

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)
FY12/2021	33,956	2,342	1,770	1,276	53.25	15.00	986.47
FY12/2022	31,242	2,976	2,309	1,564	66.56	20.00	1,044.67
FY12/2023CoE	45,865	3,625	2,840	1,863	79.21	24.00	-
FY12/2022	YoY	(8.0%)	27.1%	30.4%	22.6%	-	-
FY12/2023CoE	YoY	46.8%	21.8%	23.0%	19.1%	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (21 February 2023)


Recovery of Operating Profit Margin

On 14 February 2023, MUGEN ESTATE, running operations to purchase and resell secondhand real estate in Tokyo and the three surrounding prefectures, released its FY12/2022 results. It has been revealed that gross profit margin has recovered nicely and thus operating profit margin accordingly, although sales have declined as a result of the Company's strategy to focus on profitability in its sales activities. Meanwhile, for FY12/2023, the Company is looking to a major strength in sales and earnings by means of optimizing the balance between focus on profitability and promotion of sales. The Company has come up with a policy to dedicate itself to purchase and resale of residential real estate (represented by condos owned by unit) and has actively made progress in purchasing with this domain as the mainstay. Consequently, real estate for sale (inventory) as of the end of FY12/2022 stood at ¥51,323m, up no less than ¥15,701m (44.1%) from the end of FY12/2021. Meanwhile, the Company has already set up a structure to promote sales, having newly opened collective 6 business offices specialized in purchase and resale of residential real estate (represented by condos owned by unit), where personnel newly acquired by active hiring, including those of immediate skills, are stationed. With respect to the Company's second midterm management plan (FY12/2022 to FY12/2024), the performance target for FY12/2024, the final year of the plan, has been left unchanged. Meanwhile, the Company has revealed its plan to geographically penetrate into new domain by means of launching a new business office in Osaka this summer. We are to interview with management for details more in-depth to update our Company Report and release afresh: [MUGEN ESTATE \(3299\) Reversal and Thrust \(29 March 2022\)](#).

IR Representative: Norihito Hosokawa, Executive Officer
Department Manager of Corporate Planning & Strategy Department
(81-(0)3-6665-0581 / ir@mugen-estate.co.jp)

2.0 Company Profile

Creating New Value in Real Estate

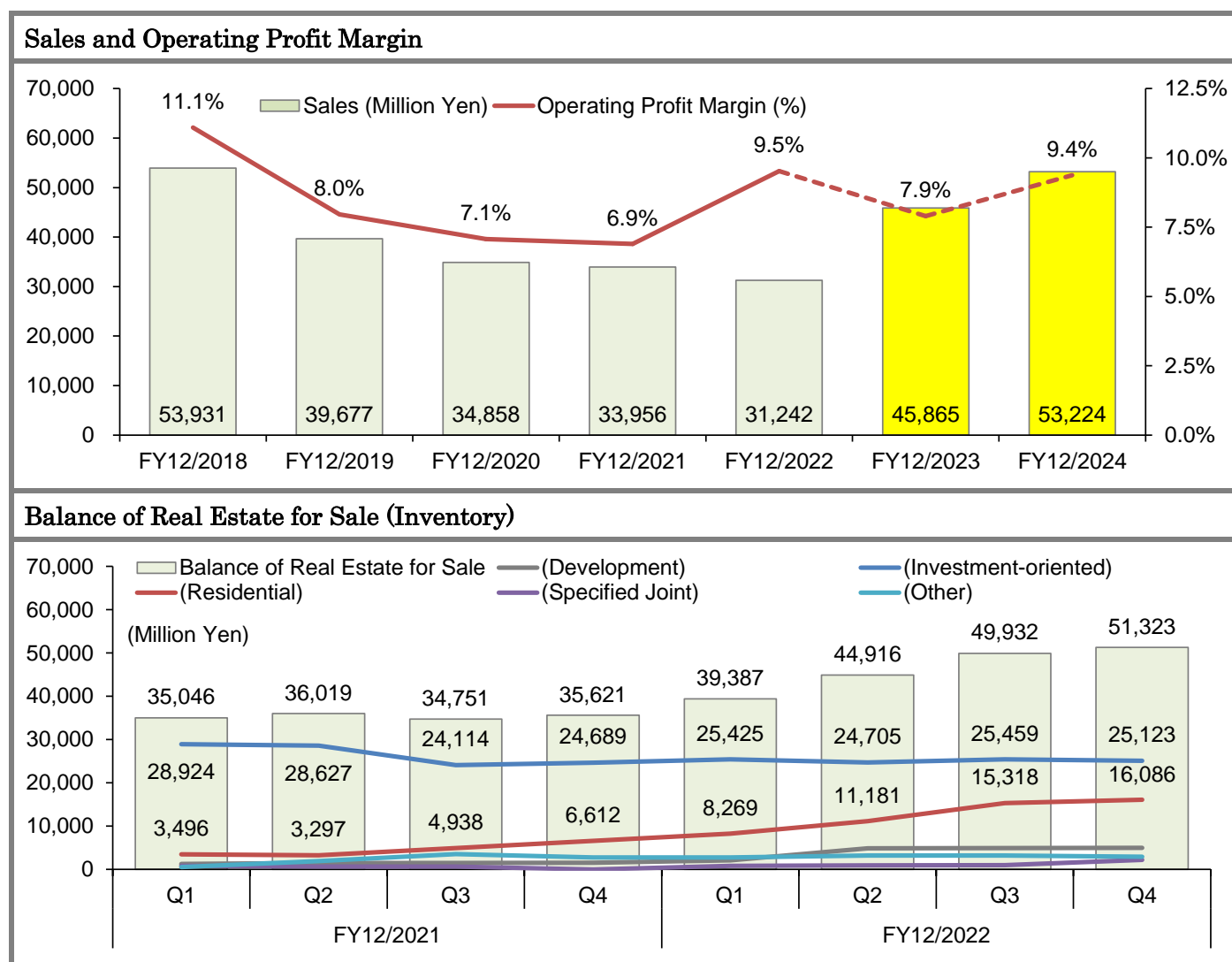
Company Name	MUGEN ESTATE Co., Ltd. Company HP IR Information Share Price (Japanese)	 MUGEN ESTATE
Established	2 May 1990	
Listing	4 April 2022: Tokyo Stock Exchange Prime Market (ticker: 3299) 5 February 2016: Tokyo Stock Exchange 1st section 18 June 2014: Tokyo Stock Exchange Mothers	
Capital	¥2,552m (as of the end of December 2022)	
No. of Shares	24,361,000 shares, including 897,325 treasury shares (as of the end of Dec. 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	Chairperson & Representative Director: Susumu Fujita President & Representative Director: Shinichi Fujita	
Shareholders	Susumu Fujita 19.9%, Shinichi Fujita 10.7%, Dream Come True Co., Ltd. 7.2%, Master Trust Bank of Japan, T. 5.5% (as of the end of December. 2022, but for treasury shares)	
Head Office	Chiyoda-ku, Tokyo, JAPAN	
No. of Personnel	Consolidated: 295, Parent: 221 (as of the end of December 2022)	

Source: Company Data

3.0 Recent Trading and Prospects

FY12/2022

For FY12/2022, sales came in at ¥31,242m (down 8.0% YoY), operating profit ¥2,976m (up 27.1%), recurring profit ¥2,309m (up 30.4%) and profit attributable to owners of parent ¥1,564m (up 22.6%). Meanwhile, gross profit came in at ¥7,150m (up 23.5%) and SG&A expenses ¥4,173m (up 21.1%), implying gross profit margin of 22.9% (up 5.8% points) and SG&A ratio of 13.4% (up 3.2% points), having resulted in operating profit margin of 9.5% (up 2.6% points).



Source: Company Data, WRJ Calculation

Real Estate Trading Business (92.9% of sales, 83.8% of segment profit)

On the Real Estate Trading Business side (purchase and resale of secondhand real estate), sales came in at ¥29,016m (down 8.9%), segment profit ¥4,051m (up 29.9%) and segment profit margin 14.0% (up 4.2% points), implying to have realized a recovery in gross profit margin and operating profit margin for the Company as a whole. Meanwhile, sales associated with investment-oriented real estate came in at ¥16,941m (down 19.8%) and sales associated with residential real estate (represented by condos owned by unit) came in at ¥10,856m (up 15.8%). As for new business domains, sales of real estate development came in at ¥184m (versus nothing in the previous year) and sales of real estate specified joint came in at ¥922m (down 23.2%).

The Company has come up with a policy to dedicate itself to purchase and resale of residential real estate (represented by condos owned by unit), which realized a substantial increase in sales for the said operations. For example, in the course of FY12/2021, the Company launched new business offices specialized in purchase and resale of residential real estate (represented by condos owned by unit) in Funabashi, Kitasenju, Akabane, Ikebukuro and Ogikubo, i.e., the key locations for the Company to promote sales in Tokyo and the three surrounding prefectures where it runs own operations, resulting in active purchase and resale in each location. On top of this, the Company launched another one in Kamata for FY12/2022, having further strengthened own ability to purchase and resell real estate via local real estate brokers based in each location.

Meanwhile, with respect to new business domains, i.e., real estate development and real estate specified joint, the Company is seeing sales delayed a little more than a little due to surging material prices and/or labor costs. The Company also says that it suffers from a delayed strengthening of personnel in charge of all those operations at the same time. Anyhow, for real estate development, the Company is involved with purchase of lands, plan, design, lease and sale, while construction being outsourced. For real estate specified joint, the Company's operations are of structuring and sale of small-lot real estate products.

Real Estate Leasing and Other Business (7.1% of sales, 16.2% of segment profit)

On the Real Estate Leasing and Other Business side, sales came in at ¥2,226m (up 5.3%), segment profit ¥780m (up 6.1%) and segment profit margin 35.1% (up 0.3 % points). According to the Company, sales and earnings were driven by progressing purchase of investment-oriented real estate, representing that of generating income from lease by holding. Prior to resale, the Company holds such real estate and sees such income from lease as sales in this segment.

FY12/2023 Company Forecasts

FY12/2023 Company forecasts (announced on 14 February 2023) are going for prospective sales of ¥45,865m (up 46.8% YoY), operating profit of ¥3,625m (up 21.8%), recurring profit of ¥2,840m (up 23.0%) and profit attributable to owners of parent of ¥1,863m (up 19.1%), while operating profit margin of 7.9% (down 1.6% points). At the same time, Company forecasts are going for planned annual dividend of ¥24.00 per share, implying payout ratio of 30.3%.

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	31,242		(2,714)
Cost of Sales	8,774	14,913	22,221	28,168	3,618	10,963	16,723	24,092		(4,076)
Gross Profit	1,466	2,882	4,320	5,788	1,096	3,043	4,986	7,150		+1,362
SG&A Expenses	809	1,563	2,466	3,445	856	1,949	3,008	4,173		+728
Operating Profit	657	1,318	1,853	2,342	239	1,093	1,978	2,976		+634
Non Operating Balance	(141)	(268)	(411)	(572)	(139)	(300)	(487)	(667)		(95)
Recurring Profit	516	1,050	1,442	1,770	100	793	1,491	2,309		+539
Extraordinary Balance	-	6	6	6	-	-	-	(31)		(37)
Profit before Income Taxes	516	1,056	1,448	1,776	100	793	1,491	2,278		+502
Total Income Taxes	167	318	377	500	(8)	205	473	713		+213
Profit Attributable to Owners of Parent	348	737	1,071	1,276	108	588	1,017	1,564		+288
Sales YoY	+10.1%	+24.8%	+21.4%	(2.6%)	(54.0%)	(21.3%)	(18.2%)	(8.0%)		-
Operating Profit YoY	+18.8%	+62.3%	+30.6%	(5.0%)	(63.5%)	(17.1%)	+6.7%	+27.1%		-
Recurring Profit YoY	+36.8%	+129.2%	+58.6%	(0.8%)	(80.6%)	(24.5%)	+3.4%	+30.4%		-
Profit Attributable to Owners of Parent YoY	+38.5%	+121.0%	-	+113.0%	(68.8%)	(20.3%)	(5.0%)	+22.6%		-
Gross Profit Margin	14.3%	16.2%	16.3%	17.0%	23.2%	21.7%	23.0%	22.9%		+5.8%
SG&A Ratio	7.9%	8.8%	9.3%	10.1%	18.2%	13.9%	13.9%	13.4%		+3.2%
Operating Profit Margin	6.4%	7.4%	7.0%	6.9%	5.1%	7.8%	9.1%	9.5%		+2.6%
Recurring Profit Margin	5.0%	5.9%	5.4%	5.2%	2.1%	5.7%	6.9%	7.4%		+2.2%
Profit Attributable to Owners of Parent Margin	3.4%	4.1%	4.0%	3.8%	2.3%	4.2%	4.7%	5.0%		+1.2%
Total Income Taxes / Profit before Income Taxes	32.4%	30.1%	26.0%	28.2%	(8.0%)	25.9%	31.7%	31.3%		+3.1%

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	9,533		+2,118
Cost of Sales	8,774	6,139	7,308	5,947	3,618	7,345	5,760	7,369		+1,422
Gross Profit	1,466	1,416	1,438	1,468	1,096	1,947	1,943	2,164		+696
SG&A Expenses	809	754	903	979	856	1,093	1,059	1,165		+186
Operating Profit	657	661	535	489	239	854	885	998		+509
Non Operating Balance	(141)	(127)	(143)	(161)	(139)	(161)	(187)	(180)		(19)
Recurring Profit	516	534	392	328	100	693	698	818		+490
Extraordinary Balance	-	6	-	-	-	-	-	(31)		(31)
Profit before Income Taxes	516	540	392	328	100	693	698	787		+459
Total Income Taxes	167	151	59	123	(8)	213	268	240		+117
Profit Attributable to Owners of Parent	348	389	334	205	108	480	429	547		+342
Sales YoY	+10.1%	+52.2%	+15.2%	(43.0%)	(54.0%)	+23.0%	(11.9%)	+28.6%		-
Operating Profit YoY	+18.8%	+155.2%	(11.9%)	(53.3%)	(63.5%)	+29.2%	+65.4%	+104.1%		-
Recurring Profit YoY	+36.8%	+559.3%	(13.1%)	(62.6%)	(80.6%)	+29.8%	+78.1%	+149.4%		-
Profit Attributable to Owners of Parent YoY	+38.5%	+374.4%	-	(67.5%)	(68.8%)	+23.4%	+28.4%	+166.8%		-
Gross Profit Margin	14.3%	18.7%	16.4%	19.8%	23.2%	21.0%	25.2%	22.7%		+2.9%
SG&A Ratio	7.9%	10.0%	10.3%	13.2%	18.2%	11.8%	13.7%	12.2%		(1.0%)
Operating Profit Margin	6.4%	8.8%	6.1%	6.6%	5.1%	9.2%	11.5%	10.5%		+3.9%
Recurring Profit Margin	5.0%	7.1%	4.5%	4.4%	2.1%	7.5%	9.1%	8.6%		+4.2%
Profit Attributable to Owners of Parent Margin	3.4%	5.1%	3.8%	2.8%	2.3%	5.2%	5.6%	5.7%		+3.0%
Total Income Taxes / Profit before Income Taxes	32.4%	28.0%	15.1%	37.5%	(8.0%)	30.7%	38.4%	30.5%		(7.0%)

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	29,016		(2,826)
Real Estate Leasing and Other	573	1,074	1,581	2,113	540	1,080	1,657	2,226		+113
Sales	10,241	17,795	26,541	33,956	4,715	14,006	21,709	31,242		(2,714)
Real Estate Trading	771	1,584	2,404	3,119	438	1,616	2,751	4,051		+932
Real Estate Leasing and Other	207	380	552	736	186	362	584	780		+44
Segment Profit	979	1,964	2,956	3,855	624	1,978	3,335	4,831		+976
Adjustment	(321)	(646)	(1,102)	(1,513)	(384)	(885)	(1,357)	(1,854)		(341)
Operating Profit	657	1,318	1,853	2,342	239	1,093	1,978	2,976		+634
Real Estate Trading	8.0%	9.5%	9.6%	9.8%	10.5%	12.5%	13.7%	14.0%		+4.2%
Real Estate Leasing and Other	36.1%	35.4%	34.9%	34.8%	34.4%	33.5%	35.2%	35.0%		+0.2%
Adjustment	(3.1%)	(3.6%)	(4.2%)	(4.5%)	(8.1%)	(6.3%)	(6.3%)	(5.9%)		(1.5%)
Operating Profit Margin	6.4%	7.4%	7.0%	6.9%	5.1%	7.8%	9.1%	9.5%		+2.6%

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	8,964		+2,082
Real Estate Leasing and Other	573	501	507	532	540	540	577	569		+37
Sales	10,241	7,554	8,746	7,415	4,715	9,291	7,703	9,533		+2,118
Real Estate Trading	771	813	820	715	438	1,178	1,135	1,300		+585
Real Estate Leasing and Other	207	173	172	184	186	176	222	196		+12
Segment Profit	979	985	992	899	624	1,354	1,357	1,496		+597
Adjustment	(321)	(325)	(456)	(411)	(384)	(501)	(472)	(497)		(86)
Operating Profit	657	661	535	489	239	854	885	998		+509
Real Estate Trading	8.0%	11.5%	10.0%	10.4%	10.5%	13.5%	15.9%	14.5%		+4.1%
Real Estate Leasing and Other	36.1%	34.5%	33.9%	34.6%	34.4%	32.6%	38.5%	34.4%		(0.1%)
Adjustment	(3.1%)	(4.3%)	(5.2%)	(5.5%)	(8.1%)	(5.4%)	(6.1%)	(5.2%)		+0.3%
Operating Profit Margin	6.4%	8.8%	6.1%	6.6%	5.1%	9.2%	11.5%	10.5%		+3.9%

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	17,754	+189	
Accounts Receivables	12	19	21	19	27	23	32	23	+4	
Real Estate for Sale	34,912	35,885	34,617	35,463	39,206	44,759	49,739	51,116	+15,653	
Real Estate for Sale in Process	405	375	498	630	479	438	498	517	(113)	
Other	547	471	479	727	731	642	629	764	+37	
Current Assets	53,247	54,098	54,007	54,404	54,982	63,698	67,549	70,174	+15,770	
Tangible Assets	3,856	3,817	6,992	7,614	7,596	7,604	7,569	6,430	(1,184)	
Intangible Assets	81	79	77	85	91	92	89	84	(1)	
Investments and Other Assets	544	544	605	631	715	624	679	698	+67	
Fixed Assets	4,482	4,441	7,676	8,331	8,403	8,320	8,338	7,213	(1,118)	
Deferred Assets	43	44	44	41	43	66	62	60	+19	
Total Assets	57,774	58,585	61,728	62,778	63,429	72,086	75,950	77,448	+14,670	
Accounts Payables	223	284	342	361	436	472	583	495	+134	
Short Term Debt	2,236	2,015	3,609	4,739	5,793	6,120	6,005	6,023	+1,284	
Current Portion of Bonds Payable	780	842	792	727	865	1,007	3,052	3,091	+2,364	
Current Portion of Long-term Debt	5,484	4,030	3,836	4,982	3,882	4,791	6,806	6,520	+1,538	
Other	1,412	1,369	1,156	1,359	1,342	1,503	1,792	2,372	+1,013	
Current Liabilities	10,135	8,540	9,735	12,168	12,318	13,893	18,238	18,501	+6,333	
Bonds Payable	3,172	3,300	3,265	3,219	3,436	6,861	4,637	4,623	+1,404	
Long Term Debt	21,092	22,968	24,591	23,192	23,870	27,072	28,384	29,049	+5,857	
Other	660	667	694	652	649	631	633	670	+18	
Fixed Liabilities	24,924	26,935	28,550	27,063	27,955	34,564	33,654	34,342	+7,279	
Total Liabilities	35,059	35,476	38,285	39,232	40,273	48,458	51,893	52,843	+13,611	
Shareholders' Equity	22,627	23,016	23,350	23,453	23,063	23,535	23,964	24,511	+1,058	
Other	87	93	92	93	93	92	93	93	0	
Net Assets	22,714	23,109	23,442	23,546	23,156	23,627	24,057	24,604	+1,058	
Total Liabilities & Net Assets	57,774	58,585	61,728	62,778	63,429	72,086	75,950	77,448	+14,670	
Equity Capital	22,627	23,016	23,350	23,453	23,063	23,535	23,964	24,511	+1,058	
Interest Bearing Debt	32,764	33,155	36,093	36,859	37,846	45,851	48,884	49,306	+12,447	
Net Debt	15,393	15,807	17,701	19,294	23,307	28,015	32,233	31,552	+12,258	
Equity Ratio	39.2%	39.3%	37.8%	37.4%	36.4%	32.6%	31.6%	31.6%	-	
Net Debt Equity Ratio	68.0%	68.7%	75.8%	82.3%	101.1%	119.0%	134.5%	128.7%	-	
ROE (12 months)	3.1%	4.4%	7.5%	5.6%	4.5%	4.8%	5.2%	6.5%	-	
ROA (12 months)	3.0%	3.7%	3.6%	2.8%	2.2%	2.3%	2.6%	3.3%	-	
Days for Inventory Turnover	367	538	438	553	1,000	561	795	639	-	
Quick Ratio	172%	203%	189%	145%	118%	129%	91%	96%	-	
Current Ratio	525%	633%	555%	447%	446%	458%	370%	379%	-	

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)	-	(11,491)	(14,798)	
Investing Cash Flow	-	(168)	-	(1,218)	-	(185)	-	(157)	+1,061	
Operating Cash Flow and Investing Cash Flow	-	5,351	-	2,089	-	(8,227)	-	(11,648)	(13,737)	
Financing Cash Flow	-	(4,215)	-	(621)	-	8,399	-	11,847	+12,468	

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.

Company name: Walden Research Japan Incorporated

Head office: Level 4 Ginza Ishii Building, 6-14-8 Ginza Chuo-ku Tokyo 104-0061, JAPAN

URL: <https://walden.co.jp/>

E-mail: info@walden.co.jp

Tel: 81-(0)3-3553-3769
