

MUGEN ESTATE (3299)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY12/2020		34,858	2,465	1,785	599	24.98	10.00	939.11
FY12/2021		33,956	2,342	1,770	1,276	53.25	15.00	986.47
FY12/2022CoE		38,847	2,624	2,066	1,314	56.33	17.00	-
FY12/2021	YoY	(2.6%)	(5.0%)	(0.8%)	113.0%	-	-	-
FY12/2022CoE	YoY	14.4%	12.1%	16.7%	3.0%	-	-	-
Consolidated Quarter (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY12/2021		10,241	657	516	348	-	-	-
Q2 FY12/2021		7,554	661	534	389	-	-	-
Q3 FY12/2021		8,746	535	392	334	-	-	-
Q4 FY12/2021		7,415	489	328	205	-	-	-
Q1 FY12/2022		4,715	239	100	108	-	-	-
Q1 FY12/2022	YoY	(54.0%)	(63.5%)	(80.6%)	(68.8%)	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (19 May 2022)

Favorably Purchasing


On 13 May 2022, MUGEN ESTATE, running operations to purchase and resell secondhand real estate in Tokyo and the three surrounding prefectures, released its Q1 FY12/2022 results. It has been revealed that it is favorably purchasing as expected, while having suffered from delayed payment of a couple of fairly-large-scale projects on the investment-oriented real estate side at the same time. Consequently, the Company has suffered from a major decline in sales for Q1 over the same period of the previous year. However, the Company is currently going for prospective sales as expected for Q1 to Q2 with a conviction that the payment will be done by the end of Q2 at the latest. The Company saw purchase amount worth no less than some ¥5,900m for Q1, having resulted in real estate for sale (inventory) up to ¥39,387m, which is an increase by ¥3,766m (10.6%) from the end of Q4 FY12/2021 or over the past three months. On top of this, the Company says that it is almost fixed to be further purchasing as much as worth some ¥7,800m in light of the most recent contracts, etc. Here, the Company focuses on purchasing resident-oriented real estate (sectional-ownership condos, etc.). In terms of the Q1 results, this has accounted for almost half of the net increase of above-mentioned real estate for sale (inventory). In fact, the Company claims that it will remain focusing on this, looking to a long-term growth as much as nicely contributing to performance for itself as a whole. By the way, the Company suggests that recent hike in material prices has been well passed on to selling prices as the market for real estate is still performing firmly.

For your reference :(business model, etc.) [MUGEN ESTATE \(3299\) Reversal and Thrust \(29 March 2022\)](#)

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2.0 Company Profile

Creating New Value in Real Estate

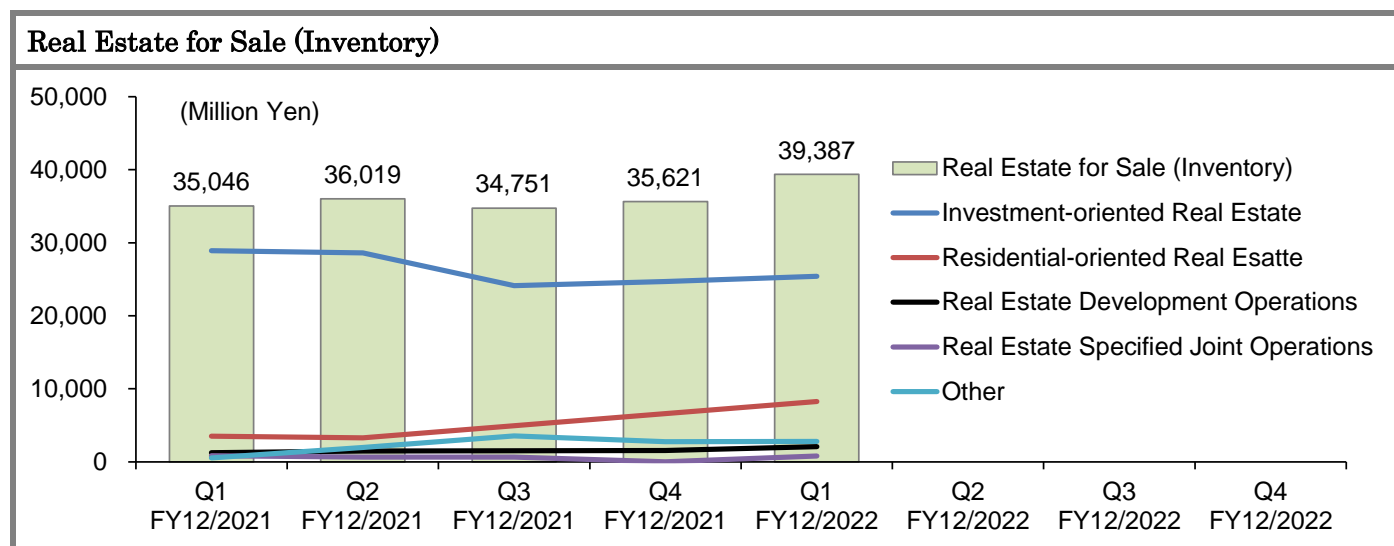
Company Name	MUGEN ESTATE Co., Ltd. Company HP IR Information Share Price (Japanese)	 MUGEN ESTATE
Established	2 May 1990	
Listing	4 April 2022: Tokyo Stock Exchange Prime Market (ticker: 3299) 5 February 2016: Tokyo Stock Exchange 1st section 18 June 2014: Tokyo Stock Exchange Mothers	
Capital	¥2,552m (as of the end of March 2022)	
No. of Shares	24,361,000 shares, including 879,925 treasury shares (as of the end of March 2022)	
Main Features	<ul style="list-style-type: none"> ● Operations in Tokyo and the three surrounding prefectures, i.e., Kanagawa, Saitama and Chiba ● Solid capability to identify qualities of secondhand real estate and accumulation of knowhow ● Purchase and resale via real estate brokers 	
Segments	I . Real Estate Trading Business II . Real Estate Leasing and Other Business	
Representatives	President & Representative Director: Shinichi Fujita Chairperson & Representative Director: Susumu Fujita	
Shareholders	Susumu Fujita 23.9%, Shinichi Fujita 10.4%, Dream Come True Co., Ltd. 7.2%, Master Trust Bank of Japan, T. 6.3% (as of the end of December 2021, but for treasury shares)	
Head Office	Chiyoda-ku, Tokyo, JAPAN	
No. of Personnel	Consolidated: 255, Parent: 188 (as of the end of March 2022)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 FY12/2022

In Q1 FY12/2021, sales came in at ¥4,715m (down 54.0% YoY), operating profit ¥239m (down 63.5%), recurring profit ¥100m (down 80.6%) and profit attributable to owners of parent ¥108m (up 68.8%), while operating profit margin 5.1% (down 1.3% points).



Source: Company Data, WRJ Calculation

Real Estate Trading Business saw sales of ¥4,175m (down 56.8%), segment profit of ¥438m (down 43.2%) and segment profit margin of 10.5% (up 2.5% points). Sales have declined sharply, but segment profit margin has risen. According to Real Estate Information Network for East Japan, the market for real estate has remained firm, resulting in consistently increased prices per square meter and per unit in the most recent contracts concluded. Indeed, the Company is seeing a tightening for supply-demand balance for own real estate transactions and the prices are actually rising. Further, the Company's strategy to emphasize profitability has been successful, offsetting the negative impacts stemming from hiking material prices, etc.

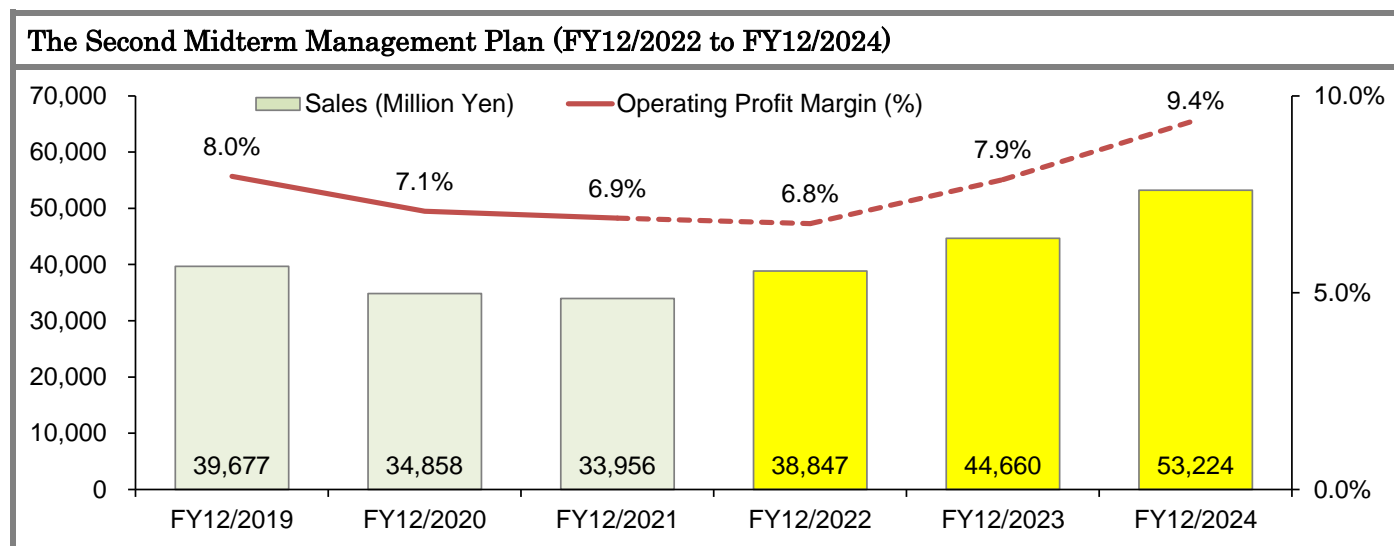
On the residential-oriented real estate (sectional-ownership condos, etc.) side, sales came in at ¥2,012m (down 0.4%) and ¥2,125m (down 71.5%) on the investment-oriented real estate side. With respect to real estate development operations, currently developed as a new growth driver, the Company saw no sales for Q1, as the project to sell a completed property was delayed. Still, another one was newly completed for Q1, according to the Company. Meanwhile, the Company is going for sales to be generated for real estate specified joint operations or the other new growth driver, starting in Q2, as initially planned.

The Company has opened 5 business offices in FY12/2021, all specializing in purchasing and selling of residential-oriented real estate (sectional-ownership condos, etc.), i.e., in Ogikubo, Ikebukuro, Akabane, Kita-Senju and Funabashi, which is expected to gradually increase contribute to the Company's performance for FY12/2022. Purchasing by all those business offices has started to take off nicely for Q4 FY12/2021, which is resulted in a major increase for real estate for sale related to residential-oriented real estate (sectional-ownership condos, etc.) for Q1 FY12/2022. Meanwhile, the Company suggests that it takes some 6 months to 9 months to see sales after purchasing, implying that sales stemming from here are to take off in earnest, starting in Q2 FY12/2022 and/or thereafter.

Meanwhile, Real Estate Leasing and Other Business saw sales of ¥540m (down 5.8%), segment profit of ¥186m (down 10.3%) and segment profit margin of 34.4% (down 1.7% points). Here, the Company basically sees sales stemming from rental income attributable to the holding of real estate for sale (inventory) related to investment-oriented real estate, belonging to Real Estate Trading Business. For Q1, the Company saw this "inventory" decreased over the same period of the previous year and thus sales of this segment.

FY12/2022 Company Forecasts

FY12/2022 Company forecasts (announced on 14 February 2022) have remained unchanged, going for prospective sales of ¥38,847m (up 14.4% YoY), operating profit of ¥2,642m (up 12.1%), recurring profit of ¥2,066m (up 16.7%) and profit attributable to owners of parent of ¥1,314m (up 3.0%), while operating profit margin of 6.8% (down 0.1% point). At the same time, Company forecasts are going for prospective annual dividend of ¥17.00 per share, implying payout ratio of 30.2%.



Source: Company Data, WRJ Calculation

4.0 Financial Statements

Income Statement (Cumulative / Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	12/2021	12/2021	12/2021	12/2021	12/2022	12/2022	12/2022	12/2022		
Sales	10,241	17,795	26,541	33,956	4,715	-	-	-	-	(5,526)
Cost of Sales	8,774	14,913	22,221	28,168	3,618	-	-	-	-	(5,156)
Gross Profit	1,466	2,882	4,320	5,788	1,096	-	-	-	-	(370)
SG&A Expenses	809	1,563	2,466	3,445	856	-	-	-	-	+47
Operating Profit	657	1,318	1,853	2,342	239	-	-	-	-	(418)
Non Operating Balance	(141)	(268)	(411)	(572)	(139)	-	-	-	-	+2
Recurring Profit	516	1,050	1,442	1,770	100	-	-	-	-	(416)
Extraordinary Balance	-	6	6	6	-	-	-	-	-	-
Profit before Income Taxes	516	1,056	1,448	1,776	100	-	-	-	-	(416)
Total Income Taxes	167	318	377	500	(8)	-	-	-	-	(175)
Profit Attributable to Owners of Parent	348	737	1,071	1,276	108	-	-	-	-	(240)
Sales YoY	+10.1%	+24.8%	+21.4%	(2.6%)	(54.0%)	-	-	-	-	-
Operating Profit YoY	+18.8%	+62.3%	+30.6%	(5.0%)	(63.5%)	-	-	-	-	-
Recurring Profit YoY	+36.8%	+129.2%	+58.6%	(0.8%)	(80.6%)	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	+38.5%	+121.0%	-	+113.0%	(68.8%)	-	-	-	-	-
Gross Profit Margin	14.3%	16.2%	16.3%	17.0%	23.2%	-	-	-	-	+8.9%
Sales to SG&A Expenses Ratio	7.9%	8.8%	9.3%	10.1%	18.2%	-	-	-	-	+10.3%
Operating Profit Margin	6.4%	7.4%	7.0%	6.9%	5.1%	-	-	-	-	(1.3%)
Recurring Profit Margin	5.0%	5.9%	5.4%	5.2%	2.1%	-	-	-	-	(2.9%)
Profit Attributable to Owners of Parent Margin	3.4%	4.1%	4.0%	3.8%	2.3%	-	-	-	-	(1.1%)
Total Income Taxes / Profit before Income Taxes	32.4%	30.1%	26.0%	28.2%	(8.0%)	-	-	-	-	(40.4%)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	12/2021	12/2021	12/2021	12/2021	12/2022	12/2022	12/2022	12/2022		
Sales	10,241	7,554	8,746	7,415	4,715	-	-	-	-	(5,526)
Cost of Sales	8,774	6,139	7,308	5,947	3,618	-	-	-	-	(5,156)
Gross Profit	1,466	1,416	1,438	1,468	1,096	-	-	-	-	(370)
SG&A Expenses	809	754	903	979	856	-	-	-	-	+47
Operating Profit	657	661	535	489	239	-	-	-	-	(418)
Non Operating Balance	(141)	(127)	(143)	(161)	(139)	-	-	-	-	+2
Recurring Profit	516	534	392	328	100	-	-	-	-	(416)
Extraordinary Balance	-	6	-	-	-	-	-	-	-	-
Profit before Income Taxes	516	540	392	328	100	-	-	-	-	(416)
Total Income Taxes	167	151	59	123	(8)	-	-	-	-	(175)
Profit Attributable to Owners of Parent	348	389	334	205	108	-	-	-	-	(240)
Sales YoY	+10.1%	+52.2%	+15.2%	(43.0%)	(54.0%)	-	-	-	-	-
Operating Profit YoY	+18.8%	+155.2%	(11.9%)	(53.3%)	(63.5%)	-	-	-	-	-
Recurring Profit YoY	+36.8%	+559.3%	(13.1%)	(62.6%)	(80.6%)	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	+38.5%	+374.4%	-	(67.5%)	(68.8%)	-	-	-	-	-
Gross Profit Margin	14.3%	18.7%	16.4%	19.8%	23.2%	-	-	-	-	+8.9%
Sales to SG&A Expenses Ratio	7.9%	10.0%	10.3%	13.2%	18.2%	-	-	-	-	+10.3%
Operating Profit Margin	6.4%	8.8%	6.1%	6.6%	5.1%	-	-	-	-	(1.3%)
Recurring Profit Margin	5.0%	7.1%	4.5%	4.4%	2.1%	-	-	-	-	(2.9%)
Profit Attributable to Owners of Parent Margin	3.4%	5.1%	3.8%	2.8%	2.3%	-	-	-	-	(1.1%)
Total Income Taxes / Profit before Income Taxes	32.4%	28.0%	15.1%	37.5%	(8.0%)	-	-	-	-	(40.4%)

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative/Quarterly)

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	YoY	
(Million Yen)	12/2021	12/2021	12/2021	12/2021	12/2022	12/2022	12/2022	12/2022	12/2022	Net Chg.
Real Estate Trading	9,668	16,721	24,960	31,842	4,175	-	-	-	-	(5,493)
Real Estate Leasing and Other	573	1,074	1,581	2,113	540	-	-	-	-	(33)
Sales	10,241	17,795	26,541	33,956	4,715	-	-	-	-	(5,526)
Real Estate Trading	771	1,584	2,404	3,119	438	-	-	-	-	(333)
Real Estate Leasing and Other	207	380	552	736	186	-	-	-	-	(21)
Segment Profit	979	1,964	2,956	3,855	624	-	-	-	-	(355)
Adjustment	(321)	(646)	(1,102)	(1,513)	(384)	-	-	-	-	(63)
Operating Profit	657	1,318	1,853	2,342	239	-	-	-	-	(418)
Real Estate Trading	8.0%	9.5%	9.6%	9.8%	10.5%	-	-	-	-	+2.5%
Real Estate Leasing and Other	36.1%	35.4%	34.9%	34.8%	34.4%	-	-	-	-	(1.7%)
Adjustment	(3.1%)	(3.6%)	(4.2%)	(4.5%)	(8.1%)	-	-	-	-	(5.0%)
Operating Profit Margin	6.4%	7.4%	7.0%	6.9%	5.1%	-	-	-	-	(1.3%)

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	
(Million Yen)	12/2021	12/2021	12/2021	12/2021	12/2022	12/2022	12/2022	12/2022	12/2022	Net Chg.
Real Estate Trading	9,668	7,053	8,239	6,882	4,175	-	-	-	-	(5,493)
Real Estate Leasing and Other	573	501	507	532	540	-	-	-	-	(33)
Sales	10,241	7,554	8,746	7,415	4,715	-	-	-	-	(5,526)
Real Estate Trading	771	813	820	715	438	-	-	-	-	(333)
Real Estate Leasing and Other	207	173	172	184	186	-	-	-	-	(21)
Segment Profit	979	985	992	899	624	-	-	-	-	(355)
Adjustment	(321)	(325)	(456)	(411)	(384)	-	-	-	-	(63)
Operating Profit	657	661	535	489	239	-	-	-	-	(418)
Real Estate Trading	8.0%	11.5%	10.0%	10.4%	10.5%	-	-	-	-	+2.5%
Real Estate Leasing and Other	36.1%	34.5%	33.9%	34.6%	34.4%	-	-	-	-	(1.7%)
Adjustment	(3.1%)	(4.3%)	(5.2%)	(5.5%)	(8.1%)	-	-	-	-	(5.0%)
Operating Profit Margin	6.4%	8.8%	6.1%	6.6%	5.1%	-	-	-	-	(1.3%)

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 12/2021	Q2 12/2021	Q3 12/2021	Q4 12/2021	Q1 12/2022	Q2 12/2022	Q3 12/2022	Q4 12/2022		
Cash and Deposit	17,371	17,348	18,392	17,565	14,539	-	-	-	-	(2,832)
Accounts Receivables	12	19	21	19	27	-	-	-	-	+15
Real Estate for Sale	34,912	35,885	34,617	35,463	39,206	-	-	-	-	+4,294
Real Estate for Sale in Process	405	375	498	630	479	-	-	-	-	+74
Other	547	471	479	727	731	-	-	-	-	+184
Current Assets	53,247	54,098	54,007	54,404	54,982	-	-	-	-	+1,735
Tangible Assets	3,856	3,817	6,992	7,614	7,596	-	-	-	-	+3,740
Intangible Assets	81	79	77	85	91	-	-	-	-	+10
Investments and Other Assets	544	544	605	631	715	-	-	-	-	+171
Fixed Assets	4,482	4,441	7,676	8,331	8,403	-	-	-	-	+3,921
Deferred Assets	43	44	44	41	43	-	-	-	-	0
Total Assets	57,774	58,585	61,728	62,778	63,429	-	-	-	-	+5,655
Accounts Payables	223	284	342	361	436	-	-	-	-	+213
Short Term Debt	2,236	2,015	3,609	4,739	5,793	-	-	-	-	+3,557
Current Portion of Bonds Payable	780	842	792	727	865	-	-	-	-	+85
Current Portion of Long-term Debt	5,484	4,030	3,836	4,982	3,882	-	-	-	-	(1,602)
Other	1,412	1,369	1,156	1,359	1,342	-	-	-	-	(70)
Current Liabilities	10,135	8,540	9,735	12,168	12,318	-	-	-	-	+2,183
Bonds Payable	3,172	3,300	3,265	3,219	3,436	-	-	-	-	+264
Long Term Debt	21,092	22,968	24,591	23,192	23,870	-	-	-	-	+2,778
Other	660	667	694	652	649	-	-	-	-	(11)
Fixed Liabilities	24,924	26,935	28,550	27,063	27,955	-	-	-	-	+3,031
Total Liabilities	35,059	35,476	38,285	39,232	40,273	-	-	-	-	+5,214
Shareholders' Equity	22,627	23,016	23,350	23,453	23,063	-	-	-	-	+436
Other	87	93	92	93	93	-	-	-	-	+6
Net Assets	22,714	23,109	23,442	23,546	23,156	-	-	-	-	+442
Total Liabilities & Net Assets	57,774	58,585	61,728	62,778	63,429	-	-	-	-	+5,655
Equity Capital	22,627	23,016	23,350	23,453	23,063	-	-	-	-	+436
Interest Bearing Debt	32,764	33,155	36,093	36,859	37,846	-	-	-	-	+5,082
Net Debt	15,393	15,807	17,701	19,294	23,307	-	-	-	-	+7,914
Equity Ratio	39.2%	39.3%	37.8%	37.4%	36.4%	-	-	-	-	-
Net Debt Equity Ratio	68.0%	68.7%	75.8%	82.3%	101.1%	-	-	-	-	-
ROE (12 months)	3.1%	4.4%	7.5%	5.6%	4.5%	-	-	-	-	-
ROA (12 months)	3.0%	3.7%	3.6%	2.8%	2.2%	-	-	-	-	-
Days for Inventory Turnover	367	538	438	553	1,000	-	-	-	-	-
Quick Ratio	172%	203%	189%	145%	118%	-	-	-	-	-
Current Ratio	525%	633%	555%	447%	446%	-	-	-	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 12/2021	Q1 to Q2 12/2021	Q1 to Q3 12/2021	Q1 to Q4 12/2021	Q1 12/2022	Q1 to Q2 12/2022	Q1 to Q3 12/2022	Q1 to Q4 12/2022		
Operating Cash Flow	-	5,519	-	3,307	-	-	-	-	-	-
Investing Cash Flow	-	(168)	-	(1,218)	-	-	-	-	-	-
Operating Cash Flow and Investing Cash Flow	-	5,351	-	2,089	-	-	-	-	-	-
Financing Cash Flow	-	(4,215)	-	(621)	-	-	-	-	-	-

Source: Company Data, WRJ Calculation

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage, etc.

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