

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		50,836	5,804	5,035	3,090	131.34	53.00	-
FY12/2022	YoY	(8.0%)	27.1%	30.4%	22.6%	-	-	-
FY12/2023CoE	YoY	62.7%	95.0%	118.0%	97.5%	-	-	-
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 FY12/2022		21,709	1,978	1,491	1,017	-	-	-
Q1 to Q3 FY12/2023		39,993	5,164	4,587	3,047	-	-	-
Q1 to Q3 FY12/2023	YoY	84.2%	161.1%	207.5%	199.4%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (17 November 2023)

Horizontal Expansion


On 14 November 2023, MUGEN ESTATE, running operations to purchase and resell secondhand real estate mainly in the Tokyo metropolitan area, released its Q1 to Q3 FY12/2023 results. It has been revealed that notably large momentum is persisting for its performance, while the Company is now accelerating its measures to horizontally expand region-wise for the operations to purchase and resell. On 12 May 2023, the Company newly set up Osaka Sales Office (Kita-ku, Osaka-city) with the aim of penetrating into western Japan, which is expected to be followed by ones in Nagoya-city, Fukuoka-city and Sapporo-city from January 2024 onward. According to the Company, it hopes to enhance its long-term growth potential through sustained deepening of its involvement with active secondhand real estate transactions in all those government-designated cities. Meanwhile, FY12/2023 Company forecasts have been revised up, on 7 November 2023, due to a reason that the Company is well capturing steady demand for real estate in the market, having resulted in an upgrade of planned annual dividend per share from ¥43.00 to ¥53.00, implying payout ratio of 40.4%, based on its performance-based dividend policy to actively return earnings to shareholders, which has a target to realize payout ratio of 40% or more.

Company's business model, etc.: [MUGEN ESTATE \(3299\) Midterm Mgt Plan to Be Met \(29 September 2023\)](#).

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2.0 Company Profile

Creating New Value in Real Estate

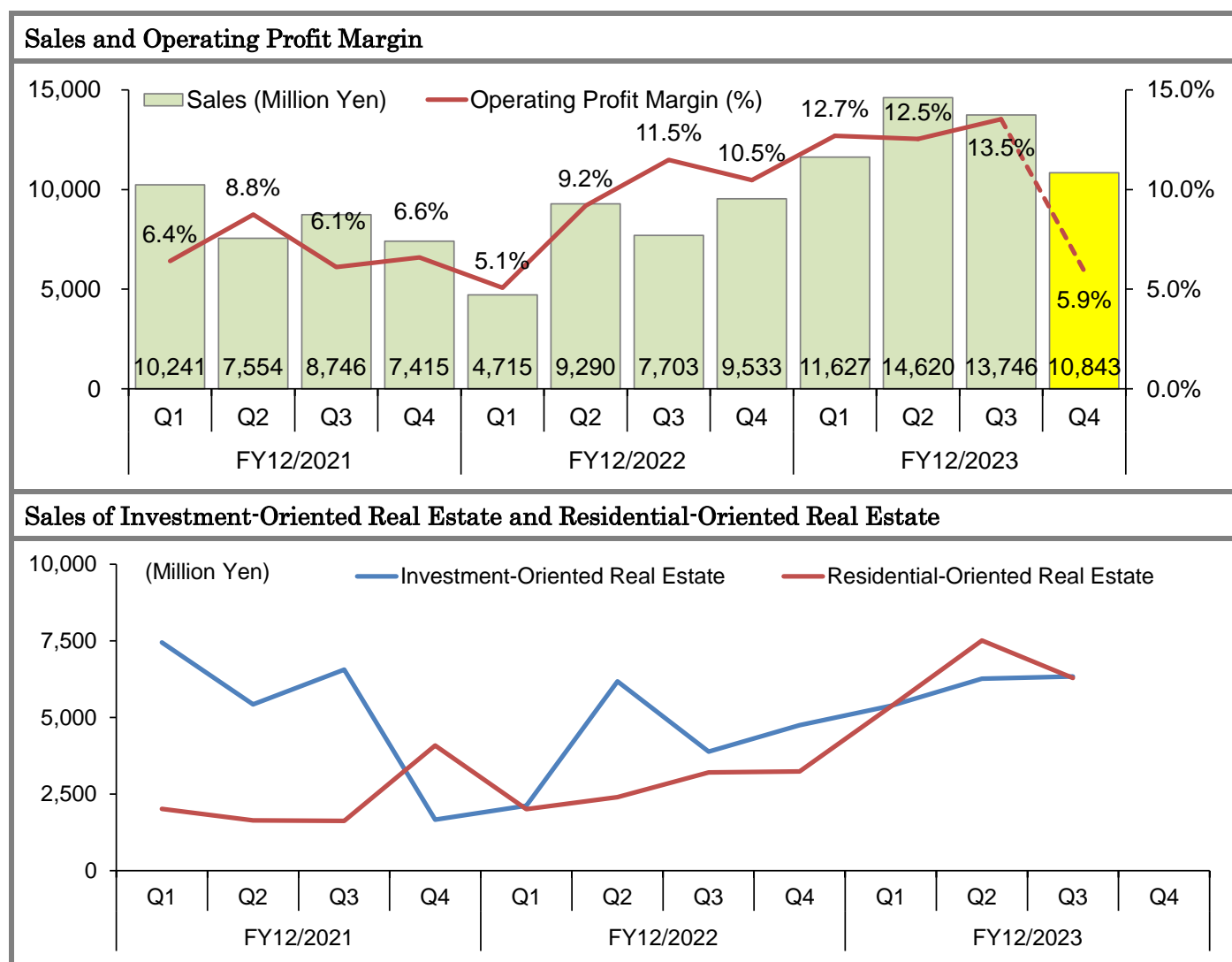
Company Name	MUGEN ESTATE Co., Ltd. Company HP IR Information Share Price (Japanese)	 MUGEN ESTATE
Established	2 May 1990	
Listing	20 October 2023: Tokyo Stock Exchange Standard Market (ticker: 3299) 4 April 2022: Tokyo Stock Exchange Prime Market 5 February 2016: Tokyo Stock Exchange 1st section 18 June 2014: Tokyo Stock Exchange Mothers	
Capital	¥2,552m (as of the end of September 2023)	
No. of Shares	24,361,000 shares, including 798,325 treasury shares (as of the end of Sep. 2023)	
Main Features	<ul style="list-style-type: none"> ● Operations mainly in the Tokyo metropolitan area (Tokyo, Kanagawa, Saitama and Chiba by prefecture) ● Solid capability to identify quality of secondhand real estate and accumulation of knowhow ● Purchase and resale of properties via real estate brokers 	
Segments	I . Real Estate Trading Business (mainly purchase and resale of secondhand real estate) II . Real Estate Leasing and Other Business (mainly 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%, Master Trust Bank of Japan, T. 3.49% (as of the end of June 2023, but for treasury shares)	
Head Office	Chiyoda-ku, Tokyo, JAPAN	
No. of Personnel	Consolidated: 355, Parent: 275 (as of the end of September 2023)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q3 FY12/2023

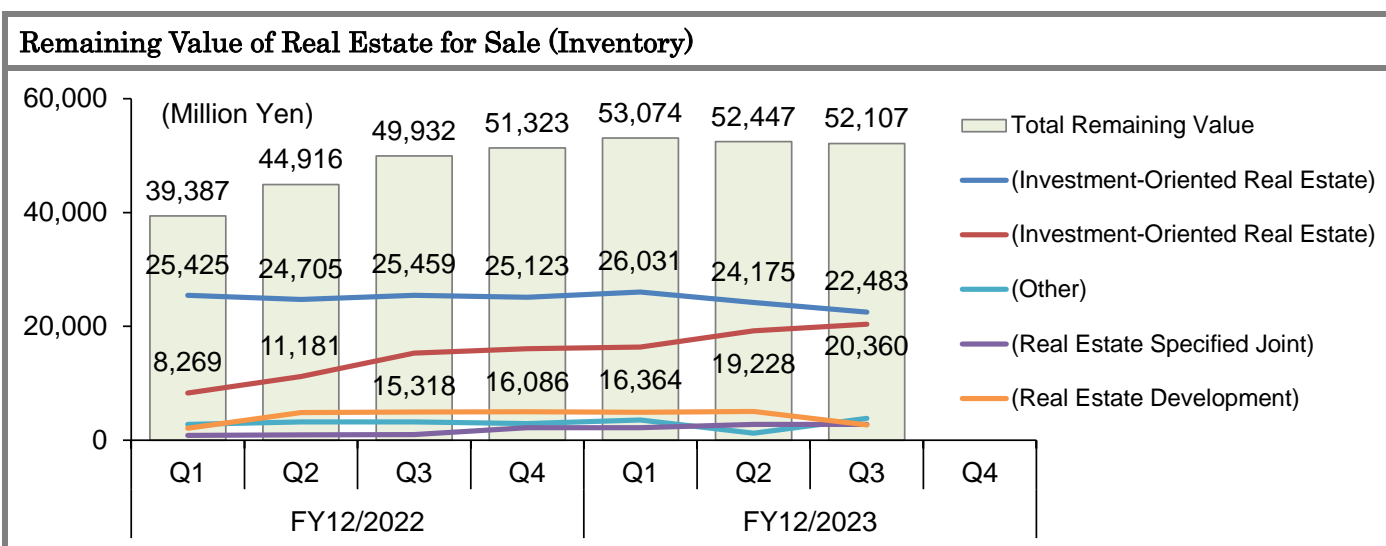
For Q1 to Q3 FY12/2023, sales came in at ¥39,993m (up 84.2% YoY), operating profit ¥5,164m (up 161.1%), recurring profit ¥4,587m (up 207.5%) and profit attributable to owners of parent ¥3,047m (up 199.4%). Meanwhile, gross profit came in at ¥9,088m (up 82.3%) and SG&A expenses ¥3,924m (up 30.5%), implying gross profit margin of 22.7% (down 0.2% points) and SG&A ratio of 9.8% (down 4.0% points), having resulted in operating profit margin of 12.9% (up 3.8% points).



Source: Company Data, WRJ Calculation (Q4 FY12/2023: full year Company forecasts less Q1 to Q3 results)

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

On the Real Estate Trading Business side (mainly purchase and resale of secondhand real estate), sales came in at ¥38,287m (up 90.9%), segment profit ¥6,153m (up 123.7%) and segment profit margin 16.1% (up 2.4% points). Sales of Investment-Oriented Real Estate (mainly purchase and resale of secondhand condos on a single building basis) came in at ¥17,994m (up 47.6%) and Residential-Oriented Real Estate (mainly purchase and resale of secondhand condos on a unit-by-unit basis) ¥19,161m (up 151.5%), while sales of Real Estate Development came in at ¥616m (versus nil during the same period of the previous year), Real Estate Specified Joint ¥246m (up 63.2%) and Other ¥268m (up 193.0%).



Source: Company Data, WRJ Calculation

The Company's sales are expanding rapidly, while the Company sees remaining value of real estate for sales (inventory) at a high level, which is driven by the Company's focus on Residential-Oriented Real Estate (mainly purchase and resale of secondhand condos on a unit-by-unit basis), having resulted in ongoing increase for its remaining value.

With respect to the purchase, meanwhile, it could be the case that the Company is now facing a period of gradual correction. For Q1 to Q3, the purchase equated ¥26,304m versus ¥29,388m during the same period of the previous year. Nevertheless, the Company should be able to see an expansion in sales near term as inventory turnover is on the rise. The Company runs the number of inventory turnover at 0.92 times for the actual results of Q1 to Q3 versus 0.63 times during the same period of the previous year. In the first place, the Company is seeing an increasing exposure to Residential-Oriented Real Estate whose inventory turnover is relatively higher, while the Company is laying out a policy to boost inventory turnover as the frontline strategy.

FY12/2023 Company Forecasts

FY12/2023 Company forecasts, announced on 7 November 2023, are going for prospective sales of ¥50,836m (up 62.7% YoY), operating profit of ¥5,804m (up 95.0%), recurring profit of ¥5,035m (up 118.0%) and profit attributable to owners of parent of ¥3,090m (up 97.5%), while operating profit margin of 11.4% (up 1.9% points). At the same time, Company forecasts are going for planned annual dividend of ¥53.00 per share, implying payout ratio of 40.4%.

The upgrade from the latest Company forecasts, announced on 18 July 2023, equates ¥4,697m (10.2%) in sales, ¥1,171m (25.3%) in operating profit, ¥1,174m (30.4%) in recurring profit and ¥567m (22.5%) in profit attributable to owners of parent.

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	12/2023	
Sales	4,715	14,006	21,709	31,242	11,627	26,247	39,993	-	-	+18,284
Cost of Sales	3,618	10,963	16,723	24,092	8,922	20,354	30,904	-	-	+14,181
Gross Profit	1,096	3,043	4,986	7,150	2,704	5,893	9,088	-	-	+4,102
SG&A Expenses	856	1,949	3,008	4,173	1,233	2,589	3,924	-	-	+916
Operating Profit	239	1,093	1,978	2,976	1,470	3,303	5,164	-	-	+3,186
Non Operating Balance	(139)	(300)	(487)	(667)	(191)	(385)	(577)	-	-	(90)
Recurring Profit	100	793	1,491	2,309	1,279	2,918	4,587	-	-	+3,096
Extraordinary Balance	-	-	-	(31)	-	(1)	(21)	-	-	(21)
Profit before Income Taxes	100	793	1,491	2,278	1,279	2,917	4,566	-	-	+3,075
Total Income Taxes	(8)	205	473	713	433	988	1,519	-	-	+1,046
Profit Attributable to Owners of Parent	108	588	1,017	1,564	845	1,929	3,047	-	-	+2,030
Sales YoY	(54.0%)	(21.3%)	(18.2%)	(8.0%)	+146.6%	+87.4%	+84.2%	-	-	-
Operating Profit YoY	(63.5%)	(17.1%)	+6.7%	+27.1%	+513.0%	+202.2%	+161.1%	-	-	-
Recurring Profit YoY	(80.6%)	(24.5%)	+3.4%	+30.4%	-	+267.8%	+207.5%	-	-	-
Profit Attributable to Owners of Parent YoY	(68.8%)	(20.3%)	(5.0%)	+22.6%	+676.7%	+228.1%	+199.4%	-	-	-
Gross Profit Margin	23.3%	21.7%	23.0%	22.9%	23.3%	22.5%	22.7%	-	-	(0.2%)
SG&A Ratio	18.2%	13.9%	13.9%	13.4%	10.6%	9.9%	9.8%	-	-	(4.0%)
Operating Profit Margin	5.1%	7.8%	9.1%	9.5%	12.7%	12.6%	12.9%	-	-	+3.8%
Recurring Profit Margin	2.1%	5.7%	6.9%	7.4%	11.0%	11.1%	11.5%	-	-	+4.6%
Profit Attributable to Owners of Parent Margin	2.3%	4.2%	4.7%	5.0%	7.3%	7.3%	7.6%	-	-	+2.9%
Total Income Taxes / Profit before Income Taxes	(8.0%)	25.9%	31.7%	31.3%	33.9%	33.9%	33.3%	-	-	+1.5%
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	12/2023	
Sales	4,715	9,291	7,703	9,533	11,627	14,620	13,746	-	-	+6,043
Cost of Sales	3,618	7,345	5,760	7,369	8,922	11,432	10,550	-	-	+4,790
Gross Profit	1,096	1,947	1,943	2,164	2,704	3,189	3,195	-	-	+1,252
SG&A Expenses	856	1,093	1,059	1,165	1,233	1,356	1,335	-	-	+276
Operating Profit	239	854	885	998	1,470	1,833	1,861	-	-	+976
Non Operating Balance	(139)	(161)	(187)	(180)	(191)	(194)	(192)	-	-	(5)
Recurring Profit	100	693	698	818	1,279	1,639	1,669	-	-	+971
Extraordinary Balance	-	-	-	(31)	-	(1)	(20)	-	-	(20)
Profit before Income Taxes	100	693	698	787	1,279	1,638	1,649	-	-	+951
Total Income Taxes	(8)	213	268	240	433	555	531	-	-	+263
Profit Attributable to Owners of Parent	108	480	429	547	845	1,084	1,118	-	-	+689
Sales YoY	(54.0%)	+23.0%	(11.9%)	+28.6%	+146.6%	+57.4%	+78.4%	-	-	-
Operating Profit YoY	(63.5%)	+29.2%	+65.4%	+104.1%	+513.0%	+114.6%	+110.3%	-	-	-
Recurring Profit YoY	(80.6%)	+29.8%	+78.1%	+149.4%	-	+136.5%	+139.1%	-	-	-
Profit Attributable to Owners of Parent YoY	(68.8%)	+23.4%	+28.4%	+166.8%	+676.7%	+125.8%	+160.6%	-	-	-
Gross Profit Margin	23.3%	21.0%	25.2%	22.7%	23.3%	21.8%	23.2%	-	-	(2.0%)
SG&A Ratio	18.2%	11.8%	13.7%	12.2%	10.6%	9.3%	9.7%	-	-	(4.0%)
Operating Profit Margin	5.1%	9.2%	11.5%	10.5%	12.7%	12.5%	13.5%	-	-	+2.0%
Recurring Profit Margin	2.1%	7.5%	9.1%	8.6%	11.0%	11.2%	12.1%	-	-	+3.1%
Profit Attributable to Owners of Parent Margin	2.3%	5.2%	5.6%	5.7%	7.3%	7.4%	8.1%	-	-	+2.6%
Total Income Taxes / Profit before Income Taxes	(8.0%)	30.7%	38.4%	30.5%	33.9%	33.9%	32.2%	-	-	(6.2%)

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)	12/2022	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	38,287	-	-	+18,235
Real Estate Leasing and Other	540	1,080	1,657	2,226	560	1,126	1,706	-	-	+49
Sales	4,715	14,006	21,709	31,242	11,627	26,247	39,993	-	-	+18,284
Real Estate Trading	438	1,616	2,751	4,051	1,757	4,001	6,153	-	-	+3,402
Real Estate Leasing and Other	186	362	584	780	182	374	579	-	-	(5)
Segment Profit	624	1,978	3,335	4,831	1,939	4,375	6,732	-	-	+3,397
Adjustment	(384)	(885)	(1,357)	(1,854)	(468)	(1,071)	(1,568)	-	-	(211)
Operating Profit	239	1,093	1,978	2,976	1,470	3,303	5,164	-	-	+3,186
Real Estate Trading	10.5%	12.5%	13.7%	14.0%	15.9%	15.9%	16.1%	-	-	+2.4%
Real Estate Leasing and Other	34.4%	33.5%	35.2%	35.1%	32.5%	33.2%	33.9%	-	-	(1.3%)
Adjustment	(8.1%)	(6.3%)	(6.3%)	(5.9%)	(4.0%)	(4.1%)	(3.9%)	-	-	+2.3%
Operating Profit Margin	5.1%	7.8%	9.1%	9.5%	12.6%	12.6%	12.9%	-	-	+3.8%

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	YoY	
(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	13,166	-	-	+6,039
Real Estate Leasing and Other	540	540	577	569	560	566	580	-	-	+3
Sales	4,715	9,291	7,703	9,533	11,627	14,620	13,746	-	-	+6,043
Real Estate Trading	438	1,178	1,135	1,300	1,757	2,244	2,152	-	-	+1,017
Real Estate Leasing and Other	186	176	222	196	182	192	205	-	-	(17)
Segment Profit	624	1,354	1,357	1,496	1,939	2,436	2,357	-	-	+1,000
Adjustment	(384)	(501)	(472)	(497)	(468)	(603)	(497)	-	-	(25)
Operating Profit	239	854	885	998	1,470	1,833	1,861	-	-	+976
Real Estate Trading	10.5%	13.5%	15.9%	14.5%	15.9%	16.0%	16.3%	-	-	+0.4%
Real Estate Leasing and Other	34.4%	32.6%	38.5%	34.4%	32.5%	33.9%	35.3%	-	-	(3.1%)
Adjustment	(8.1%)	(5.4%)	(6.1%)	(5.2%)	(4.0%)	(4.1%)	(3.6%)	-	-	+2.5%
Operating Profit Margin	5.1%	9.2%	11.5%	10.5%	12.6%	12.5%	13.5%	-	-	+2.0%

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	20,803	-	-	+4,152
Accounts Receivables	27	23	32	23	44	39	65	-	-	+33
Real Estate for Sale	39,206	44,759	49,739	51,116	52,874	52,234	51,898	-	-	+2,159
Real Estate for Sale in Process	479	438	498	517	553	644	342	-	-	(156)
Other	731	642	629	764	760	539	440	-	-	(189)
Current Assets	54,982	63,698	67,549	70,174	72,264	71,906	73,548	-	-	+5,999
Tangible Assets	7,596	7,604	7,569	6,430	6,397	6,373	6,346	-	-	(1,223)
Intangible Assets	91	92	89	84	82	80	79	-	-	(10)
Investments and Other Assets	715	624	679	698	720	738	810	-	-	+131
Fixed Assets	8,403	8,320	8,338	7,213	7,201	7,192	7,236	-	-	(1,102)
Deferred Assets	43	66	62	60	54	49	55	-	-	(7)
Total Assets	63,429	72,086	75,950	77,448	79,520	79,148	80,840	-	-	+4,890
Accounts Payables	436	472	583	495	472	625	499	-	-	(84)
Short Term Debt	5,793	6,120	6,005	6,023	9,091	9,745	8,980	-	-	+2,975
Current Portion of Bonds Payable	865	1,007	3,052	3,091	3,068	3,095	980	-	-	(2,072)
Current Portion of Long-term Debt	3,882	4,791	6,806	6,520	5,926	3,589	4,718	-	-	(2,088)
Other	1,342	1,503	1,792	2,372	2,291	3,197	3,552	-	-	+1,760
Current Liabilities	12,318	13,893	18,238	18,501	20,848	20,251	18,729	-	-	+491
Bonds Payable	3,436	6,861	4,637	4,623	4,467	4,315	6,101	-	-	+1,464
Long Term Debt	23,870	27,072	28,384	29,049	28,538	27,769	28,088	-	-	(296)
Other	649	631	633	670	686	693	684	-	-	+51
Fixed Liabilities	27,955	34,564	33,654	34,342	33,691	32,777	34,873	-	-	+1,219
Total Liabilities	40,273	48,458	51,893	52,843	54,540	53,028	53,603	-	-	+1,710
Shareholders' Equity	23,063	23,535	23,964	24,511	24,887	26,027	27,144	-	-	+3,180
Other	93	92	93	93	93	93	93	-	-	0
Net Assets	23,156	23,627	24,057	24,604	24,980	26,120	27,237	-	-	+3,180
Total Liabilities & Net Assets	63,429	72,086	75,950	77,448	79,520	79,148	80,840	-	-	+4,890
Equity Capital	23,063	23,535	23,964	24,511	24,887	26,027	27,144	-	-	+3,180
Interest Bearing Debt	37,846	45,851	48,884	49,306	51,090	48,513	48,867	-	-	(17)
Net Debt	23,307	28,015	32,233	31,552	33,057	30,063	28,064	-	-	(4,169)
Equity Ratio	36.4%	32.6%	31.6%	31.6%	31.3%	32.9%	33.6%	-	-	-
Net Debt Equity Ratio	101.1%	119.0%	134.5%	128.7%	132.8%	115.5%	103.4%	-	-	-
ROE (12 months)	4.5%	4.8%	5.2%	6.5%	9.6%	11.7%	14.1%	-	-	-
ROA (12 months)	2.2%	2.3%	2.6%	3.3%	4.9%	5.9%	6.9%	-	-	-
Days for Inventory Turnover	1,000	561	795	639	546	422	451	-	-	-
Quick Ratio	118%	129%	91%	96%	87%	91%	111%	-	-	-
Current Ratio	446%	458%	370%	379%	347%	355%	393%	-	-	-

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	-	-	-	-
Investing Cash Flow	-	(185)	-	(157)	-	(128)	-	-	-	-
Operating Cash Flow and Investing Cash Flow	-	(8,227)	-	(11,648)	-	1,878	-	-	-	-
Financing Cash Flow	-	8,399	-	11,847	-	(1,266)	-	-	-	-

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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