

MUGEN ESTATE Co.,Ltd.

# FY2022 3Q ended September 30, 2022 Financial Results

Prime Market:3299 | Nov 14, 2022

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

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## FY2022.3Q Highlights

- **Revenue decreased year on year.**  
Net sales decreased 18.2% year on year, to 21.7 billion yen, due to sales activities with a focus on profitability. Even so, operating income and ordinary income increased 6.7% and 3.4% year on year, to 1.9 billion yen and 1.4 billion yen, respectively.
- **Property acquisitions remained steady.**  
Purchases remained steady and real estate for sales increased 14.3 billion yen from the end of the previous year. We significantly increased the inventory level of residential-type properties, sales of which we are promoting through operations of the sales offices that we opened, and that of properties handled in the development business.
- **Staff expansion**  
We continued to conduct the recruiting activity proactively. This took the number of employees to 283 to achieve this year's staff plan of 267 employees earlier than planned. We moved forward with the development of personnel through on-the-job and other training programs and by doing so, accelerated the efforts of building up organizational capacity.
- **For achieving full-year results targets**  
The market remains strong. Little progress has been made toward the achievement of net sales. Even so, progress is steady from profitability perspectives, reflecting sales activities with a focus on profit.  
The number of applications, including those for large properties, is rising thanks to strengthened sales activities. Taking advantage of this trend, we will continue to make efforts to achieve the full-year results forecasts.

**01**

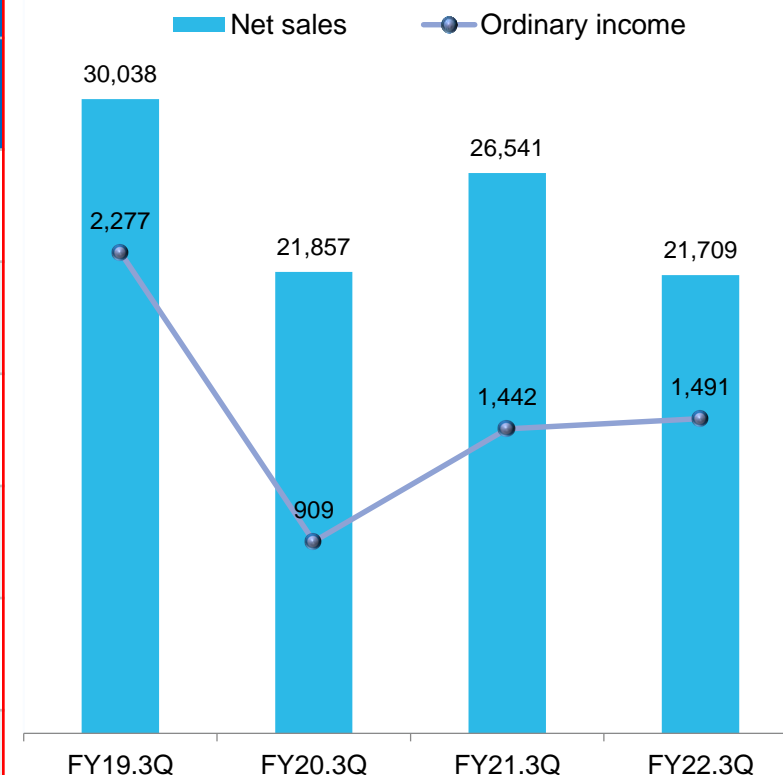
**Overview of FY2022 3Q  
Financial Results**

## Overview of Consolidated Financial Results for FY2022 3Q

- In FY2022 3Q, net sales decreased due to sales activities focused on profitability, but operating income and ordinary income increased.
- Profit attributable to owners of parent declined due to an increase in corporate tax compared to the previous fiscal year.

million yen	FY2021.3Q		FY2022.3Q		YOY	
	Results	Proportion (%)	Results	Proportion (%)	Results	Rate (%)
Net sales	26,541	100.0	21,709	100.0	(4,831)	(18.2)
Gross profit	4,320	16.3	4,986	23.0	666	15.4
SGA	2,466	9.3	3,008	13.9	541	22.0
Operating income	1,853	7.0	1,978	9.1	124	6.7
Ordinary income	1,442	5.4	1,491	6.9	49	3.4
Profit attributable to owners of parent	1,071	4.0	1,017	4.7	(53)	(5.0)

Net sales & Ordinary income (million yen)



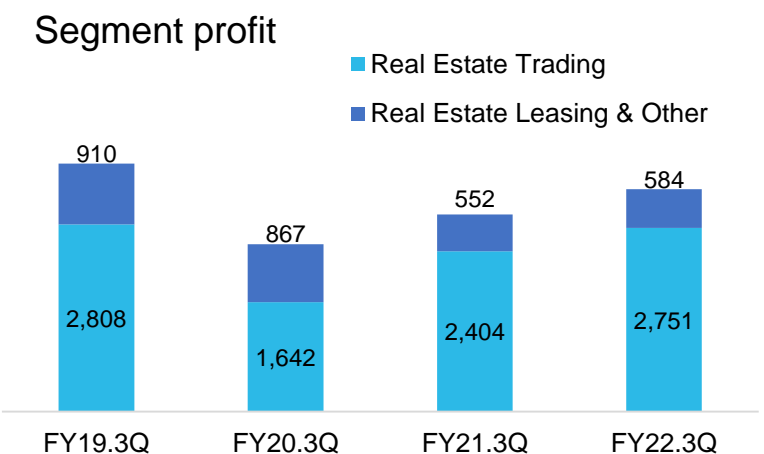
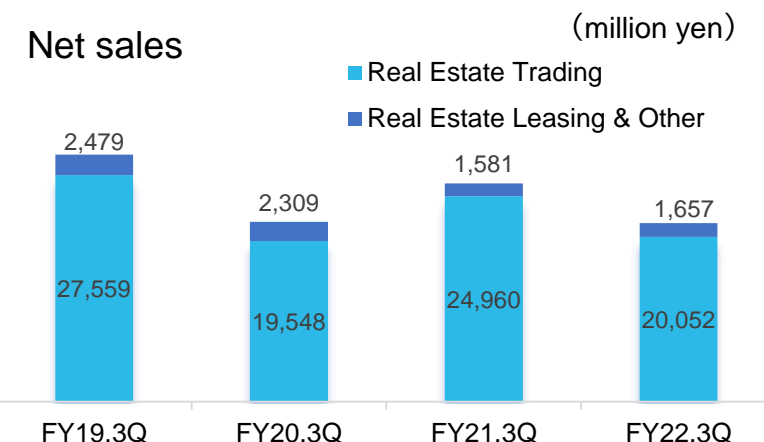
## Net sales and profits for reportable business segments

- Real Estate Trading Business: Increase in profit despite decrease in revenue due to sales activities focused on profitability.
- Real Estate Leasing and Other Business: Both sales and profit increased due to an increase in leasing revenue as a result of steady progress in the purchase of real estate for sale.

million yen	FY2021.3Q		FY2022.3Q		YOY	
	Net sales	Proportion (%)	Net sales	Proportion (%)	Change	Rate (%)
Real Estate Trading	24,960	94.0	20,052	92.4	(4,907)	(19.7)
Real Estate Leasing & Other	1,581	6.0	1,657	7.6	75	4.8
Total	26,541	100.0	21,709	100.0	(4,831)	(18.2)

million yen	FY2021.3Q		FY2022.3Q		YOY	
	Segment profit	Proportion (%)	Segment profit	Proportion (%)	Change	Rate (%)
Real Estate Trading	2,404	81.3	2,751	82.5	347	14.4
Real Estate Leasing & Other	552	18.7	584	17.5	31	5.8
Total	2,956	100.0	3,335	100.0	379	12.8

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

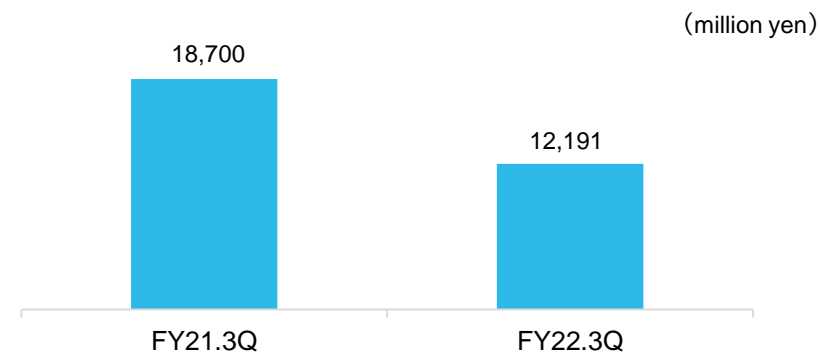


## Net sales for reportable business segments

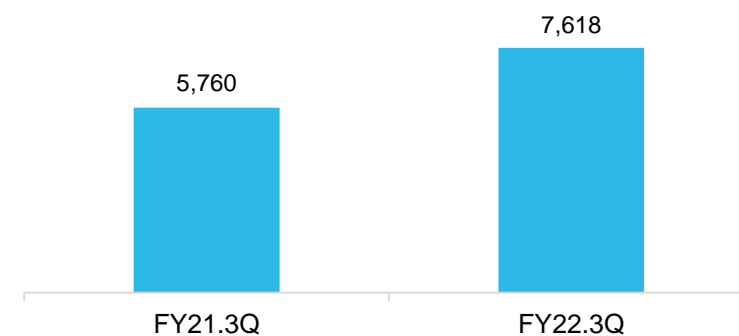
- Purchase and Resale Business: Net sales of residential-type properties increased 1.8 billion yen (up 32.3%), while investment sales decreased 6.5 billion yen (down 34.8%).
- Development Business: One new building was completed, although it was not sold.
- Real Estate Specified Joint Business: The phase 2 offering was implemented in the Setagaya Project. The phase 3 is completed in 4Q.

million yen	FY2021.3Q	FY2022.3Q	YOY	
	Results	Results	Change	Rate (%)
Real Estate Trading	24,960	20,052	(4,907)	(19.7)
Purchase and Resale Business (Investment-type properties)	18,700	12,191	(6,509)	(34.8)
Purchase and Resale Business (Residential-type properties)	5,760	7,618	1,858	32.3
Real Estate Development Business	0	0	0	—
Real Estate Specified Joint Business	376	151	(225)	(59.9)
Real Estate Leasing & Other	1,581	1,657	75	4.8

Net sales of investment-type properties



Net sales of residential-type properties

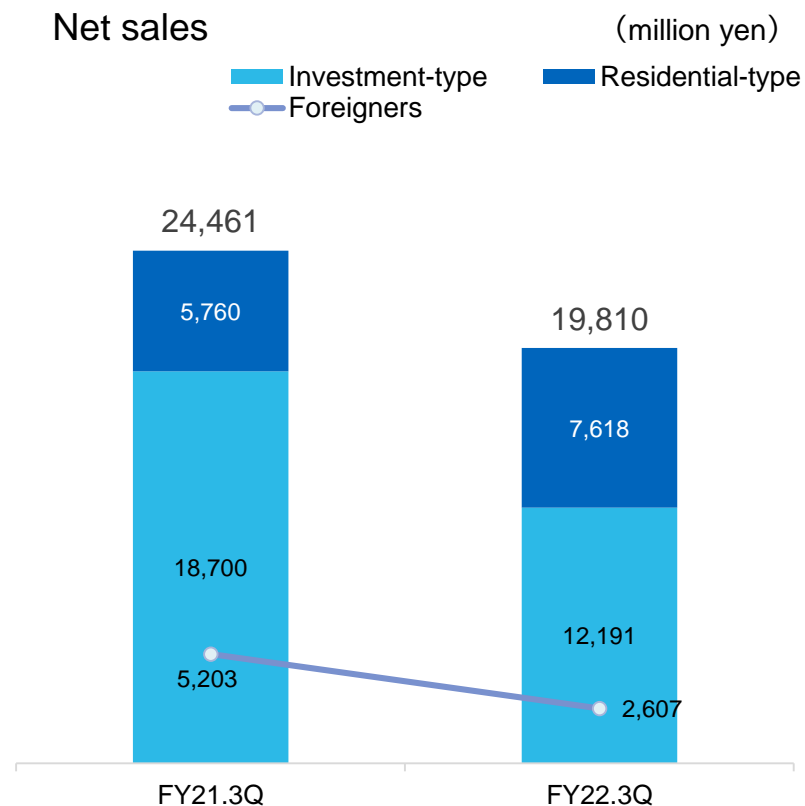


※ Sales of land are included in Residential type properties

## Purchase & Resale Business: Sales by Type

- Investment-type properties : Unit sales and net sales both decreased due to sales focused on profitability, but average sales price per unit increased.
- Residential-type properties : Both unit sales and net sales increased from the previous year due to the effect of opening new sales offices.

million yen	FY2021.3Q	FY2022.3Q	YOY	
			Change	Rate(%)
Net sales	24,461	19,810	(4,651)	(19.0)
Investment-type	18,700	12,191	(6,509)	(34.8)
Residential-type	5,760	7,618	1,858	32.3
Unit sales	244	251	7	2.9
Investment-type	106	56	(50)	(47.2)
Residential-type	138	195	57	41.3
Average selling price	100.2	78.9	(21.3)	(21.3)
Investment-type	176.4	217.6	41.2	23.4
Residential-type	41.7	39.0	(2.6)	(6.4)
Foreigners				
Net sales	5,203	2,607	(2,596)	(49.9)
Unit sales	24	26	2	8.3
Average selling price	216.8	100.3	(116.5)	(53.7)



※ 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

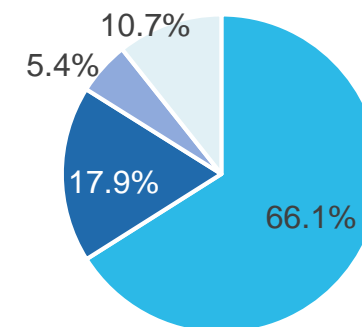
- Investment-type properties : Unit sales decreased in all areas, while average unit price increased in all areas.
- Residential-type properties : Unit sales increased in all areas due to the effect of launching sales offices, while the percentage of sales in Tokyo decreased.

### < Investment-type properties >

Area	FY2021.3Q				FY2022.3Q				YOY	
	Units sales	Proportion (%)	Sales amount	Average price	Units sales	Proportion (%)	Sales amount	Average price	Units sales	Average price
Tokyo	69	65.1	14,654	212.3	37	66.1	8,289	224.0	(32)	11.6
Kanagawa	11	10.4	1,376	125.1	10	17.9	2,747	274.7	(1)	149.6
Saitama	12	11.3	1,752	146.0	3	5.4	616	205.4	(9)	59.4
Chiba	14	13.2	916	65.4	6	10.7	537	89.5	(8)	24.0
Total	106	100.0	18,700	176.4	56	100.0	12,191	217.6	(50)	41.2

million yen

### FY2022.3Q Breakdowns of sales by area

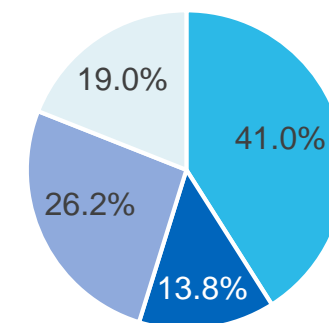


### < Residential-type properties >

Area	FY2021.3Q				FY2022.3Q				YOY	
	Units sales	Proportion (%)	Sales amount	Average price	Units sales	Proportion (%)	Sales amount	Average price	Units sales	Average price
Tokyo	69	50.0	3,986	57.7	80	41.0	4,238	52.9	11	(4.7)
Kanagawa	26	18.8	766	29.4	27	13.8	817	30.2	1	0.8
Saitama	24	17.4	551	22.9	51	26.2	1,480	29.0	27	6.0
Chiba	19	13.8	456	24.0	37	19.0	1,082	29.2	18	5.2
Total	138	100.0	5,760	41.7	195	100.0	7,618	39.0	57	(2.6)

million yen

■ Tokyo ■ Kanagawa ■ Saitama ■ Chiba



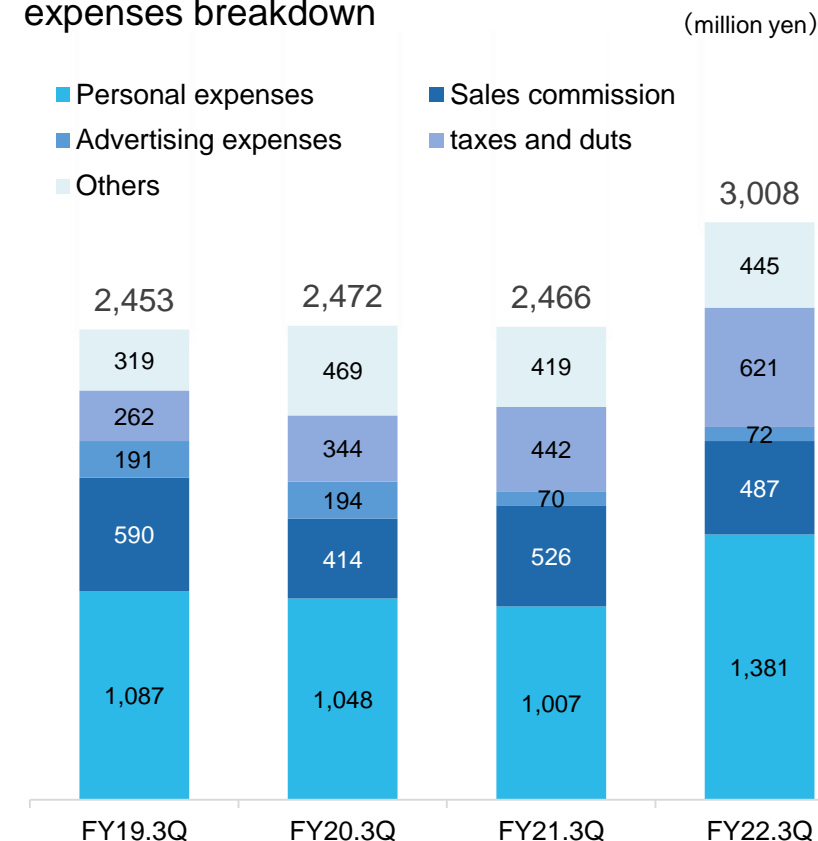
※ Residential type properties include land, etc. that purchasing parties use for residential purposes.

## Selling, General & Administrative Expenses

- Selling, general and administrative expenses : Personnel expenses increased due to an increase in staff to prepare for future growth. Taxes and dues increase due to increase in purchases.
- Non-operating expenses : Interest expenses increased due to increase in purchases

million yen	FY2021.3Q		FY2022.3Q		YOY	
	Results	Sales ratio (%)	Results	Sales ratio (%)	Change	Rate (%)
Selling, general and administrative expenses	2,466	9.3	3,008	13.9	541	22.0
Personal expenses	1,007	3.8	1,381	6.4	373	37.1
Sales commission	526	2.0	487	2.2	(38)	(7.4)
Advertising expenses	70	0.3	72	0.3	2	2.8
taxes and dues	442	1.7	621	2.9	179	40.6
Others	419	1.6	445	2.1	25	6.1
Non-operating income	29	0.1	40	0.2	11	39.0
Non-operating expenses	440	1.7	527	2.4	86	19.6
Interest expenses	381	1.4	467	2.2	86	22.7
Others	59	0.2	59	0.3	0	(0.2)

Selling, general and administrative expenses breakdown

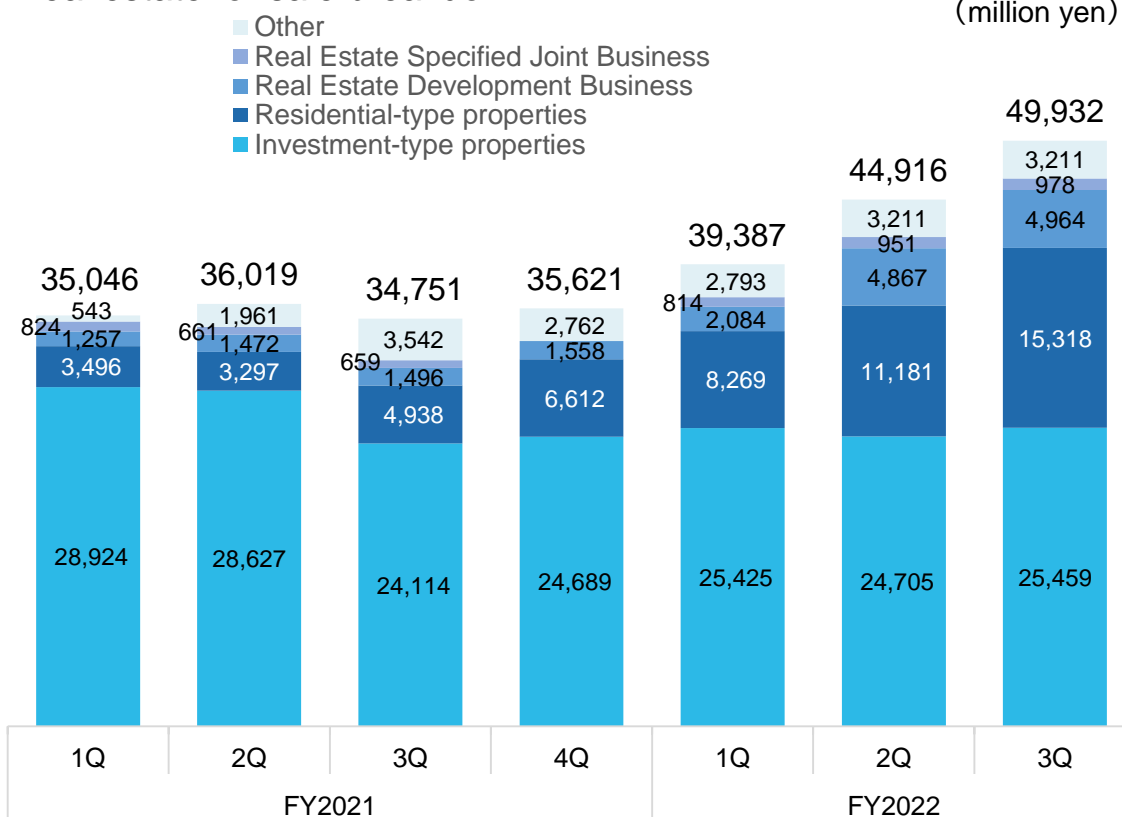


## Real Estate (Inventory) for Sales

- 14.3 billion yen increase from the end of the previous fiscal year due to steady purchases.
- We have significantly built up inventories of Residential-type properties and Real Estate Development Business, on which we have been focusing.

million yen	As of Dec.31,2021	As of Sep.30,2022	Change
Real estate for sales	35,621	49,932	14,310
Investment-type properties	24,689	25,459	769
Residential-type properties	6,612	15,318	8,706
Real Estate Development Business	1,558	4,964	3,406
Real Estate Specified Joint Business	0	978	978
Other	2,762	3,211	449

Real estate for sale breakdown



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

## Overview of Consolidated Financial Position

- Cash & deposits decreased due to steady purchase activities.
- Significant increase in real estate for sale and interest-bearing debt

million yen	As of Dec.31,2021	As of Sep.30,2022	YOY	
	Results	Results	Change	Rate (%)
Current assets	54,404	67,549	13,144	24.2
Cash & deposits	17,565	16,651	(913)	(5.2)
Real estate for sale	35,463	49,739	14,276	40.3
Non-current assets	8,331	8,338	6	0.1
Total assets	62,778	75,950	13,172	21.0
Current liabilities	12,168	18,238	6,069	49.9
Short-term interest-bearing debt	10,452	15,868	5,415	51.8
Non-current liabilities	27,063	33,654	6,591	24.4
Long-term interest-bearing debt	26,423	33,033	6,610	25.0
Total liabilities	39,232	51,893	12,661	32.3
Total net assets	23,546	24,057	511	2.2
Total liabilities & net assets	62,778	75,950	13,172	21.0

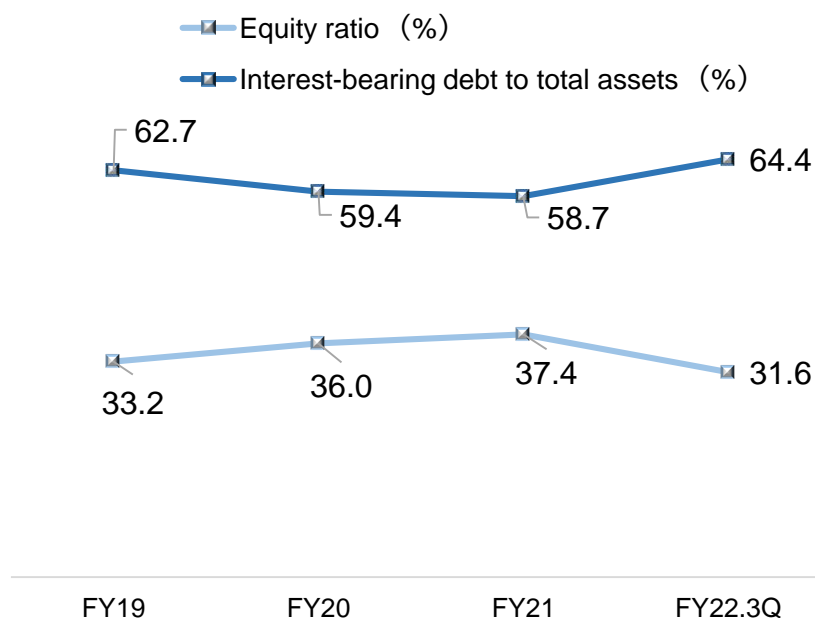
## Progress on Key Performance Indicators

- 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 Sep.30,2022	Change
Equity ratio(%)	37.4	31.6	(5.8)
Interest-bearing debt to total assets(%)	58.7	64.4	5.6
Inventory turnover (Times)*	0.83	0.74	(0.09)
Net D/E ratio (x)	0.82	1.34	0.52
Average loan period (Investment-type)	4yr3mo	3yr11mo	(4mo)
Average loan period (Residential-type)	1yr	1yr	—

\*12-month real estate sales / (real estate inventory for sale in the previous period + real estate Inventory for sale in the current period)/2

Equity ratio &  
Interest-bearing debt to total assets



02

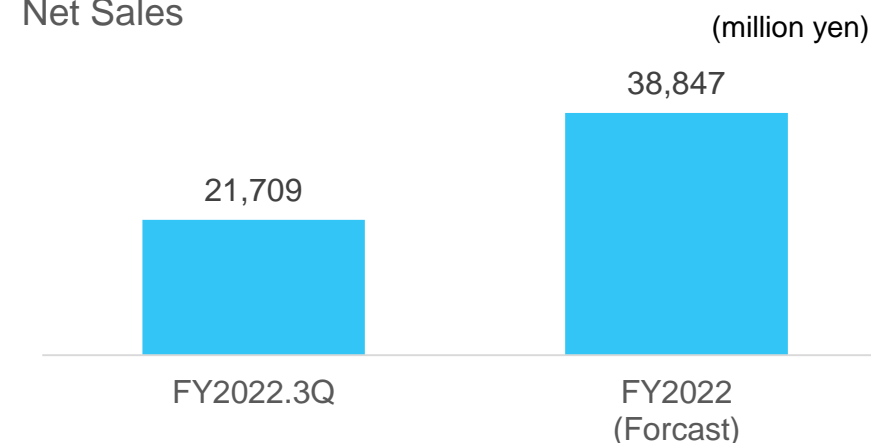
**FY2022 Earnings Forecast**

## FY2022 Earnings Forecast <Consolidated>

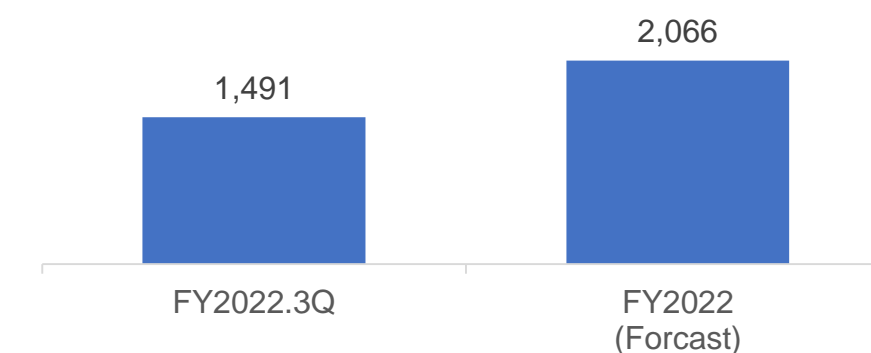
- Net sales has been slow, while profits are in line with the initial plan, reflecting sales activities with a focus on profit.
- The number of applications, including those for large properties, is rising thanks to strengthened sales activities. Taking advantage of this trend, we will continue to make efforts to achieve the full-year results forecasts.

million yen	FY2021	FY2022	FY2022.3Q	
	Results	Forecast	Results	Progress (%)
Net sales	33,956	38,847	21,709	55.9
Gross Profit	5,788	6,675	4,986	74.7
Operating Income	2,342	2,624	1,978	75.4
Ordinary Income	1,770	2,066	1,491	72.2
Profit Attributable to Owners of Parent	1,276	1,314	1,017	77.5
Earnings Per Share	53.2	56.3	43.2	—

Net Sales



Ordinary Income

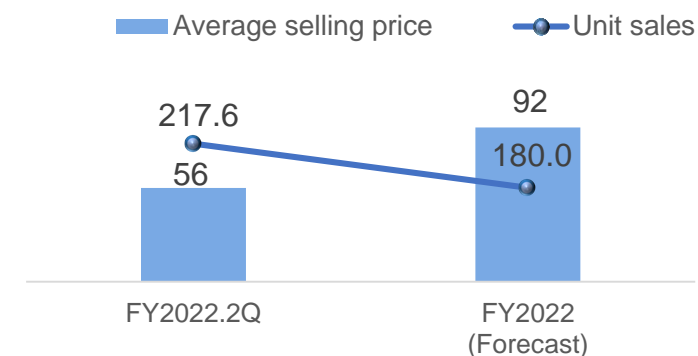


## FY2022 Earnings Forecast <Net sales for reportable business segments>

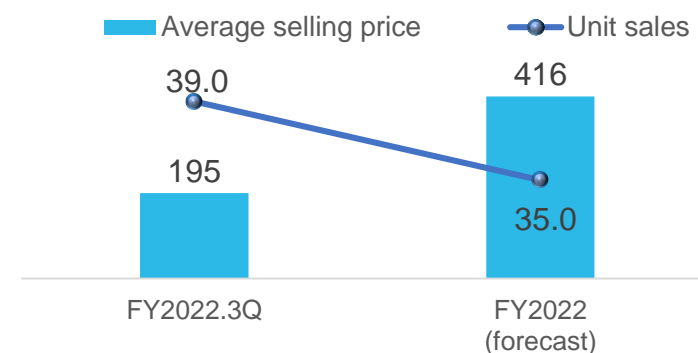
- In the purchase and resale business, we will assess the landing of this fiscal year and strengthen property acquisitions for the next fiscal year.
- Real estate development business strengthened leasing and promoted sales of 5 completed properties.
- In the Real Estate Specified Joint business, sales activities were strengthened for the second phase of the Setagaya Project. At the same time, preparation for the composition of the fourth product.

million yen	FY2021	FY2022	FY2022.3Q	
	Results	Forecast	Results	Progress (%)
Real Estate Trading	31,842	36,648	20,052	54.7
Purchase and Resale Business (Investment-type properties)	23,436	16,470	12,191	74.0
Purchase and Resale Business (Residential-type properties)	7,051	14,542	7,618	52.4
Real Estate Development Business	0	2,968	0	—
Real Estate Specified Joint Business	1,201	2,409	151	6.3
Real Estate Leasing & Other	2,113	2,198	1,657	75.4

### Investment-type-properties



### Residential-type properties





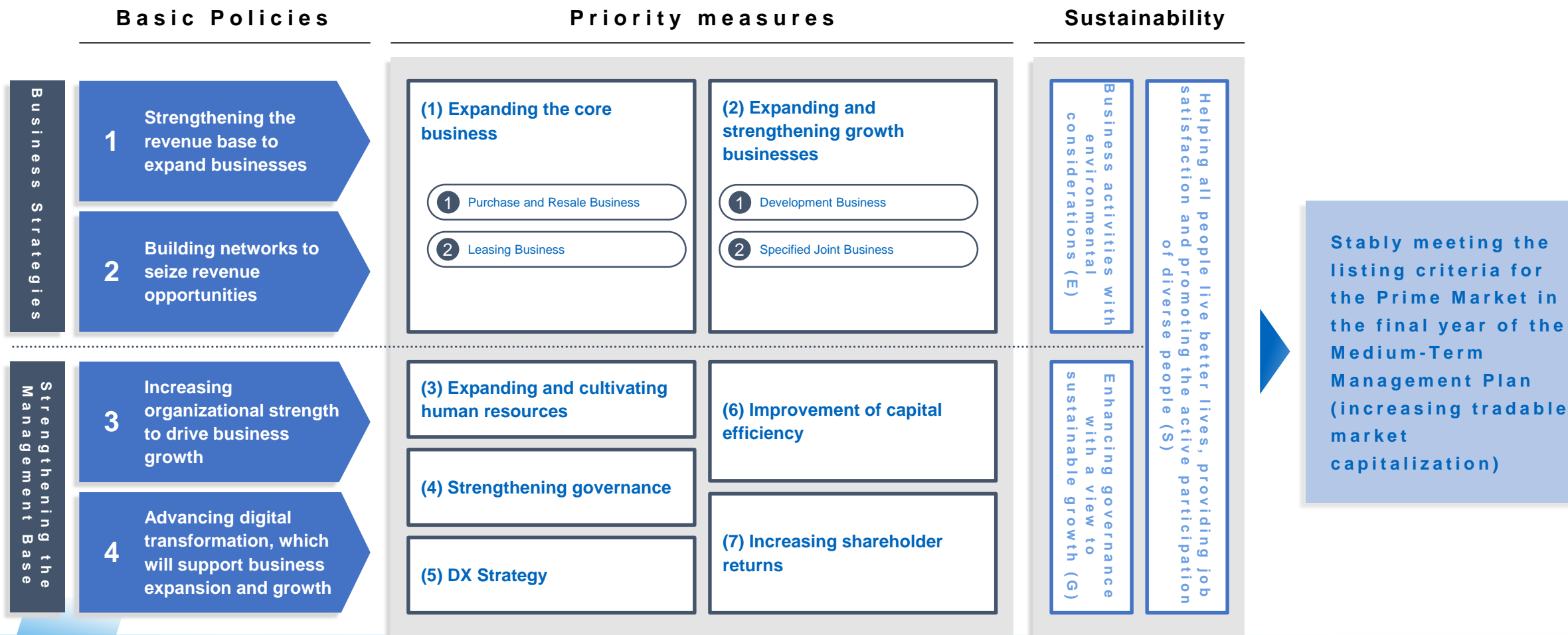
**03**

**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
<b>Net sales</b>	33,956	<b>38,847</b>	+14.4%	<b>44,660</b>	+15.0%	<b>53,224</b>	+19.2%
Real Estate Trading Business	31,842	<b>36,648</b>	+15.1%	<b>41,994</b>	+14.6%	<b>49,797</b>	+18.6%
Real Estate Leasing and Other Business	2,113	<b>2,198</b>	+4.0%	<b>2,666</b>	+21.3%	<b>3,427</b>	+28.5%
<b>Operating income</b>	2,342	<b>2,624</b>	+12.1%	<b>3,514</b>	+33.9%	<b>4,991</b>	+42.0%
Ratio to net sales	6.9%	<b>6.8%</b>	-	<b>7.9%</b>	-	<b>9.4%</b>	-
<b>Ordinary income</b>	1,770	<b>2,066</b>	+16.7%	<b>2,919</b>	+41.3%	<b>4,411</b>	+51.1%
Ratio to net sales	5.2%	<b>5.3%</b>	-	<b>6.5%</b>	-	<b>8.3%</b>	-
<b>Profit</b>	1,276	<b>1,314</b>	+3.0%	<b>1,856</b>	+41.3%	<b>2,805</b>	+51.1%
Ratio to net sales	3.8%	<b>3.4%</b>	-	<b>4.2%</b>	-	<b>5.3%</b>	-

## [Reference] Key Performance Indicators

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



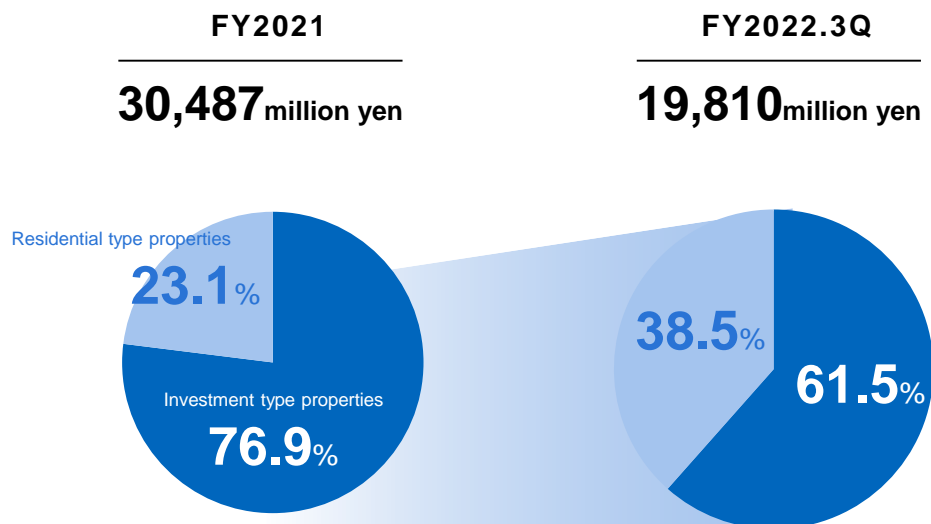
## [State of progress] Priority Measures (1) Expansion of Core Businesses

- 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.
- Focusing on sales of residential-type properties in particular.

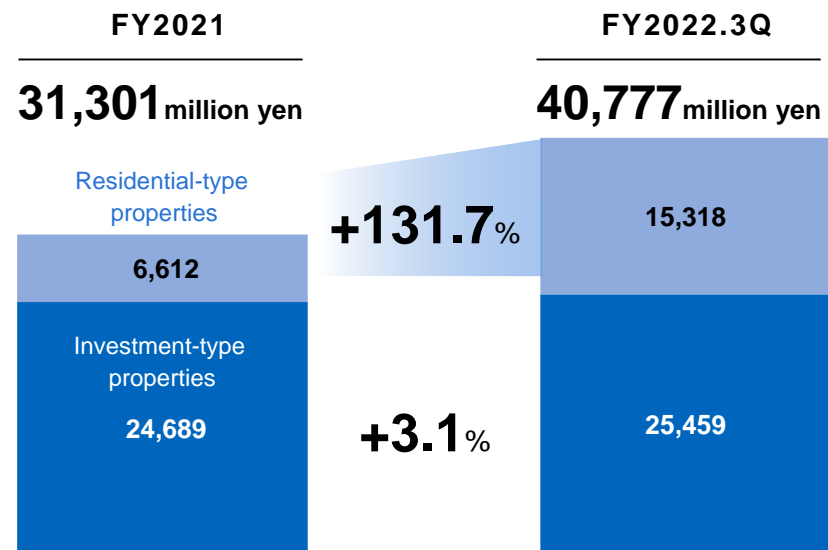
### Change the sales portfolio

- 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



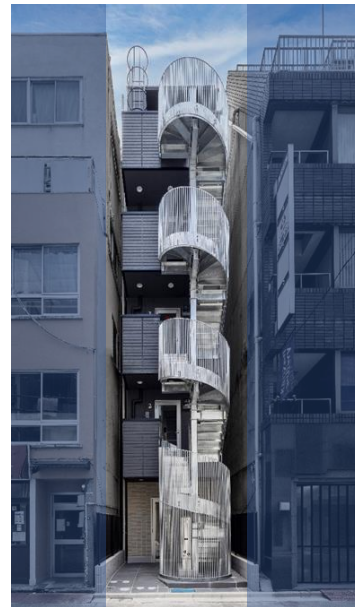
## [State of progress] Real Estate Development Business Real Estate Specified Joint Business

- Development Business : In 3Q, one property reached completion. A total of five 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 3Q, reached completion of 「SIDEPLACE KANDABAKUROCHO」  
We have completed construction of a five-story, steel-framed office and retail complex in an area just a three-minute walk from Bakurocho Station.

■ 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

■ The Setagaya Project as the third project  
Completed composition of the first phase, completed the offering of the second phase, and is currently offering the third phase.



<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

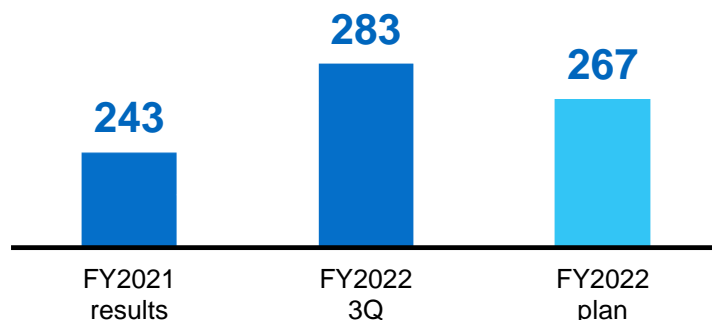
### Recruitment, Expansion and Development of Human Resources

#### ■ Staff expansion

The Group increased the number of consolidated employees from 243 at the end of the previous fiscal year to 283 at the end of the third quarter under review.

Active recruitment activities were conducted. The staff plan was already achieved in 3Q.

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.

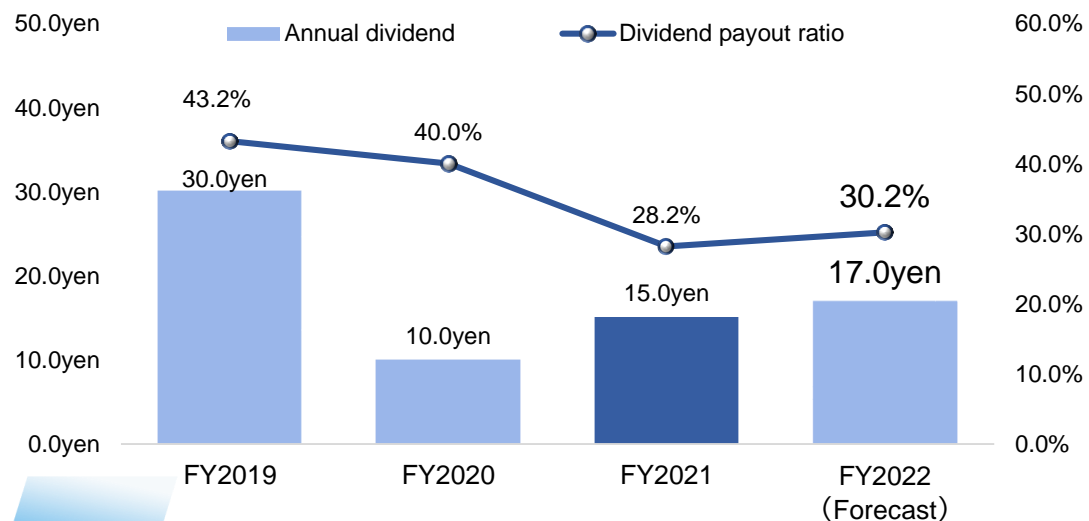
- Dividend Forecast for FY2022

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>

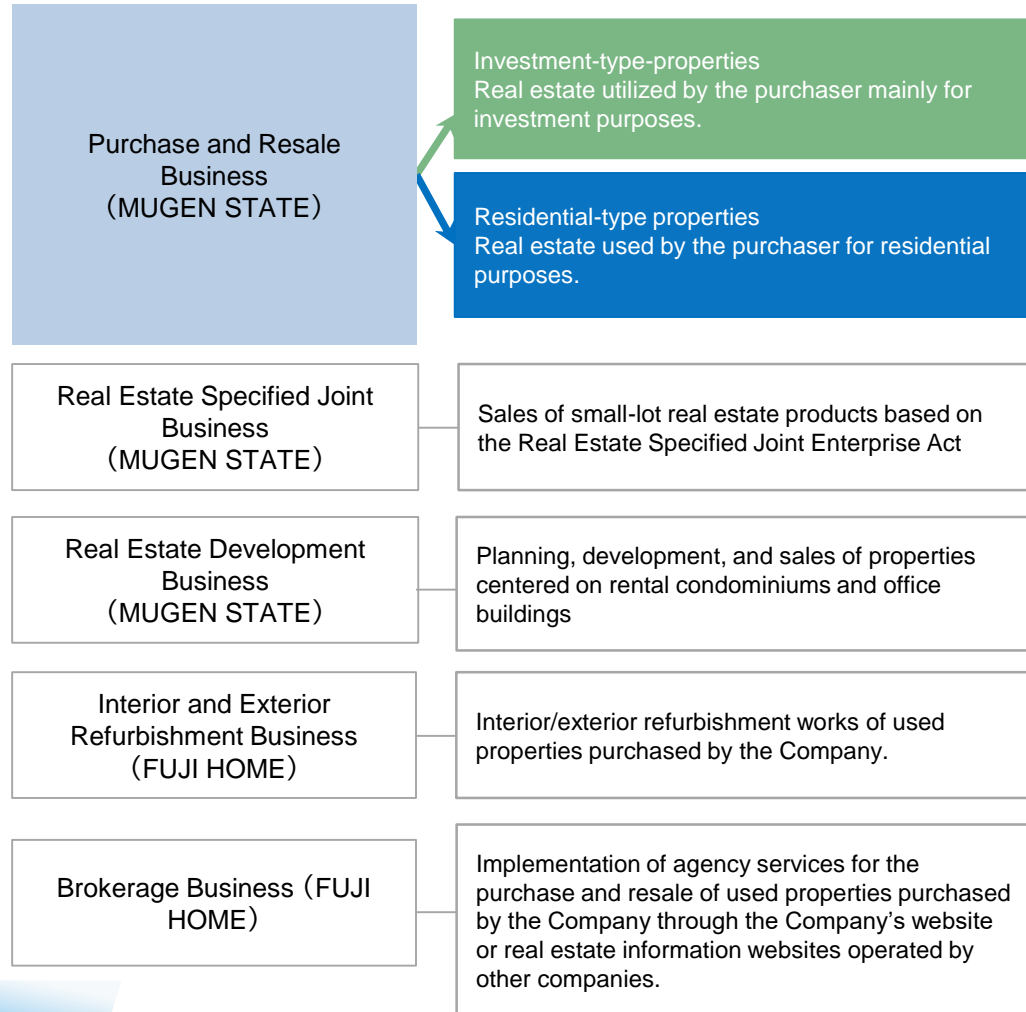
Corporate name	MUGEN ESTATE Co., Ltd.
Founded	May 1990
Representative	Susumu Fujita, Chairman Shinichi Fujita, President
Capital	2,552 million yen * as of Sep. 30, 2022
Financial period	The end of December
Stock market	Prime Market (3299:JP)
Number of employees	283 on a consolidated basis (average age 38.3) 210 on a non-consolidated basis (average age 37.5) * as of Sep. 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>

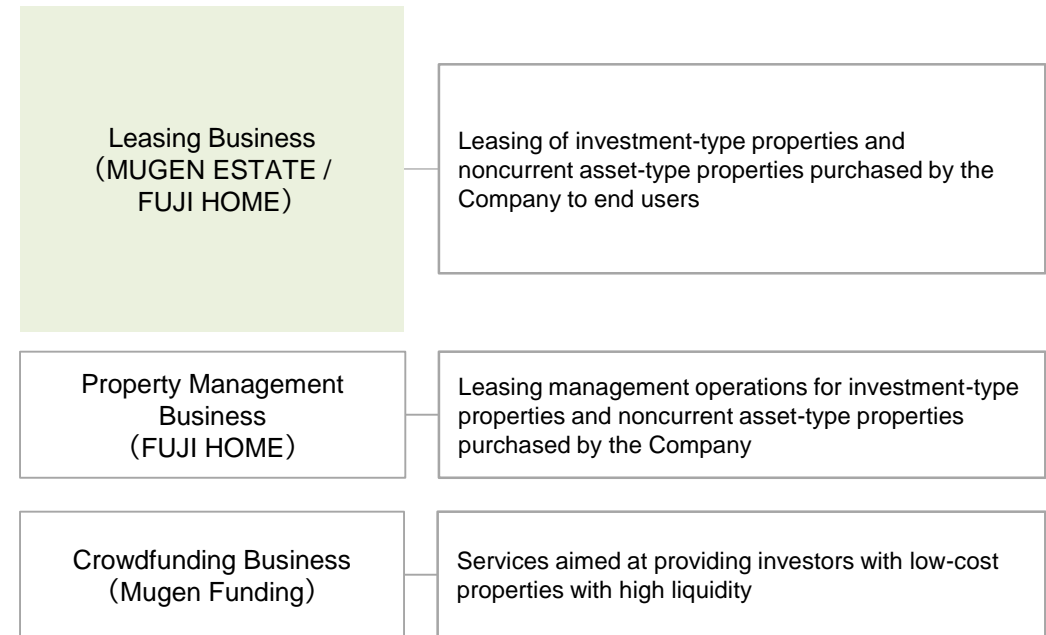
May 1990	MUGEN ESTATE founded
August 1997	Established FUJI HOME Co., Ltd. (Consolidated subsidiary)
July 2005	Registered as a first-class architect's office
May 2010	Change from the Building Lots and Buildings Transaction license to the Minister of Land, Infrastructure, Transport and Tourism
June 2010	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 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 Nihonbashiamacho, Chuo-ku, Tokyo Integrated Nihonbashi branch into the head office
July 2020	
September 2021	Kitasenju Sales Office in Senju, Adachi-ku, Tokyo
October 2021	Funabashi Sales Office in Honmachi, Funabashi City, Chiba Prefecture
November 2021	Ogikubo Sales Office in Ogikubo, Suginami-ku, Tokyo 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



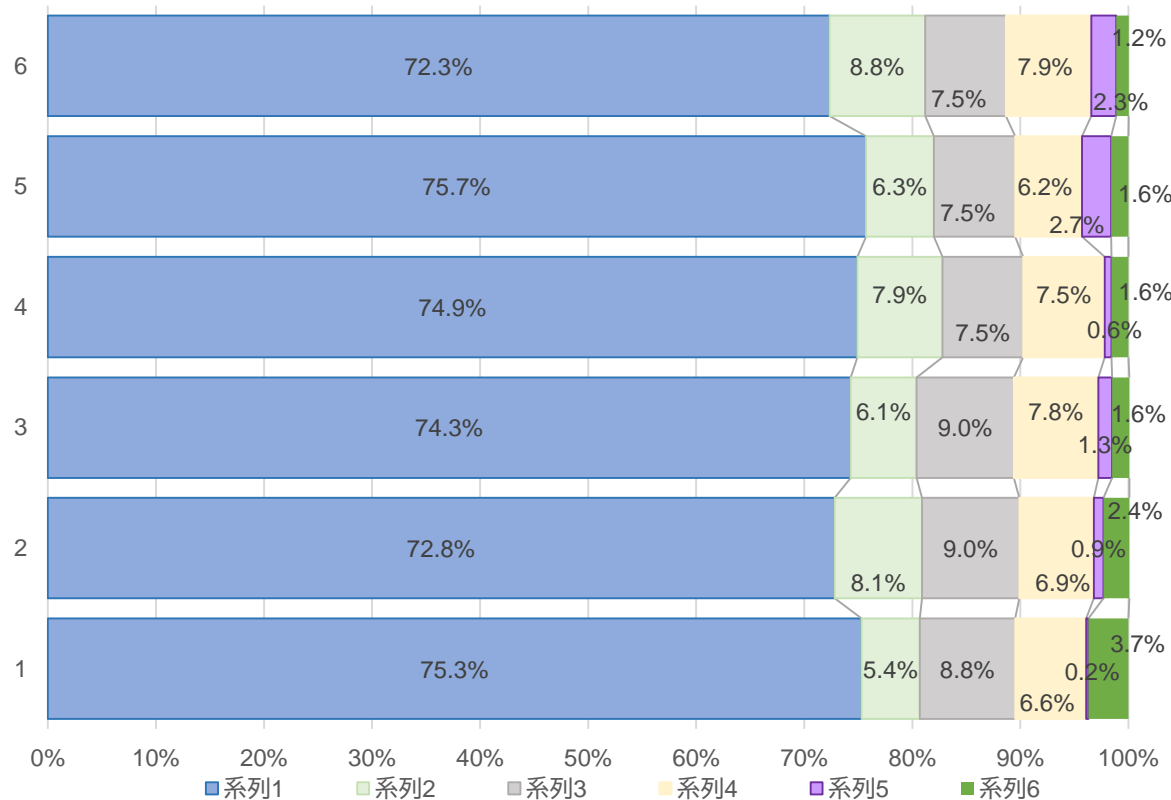
## Stock Information (As of June 30, 2022)

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.

## 【Disclaimer】

- 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.
- As of the timing of publication of this material, the process of auditing consolidated financial statements pursuant to the Financial Instruments and Exchange Act is not finished.
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