

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 Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY12/2021		17,795	1,318	1,050	737	-	-	-
Q3 to Q4 FY12/2021		16,161	1,024	720	539	-	-	-
Q1 to Q2 FY12/2022		14,006	1,093	793	588	-	-	-
Q3 to Q4 FY12/2022CoE		24,841	1,531	1,273	726	-	-	-
Q1 to Q2 FY12/2022		YoY (21.3%)	(17.1%)	(24.5%)	(20.3%)	-	-	-
Q3 to Q4 FY12/2022CoE		YoY 53.7%	49.5%	76.8%	34.7%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (22 August 2022)

Optimization

On 5 August 2022, MUGEN ESTATE, running operations to purchase and resell secondhand real estate in Tokyo and the three surrounding prefectures, released its Q1 to Q2 FY12/2022 results. It has been revealed that the Company is seeing a trend of acceleration for its purchase, mainly of residential real estate, i.e., condos owned by segment, etc. and that it will optimize the balance between its emphasis on profitability and its focus on sales promotions for H2 so that initial full-year Company forecasts will be met. For Q2 (April to June), the amount of purchase settled has expanded up to some ¥14,300m, including that of some ¥7,400m (record high) on residential real estate, having increased by 85.1% over Q1 (January to March) as a whole. Meanwhile, the Company saw a sharp rise in gross profit margin for Q1 to Q2 (January to June) as a result of thorough emphasis on profitability, but this has led to shortfall in sales in terms of comparison with assumptions of Company forecasts at the same time. Still, the Company suffered from shortfall rather smaller for earnings. For H2, on the other hand, the Company says that it will somewhat relax its emphasis on profitability with the aim of strengthening its focus on sales promotions even more than before. Consequently, the Company is looking to the maximization of sales and earnings in terms of absolute amount.


The Company's 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

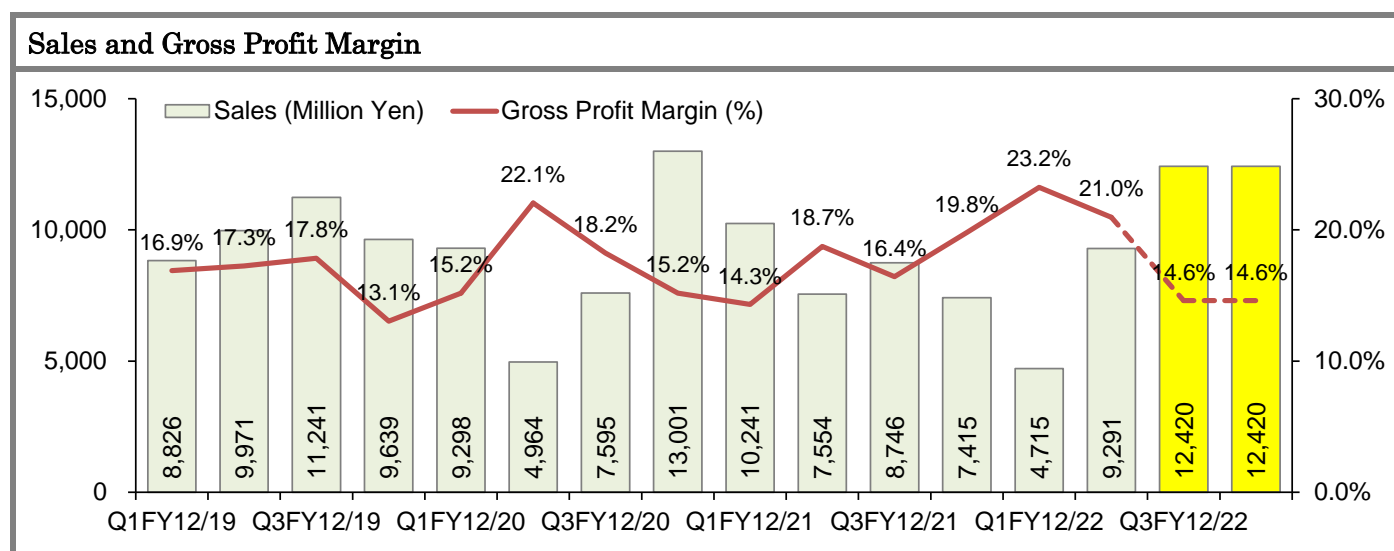
Company Name	MUGEN ESTATE Co., Ltd. Company HP IR Information Share Price (Japanese)	 MUGEN ESTATE
Established	2 May 1990	
Listing	4 April 2022: Tokyo Stock Exchange Prime Market (ticker: 3299) 5 February 2016: Tokyo Stock Exchange 1st section 18 June 2014: Tokyo Stock Exchange Mothers	
Capital	¥2,552m (as of the end of June 2022)	
No. of Shares	24,361,000 shares, including 897,325 treasury shares (as of the end of June 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 24.33%, Shinichi Fujita 10.66%, Dream Come True Co., Ltd. 7.52%, Master Trust Bank of Japan, T. 4.72% (as of the end of June 2022, but for treasury shares)	
Head Office	Chiyoda-ku, Tokyo, JAPAN	
No. of Personnel	Consolidated: 273, Parent: 206 (as of the end of June 2022)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q2 FY12/2022

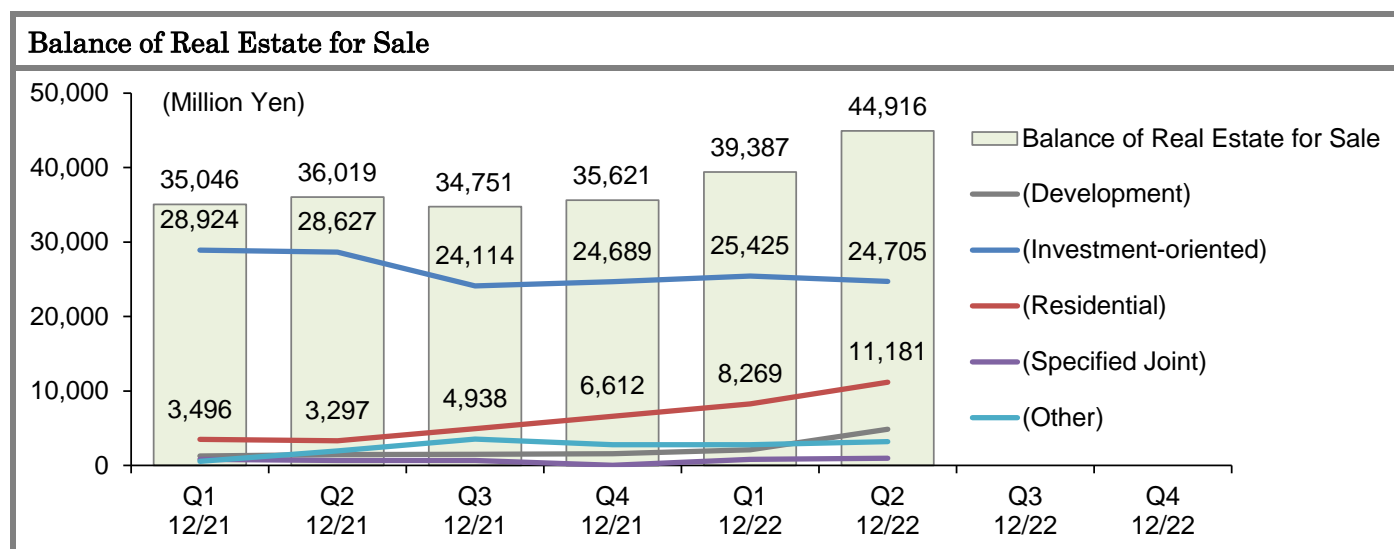
For Q1 to Q2 FY12/2022, sales came in at ¥14,006m (down 21.3% YoY), operating profit ¥1,093m (down 17.1%), recurring profit ¥793m (down 24.5%) and profit attributable to owners of parent ¥588m (down 20.3%). Meanwhile, gross profit came in at ¥3,043m (up 5.6%) and SG&A expenses ¥1,949m (up 24.7%), implying gross profit margin of 21.7% (up 5.5% points) and sales to SG&A expenses ratio of 13.9% (up 5.1% points), having resulted in operating profit margin of 7.8% (up 0.4% points).



Source: Company Data, WRJ Calculation (Q3 and Q4 FY12/2022, H2 Company forecasts, pro rata)

The segment of Real Estate Trading Business (purchase and resale of secondhand real estate) saw sales of ¥12,925m (down 22.7%), segment profit of ¥1,616m (up 2.0%) and segment profit margin of 12.5% (up 3.0% points), while sales here having basically comprised those of ¥4,412m (up 8.5%) for residential real estate and ¥8,303m (down 32.0%) for investment-oriented real estate. The Company has secured increased sales for residential real estate on which it has been focusing for some time, while having suffered from significantly decreased sales for investment-oriented real estate. Meanwhile, with respect to real estate development operations (to purchase properties as well as to plan, design, manage construction, lease and sell, while construction outsourced) and real estate specified joint operations (to originate and sell small-lot real estate products), both of which are now developed as new growth drivers from a long-term perspective, it appears that the start-up is somewhat behind the initial expectations.

Meanwhile, the segment of Real Estate Trading Business accounted for 92.3% of sales for the Company as a whole and 81.7% of segment profit, implying that the Company's performance as a whole mentioned above hinges on that of this segment to a large extent. The Company saw a record-high level of gross profit margin for Q1 due to thorough emphasis on profitability, but sales had to stagnate as a result of this, which was followed by a similar situation for Q2. On the other hand, SG&A expenses has increased significantly for Q1 to Q2, due to aggressive recruitment and purchase in anticipation of long-term growth. During the said period, the Company saw a successful hiring of new graduates and mid-career employment, having resulted in net increase by 12.3% or 30 for the number of personnel on a consolidated basis. At the same time, the Company says that it saw increased consumption tax charges at the SG&A level in line with increased purchase.



Source: Company Data, WRJ Calculation

For Q1 to Q2, the Company saw a surge in purchase and a stagnation in sales at the same time, having resulted in net increase by no less than ¥9,294m (26.1%) from ¥35,621m to ¥44,916m for balance of real estate for sale. Here, again, the Company saw an increase outstanding for residential real estate on which it has been focusing for some time. In fact, the Company set up new service offices dedicated to purchase and resale of residential real estate, collectively 5 in the number, i.e., in Ogikubo, Ikebukuro, Akabane, Kita-Senju and Funabashi, for FY12/2021, while it appears that they have begun steadily expanding their contribution during the said period.

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 have remained unchanged for prospective annual dividend, going for ¥17.00 per share, implying payout ratio of 30.2%.

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	14,006	-	-	-	(3,789)
Cost of Sales	8,774	14,913	22,221	28,168	3,618	10,963	-	-	-	(3,950)
Gross Profit	1,466	2,882	4,320	5,788	1,096	3,043	-	-	-	+161
SG&A Expenses	809	1,563	2,466	3,445	856	1,949	-	-	-	+386
Operating Profit	657	1,318	1,853	2,342	239	1,093	-	-	-	(225)
Non Operating Balance	(141)	(268)	(411)	(572)	(139)	(300)	-	-	-	(32)
Recurring Profit	516	1,050	1,442	1,770	100	793	-	-	-	(257)
Extraordinary Balance	-	6	6	6	-	-	-	-	-	(6)
Profit before Income Taxes	516	1,056	1,448	1,776	100	793	-	-	-	(263)
Total Income Taxes	167	318	377	500	(8)	205	-	-	-	(113)
Profit Attributable to Owners of Parent	348	737	1,071	1,276	108	588	-	-	-	(149)
Sales YoY	+10.1%	+24.8%	+21.4%	(2.6%)	(54.0%)	(21.3%)	-	-	-	-
Operating Profit YoY	+18.8%	+62.3%	+30.6%	(5.0%)	(63.5%)	(17.1%)	-	-	-	-
Recurring Profit YoY	+36.8%	+129.2%	+58.6%	(0.8%)	(80.6%)	(24.5%)	-	-	-	-
Profit Attributable to Owners of Parent YoY	+38.5%	+121.0%	-	+113.0%	(68.8%)	(20.3%)	-	-	-	-
Gross Profit Margin	14.3%	16.2%	16.3%	17.0%	23.2%	21.7%	-	-	-	+5.5%
Sales to SG&A Expenses Ratio	7.9%	8.8%	9.3%	10.1%	18.2%	13.9%	-	-	-	+5.1%
Operating Profit Margin	6.4%	7.4%	7.0%	6.9%	5.1%	7.8%	-	-	-	+0.4%
Recurring Profit Margin	5.0%	5.9%	5.4%	5.2%	2.1%	5.7%	-	-	-	(0.2%)
Profit Attributable to Owners of Parent Margin	3.4%	4.1%	4.0%	3.8%	2.3%	4.2%	-	-	-	+0.1%
Total Income Taxes / Profit before Income Taxes	32.4%	30.1%	26.0%	28.2%	(8.0%)	25.9%	-	-	-	(4.3%)
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	9,291	-	-	-	+1,737
Cost of Sales	8,774	6,139	7,308	5,947	3,618	7,345	-	-	-	+1,206
Gross Profit	1,466	1,416	1,438	1,468	1,096	1,947	-	-	-	+531
SG&A Expenses	809	754	903	979	856	1,093	-	-	-	+339
Operating Profit	657	661	535	489	239	854	-	-	-	+193
Non Operating Balance	(141)	(127)	(143)	(161)	(139)	(161)	-	-	-	(34)
Recurring Profit	516	534	392	328	100	693	-	-	-	+159
Extraordinary Balance	-	6	-	-	-	-	-	-	-	(6)
Profit before Income Taxes	516	540	392	328	100	693	-	-	-	+153
Total Income Taxes	167	151	59	123	(8)	213	-	-	-	+62
Profit Attributable to Owners of Parent	348	389	334	205	108	480	-	-	-	+91
Sales YoY	+10.1%	+52.2%	+15.2%	(43.0%)	(54.0%)	+23.0%	-	-	-	-
Operating Profit YoY	+18.8%	+155.2%	(11.9%)	(53.3%)	(63.5%)	+29.2%	-	-	-	-
Recurring Profit YoY	+36.8%	+559.3%	(13.1%)	(62.6%)	(80.6%)	+29.8%	-	-	-	-
Profit Attributable to Owners of Parent YoY	+38.5%	+374.4%	-	(67.5%)	(68.8%)	+23.4%	-	-	-	-
Gross Profit Margin	14.3%	18.7%	16.4%	19.8%	23.2%	21.0%	-	-	-	+2.2%
Sales to SG&A Expenses Ratio	7.9%	10.0%	10.3%	13.2%	18.2%	11.8%	-	-	-	+1.8%
Operating Profit Margin	6.4%	8.8%	6.1%	6.6%	5.1%	9.2%	-	-	-	+0.4%
Recurring Profit Margin	5.0%	7.1%	4.5%	4.4%	2.1%	7.5%	-	-	-	+0.4%
Profit Attributable to Owners of Parent Margin	3.4%	5.1%	3.8%	2.8%	2.3%	5.2%	-	-	-	+0.0%
Total Income Taxes / Profit before Income Taxes	32.4%	28.0%	15.1%	37.5%	(8.0%)	30.7%	-	-	-	+2.8%

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	12,925	-	-	-	(3,796)
Real Estate Leasing and Other	573	1,074	1,581	2,113	540	1,080	-	-	-	+6
Sales	10,241	17,795	26,541	33,956	4,715	14,006	-	-	-	(3,789)
Real Estate Trading	771	1,584	2,404	3,119	438	1,616	-	-	-	+32
Real Estate Leasing and Other	207	380	552	736	186	362	-	-	-	(18)
Segment Profit	979	1,964	2,956	3,855	624	1,978	-	-	-	+14
Adjustment	(321)	(646)	(1,102)	(1,513)	(384)	(885)	-	-	-	(239)
Operating Profit	657	1,318	1,853	2,342	239	1,093	-	-	-	(225)
Real Estate Trading	8.0%	9.5%	9.6%	9.8%	10.5%	12.5%	-	-	-	+3.0%
Real Estate Leasing and Other	36.1%	35.4%	34.9%	34.8%	34.4%	33.5%	-	-	-	(1.9%)
Adjustment	(3.1%)	(3.6%)	(4.2%)	(4.5%)	(8.1%)	(6.3%)	-	-	-	(2.7%)
Operating Profit Margin	6.4%	7.4%	7.0%	6.9%	5.1%	7.8%	-	-	-	+0.4%

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	8,750	-	-	-	+1,697
Real Estate Leasing and Other	573	501	507	532	540	540	-	-	-	+39
Sales	10,241	7,554	8,746	7,415	4,715	9,291	-	-	-	+1,737
Real Estate Trading	771	813	820	715	438	1,178	-	-	-	+365
Real Estate Leasing and Other	207	173	172	184	186	176	-	-	-	+3
Segment Profit	979	985	992	899	624	1,354	-	-	-	+369
Adjustment	(321)	(325)	(456)	(411)	(384)	(501)	-	-	-	(176)
Operating Profit	657	661	535	489	239	854	-	-	-	+193
Real Estate Trading	8.0%	11.5%	10.0%	10.4%	10.5%	13.5%	-	-	-	+1.9%
Real Estate Leasing and Other	36.1%	34.5%	33.9%	34.6%	34.4%	32.6%	-	-	-	(1.9%)
Adjustment	(3.1%)	(4.3%)	(5.2%)	(5.5%)	(8.1%)	(5.4%)	-	-	-	(1.1%)
Operating Profit Margin	6.4%	8.8%	6.1%	6.6%	5.1%	9.2%	-	-	-	+0.4%

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	17,836	-	-	-	+488
Accounts Receivables	12	19	21	19	27	23	-	-	-	+4
Real Estate for Sale	34,912	35,885	34,617	35,463	39,206	44,759	-	-	-	+8,874
Real Estate for Sale in Process	405	375	498	630	479	438	-	-	-	+63
Other	547	471	479	727	731	642	-	-	-	+171
Current Assets	53,247	54,098	54,007	54,404	54,982	63,698	-	-	-	+9,600
Tangible Assets	3,856	3,817	6,992	7,614	7,596	7,604	-	-	-	+3,787
Intangible Assets	81	79	77	85	91	92	-	-	-	+13
Investments and Other Assets	544	544	605	631	715	624	-	-	-	+80
Fixed Assets	4,482	4,441	7,676	8,331	8,403	8,320	-	-	-	+3,879
Deferred Assets	43	44	44	41	43	66	-	-	-	+22
Total Assets	57,774	58,585	61,728	62,778	63,429	72,086	-	-	-	+13,501
Accounts Payables	223	284	342	361	436	472	-	-	-	+188
Short Term Debt	2,236	2,015	3,609	4,739	5,793	6,120	-	-	-	+4,105
Current Portion of Bonds Payable	780	842	792	727	865	1,007	-	-	-	+165
Current Portion of Long-term Debt	5,484	4,030	3,836	4,982	3,882	4,791	-	-	-	+761
Other	1,412	1,369	1,156	1,359	1,342	1,503	-	-	-	+134
Current Liabilities	10,135	8,540	9,735	12,168	12,318	13,893	-	-	-	+5,353
Bonds Payable	3,172	3,300	3,265	3,219	3,436	6,861	-	-	-	+3,561
Long Term Debt	21,092	22,968	24,591	23,192	23,870	27,072	-	-	-	+4,104
Other	660	667	694	652	649	631	-	-	-	(36)
Fixed Liabilities	24,924	26,935	28,550	27,063	27,955	34,564	-	-	-	+7,629
Total Liabilities	35,059	35,476	38,285	39,232	40,273	48,458	-	-	-	+12,982
Shareholders' Equity	22,627	23,016	23,350	23,453	23,063	23,535	-	-	-	+519
Other	87	93	92	93	93	92	-	-	-	(1)
Net Assets	22,714	23,109	23,442	23,546	23,156	23,627	-	-	-	+518
Total Liabilities & Net Assets	57,774	58,585	61,728	62,778	63,429	72,086	-	-	-	+13,501
Equity Capital	22,627	23,016	23,350	23,453	23,063	23,535	-	-	-	+519
Interest Bearing Debt	32,764	33,155	36,093	36,859	37,846	45,851	-	-	-	+12,696
Net Debt	15,393	15,807	17,701	19,294	23,307	28,015	-	-	-	+12,208
Equity Ratio	39.2%	39.3%	37.8%	37.4%	36.4%	32.6%	-	-	-	-
Net Debt Equity Ratio	68.0%	68.7%	75.8%	82.3%	101.1%	119.0%	-	-	-	-
ROE (12 months)	3.1%	4.4%	7.5%	5.6%	4.5%	4.8%	-	-	-	-
ROA (12 months)	3.0%	3.7%	3.6%	2.8%	2.2%	2.3%	-	-	-	-
Days for Inventory Turnover	367	538	438	553	1,000	561	-	-	-	-
Quick Ratio	172%	203%	189%	145%	118%	129%	-	-	-	-
Current Ratio	525%	633%	555%	447%	446%	458%	-	-	-	-

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	-	(8,042)	-	-	-	(13,561)
Investing Cash Flow	-	(168)	-	(1,218)	-	(185)	-	-	-	(17)
Operating Cash Flow and Investing Cash Flow	-	5,351	-	2,089	-	(8,227)	-	-	-	(13,578)
Financing Cash Flow	-	(4,215)	-	(621)	-	8,399	-	-	-	+12,614

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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