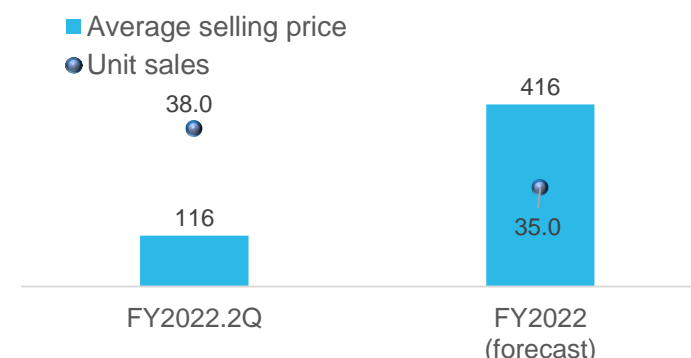


FY2022 Earnings Forecast <Net sales for reportable business segments>

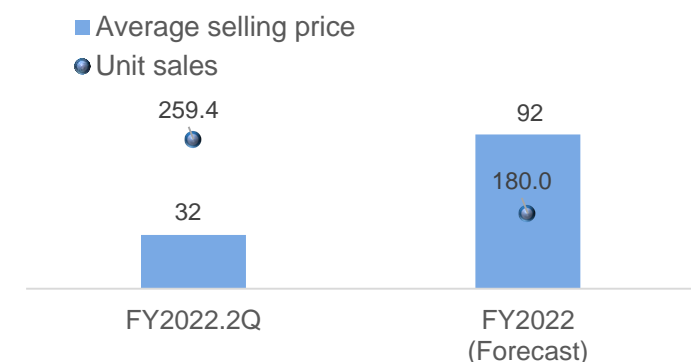
- In the Purchase and Resale Business, intensive efforts will be made to sell residential-type properties in particular. Sales of investment-type properties will continue to focus on profit.
- In the Real Estate Development Business, we will strengthen leasing of the four complete properties and carry out intensive sales activities.
- In the Real Estate Specified Joint Venture Business, sales activities will be stepped up to form a phase 2 partnership for the Setagaya Project. In parallel with that, preparations will commence for the development of a fourth project.

million yen	FY2021	FY2022	FY2022.2Q	
	Results	Forecast	Results	Progress (%)
Real Estate Trading	31,842	36,648	12,925	35.3
Purchase and Resale Business (Residential-type properties)	7,051	14,542	4,412	30.3
Purchase and Resale Business (Investment-type-properties)	23,436	16,470	8,303	50.4
Development Business	0	2,968	0	0.0
Real Estate Specified Joint Venture Business	1,201	2,409	151	6.3
Real Estate Leasing & Other	2,113	2,198	1,080	49.2

Residential-type properties



Investment-type-properties

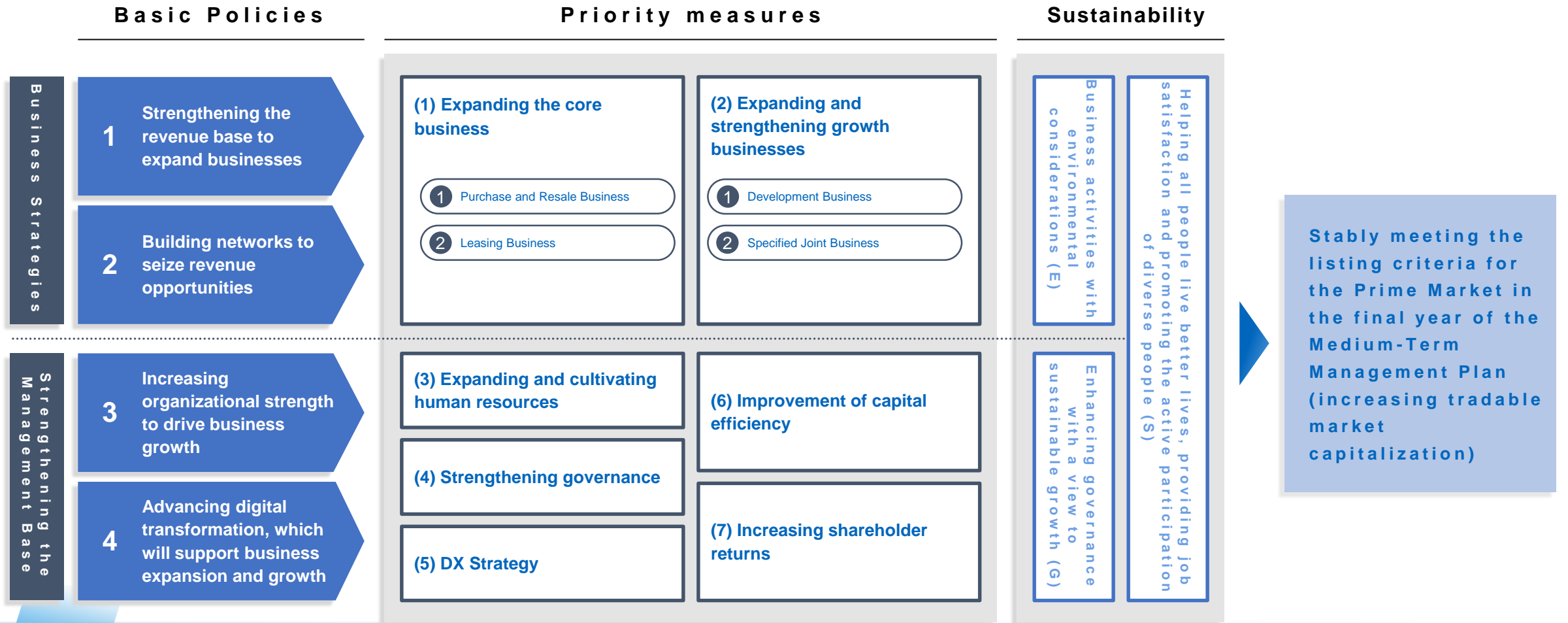


03

Progress of 2nd Medium-term Management Plan

[Reference] Basic Policies and Priority measures

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.



[Reference] Consolidated Results Targets

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%	-

[Reference] Key Performance Indicators

The Group strives to balance growth, efficiency, soundness and shareholder returns, while considering conformance to the Prime Market.



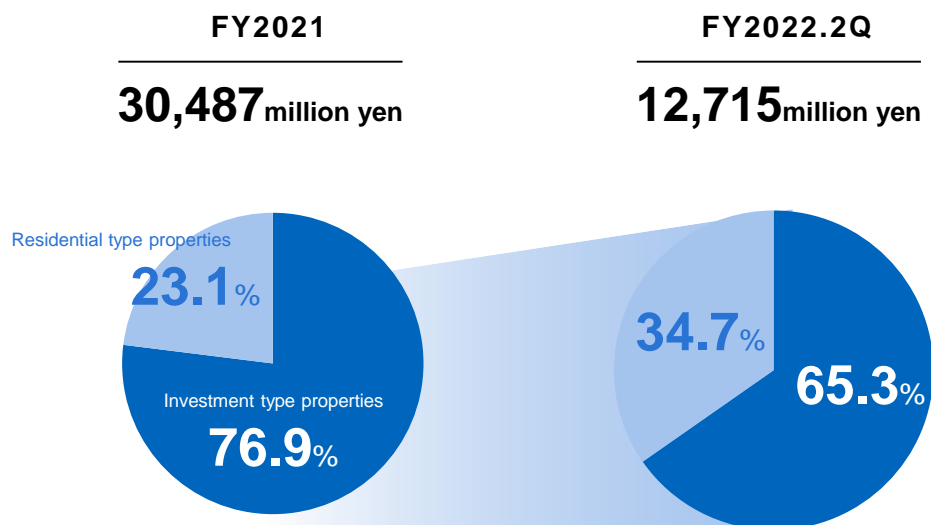
[State of progress] Priority Measures (1) Expansion of Core Businesses

- The launch of sales offices began to produce positive effect. The volume of inventory of residential-type properties surged massively from the end of the previous year.
- In 3Q and later, we will focus efforts on sales of residential-type properties, among others.

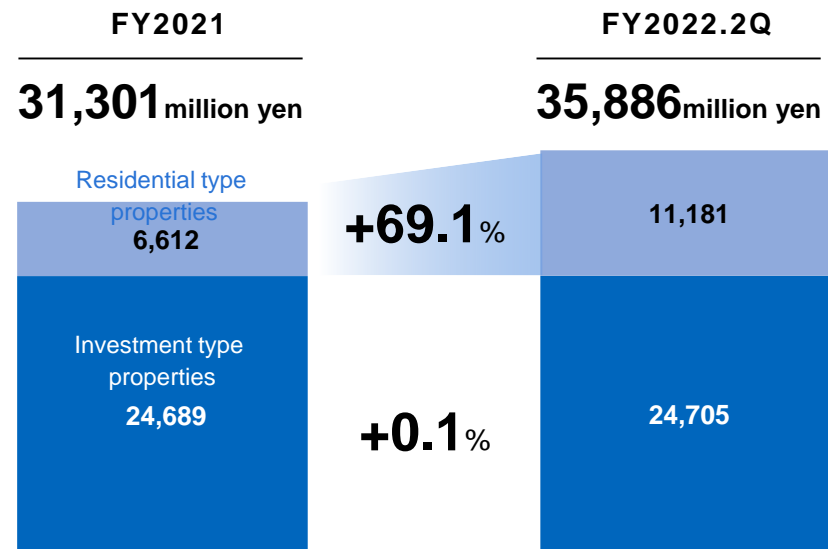
Change the sales portfolio

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

Breakdown of total sales in the Purchase & Resale Business



Breakdown of inventory amount in the Purchase & Resale Business



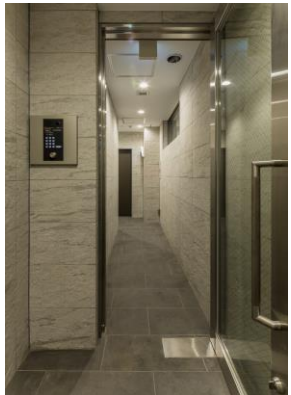
[State of progress] Real Estate Development Business Real Estate Specified Joint Business

- Development Business : In 2Q, two properties reached completion. A total of four properties have been erected.
- Real Estate Specified Joint Business: The Group began offering the third project in Setagaya, a quiet residential neighborhood.

Real Estate Development Business

- In 2Q, two properties reached completion
「SIDEPLACE OJIMA」・・・a condominium with retail facilities
「SIDEPLACE ASAKUSA」・・・a condominium with retail facilities

【SIDEPLACE ASAKUSA】



- 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

- Started offering the Setagaya Project as the third project
We began offering units of Grace Seijo, a designer condominium built in a quiet residential district in Setagaya. Formation of the phase 1 partnership finished in June.
Total investment of 1,200 million yen (1,200 units offered at 1 million yen per unit)



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

[State of progress] Strengthening the Management Base

The Group implemented initiatives for strengthening the management base toward the goal of achieving the targets set in the Second Medium-Term Management Plan.

- Recruitment, expansion and development of human resources, strengthening governance, upgrading non-financial information

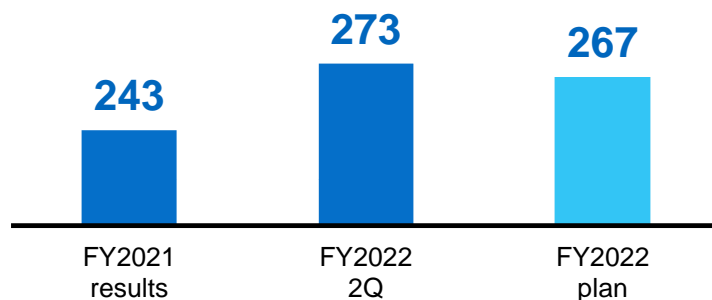
Recruitment, Expansion and Development of Human Resources

■ Staff expansion

The Group increased the number of consolidated employees from 243 at the end of the previous fiscal year to 273 at the end of the second quarter under review.

Active recruitment activities were conducted. The staff plan was already achieved in 2Q.

The Group will start training them early through its education program.



Strengthening Governance

■ A new executive officer system comes into play

The Company's new directors were approved at the General Meeting of Shareholders held on March 25. A new officer system based on the Executive Officer system was launched with new officers approved.

The Company also introduced performance-linked remuneration based on a report by the Nomination and Compensation Committee. The Company will advance initiatives for improving results, taking the viewpoint of shareholders.

Enhancement of Non-Financial Information

■ Sustainability Committee established

On July 14, the Sustainability Committee was established as a voluntary organization for the Board of Directors.

It will develop an overall plan on our sustainability activities, monitor the state of progress and assess the level of achievement. It will regularly deliver reports and suggestions to the Board of Directors.

Shareholder Returns <Dividends / Acquisition of Treasury Stock >

- 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.

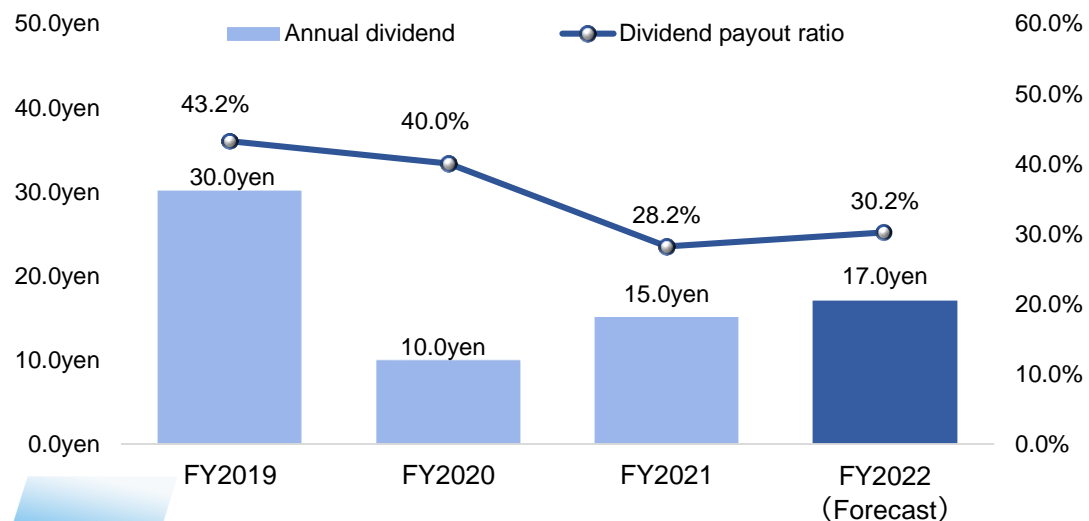
- Dividend Forecast for FY2022

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 (Acquisition completed on May 9, 2022) Announced on Nov.12, 2021

Number of 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

- (1) Total number of shares acquired : 608,600 shares
- (2) Total share acquisition cost : 299,957,100 yen

04

Appendix : Company Profile

Company Profile & History

<Company Profile>

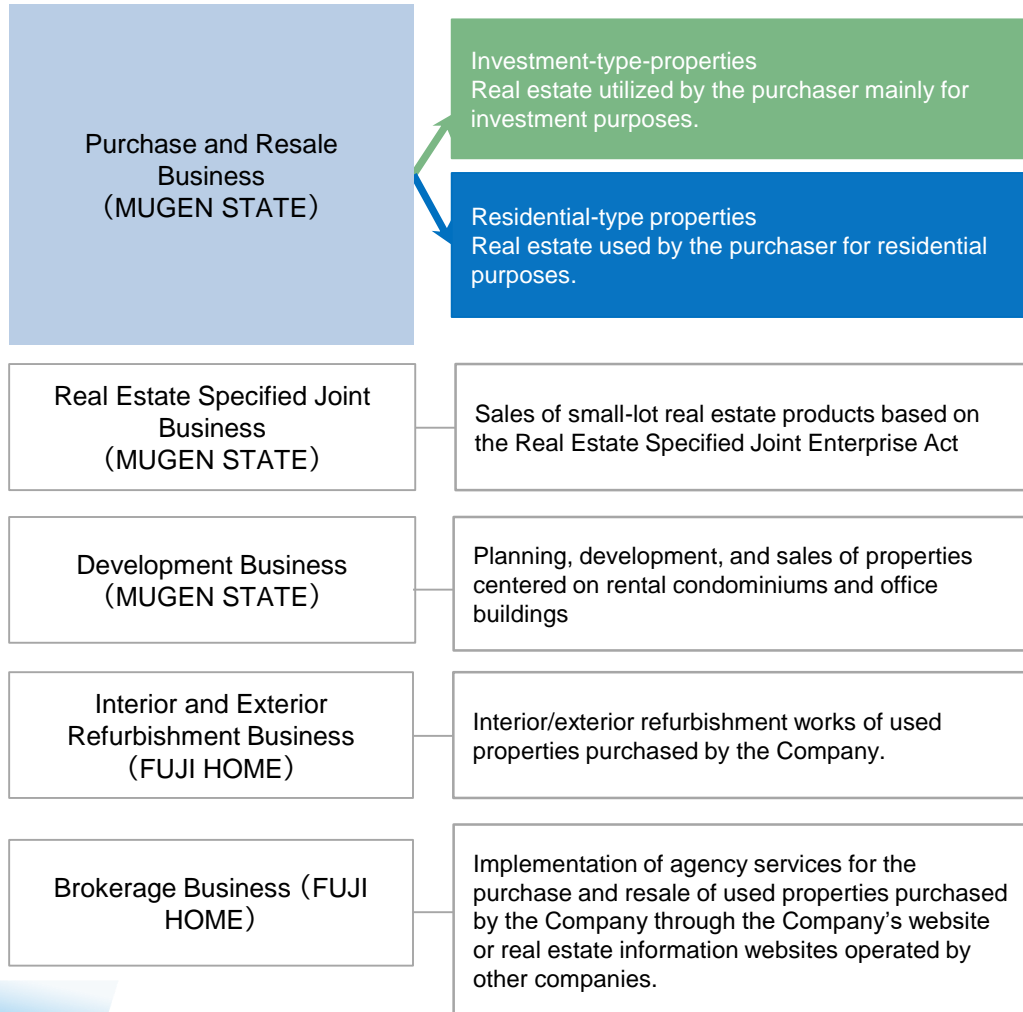
Corporate name	MUGEN ESTATE Co., Ltd.
Founded	May 1990
Representative	Susumu Fujita, Chairman Shinichi Fujita, President
Capital	2,552 million yen * as of Jun. 30, 2022
Financial period	The end of December
Stock market	Prime Market (3299:JP)
Number of employees	273 on a consolidated basis (average age 38.3) 206 on a non-consolidated basis (average age 37.3) * as of Jun. 30, 2022
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 Funabashi Office Ogikubo Office Akabane Office Ikebukuro Office
Consolidated subsidiary	FUJI HOME Co., Ltd. Mugen Funding Co., Ltd.

<History>

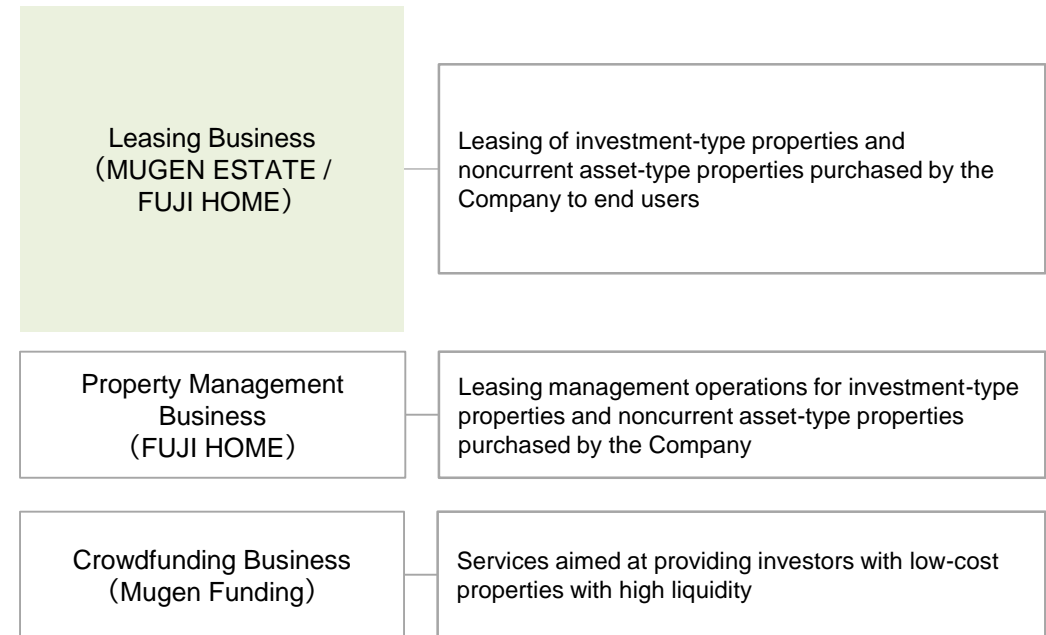
May 1990	MUGEN ESTATE founded
August 1997	Established FUJI HOME Co., Ltd. (Consolidated subsidiary)
July 2005	Registered as a first-class architect's office
May 2010	Change from the Building Lots and Buildings Transaction license to the Minister of Land, Infrastructure, Transport and Tourism
June 2010	Established Yokohama branch
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 Integrated Nihonbashi branch into the head office
September 2021	Kitasenju Sales Office in Senju, Adachi-ku, Tokyo
October 2021	Funabashi Sales Office in Honmachi, Funabashi City, Chiba Prefecture Ogikubo Sales Office in Ogikubo, Suginami-ku, Tokyo
November 2021	Akabane Sales Office is established in Akabane, Kita-ku, Tokyo
December 2021	Ikebukuro Sales Office opened in Nishi-Ikebukuro, Toshima-ku, Tokyo

Our Business

Real Estate Trading Business



Real Estate Leasing and Other Business



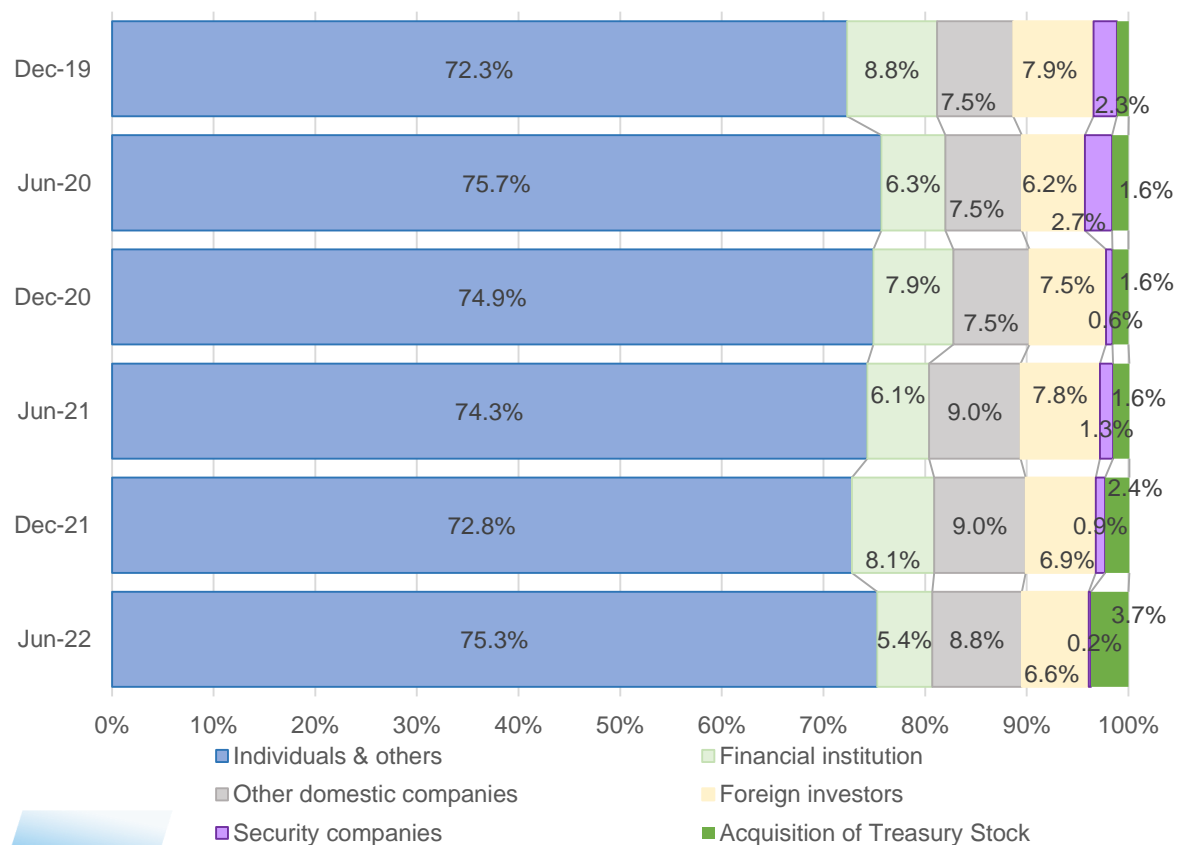
Stock Information (As of June 30, 2022)

Authorized number of shares : 64,000,000 shares

Number of shares issued : 24,361,000 shares

Number of shareholders : 31,916 people

【 Composition by number of shareholdings 】



【 Major shareholders 】

	Name	Number of shares held (shares)	(%)
1	Susumu Fujita	5,708,700	24.33
2	Shinichi Fujita	2,501,000	10.66
3	Dream Come True Co., Ltd.	1,700,000	7.25
4	Master Trust Bank of Japan, T.	1,107,900	4.72
5	Yuriko Fujita	700,000	2.98
5	Yuka Fujita	700,000	2.98
7	Keiji Shoda	667,000	2.84
8	Yuko Shoda	655,000	2.79
9	MUGEN KIKAKU Co., Ltd.	360,000	1.53
10	KIA FUND 136	227,500	0.97

* The number of shares of treasury stock is not included in the chart above.
The Company holds 897,325 treasury shares as of June 30, 2022.
Percentage of number of shares held is calculated based on the number of shares excluding treasury stock.

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- This presentation material is provided for information purposes only. It does not constitute a solicitation to invest.
- 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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