

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, 2023 [Based on Japanese GAAP]

May 12, 2023

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 12, 2023 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, 2023 (January 1 to March 31, 2023)

(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, 2023 | 11,627 | 146.6 | 1,470 | 513.0 | 1,279 | — | 845 | 676.7 |
| 1Q ended March 31, 2022 | 4,715 | (54.0) | 239 | (63.5) | 100 | (80.6) | 108 | (68.8) |

(Note) Comprehensive income: 1Q ended March 31, 2023 845 million yen (676.7%)
 1Q ended March 31, 2022 108 million yen (-68.8%)

| | Net Income per share | Diluted net income per share |
|-------------------------|----------------------|------------------------------|
| | Yen | Yen |
| 1Q ended March 31, 2023 | 36.03 | 35.81 |
| 1Q ended March 31, 2022 | 4.60 | 4.58 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of March 31, 2023 | 79,520 | 24,980 | 31.3 |
| As of December 31, 2022 | 77,448 | 24,604 | 31.6 |

(Reference) Shareholders' equity: As of March 31, 2023 24,887 million yen
 As of December 31, 2022 24,511 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, 2022 | — | 0.00 | — | 20.00 | 20.00 |
| Year ending December 31, 2023 | — | — | — | — | — |
| Year ending December 31, 2023 (forecast) | — | 0.00 | — | 32.00 | 32.00 |

(Note) Revision of the latest dividend forecast: Yes

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2023

(January 1, 2023 to December 31, 2023) (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 |
| FY2023 (Full year) | 45,865 | 46.8 | 3,625 | 21.8 | 2,840 | 23.0 | 1,863 | 19.1 | 79.21 |

(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 March 31, 2023 | 24,361,000 shares |
| As of December 31, 2022 | 24,361,000 shares |
| (ii) Number of treasury stock held at end of the period | |
| As of March 31, 2023 | 897,325 shares |
| As of December 31, 2022 | 897,325 shares |
| (iii) Average number of shares outstanding during the period (cumulative) | |
| As of March 31, 2023 | 23,463,675 shares |
| As of March 31, 2022 | 23,644,034 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. Qualitative Information on Operating Results for the First Quarter Ended March 31, 2023 “ 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 same day.

1. Qualitative Information on Operating Results for the First Quarter Ended March 31, 2023

(1) Analysis of Operating Results

During the first quarter under review (January 1 to March 31, 2023), the gradual economic recovery continued and demand remained firm in the real estate industry in which the MUGEN ESTATE Group operates. As COVID-19 restrictions were eased, the number of foreign arrivals in Japan has been increasing, and demand for real estate in Japan from foreign investors has similarly been rising. On the other hand, there is a risk that the slowdown in overseas economies amid worldwide monetary tightening may put downward pressure on the Japanese economy. Furthermore, uncertainty about the economic outlook increased, reflecting the rising prices, supply constraints and effects of changes in financial and capital markets.

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 increased 1.1% year on year to 3,442 in March 2023. As in February, the figure was higher than in the same period of the previous fiscal year. The average unit price per square meter of contracted condominium units rose 6.8% year on year. This was the 35th consecutive month of increase since May 2020. The contract price, which also increased 6.8% year on year, has been rising on a year-on-year basis for 34 straight months since June 2020. The number of inventory properties recorded a double-digit year-on-year increase of 19.8% to 45,125, surpassing the same period of the previous year for the 14th consecutive month since February 2022.

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. Both purchases and sales grew favorably from the previous fiscal year, partly due to the effect of six sales offices established by the previous year and by the enhancement of personnel. We opened the Osaka Office, our first base in the Western Japan region, to facilitate the continued expansion of the business. 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. As a result, business performance was higher year on year both in terms of the number of properties and monetary amounts.

In the Real Estate Development Business, construction progressed on new properties equipped with environmentally friendly items in the SIDEPLACE series, and a steel-framed housing and retail complex with ten floors above ground was completed in Sasazuka, Shibuya-ku in March. In addition, leasing and sales activities were reinforced, and one building which was completed in the previous year was sold.

As a result, consolidated net sales increased 146.6% year on year, to 11,627 million yen, consolidated operating income rose 513.0% year on year, to 1,470 million yen, consolidated ordinary income rose 1,176.4% year on year, to 1,279 million yen, and consolidated profit attributable to owners of parent rose 676.7% year on year, to 845 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 31 (up 18 units year on year) and the average unit selling price was 173 million yen (up 6.2% year on year), registering net sales of 5,384 million yen (up 153.4% year on year). Meanwhile, the number of units sold in residential-type properties came to 101 (up 54 units year on year) and the average unit selling price was 53 million yen (up 23.9% year on year), registering net sales of 5,359 million yen (up 166.3% year on year).

As a result, net sales for the segment increased 165.1% year on year, to 11,067 million yen, and the segment profit (operating income for the segment) increased 300.7% year on year, to 1,757 million yen.

[Real Estate Leasing and Other Business]

In the Real Estate Leasing and Other Business, revenue from real estate leasing came to 523 million yen (up 3.4% year on year).

As a result, net sales for the segment increased 3.7% year on year, to 560 million yen, and segment profit (operating income for the segment) down 2.3% year on year, to 182 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 79,520 million yen (up 2.7% from the end of the previous fiscal year), liabilities of 54,540 million yen (up 3.2% from the end of the previous fiscal year), and net assets of 24,980 million yen (up 1.5% from the end of the previous fiscal year).

The increase in total assets resulted mainly from a 1,793 million yen increase in real estate for sale (including real estate for sale in process) and a 279 million yen increase in cash and deposits.

The major factors for the increase in total liabilities were a 3,067 million yen increase in short-term borrowings, a 1,104 million yen decrease in long-term borrowings (including current portion) and a 179 million yen decrease in bonds payable (including current portion).

The major factors for the increase of net assets were an increase of 845 million yen in retained earnings due to the posting of a profit attributable to owners of parent and a decline of 469 million yen in retained earnings due to the payment of dividends.

(3) Information on future forecasts including consolidated financial forecasts

The forecasts for the consolidated financial results and dividends for the fiscal year ending December 31, 2023 were as announced

in the Summary of Consolidated Financial Results for the Fiscal Year ended December 31, 2022 (Based on Japanese GAAP) announced on February 14, 2023. Although the annual dividends forecast was revised, the consolidated financial results forecast was not revised. Please refer to the “Notice Regarding the Changes in Dividend Policy and Revisions of Dividend Forecast Ending December 2023 (Japanese only)” announced today.

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)

| | FY2022 (As of December 31, 2022) | FY2023 1Q (As of March 31, 2023) |
|--|-------------------------------------|-------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 17,754 | 18,033 |
| Accounts receivable - trade | 23 | 44 |
| Real estate for sale | 51,116 | 52,874 |
| Real estate for sale in process | 517 | 553 |
| Other | 767 | 764 |
| Allowance for doubtful accounts | (5) | (6) |
| Total current assets | 70,174 | 72,264 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 3,413 | 3,419 |
| Accumulated depreciation | (461) | (497) |
| Buildings, net | 2,952 | 2,921 |
| Land | 3,441 | 3,442 |
| Other | 110 | 110 |
| Accumulated depreciation | (73) | (75) |
| Other, net | 37 | 34 |
| Total property, plant and equipment | 6,430 | 6,397 |
| Intangible assets | 84 | 82 |
| Investments and other assets | | |
| Investment securities | 21 | 21 |
| Deferred tax assets | 306 | 319 |
| Other | 370 | 380 |
| Total investments and other assets | 698 | 720 |
| Total non-current assets | 7,213 | 7,201 |
| Deferred assets | 60 | 54 |
| Total assets | 77,448 | 79,520 |

(Million yen)

| | FY2022 (As of December 31, 2022) | FY2023 1Q (As of March 31, 2023) |
|--|-------------------------------------|-------------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 495 | 472 |
| Short-term borrowings | 6,023 | 9,091 |
| Current portion of bonds payable | 3,091 | 3,068 |
| Current portion of long-term borrowings | 6,520 | 5,926 |
| Income taxes payable | 622 | 474 |
| Provision for bonuses | 24 | 104 |
| provision for director's bonuses | 20 | — |
| provision for Executive Officers bonuses | 26 | — |
| Construction warranty reserve | 36 | 46 |
| Other | 1,640 | 1,664 |
| Total current liabilities | 18,501 | 20,848 |
| Non-current liabilities | | |
| Bonds payable | 4,623 | 4,467 |
| Long-term borrowings | 29,049 | 28,538 |
| Retirement benefit liability | 115 | 111 |
| Other | 553 | 573 |
| Total non-current liabilities | 34,342 | 33,691 |
| Total liabilities | 52,843 | 54,540 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 2,552 | 2,552 |
| Capital surplus | 2,475 | 2,475 |
| Retained earnings | 20,027 | 20,403 |
| Treasury shares | (543) | (543) |
| Total shareholders' equity | 24,551 | 24,887 |
| Share acquisition rights | 92 | 92 |
| Total net assets | 24,604 | 24,980 |
| Total liabilities and net assets | 77,448 | 79,520 |

(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, 2023)

(Million yen)

| | FY2022 1Q (From January 1 to March 31, 2022) | FY2023 1Q (From January 1 to March 31, 2023) |
|--|--|--|
| Net sales | 4,715 | 11,627 |
| Cost of sales | 3,618 | 8,922 |
| Gross profit | 1,096 | 2,704 |
| Selling, general and administrative expenses | 856 | 1,233 |
| Operating profit | 239 | 1,470 |
| Non-operating income | | |
| Interest and dividend income | 0 | 0 |
| Commission income | 2 | 5 |
| Penalty income | 11 | 4 |
| Other | 3 | 7 |
| Total non-operating income | 17 | 16 |
| Non-operating expenses | | |
| Interest expenses | 137 | 183 |
| Commission expenses | 12 | 12 |
| Other | 7 | 12 |
| Total non-operating expenses | 157 | 208 |
| Ordinary profit | 100 | 1,279 |
| Profit before income taxes | 100 | 1,279 |
| Income taxes - current | 75 | 446 |
| Income taxes - deferred | (83) | (12) |
| Total income taxes | (8) | 433 |
| Profit | 108 | 845 |
| Profit attributable to owners of parent | 108 | 845 |

[Quarterly Consolidated Statements of Comprehensive Income]
(For three months from January 1 to March 31, 2023)

(Million yen)

| | FY2022 1Q (From January 1 to March 31, 2022) | FY2023 1Q (From January 1 to March 31, 2023) |
|---|--|--|
| Income before minority interests | 108 | 845 |
| Comprehensive income | 108 | 845 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 108 | 845 |

(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 Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company began applying the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Implementation Guidance") from the first quarter under review. Accordingly, the Company will apply the new accounting policies prescribed in the Fair Value Measurement Implementation Guidance in the future in accordance with transitional measures stipulated in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance). This application has no impact on the quarterly consolidated financial statements.

(Segment Information)

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.

For three months ended March 31, 2023 (From January 1 to March 31, 2023)

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 | 11,067 | 560 | 11,627 | — | 11,627 |
| Inter-segment sales or transfer | 0 | 5 | 5 | (5) | — |
| Total | 11,067 | 565 | 11,633 | (5) | 11,627 |
| Segment profit | 1,757 | 182 | 1,939 | (468) | 1,470 |

(Note) 1. The segment profit adjustment of (468) 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.