

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		46,139	4,632	3,860	2,522	107.22	43.00	-
FY12/2022	YoY	(8.0%)	27.1%	30.4%	22.6%	-	-	-
FY12/2023CoE	YoY	47.7%	55.6%	67.2%	61.2%	-	-	-
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 FY12/2022		14,006	1,093	793	588	-	-	-
Q3 to Q4 FY12/2022		17,236	1,883	1,516	976	-	-	-
Q1 to Q2 FY12/2023		26,247	3,303	2,918	1,929	-	-	-
Q3 to Q4 FY12/2023CoE		19,892	1,329	942	593	-	-	-
Q1 to Q2 FY12/2023	YoY	87.4%	202.2%	267.8%	228.1%	-	-	-
Q3 to Q4 FY12/2023CoE	YoY	15.4%	(29.4%)	(37.9%)	(39.2%)	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (7 August 2023)


A Rally

On 4 August 2023, MUGEN ESTATE, running operations to purchase and resell secondhand real estate in Tokyo and the three surrounding prefectures, released its Q1 to Q2 FY12/2023 results. It has been revealed that a rapid recovery in sales is continuing. Given the fact that gross profit margin has remained at a high level, the Company is seeing a momentum even larger for earnings. Initial full-year Company forecasts has been already revised up (on 18 July 2023), while it appears that the current Company forecasts are based on conservative assumptions for H2. One of the reasons for the rapid recovery in sales is that the Company's efforts to expand sales of residential real estate (mainly purchase and resale of secondhand condos on a unit-by-unit basis), on which it has been focusing through the establishment of new sales offices, have begun to take effect in earnest. At the same time, sales of investment-oriented real estate (mainly purchase and resale of secondhand condos on a single building basis) have been rising steadily, also contributing significantly to the Company's sales. After the Corona disaster, demand for high-unit-price properties from overseas now appears to be particularly robust. We are to interview with management for details more in-depth to update our Company Report and release afresh: [MUGEN ESTATE \(3299\) Growth Rate of 30% \(13 April 2023\)](#).

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2.0 Company Profile

Creating New Value in Real Estate

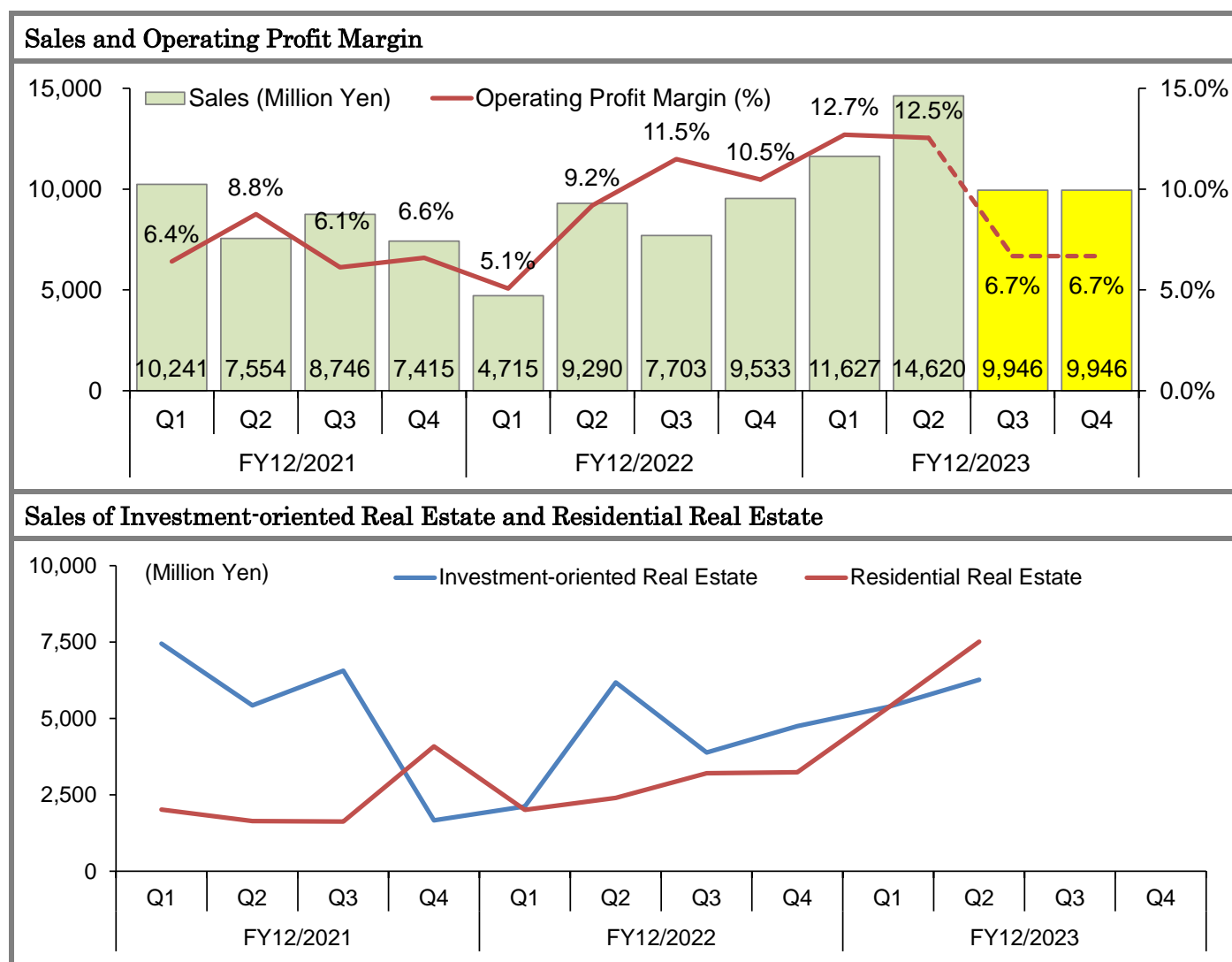
Company Name	MUGEN ESTATE Co., Ltd. Company HP IR Information Share Price (Japanese)	 MUGEN ESTATE
Established	2 May 1990	
Listing	4 April 2022: Tokyo Stock Exchange Prime Market (ticker: 3299) 5 February 2016: Tokyo Stock Exchange 1st section 18 June 2014: Tokyo Stock Exchange Mothers	
Capital	¥2,552m (as of the end of June 2023)	
No. of Shares	24,361,000 shares, including 798,325 treasury shares (as of the end of June 2023)	
Main Features	<ul style="list-style-type: none"> ● Operations in Tokyo and the three surrounding prefectures, i.e., Kanagawa, Saitama and Chiba, while having set up a new sales office in Osaka and started operations (12 May 2023) ● 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 (purchase and resale of secondhand real estate) II . Real Estate Leasing and Other Business (acquisition of income from lease)	
Representatives	Chairperson & Representative Director: Susumu Fujita President & Representative Director: Shinichi Fujita	
Shareholders	Susumu Fujita 19.64%, Shinichi Fujita 8.99%, Dream Come True Co., Ltd. 7.21%, Celanese Co., Ltd. 4.24% (as of the end of June 2023, but for treasury shares)	
Head Office	Chiyoda-ku, Tokyo, JAPAN	
No. of Personnel	Consolidated: 344, Parent: 265 (as of the end of June 2023)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q2 FY12/2023

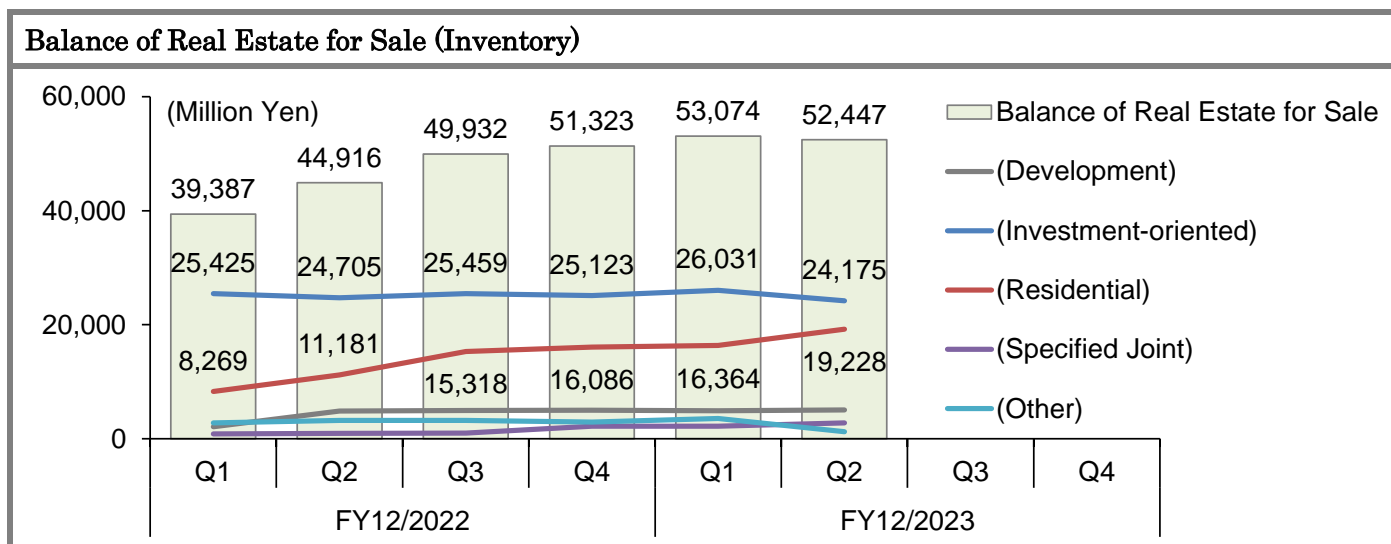
For Q1 to Q2 FY12/2023, sales came in at ¥26,247m (up 87.4% YoY), operating profit ¥3,303m (up 202.2%), recurring profit ¥2,918m (up 267.8%) and profit attributable to owners of parent ¥1,929m (up 228.1%). Meanwhile, gross profit came in at ¥5,893m (up 93.7%) and SG&A expenses ¥2,589m (up 32.8%), implying gross profit margin of 22.5% (up 0.7% points) and SG&A ratio of 9.9% (down 4.1% points), having resulted in operating profit margin of 12.6% (up 4.8% points).



Source: Company Data, WRJ Calculation (Q3 and Q4 FY12/2023: H2 Company forecasts, pro rata)

Real Estate Trading Business (95.7% of sales, 91.4% of segment profit)

On the Real Estate Trading Business side (purchase and resale of secondhand real estate), sales came in at ¥25,121m (up 94.4%), segment profit ¥4,001m (up 147.6%) and segment profit margin 15.9% (up 3.4% points), having accounted for the bulk of the Company's sales and earnings. By the way, sales of investment-oriented real estate (mainly purchase and resale of secondhand condos on a single building basis) came in at ¥11,654m (up 40.4%) and sales of residential real estate (mainly purchase and resale of secondhand condos on a unit-by-unit basis) came in at ¥12,871m (up 191.7%), while sales of real estate development came in at ¥285m (versus nothing during the same period of the previous year), sales of real estate specified joint ¥246m (up 63.2%) and sales of other ¥64m (up 8.0%).



Source: Company Data, WRJ Calculation

The Company's collective purchase for Q1 to Q2 came in at ¥18,142m (down 10.8%). With respect to the operations of real estate development, there was a suspension of purchase versus ¥2,500m during the same period of the previous, although the Company has concluded contracts to do so, as a result of its measure to propel purchase activities with economic efficiency taken into account in light of soaring material and labor costs, which was the key negative factor for a decline in the Company's collective purchase. Nevertheless, the Company continued to actively purchase residential real estate, on which it focuses, as much as ¥11,076m (up 11.4%) and thus the balance of the Company's real estate for sale (inventory) has remained at a high level. With respect to residential real estate, the Company is steadily building a system to expand sales for the future. Following the establishment of new sales offices in the major locations, the Company has been actively recruiting new sales representatives (new graduates and mid-career hires) and assigning them to each sales office. The Company had 80 sales representatives as of the end of FY12/2021, 104 as of the end of FY12/2022 and 140 as of the end of Q2 FY12/2023, while planning to further increase the number towards the end of FY12/2023.

Real Estate Leasing and Other Business (4.3% of sales, 8.6% of segment profit)

On the Real Estate Leasing and Other Business side (acquisition of income from lease), sales came in at ¥1,126m (up 4.2%), segment profit ¥374m (up 2.3%) and segment profit margin 33.2% (down 0.3% points). The inventory of investment-oriented real estate, which generates income from lease, has remained at roughly the same level as in the same period of the previous year and sales and segment profit have shown similar trends.

FY12/2023 Company Forecasts

FY12/2023 Company forecasts (announced on 18 July 2023) have remained unchanged, going for prospective sales of ¥46,139m (up 47.7% YoY), operating profit of ¥4,632m (up 55.6%), recurring profit of ¥3,860m (up 67.2%) and profit attributable to owners of parent of ¥2,522m (up 61.2%), while operating profit margin of 10.0% (up 0.5% points). Compared with initial Company forecasts (announced on 14 February 2023), the Company has revised up its forecasts by ¥274m (0.6%) for sales, ¥1,007m (27.8%) for operating profit, ¥1,020m (35.9%) for recurring profit and ¥659m (35.4%) for profit attributable to owners of parent. By the way, the Company has set a long-term payout ratio target of 40% or more and thus it has revised up its planned annual dividend from ¥32.00 to ¥43.00, implying payout ratio of 40.1%, as a result of the above-mentioned upward revision for profit attributable to owners of parent or the dividend resource.

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.
	12/2022	12/2022	12/2022	12/2022	12/2023	12/2023	12/2023	12/2023		
Sales	4,715	14,006	21,709	31,242	11,627	26,247	-	-	-	+12,241
Cost of Sales	3,618	10,963	16,723	24,092	8,922	20,354	-	-	-	+9,391
Gross Profit	1,096	3,043	4,986	7,150	2,704	5,893	-	-	-	+2,850
SG&A Expenses	856	1,949	3,008	4,173	1,233	2,589	-	-	-	+640
Operating Profit	239	1,093	1,978	2,976	1,470	3,303	-	-	-	+2,210
Non Operating Balance	(139)	(300)	(487)	(667)	(191)	(385)	-	-	-	(85)
Recurring Profit	100	793	1,491	2,309	1,279	2,918	-	-	-	+2,125
Extraordinary Balance	-	-	-	(31)	-	(1)	-	-	-	(1)
Profit before Income Taxes	100	793	1,491	2,278	1,279	2,917	-	-	-	+2,124
Total Income Taxes	(8)	205	473	713	433	988	-	-	-	+783
Profit Attributable to Owners of Parent	108	588	1,017	1,564	845	1,929	-	-	-	+1,341
Sales YoY	(54.0%)	(21.3%)	(18.2%)	(8.0%)	+146.6%	+87.4%	-	-	-	-
Operating Profit YoY	(63.5%)	(17.1%)	+6.7%	+27.1%	+513.0%	+202.2%	-	-	-	-
Recurring Profit YoY	(80.6%)	(24.5%)	+3.4%	+30.4%	-	+267.8%	-	-	-	-
Profit Attributable to Owners of Parent YoY	(68.8%)	(20.3%)	(5.0%)	+22.6%	+676.7%	+228.1%	-	-	-	-
Gross Profit Margin	23.3%	21.7%	23.0%	22.9%	23.3%	22.5%	-	-	-	+0.7%
SG&A Ratio	18.2%	13.9%	13.9%	13.4%	10.6%	9.9%	-	-	-	(4.1%)
Operating Profit Margin	5.1%	7.8%	9.1%	9.5%	12.7%	12.6%	-	-	-	+4.8%
Recurring Profit Margin	2.1%	5.7%	6.9%	7.4%	11.0%	11.1%	-	-	-	+5.5%
Profit Attributable to Owners of Parent Margin	2.3%	4.2%	4.7%	5.0%	7.3%	7.3%	-	-	-	+3.2%
Total Income Taxes / Profit before Income Taxes	(8.0%)	25.9%	31.7%	31.3%	33.9%	33.9%	-	-	-	+8.0%
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.
	12/2022	12/2022	12/2022	12/2022	12/2023	12/2023	12/2023	12/2023		
Sales	4,715	9,291	7,703	9,533	11,627	14,620	-	-	-	+5,329
Cost of Sales	3,618	7,345	5,760	7,369	8,922	11,432	-	-	-	+4,087
Gross Profit	1,096	1,947	1,943	2,164	2,704	3,189	-	-	-	+1,242
SG&A Expenses	856	1,093	1,059	1,165	1,233	1,356	-	-	-	+263
Operating Profit	239	854	885	998	1,470	1,833	-	-	-	+979
Non Operating Balance	(139)	(161)	(187)	(180)	(191)	(194)	-	-	-	(33)
Recurring Profit	100	693	698	818	1,279	1,639	-	-	-	+946
Extraordinary Balance	-	-	-	(31)	-	(1)	-	-	-	(1)
Profit before Income Taxes	100	693	698	787	1,279	1,638	-	-	-	+945
Total Income Taxes	(8)	213	268	240	433	555	-	-	-	+342
Profit Attributable to Owners of Parent	108	480	429	547	845	1,084	-	-	-	+604
Sales YoY	(54.0%)	+23.0%	(11.9%)	+28.6%	+146.6%	+57.4%	-	-	-	-
Operating Profit YoY	(63.5%)	+29.2%	+65.4%	+104.1%	+513.0%	+114.6%	-	-	-	-
Recurring Profit YoY	(80.6%)	+29.8%	+78.1%	+149.4%	-	+136.5%	-	-	-	-
Profit Attributable to Owners of Parent YoY	(68.8%)	+23.4%	+28.4%	+166.8%	+676.7%	+125.8%	-	-	-	-
Gross Profit Margin	23.3%	21.0%	25.2%	22.7%	23.3%	21.8%	-	-	-	+0.9%
SG&A Ratio	18.2%	11.8%	13.7%	12.2%	10.6%	9.3%	-	-	-	(2.5%)
Operating Profit Margin	5.1%	9.2%	11.5%	10.5%	12.7%	12.5%	-	-	-	+3.3%
Recurring Profit Margin	2.1%	7.5%	9.1%	8.6%	11.0%	11.2%	-	-	-	+3.8%
Profit Attributable to Owners of Parent Margin	2.3%	5.2%	5.6%	5.7%	7.3%	7.4%	-	-	-	+2.2%
Total Income Taxes / Profit before Income Taxes	(8.0%)	30.7%	38.4%	30.5%	33.9%	33.9%	-	-	-	+3.1%

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	Net Chg.	
(Million Yen)	12/2022	12/2022	12/2022	12/2022	12/2023	12/2023	12/2023	12/2023	12/2023	Net Chg.
Real Estate Trading	4,175	12,925	20,052	29,016	11,067	25,121	-	-	-	+12,196
Real Estate Leasing and Other	540	1,080	1,657	2,226	560	1,126	-	-	-	+46
Sales	4,715	14,006	21,709	31,242	11,627	26,247	-	-	-	+12,241
Real Estate Trading	438	1,616	2,751	4,051	1,757	4,001	-	-	-	+2,385
Real Estate Leasing and Other	186	362	584	780	182	374	-	-	-	+12
Segment Profit	624	1,978	3,335	4,831	1,939	4,375	-	-	-	+2,397
Adjustment	(384)	(885)	(1,357)	(1,854)	(468)	(1,071)	-	-	-	(186)
Operating Profit	239	1,093	1,978	2,976	1,470	3,303	-	-	-	+2,210
Real Estate Trading	10.5%	12.5%	13.7%	14.0%	15.9%	15.9%	-	-	-	+3.4%
Real Estate Leasing and Other	34.4%	33.5%	35.2%	35.1%	32.5%	33.2%	-	-	-	(0.3%)
Adjustment	(8.1%)	(6.3%)	(6.3%)	(5.9%)	(4.0%)	(4.1%)	-	-	-	+2.2%
Operating Profit Margin	5.1%	7.8%	9.1%	9.5%	12.6%	12.6%	-	-	-	+4.8%

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	Net Chg.	
(Million Yen)	12/2022	12/2022	12/2022	12/2022	12/2023	12/2023	12/2023	12/2023	12/2023	Net Chg.
Real Estate Trading	4,175	8,750	7,127	8,964	11,067	14,054	-	-	-	+5,304
Real Estate Leasing and Other	540	540	577	569	560	566	-	-	-	+26
Sales	4,715	9,291	7,703	9,533	11,627	14,620	-	-	-	+5,329
Real Estate Trading	438	1,178	1,135	1,300	1,757	2,244	-	-	-	+1,066
Real Estate Leasing and Other	186	176	222	196	182	192	-	-	-	+16
Segment Profit	624	1,354	1,357	1,496	1,939	2,436	-	-	-	+1,082
Adjustment	(384)	(501)	(472)	(497)	(468)	(603)	-	-	-	(102)
Operating Profit	239	854	885	998	1,470	1,833	-	-	-	+979
Real Estate Trading	10.5%	13.5%	15.9%	14.5%	15.9%	16.0%	-	-	-	+2.5%
Real Estate Leasing and Other	34.4%	32.6%	38.5%	34.4%	32.5%	33.9%	-	-	-	+1.3%
Adjustment	(8.1%)	(5.4%)	(6.1%)	(5.2%)	(4.0%)	(4.1%)	-	-	-	+1.3%
Operating Profit Margin	5.1%	9.2%	11.5%	10.5%	12.6%	12.5%	-	-	-	+3.3%

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 12/2022	Q2 12/2022	Q3 12/2022	Q4 12/2022	Q1 12/2023	Q2 12/2023	Q3 12/2023	Q4 12/2023		
Cash and Deposit	14,539	17,836	16,651	17,754	18,033	18,450	-	-	+614	
Accounts Receivables	27	23	32	23	44	39	-	-	+16	
Real Estate for Sale	39,206	44,759	49,739	51,116	52,874	52,234	-	-	+7,475	
Real Estate for Sale in Process	479	438	498	517	553	644	-	-	+206	
Other	731	642	629	764	760	539	-	-	(103)	
Current Assets	54,982	63,698	67,549	70,174	72,264	71,906	-	-	+8,208	
Tangible Assets	7,596	7,604	7,569	6,430	6,397	6,373	-	-	(1,231)	
Intangible Assets	91	92	89	84	82	80	-	-	(12)	
Investments and Other Assets	715	624	679	698	720	738	-	-	+114	
Fixed Assets	8,403	8,320	8,338	7,213	7,201	7,192	-	-	(1,128)	
Deferred Assets	43	66	62	60	54	49	-	-	(17)	
Total Assets	63,429	72,086	75,950	77,448	79,520	79,148	-	-	+7,062	
Accounts Payables	436	472	583	495	472	625	-	-	+153	
Short Term Debt	5,793	6,120	6,005	6,023	9,091	9,745	-	-	+3,625	
Current Portion of Bonds Payable	865	1,007	3,052	3,091	3,068	3,095	-	-	+2,088	
Current Portion of Long-term Debt	3,882	4,791	6,806	6,520	5,926	3,589	-	-	(1,202)	
Other	1,342	1,503	1,792	2,372	2,291	3,197	-	-	+1,694	
Current Liabilities	12,318	13,893	18,238	18,501	20,848	20,251	-	-	+6,358	
Bonds Payable	3,436	6,861	4,637	4,623	4,467	4,315	-	-	(2,546)	
Long Term Debt	23,870	27,072	28,384	29,049	28,538	27,769	-	-	+697	
Other	649	631	633	670	686	693	-	-	+62	
Fixed Liabilities	27,955	34,564	33,654	34,342	33,691	32,777	-	-	(1,787)	
Total Liabilities	40,273	48,458	51,893	52,843	54,540	53,028	-	-	+4,570	
Shareholders' Equity	23,063	23,535	23,964	24,511	24,887	26,027	-	-	+2,492	
Other	93	92	93	93	93	93	-	-	+1	
Net Assets	23,156	23,627	24,057	24,604	24,980	26,120	-	-	+2,493	
Total Liabilities & Net Assets	63,429	72,086	75,950	77,448	79,520	79,148	-	-	+7,062	
Equity Capital	23,063	23,535	23,964	24,511	24,887	26,027	-	-	+2,492	
Interest Bearing Debt	37,846	45,851	48,884	49,306	51,090	48,513	-	-	+2,662	
Net Debt	23,307	28,015	32,233	31,552	33,057	30,063	-	-	+2,048	
Equity Ratio	36.4%	32.6%	31.6%	31.6%	31.3%	32.9%	-	-	-	
Net Debt Equity Ratio	101.1%	119.0%	134.5%	128.7%	132.8%	115.5%	-	-	-	
ROE (12 months)	4.5%	4.8%	5.2%	6.5%	9.6%	11.7%	-	-	-	
ROA (12 months)	2.2%	2.3%	2.6%	3.3%	4.9%	5.9%	-	-	-	
Days for Inventory Turnover	1,000	561	795	639	546	422	-	-	-	
Quick Ratio	118%	129%	91%	96%	87%	91%	-	-	-	
Current Ratio	446%	458%	370%	379%	347%	355%	-	-	-	

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 12/2022	Q1 to Q2 12/2022	Q1 to Q3 12/2022	Q1 to Q4 12/2022	Q1 12/2023	Q1 to Q2 12/2023	Q1 to Q3 12/2023	Q1 to Q4 12/2023		
Operating Cash Flow	-	(8,042)	-	(11,491)	-	2,006	-	-	+10,048	
Investing Cash Flow	-	(185)	-	(157)	-	(128)	-	-	+57	
Operating Cash Flow and Investing Cash Flow	-	(8,227)	-	(11,648)	-	1,878	-	-	+10,105	
Financing Cash Flow	-	8,399	-	11,847	-	(1,266)	-	-	(9,665)	

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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