

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 Q1 to Q3 (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q3 FY12/2021		26,541	1,853	1,442	1,071	-	-	-
Q1 to Q3 FY12/2022		21,709	1,978	1,491	1,017	-	-	-
Q1 to Q3 FY12/2022	YoY	(18.2%)	6.7%	3.4%	(5.0%)	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (17 November 2022)

Soaring

On 14 November 2022, MUGEN ESTATE, running operations to purchase and resell secondhand real estate in Tokyo and the three surrounding prefectures, released its Q1 to Q3 FY12/2022 results. It has been revealed that the Company is seeing a soaring trend for its gross profit margin on a quarterly basis, having reached a record high of 25.2% since listing for Q3 (July to September). This is due to the success of the Company's sales activities which have been focused on profitability. As a result, the Company's recent trading has been generally in line with assumptions of Company forecasts for earnings, while having fallen short of expectations in sales. There is an aspect that sales of residential real estate (condos owned by segment, etc.) have failed to increase as much as expected due to the Company's thorough emphasis on profitability and thus sales for the Company as a whole. In light of this, the Company has begun implementing measures to optimize the balance between its emphasis on profitability and its focus on sales promotions on a full-fledged basis since Q3 and it is now expected that such measures will yield reasonable results for Q4. Meanwhile, the Company's focus on purchasing residential real estate continues to show steady progress, with the balance of the Company's real estate for sale (inventory) as of the end of Q3 at ¥49,932m, an increase of no less than ¥14,310m (40.2%) compared to the end of FY12/2021. The Company is actively hiring mid-career personnel to enhance sales of such inventory, while looking to sales promotions stemming from here also from a long-term perspective.


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

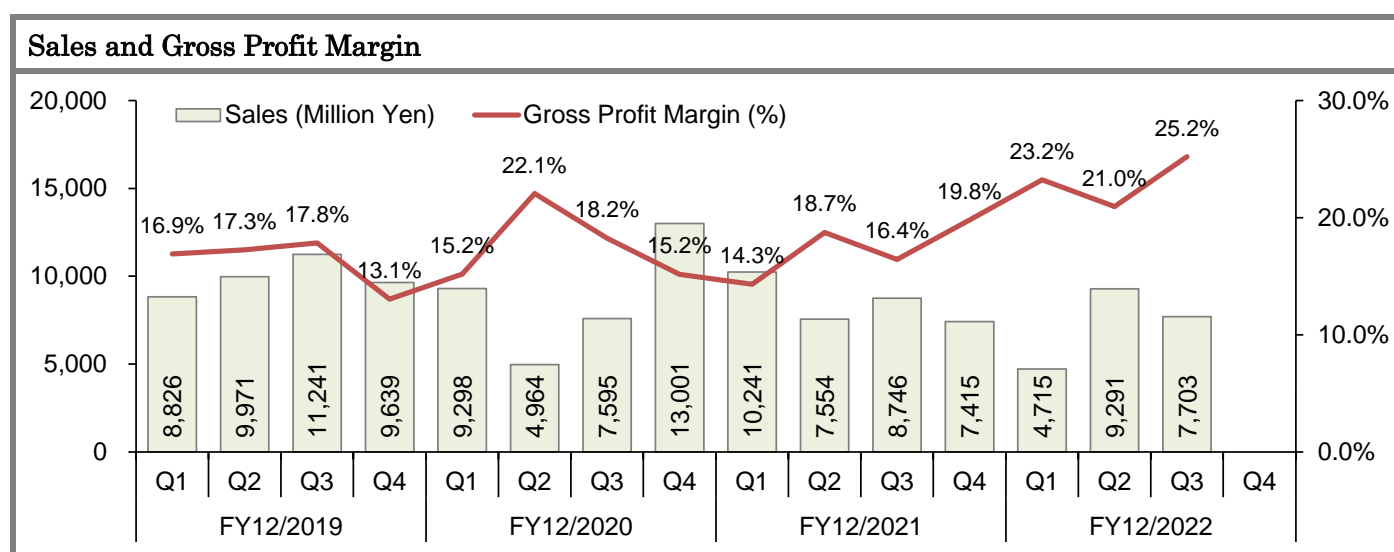
Company Name	MUGEN ESTATE Co., Ltd. Company HP IR Information Share Price (Japanese)	 MUGEN ESTATE
Established	2 May 1990	
Listing	4 April 2022: Tokyo Stock Exchange Prime Market (ticker: 3299) 5 February 2016: Tokyo Stock Exchange 1st section 18 June 2014: Tokyo Stock Exchange Mothers	
Capital	¥2,552m (as of the end of September 2022)	
No. of Shares	24,361,000 shares, including 897,325 treasury shares (as of the end of Sep. 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. 7.25%, 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: 283, Parent: 210 (as of the end of September 2022)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q3 FY12/2022

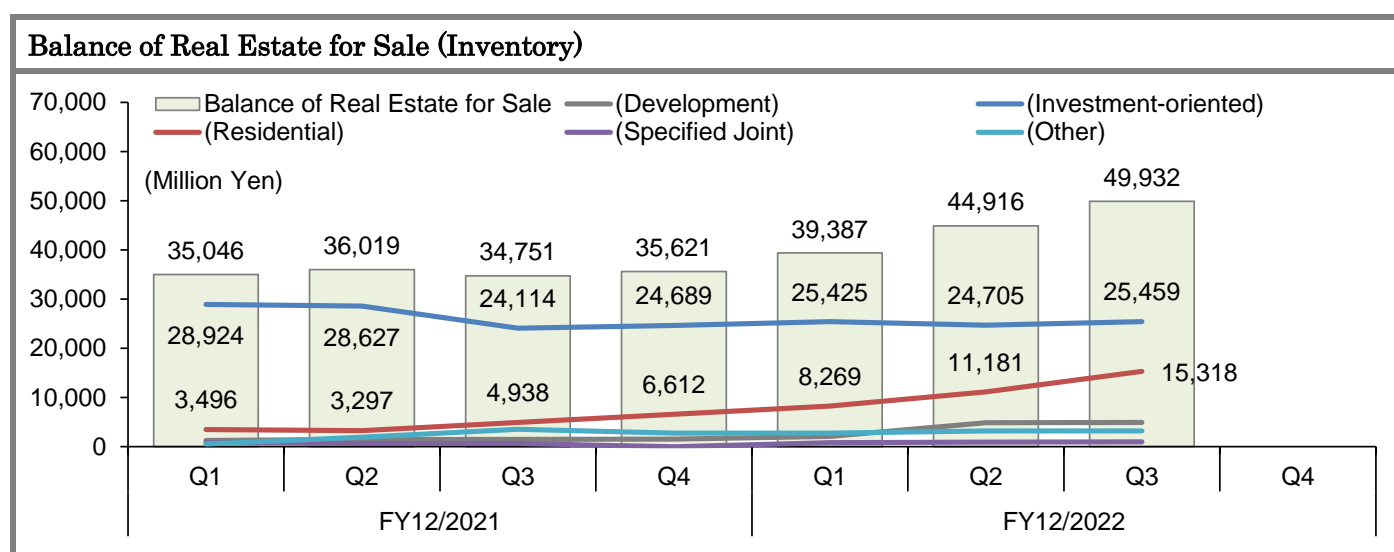
For Q1 to Q3 FY12/2022, sales came in at ¥21,709m (down 18.2% YoY), operating profit ¥1,978m (up 6.7%), recurring profit ¥1,491m (up 3.4%) and profit attributable to owners of parent ¥1,017m (down 5.0%). Meanwhile, gross profit came in at ¥4,986m (up 15.4%) and SG&A expenses ¥3,008m (up 22.0%), implying gross profit margin of 23.0% (up 6.7% points) and ratio of sales to SG&A expenses of 13.9% (up 4.6% points), having resulted in operating profit margin of 9.1% (up 2.1% points). In other words, sales have declined significantly over the same period of the previous year, while SG&A expenses increased significantly due to accelerated hiring and an increase in taxes and dues (consumption tax paid when purchasing properties), but operating profit margin has risen as the impacts stemming from improving gross profit margin has become substantial enough to more than compensate for all those negative factors



Source: Company Data, WRJ Calculation

The Real Estate Trading Business side (purchase and resale of secondhand real estate) saw sales of ¥20,052m (down 19.7%), segment profit of ¥2,751m (up 14.4%) and segment profit margin of 13.7% (up 4.1% points), having accounted for 92.4% of sales for the Company as a whole and 82.5% for segment profit, which suggests that there is an aspect that the Company's performance hinges on that of this segment to a large extent. Sales mainly comprised ¥12,191m (down 34.8%) of investment-oriented real estate and ¥7,618m (up 32.3%) of residential real estate. According to the Company, sales of investment-oriented real estate have declined, but this is basically in line with expectations. Meanwhile, the Company also says that sales of residential real estate have steadily increased, but not as fast as expected.

For FY12/2021, the Company opened a total of five business offices in Ogikubo, Ikebukuro, Akabane, Kitasenju and Funabashi, specializing in purchase and sale of residential real estate (condos, owned by segment, etc.), having significantly allocated its resources to expand sales of residential real estate. The same applies to purchase of properties. In the first place, meanwhile, the Company has intentionally reduced its allocation of resources to investment-oriented real estate, which has been its mainstay for some time. Since this change having taken place, the Company's sales activities have begun to show signs of success for the measures to emphasize profitability, while this trend has accelerated further after the beginning of FY12/2022. However, a thorough emphasis on profitability has turned out to have an aspect to force sales of residential real estate to suffer from a downward swing in sales compared to the levels expected as above-mentioned.



Source: Company Data, WRJ Calculation

In terms of property procurement, the Company's resources are concentrated on residential real estate. From the end of FY12/2021 to the end of Q3, the balance of the Company's real estate for sale (inventory) increased by ¥14,300m (40.2%) from ¥35,621m to ¥49,932m, while having increased by no less than ¥8,706m (131.7%) from ¥6,612m to ¥15,318m for residential real estate only. This is partly due to sales smaller than expected, but it is clear that the Company is aggressively focusing on residential real estate in its procurement activities.

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 ¥2,624m (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 planned annual dividend, going for ¥17.00 per share for FY12/2022, 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	Q1 to Q4	Net Chg.
	12/2021	12/2021	12/2021	12/2021	12/2022	12/2022	12/2022	12/2022	12/2022	
Sales	10,241	17,795	26,541	33,956	4,715	14,006	21,709	-	-	(4,832)
Cost of Sales	8,774	14,913	22,221	28,168	3,618	10,963	16,723	-	-	(5,498)
Gross Profit	1,466	2,882	4,320	5,788	1,096	3,043	4,986	-	-	+666
SG&A Expenses	809	1,563	2,466	3,445	856	1,949	3,008	-	-	+542
Operating Profit	657	1,318	1,853	2,342	239	1,093	1,978	-	-	+125
Non Operating Balance	(141)	(268)	(411)	(572)	(139)	(300)	(487)	-	-	(76)
Recurring Profit	516	1,050	1,442	1,770	100	793	1,491	-	-	+49
Extraordinary Balance	-	6	6	6	-	-	-	-	-	(6)
Profit before Income Taxes	516	1,056	1,448	1,776	100	793	1,491	-	-	+43
Total Income Taxes	167	318	377	500	(8)	205	473	-	-	+96
Profit Attributable to Owners of Parent	348	737	1,071	1,276	108	588	1,017	-	-	(54)
Sales YoY	+10.1%	+24.8%	+21.4%	(2.6%)	(54.0%)	(21.3%)	(18.2%)	-	-	-
Operating Profit YoY	+18.8%	+62.3%	+30.6%	(5.0%)	(63.5%)	(17.1%)	+6.7%	-	-	-
Recurring Profit YoY	+36.8%	+129.2%	+58.6%	(0.8%)	(80.6%)	(24.5%)	+3.4%	-	-	-
Profit Attributable to Owners of Parent YoY	+38.5%	+121.0%	-	+113.0%	(68.8%)	(20.3%)	(5.0%)	-	-	-
Gross Profit Margin	14.3%	16.2%	16.3%	17.0%	23.2%	21.7%	23.0%	-	-	+6.7%
Ratio of Sales to SG&A Expenses	7.9%	8.8%	9.3%	10.1%	18.2%	13.9%	13.9%	-	-	+4.6%
Operating Profit Margin	6.4%	7.4%	7.0%	6.9%	5.1%	7.8%	9.1%	-	-	+2.1%
Recurring Profit Margin	5.0%	5.9%	5.4%	5.2%	2.1%	5.7%	6.9%	-	-	+1.4%
Profit Attributable to Owners of Parent Margin	3.4%	4.1%	4.0%	3.8%	2.3%	4.2%	4.7%	-	-	+0.6%
Total Income Taxes / Profit before Income Taxes	32.4%	30.1%	26.0%	28.2%	(8.0%)	25.9%	31.7%	-	-	+5.7%

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	Q4	Net Chg.
	12/2021	12/2021	12/2021	12/2021	12/2022	12/2022	12/2022	12/2022	12/2022	
Sales	10,241	7,554	8,746	7,415	4,715	9,291	7,703	-	-	(1,043)
Cost of Sales	8,774	6,139	7,308	5,947	3,618	7,345	5,760	-	-	(1,548)
Gross Profit	1,466	1,416	1,438	1,468	1,096	1,947	1,943	-	-	+505
SG&A Expenses	809	754	903	979	856	1,093	1,059	-	-	+156
Operating Profit	657	661	535	489	239	854	885	-	-	+350
Non Operating Balance	(141)	(127)	(143)	(161)	(139)	(161)	(187)	-	-	(44)
Recurring Profit	516	534	392	328	100	693	698	-	-	+306
Extraordinary Balance	-	6	-	-	-	-	-	-	-	-
Profit before Income Taxes	516	540	392	328	100	693	698	-	-	+306
Total Income Taxes	167	151	59	123	(8)	213	268	-	-	+209
Profit Attributable to Owners of Parent	348	389	334	205	108	480	429	-	-	+95
Sales YoY	+10.1%	+52.2%	+15.2%	(43.0%)	(54.0%)	+23.0%	(11.9%)	-	-	-
Operating Profit YoY	+18.8%	+155.2%	(11.9%)	(53.3%)	(63.5%)	+29.2%	+65.4%	-	-	-
Recurring Profit YoY	+36.8%	+559.3%	(13.1%)	(62.6%)	(80.6%)	+29.8%	+78.1%	-	-	-
Profit Attributable to Owners of Parent YoY	+38.5%	+374.4%	-	(67.5%)	(68.8%)	+23.4%	+28.4%	-	-	-
Gross Profit Margin	14.3%	18.7%	16.4%	19.8%	23.2%	21.0%	25.2%	-	-	+8.8%
Ratio of Sales to SG&A Expenses	7.9%	10.0%	10.3%	13.2%	18.2%	11.8%	13.7%	-	-	+3.4%
Operating Profit Margin	6.4%	8.8%	6.1%	6.6%	5.1%	9.2%	11.5%	-	-	+5.4%
Recurring Profit Margin	5.0%	7.1%	4.5%	4.4%	2.1%	7.5%	9.1%	-	-	+4.6%
Profit Attributable to Owners of Parent Margin	3.4%	5.1%	3.8%	2.8%	2.3%	5.2%	5.6%	-	-	+1.8%
Total Income Taxes / Profit before Income Taxes	32.4%	28.0%	15.1%	37.5%	(8.0%)	30.7%	38.4%	-	-	+23.3%

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	20,052	-	-	(4,908)
Real Estate Leasing and Other	573	1,074	1,581	2,113	540	1,080	1,657	-	-	+76
Sales	10,241	17,795	26,541	33,956	4,715	14,006	21,709	-	-	(4,832)
Real Estate Trading	771	1,584	2,404	3,119	438	1,616	2,751	-	-	+347
Real Estate Leasing and Other	207	380	552	736	186	362	584	-	-	+32
Segment Profit	979	1,964	2,956	3,855	624	1,978	3,335	-	-	+379
Adjustment	(321)	(646)	(1,102)	(1,513)	(384)	(885)	(1,357)	-	-	(255)
Operating Profit	657	1,318	1,853	2,342	239	1,093	1,978	-	-	+125
Real Estate Trading	8.0%	9.5%	9.6%	9.8%	10.5%	12.5%	13.7%	-	-	+4.1%
Real Estate Leasing and Other	36.1%	35.4%	34.9%	34.8%	34.4%	33.5%	35.2%	-	-	+0.3%
Adjustment	(3.1%)	(3.6%)	(4.2%)	(4.5%)	(8.1%)	(6.3%)	(6.3%)	-	-	(2.1%)
Operating Profit Margin	6.4%	7.4%	7.0%	6.9%	5.1%	7.8%	9.1%	-	-	+2.1%

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	7,127	-	-	(1,112)
Real Estate Leasing and Other	573	501	507	532	540	540	577	-	-	+70
Sales	10,241	7,554	8,746	7,415	4,715	9,291	7,703	-	-	(1,043)
Real Estate Trading	771	813	820	715	438	1,178	1,135	-	-	+315
Real Estate Leasing and Other	207	173	172	184	186	176	222	-	-	+50
Segment Profit	979	985	992	899	624	1,354	1,357	-	-	+365
Adjustment	(321)	(325)	(456)	(411)	(384)	(501)	(472)	-	-	(16)
Operating Profit	657	661	535	489	239	854	885	-	-	+350
Real Estate Trading	8.0%	11.5%	10.0%	10.4%	10.5%	13.5%	15.9%	-	-	+6.0%
Real Estate Leasing and Other	36.1%	34.5%	33.9%	34.6%	34.4%	32.6%	38.5%	-	-	+4.5%
Adjustment	(3.1%)	(4.3%)	(5.2%)	(5.5%)	(8.1%)	(5.4%)	(6.1%)	-	-	(0.9%)
Operating Profit Margin	6.4%	8.8%	6.1%	6.6%	5.1%	9.2%	11.5%	-	-	+5.4%

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	16,651	-	-	(1,741)
Accounts Receivables	12	19	21	19	27	23	32	-	-	+11
Real Estate for Sale	34,912	35,885	34,617	35,463	39,206	44,759	49,739	-	-	+15,122
Real Estate for Sale in Process	405	375	498	630	479	438	498	-	-	0
Other	547	471	479	727	731	642	629	-	-	+150
Current Assets	53,247	54,098	54,007	54,404	54,982	63,698	67,549	-	-	+13,542
Tangible Assets	3,856	3,817	6,992	7,614	7,596	7,604	7,569	-	-	+577
Intangible Assets	81	79	77	85	91	92	89	-	-	+12
Investments and Other Assets	544	544	605	631	715	624	679	-	-	+74
Fixed Assets	4,482	4,441	7,676	8,331	8,403	8,320	8,338	-	-	+662
Deferred Assets	43	44	44	41	43	66	62	-	-	+18
Total Assets	57,774	58,585	61,728	62,778	63,429	72,086	75,950	-	-	+14,222
Accounts Payables	223	284	342	361	436	472	583	-	-	+241
Short Term Debt	2,236	2,015	3,609	4,739	5,793	6,120	6,005	-	-	+2,396
Current Portion of Bonds Payable	780	842	792	727	865	1,007	3,052	-	-	+2,260
Current Portion of Long-term Debt	5,484	4,030	3,836	4,982	3,882	4,791	6,806	-	-	+2,970
Other	1,412	1,369	1,156	1,359	1,342	1,503	1,792	-	-	+636
Current Liabilities	10,135	8,540	9,735	12,168	12,318	13,893	18,238	-	-	+8,503
Bonds Payable	3,172	3,300	3,265	3,219	3,436	6,861	4,637	-	-	+1,372
Long Term Debt	21,092	22,968	24,591	23,192	23,870	27,072	28,384	-	-	+3,793
Other	660	667	694	652	649	631	633	-	-	(61)
Fixed Liabilities	24,924	26,935	28,550	27,063	27,955	34,564	33,654	-	-	+5,104
Total Liabilities	35,059	35,476	38,285	39,232	40,273	48,458	51,893	-	-	+13,608
Shareholders' Equity	22,627	23,016	23,350	23,453	23,063	23,535	23,964	-	-	+614
Other	87	93	92	93	93	92	93	-	-	+1
Net Assets	22,714	23,109	23,442	23,546	23,156	23,627	24,057	-	-	+615
Total Liabilities & Net Assets	57,774	58,585	61,728	62,778	63,429	72,086	75,950	-	-	+14,222
Equity Capital	22,627	23,016	23,350	23,453	23,063	23,535	23,964	-	-	+614
Interest Bearing Debt	32,764	33,155	36,093	36,859	37,846	45,851	48,884	-	-	+12,791
Net Debt	15,393	15,807	17,701	19,294	23,307	28,015	32,233	-	-	+14,532
Equity Ratio	39.2%	39.3%	37.8%	37.4%	36.4%	32.6%	31.6%	-	-	-
Net Debt Equity Ratio	68.0%	68.7%	75.8%	82.3%	101.1%	119.0%	134.5%	-	-	-
ROE (12 months)	3.1%	4.4%	7.5%	5.6%	4.5%	4.8%	5.2%	-	-	-
ROA (12 months)	3.0%	3.7%	3.6%	2.8%	2.2%	2.3%	2.6%	-	-	-
Days for Inventory Turnover	367	538	438	553	1,000	561	795	-	-	-
Quick Ratio	172%	203%	189%	145%	118%	129%	91%	-	-	-
Current Ratio	525%	633%	555%	447%	446%	458%	370%	-	-	-

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)	-	-	-	-
Investing Cash Flow	-	(168)	-	(1,218)	-	(185)	-	-	-	-
Operating Cash Flow and Investing Cash Flow	-	5,351	-	2,089	-	(8,227)	-	-	-	-
Financing Cash Flow	-	(4,215)	-	(621)	-	8,399	-	-	-	-

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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