

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 First Quarter ended March 31, 2024 [Based on Japanese GAAP]

May 10, 2024

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 10, 2024 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, 2024 (January 1 to March 31, 2024)

(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, 2024	12,307	5.8	1,182	(19.6)	993	(22.4)	651	(23.0)
1Q ended March 31, 2023	11,627	146.6	1,470	513.0	1,279	—	845	676.7

(Note) Comprehensive income: 1Q ended March 31, 2024 651 million yen (-23.0%)
 1Q ended March 31, 2023 845 million yen (676.7%)

	Net Income per share	Diluted net income per share
	Yen	Yen
1Q ended March 31, 2024	27.64	27.47
1Q ended March 31, 2023	36.03	35.81

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2024	85,820	27,011	31.4
As of December 31, 2023	80,362	27,844	34.5

(Reference) Shareholders' equity: As of March 31, 2024 26,918 million yen
 As of December 31, 2023 27,751 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, 2023	—	0.00	—	63.00	63.00
Year ending December 31, 2024	—	—	—	—	—
Year ending December 31, 2024 (forecast)	—	0.00	—	68.00	68.00

(Note) Revision of the latest dividend forecast: None

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2024

(January 1, 2024 to December 31, 2024) (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
FY2024 (Full year)	60,896	17.9	6,861	15.6	6,036	15.1	3,985	9.1	168.64

(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 : None
 - (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, 2024 24,361,000 shares
 - As of December 31, 2023 24,361,000 shares
 - (ii) Number of treasury stock held at end of the period
 - As of March 31, 2024 798,325 shares
 - As of December 31, 2023 798,325 shares
 - (iii) Average number of shares outstanding during the period (cumulative)
 - As of March 31, 2024 23,562,675 shares
 - As of March 31, 2023 23,463,675 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, 2024 “ on page 2 of the Accompanying Materials for the assumptions of the financial forecasts and points to note in the use of financial forecasts

(2) Access to presentation materials for financial results

Presentation materials are disclosed through TDnet and on the Company’s website on the 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, 2024), demand remained firm in the real estate industry in which the MUGEN ESTATE Group operates due to a strong market environment and gradual economic recovery that had continued since the previous fiscal year.

According to the official land prices released by the Ministry of Land, Infrastructure, Transport and Tourism on March 26, 2024, the national average for all uses increased 2.3% year on year, and the national average for residential land increased 2.0%, showing that the land prices have recovered to pre-COVID levels. On the other hand, the environment surrounding real estate is becoming increasingly uncertain after the Bank of Japan decided to lift the negative interest rate policy at the monetary policy meeting on March 19, 2024. The economic slowdown in China is an additional factor.

The number of contracts and the contract prices concluded for used condominium units in the Tokyo metropolitan area and major urban areas (Sapporo, Nagoya, Osaka and Fukuoka) in March 2024, announced by a private research organization, remained higher than the year-ago levels, showing that transactions remain solid. This seems to be due to a shift in demand towards used condominiums, a response to the soaring prices of newly built condominiums, but there is also a growing tendency for used condominiums that are relatively competitive in terms of area and age to be sold.

The average vacancy rate for all offices in Tokyo's 23 wards and major metropolitan areas (Sapporo, Nagoya, Osaka and Fukuoka) from January to March 2024 remains almost unchanged. Asking rents continue to rise, although there are differences by area.

In this business environment, the MUGEN ESTATE Group has been actively expanding its business area and promoting purchasing activities in the Purchase and Resale Business, a core business, by establishing the Sapporo Office, Nagoya Office and Fukuoka Office in January. While both sales and sales volume of residential-type properties exceeded the levels of a year ago, the gross profit margin declined year on year as purchase prices continued to rise due to rising construction costs. Sales volumes of investment-type properties remained strong, but their sales declined year on year, reflecting a fall in the average unit selling price due to higher sales of small properties compared to the same period of the previous year. Gross profit also decreased year on year due to the fall in net sales.

In the Real Estate Development Business, construction progressed on the Company's original brand, is underway, the SIDEPLACE series, and a steel-framed housing, retail and office complex with nine floors above ground was completed in Hirai, Edogawa-ku in March. In addition, net sales increased significantly year on year as the Group sold four properties as a result of actively strengthening leasing and sales activities. Given that the Group has two completed properties, the Group will focus on process management at work-in-progress sites, and will proceed with activities to purchase land for development and develop new properties.

In the Real Estate Specified Joint Business, the second-phase applications for the Nursing Care Edogawa Project, the fourth product, have been completed, and the voluntary partnership is scheduled to be established in June. Sales of the fifth product Sumida Ryogoku Project began in March, and contracts are progressing smoothly.

As a result, consolidated net sales increased 5.8% year on year, to 12,307 million yen, consolidated operating income decreased 19.6% year on year, to 1,182 million yen, consolidated ordinary income fell 22.4% year on year, to 993 million yen, and consolidated profit attributable to owners of parent decreased 23.0% year on year, to 651 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 39 (up 8 units year on year) and the average unit selling price was 112 million yen (down 35.1% year on year), registering net sales of 4,398 million yen (down 18.3% year on year). Meanwhile, the number of units sold in residential-type properties came to 126 (up 25 units year on year) and the average unit selling price was 44 million yen (down 15.2% year on year), registering net sales of 5,668 million yen (up 5.8% year on year).

In the Real Estate Development Business, four properties were sold (up three year on year) with an average sales price at 411 million yen (up 44.3% year on year), while sales amounted to 1,647 million yen (up 477.1% year on year).

In the Real Estate Specified Joint Business, as the second-phase applications for the Nursing Care Edogawa Project are scheduled to be established in June, net sales are not recorded.

As a result, net sales for the segment increased 6.0% year on year, to 11,730 million yen, and the segment profit (operating income for the segment) decreased 12.4% year on year, to 1,539 million yen.

[Real Estate Leasing and Other Business]

In the Real Estate Leasing and Other Business, revenue from real estate leasing came to 526 million yen (up 0.6% year on year).

As a result, net sales for the segment increased 3.0% year on year, to 577 million yen, and segment profit (operating income for the segment) down 2.6% year on year, to 177 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 85,820 million yen (up 6.8% from the end of the previous fiscal year), liabilities of 58,809 million yen (up 12.0% from the end of the previous fiscal year), and net assets of 27,011 million yen (down 3.0% from the end of the previous fiscal year).

The increase in total assets resulted mainly from a 6,182 million yen increase in real estate for sale (including real estate for sale in process) and a 1,665 million yen decrease in cash and deposits.

The major factors for the increase in total liabilities were a 1,370 million yen increase in short-term borrowings and a 5,537 million yen increase in long-term borrowings (including current portion) , a 1,062 million yen decrease in Income taxes payable.

The major factors for the decrease of net assets were an increase of 651 million yen in retained earnings due to the posting of a profit attributable to owners of parent and a decline of 1,484 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, 2024 remain unchanged from the Notice Regarding Revisions to Forecasts for Financial Results and Dividend announced on February 14, 2024.

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)

	FY2023 (As of December 31, 2023)	FY2024 1Q (As of March 31, 2024)
Assets		
Current assets		
Cash and deposits	20,420	18,754
Accounts receivable - trade	35	42
Real estate for sale	52,644	58,968
Real estate for sale in process	477	335
Other	616	1,470
Allowance for doubtful accounts	(4)	(4)
Total current assets	74,189	79,567
Non-current assets		
Property, plant and equipment		
Buildings	2,684	2,773
Accumulated depreciation	(508)	(548)
Buildings, net	2,176	2,225
Land	2,902	2,988
Other	159	122
Accumulated depreciation	(81)	(85)
Other, net	77	37
Total property, plant and equipment	5,156	5,251
Intangible assets	81	79
Investments and other assets		
Investment securities	7	7
Deferred tax assets	454	437
Other	419	424
Total investments and other assets	880	870
Total non-current assets	6,119	6,201
Deferred assets	53	52
Total assets	80,362	85,820

(Million yen)

	FY2023 (As of December 31, 2023)	FY2024 1Q (As of March 31, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	466	782
Short-term borrowings	9,153	10,524
Current portion of bonds payable	1,041	1,078
Current portion of long-term borrowings	5,407	4,727
Income taxes payable	1,413	351
Provision for bonuses	44	108
provision for director's bonuses	45	—
provision for Executive Officers bonuses	64	—
Construction warranty reserve	60	54
Other	1,785	1,788
Total current liabilities	19,484	19,416
Non-current liabilities		
Bonds payable	6,150	6,222
Long-term borrowings	25,894	32,111
Retirement benefit liability	308	300
Other	681	759
Total non-current liabilities	33,034	39,393
Total liabilities	52,518	58,809
Net assets		
Shareholders' equity		
Share capital	2,552	2,552
Capital surplus	2,475	2,475
Retained earnings	23,207	22,374
Treasury shares	(483)	(483)
Total shareholders' equity	27,751	26,918
Share acquisition rights	92	92
Total net assets	27,844	27,011
Total liabilities and net assets	80,362	85,820

(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, 2024)

(Million yen)

	FY2023 1Q (From January 1 to March 31, 2023)	FY2024 1Q (From January 1 to March 31, 2024)
Net sales	11,627	12,307
Cost of sales	8,922	9,648
Gross profit	2,704	2,659
Selling, general and administrative expenses	1,233	1,477
Operating profit	1,470	1,182
Non-operating income		
Interest and dividend income	0	0
Commission income	5	5
Penalty income	4	2
Other	7	6
Total non-operating income	16	14
Non-operating expenses		
Interest expenses	183	174
Commission expenses	12	16
Other	12	12
Total non-operating expenses	208	203
Ordinary profit	1,279	993
Profit before income taxes	1,279	993
Income taxes - current	446	325
Income taxes - deferred	(12)	16
Total income taxes	433	341
Profit	845	651
Profit attributable to owners of parent	845	651

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

(Million yen)

	FY2023 1Q (From January 1 to March 31, 2023)	FY2024 1Q (From January 1 to March 31, 2024)
Income before minority interests	845	651
Comprehensive income	845	651
(Breakdown)		
Comprehensive income attributable to owners of parent	845	651

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Segment Information)

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.

For three months ended March 31, 2024 (From January 1 to March 31, 2024)

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	11,730	577	12,307	—	12,307
Inter-segment sales or transfer	3	5	9	(9)	—
Total	11,734	582	12,317	(9)	12,307
Segment profit	1,539	177	1,716	(534)	1,182

(Note) 1. The segment profit adjustment of (534) 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.