

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.

Consolidated Financial Results for the Third Quarter ended September 30, 2023 [Based on Japanese GAAP]

November 14, 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: November 14, 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 third quarter ended September 30, 2023 (January 1 to September 30, 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	%
3Q ended September 30, 2023	39,993	84.2	5,164	161.1	4,587	207.5	3,047	199.4
3Q ended September 30, 2022	21,709	(18.2)	1,978	6.7	1,491	3.4	1,017	(5.0)

(Note) Comprehensive income: 3Q ended September 30, 2023 3,047 million yen (199.4%)
 3Q ended September 30, 2022 1,017 million yen (-5.0%)

	Net Income per share	Diluted net income per share
	Yen	Yen
3Q ended September 30, 2023	129.56	128.78
3Q ended September 30, 2022	43.27	43.01

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	80,840	27,237	33.6
As of December 31, 2022	77,448	24,604	31.6

(Reference) Shareholders' equity: As of September 30, 2023 27,144 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	—	0.00	—	—	—
Year ending December 31, 2023 (forecast)	—	—	—	53.00	53.00

(Note) Revision of the latest dividend forecast: No

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)	50,836	62.7	5,804	95.0	5,035	118.0	3,090	97.5	131.34

(Note) Revision of the latest consolidated financial results forecast: No

* 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 September 30, 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 September 30, 2023 | 798,325 shares |
| As of December 31, 2022 | 897,325 shares |
| (iii) Average number of shares outstanding during the period (cumulative) | |
| As of September 30, 2023 | 23,520,246 shares |
| As of September 30, 2022 | 23,523,573 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. The statements about the future included in this report, including financial projections, 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 Third Quarter Ended September 30, 2023“ 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
The presentation material for financial results is disclosed through together with these financial statements. This information also is posted on the Company's website on the same day.

1. Qualitative Information on Operating Results for the Third Quarter Ended September 30, 2023

(1) Analysis of Operating Results

During the first nine months of the fiscal year under review (January 1, 2023 to September 30, 2023), the gradual economic recovery continued and demand remained firm in the real estate industry in which the MUGEN ESTATE Group operates. Moreover, as the number of tourists to Japan is increasing due to relaxation and abolishment of COVID-19 infection measures, overseas investors' demand for Japanese real estate have held firm. On the other hand, there are factors that require vigilance, including interest rate trends that will be affected if the Bank of Japan reviews its monetary policy

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 rose 6.7% year on year in September 2023. The figure was lower than in the same period of the previous fiscal year for the fourth consecutive month. The average unit price per square meter of contracted condominium units increased for the 41st consecutive month since May 2020, at 4.8% year on year. By region, the price recorded year-on-year declines for the first time in 40 months in Saitama Prefecture and for the first time in 34 months in Kanagawa Prefecture. The contract price rose 4.5% year on year, marking the 40th consecutive month increase since June 2020. The number of inventory properties recorded a double-digit year-on-year increase of 17.9%, surpassing the year-ago level for the twentieth consecutive month.

In this business environment, the MUGEN ESTATE Group enjoyed strong demand in its mainstay Real Estate Trading Business, mainly for residential-type properties (rental condominiums, changes in the owners of units, owned condominium units, detached houses, etc.) The main factors included the fact that, as occupancy rates and rent levels of rental condominiums, changes in the owners of units, etc. are unlikely to be affected by economic conditions, the profitability of these properties is stable, as well as rising demand from overseas investors reflecting the yen falling to historic low levels and a recovery in inbound tourists. Moreover, it is apparent that replacement demand for owned condominium units, detached houses, etc. remains strong, mainly reflecting price rises of newly constructed houses.

Sales and sales volume of residential-type properties greatly exceeded the levels of a year ago, attributable to efforts to enhance and expand purchases and sales according to the policy stated in the Second Medium-term Management Plan and the increased personnel for newly opened sales offices. At Osaka Sale Office, which was established in May 2023, activities to purchase properties in the peripheral prefectures are being promoted for sales in the next fiscal period.

Sales and sales volume of investment-type properties exceeded the levels of a year ago, mainly owing to increased demand among investors in and outside Japan against the backdrop of the continuation of accommodative monetary policy and the effects of reinforced sales staff. Purchases were on a par with the level of a year ago.

In the Real Estate Development Business, construction progressed on new SIDEPLACE series properties. A reinforced concrete rental condominium with four floors above ground and one below was completed in Jingumae, Shibuya-ku, Tokyo in September. Two of them were sold by the end of the third quarter, as a result of strengthening leasing and sales activities.

In the Real Estate Specified Joint Business, sales of the Nursing Care Edogawa Project, the 4th product, commenced in May, and contracts for the formation of partnership in December are progressing firmly.

As a result, consolidated net sales increased 84.2% year on year, to 39,993 million yen, consolidated operating income rose 161.1% year on year, to 5,164 million yen, consolidated ordinary income rose 207.5% year on year, to 4,587 million yen, and consolidated profit attributable to owners of parent rose 199.4% year on year, to 3,047 million yen in the first nine 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 108 (up 52 units year on year) and the average unit selling price was 166 million yen (down 23.5% year on year), registering net sales of 17,994 million yen (up 47.6% year on year). Meanwhile, the number of units sold in residential-type properties came to 323 (up 128 units year on year) and the average unit selling price was 59 million yen (up 51.8% year on year), registering net sales of 19,161 million yen (up 151.5% year on year).

In the Real Estate Development Business, two properties were sold with an average sales price at 308 million yen, while sales amounted to 616 million yen.

As a result, net sales for the segment increased 90.9% year on year, to 38,287 million yen, and the segment profit (operating income for the segment) increased 123.7% year on year, to 6,153 million yen.

[Real Estate Leasing and Other Business]

In the Real Estate Leasing and Other Business, revenue from real estate leasing came to 1,582 million yen (up 2.4% year on year).

As a result, net sales for the segment increased 2.9% year on year, to 1,706 million yen, and segment profit (operating income for the segment) down 0.9% year on year, to 579 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" are classified as real estate used by buyers as their housing units, most of which are owned condominiums.

(2) Qualitative information on financial position

The financial position at the end of the third quarter of the consolidated fiscal year under review included total assets of 80,840 million yen (up 4.4% from the end of the previous fiscal year), liabilities of 53,603 million yen (up 1.4% from the end of the previous fiscal year), and net assets of 27,237 million yen (up 10.7% from the end of the previous fiscal year).

(Assets)

The increase in total assets resulted mainly from a 606 million yen increase in real estate for sale (including real estate for sale in process) and a 3,049 million yen increase in cash and deposits.

(Liabilities)

The major factors for the increase in liabilities were a 2,956 million yen increase in short-term borrowings and a 650 million yen

increase in income taxes payable, a 2,762 million yen decrease in long-term borrowings (including current portion) and a 632 million yen decrease in bonds payable (including current portion).

(Net assets)

The major factors for the increase of net assets were an increase 3,047 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

Forecasts for consolidated financial results and dividends for the fiscal year ending December 31, 2023 remain unchanged from the Notice Regarding Revisions to Forecasts for Financial Results and Dividend announced on November 7, 2023.

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 3Q (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	17,754	20,803
Accounts receivable - trade	23	65
Real estate for sale	51,116	51,898
Real estate for sale in process	517	342
Other	767	442
Allowance for doubtful accounts	(5)	(3)
Total current assets	70,174	73,548
Non-current assets		
Property, plant and equipment		
Buildings	3,413	3,440
Accumulated depreciation	(461)	(570)
Buildings, net	2,952	2,870
Land	3,441	3,442
Other	110	112
Accumulated depreciation	(73)	(79)
Other, net	37	33
Total property, plant and equipment	6,430	6,346
Intangible assets	84	79
Investments and other assets		
Investment securities	21	7
Deferred tax assets	306	386
Other	370	417
Total investments and other assets	698	810
Total non-current assets	7,213	7,236
Deferred assets	60	55
Total assets	77,448	80,840

(Million yen)

	FY2022 (As of December 31, 2022)	FY2023 3Q (As of September 30, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	495	499
Short-term borrowings	6,023	8,980
Current portion of bonds payable	3,091	980
Current portion of long-term borrowings	6,520	4,718
Income taxes payable	622	1,272
Provision for bonuses	24	156
Provision for bonuses for directors (and other officers)	20	37
provision for Executive Officers bonuses	26	53
Construction warranty reserve	36	62
Other	1,640	1,966
Total current liabilities	18,501	18,729
Non-current liabilities		
Bonds payable	4,623	6,101
Long-term borrowings	29,049	28,088
Retirement benefit liability	115	113
Other	553	569
Total non-current liabilities	34,342	34,873
Total liabilities	52,843	53,603
Net assets		
Shareholders' equity		
Share capital	2,552	2,552
Capital surplus	2,475	2,475
Retained earnings	20,027	22,600
Treasury shares	(543)	(483)
Total shareholders' equity	24,551	27,144
Share acquisition rights	92	92
Total net assets	24,604	27,237
Total liabilities and net assets	77,448	80,840

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

[Quarterly Consolidated Statements of Income]

(For nine months from January 1 to September 30, 2023)

(Million yen)

	FY2022 3Q (From January 1 to September 30, 2022)	FY2023 3Q (From January 1 to September 30, 2023)
Net sales	21,709	39,993
Cost of sales	16,723	30,904
Gross profit	4,986	9,088
Selling, general and administrative expenses	3,008	3,924
Operating income	1,978	5,164
Non-operating income		
Interest and dividend income	1	1
Commission income	10	14
Penalty income	18	14
Refund of real estate acquisition tax	1	5
Other	7	13
Total non-operating income	40	50
Non-operating expenses		
Interest expenses	467	548
Commission expenses	34	36
Other	24	43
Total non-operating expenses	527	628
Ordinary profit	1,491	4,587
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Office relocation expenses	—	6
Loss on valuation of investment securities	—	13
Total extraordinary losses	0	20
Profit before income taxes	1,491	4,566
Income taxes - current	522	1,598
Income taxes - deferred	(48)	(79)
Total income taxes	473	1,519
Profit	1,017	3,047
Profit attributable to owners of parent	1,017	3,047

[Quarterly Consolidated Statements of Comprehensive Income]

(For nine months from January 1 to September 30, 2023)

(Million yen)

	FY2022 3Q (From January 1 to September 30, 2022)	FY2023 3Q (From January 1 to September 30, 2023)
Income before minority interests	1,071	3,047
Comprehensive income	1,071	3,047
(Breakdown)		
Comprehensive income attributable to owners of parent	1,071	3,047

(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 nine months ended September 30, 2022 (From January 1 to September 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	20,052	1,657	21,709	—	21,709
Inter-segment sales or transfer	53	15	68	(68)	—
Total	20,106	1,672	21,778	(68)	21,709
Segment profit	2,751	584	3,335	(1,357)	1,978

(Note) 1. The segment profit adjustment of (1,357) 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 nine months ended September 30, 2023 (From January 1 to September 30, 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	38,287	1,706	39,993	—	39,993
Inter-segment sales or transfer	3	17	20	(20)	—
Total	38,209	1,723	40,013	(20)	39,993
Segment profit	6,153	579	6,732	(1,568)	5,164

(Note) 1. The segment profit adjustment of (1,568) 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.