

Note: The accompanying consolidated financial statements were not audited since they have been prepared only for reference purposes only. All statements are based on “Kessan Tanshin” report prepared in accordance with the provisions set forth in the accounting regulations and principals generally accepted in Japan.

Consolidated Financial Results for the Second Quarter ended June 30, 2024 [Based on Japanese GAAP]

August 9, 2024

Listed company name: MUGEN ESTATE Co., Ltd. Listed Stock Exchange: Tokyo Stock Exchange
 Securities code: 3299 URL <https://www.mugen-estate.co.jp/en/>
 Representative: Shinichi Fujita, President
 Contact: Akira Okubo, Managing Executive Officer, ir@mugen-estate.co.jp
 Executive General Manager of Administrative Division
 Scheduled date of quarterly securities report filing: August 9, 2024 Scheduled date of dividend payment: —
 Supplementary material for financial results: Yes
 Quarterly financial results briefing: Yes

(fractions of one million yen are rounded off)

1. Consolidated financial results for the second quarter ended June 30, 2024 (January 1 to June 30, 2024)

(1) Consolidated financial results (cumulative) (Percentages represent changes from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q ended June 30, 2024	31,502	20.0	5,029	52.2	4,645	59.2	3,064	58.8
2Q ended June 30, 2023	26,247	87.4	3,303	202.2	2,918	267.8	1,929	228.1

(Note) Comprehensive income: 2Q ended June 30, 2024 3,064 million yen (58.8%)
 2Q ended June 30, 2023 1,929 million yen (228.1%)

	Net Income per share	Diluted net income per share
	Yen	Yen
2Q ended June 30, 2024	129.86	129.09
2Q ended June 30, 2023	82.12	81.63

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2024	86,223	29,489	34.1
As of December 31, 2023	80,362	27,844	34.5

(Reference) Shareholders' equity: As of June 30, 2024 29,397 million yen
 As of December 31, 2023 27,751 million yen

2. Dividends

	Annual dividends per share				
	End of 1 st quarter	End of 2 nd quarter	End of 3 rd quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2023	—	0.00	—	63.00	63.00
Year ending December 31, 2024	—	0.00	—	—	—
Year ending December 31, 2024 (forecast)	—	—	—	68.00	68.00

(Note) Revision of the latest dividend forecast: None

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2024

(January 1, 2024 to December 31, 2024) (Percentages represent changes from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2024 (Full year)	60,896	17.9	6,861	15.6	6,036	15.1	3,985	9.1	168.64

(Note) Revision of the latest consolidated financial results forecast: None

* Notes

- (1) Changes in significant subsidiaries during the period: None
- (2) Application of any accounting procedures specific to preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations : None
 - (ii) Changes in accounting policies other than (i) : None
 - (iii) Changes in accounting estimates : None
 - (iv) Restatement of prior period financial statements after error corrections : None
- (4) Number of shares issued (common stock)
- (i) Number of shares outstanding at end of the period (including treasury stock)
 - As of June 30, 2024 24,361,000 shares
 - As of December 31, 2023 24,361,000 shares
 - (ii) Number of treasury stock held at end of the period
 - As of June 30, 2024 772,825 shares
 - As of December 31, 2023 798,325 shares
 - (iii) Average number of shares outstanding during the period (cumulative)
 - As of June 30, 2024 23,596,678 shares
 - As of June 30, 2023 23,498,680 shares

*The current quarterly financial results are not subject to the quarterly review procedures.

* Explanation of the proper use of financial forecasts and other important notes

(1) Financial forecasts

The statements about the future included in this report, including financial forecasts, are based on information currently available to the Company and certain assumptions that are considered reasonable, which do not guarantee the achievement of such projected results. Actual results may vary considerably from these projections due to a range of factors. See “(3) Information on future forecasts including consolidated financial forecasts” under “1. Operating Results and Financial Position“ on page 2 of the Accompanying Materials for the assumptions of the financial forecasts and points to note in the use of financial forecasts

(2) Access to presentation materials for financial results

Presentation materials are disclosed through TDnet and on the Company’s website on the day on which the presentation is made.

1. Qualitative Information on Operating Results for the Second Quarter Ended June 30, 2024

(1) Analysis of Operating Results

During the first six months of the fiscal year under review (January 1, 2024 through June 30, 2024), in the real estate industry where the MUGEN ESTATE Group operates, the nationwide average price of roadside land per square meter (as of January 1, 2024) announced by the National Tax Agency on July 1, 2024 rose 2.3% year on year. The figure climbed for the third consecutive year. This was due to a recovery in demand from inbound tourists and the effects of redevelopment efforts progressing across Japan. In particular, in the semiconductor centers of Kumamoto and Sapporo, demand for the likes of housing, offices and logistics facilities grew rapidly in line with forays made by related companies in the region, resulting in a marked rise in prices.

The number of contracts concluded for and prices of used condominium units sold in the Tokyo metropolitan area and major metropolitan areas (Sapporo, Nagoya, Osaka and Fukuoka) in June 2024 as announced by a private research institute maintained or exceeded the levels in the same period of the previous year, indicating that transactions have continued to be firm. This is believed to have been influenced by a shift in demand to used condominiums due to soaring prices of new condominiums caused by rising material and personnel costs, among other factors.

The average vacancy rate of offices as a whole in the 23 wards of Tokyo and major metropolitan areas (Sapporo, Nagoya, Osaka and Fukuoka) in June 2024 decreased moderately overall in spite of temporary increases accompanying new supply in certain areas. Asking rents continued to rise by a small margin in all areas in line with an increase in office demand.

In this business environment, under its mainstay Real Estate Purchase and Resale Business, the MUGEN ESTATE Group opened the Shibuya Sales Office, the fourth of its establishments opened this fiscal year, in May following the opening of the Sapporo, Nagoya and Fukuoka Sales Offices in January. It is currently working on the development and deep cultivation of areas in the Tokyo metropolitan area and major regional cities. Additionally, the Group focused mainly on purchasing in 1Q and on sales activities in 2Q, and proactively endeavored to sell large-scale properties in particular. As a result, the Group's gross profit margin progressed at a level that exceeded the target at the beginning of the fiscal year, with net sales and the number of units sold also exceeding those of the same period of the preceding fiscal year. In terms of purchasing, the Group is making steady progress toward achieving its purchasing plan by pushing forward with aggressive purchasing activities centered on the sales offices it opened this fiscal year.

In the Real Estate Development Business, the Group aggressively pursued the reinforcement of leasing and sales activities for the "SIDEPLACE" series, its original brand, and met its sales targets for this fiscal year. As only one property is scheduled to be completed in the second half of the fiscal year, the Group will proceed to focus on process management at work-in-progress sites as well as conduct purchase activities for development sites and the development of new properties.

In the Real Estate Specified Joint Business, Phase 2 offerings for the "Nursing Care Edogawa Project," the Group's fourth project, wrapped up, and the partnership for this project was formed in June. Contracts for the "Sumida Ryogoku Project," the Group's fifth project that it commenced sales for in March, are progressing smoothly, with plans to commence sales for new projects before the end of the year also in the works.

As a result, consolidated net sales increased 20.0% year on year, to 31,502 million yen, consolidated operating income rose 52.2% year on year, to 5,029 million yen, consolidated ordinary income rose 59.2% year on year, to 4,645 million yen, and consolidated profit attributable to owners of parent rose 58.8% year on year, to 3,064 million yen in the first three months under review.

The following is an overview of the results by segment.

[Real Estate Trading Business]

In the Real Estate Trading Business, the number of units sold in investment-type properties came to 92 (up 29 units year on year) and the average unit selling price was 164 million yen (down 10.9% year on year), registering net sales of 15,162 million yen (up 30.1% year on year). Meanwhile, the number of units sold in residential-type properties came to 238 (up 34 units year on year) and the average unit selling price was 51 million yen (down 18.9% year on year), registering net sales of 12,182 million yen (down 5.3% year on year).

In the Real Estate Development Business, five properties were sold (up four year on year) with an average sales price at 501 million yen (up 75.9% year on year), while sales amounted to 2,509 million yen (up 779.3% year on year).

In the Real Estate Specified Joint Business, one project was formed, and sales totaled 390 million yen (up 58.5% year on year).

As a result, net sales for the segment increased 20.7% year on year, to 30,309 million yen, and the segment profit (operating income for the segment) increased 44.9% year on year, to 5,799 million yen.

[Real Estate Leasing and Other Business]

In the Real Estate Leasing and Other Business, revenue from real estate leasing came to 1,093 million yen (up 4.3% year on year).

As a result, net sales for the segment increased 5.9% year on year, to 1,193 million yen, and segment profit (operating income for the segment) up 1.1% year on year, to 378 million yen.

Note: The "investment-type properties" are classified as real estate generating rental income, including rental condominiums, and office blocks, which are used by buyers for the purpose of investment. The "residential-type properties" includes real estate used by purchasers for residential purposes, mainly condominiums, as well as land and other properties.

(2) Analysis of Financial Position

[Status of assets, liabilities and net assets]

The financial position at the end of the second quarter of the consolidated fiscal year under review included total assets of 86,223 million yen (up 7.3% from the end of the previous fiscal year), liabilities of 56,733 million yen (up 8.0% from the end of the previous fiscal year), and net assets of 29,489 million yen (up 5.9% from the end of the previous fiscal year).

(Assets)

The increase in total assets resulted mainly from a 5,596 million yen increase in real estate for sale (including real estate for sale in process).

(Liabilities)

The major factors for the increase in liabilities were a 3,497 million yen increase in long-term borrowings (including current portion).

(Net assets)

The major factors for the increase of net assets were an increase 3,064 million yen in retained earnings due to the posting of a profit attributable to owners of parent and a decline of 1,484 million yen in retained earnings due to the payment of dividends.

[Status of cash flows]

Cash and cash equivalents at the end of the second quarter of the consolidated fiscal year under review (“cash”) decreased 475 million yen from the end of the previous consolidated fiscal year, to 18,562 million yen. The cash flow positions and contributing factors during the first six months under review are as follows:

(Cash flows from operating activities)

Net cash used for operating activities during the first six months of the consolidated fiscal year under review totaled 2,204 million yen (net cash provided in operating activities during the first six months of the previous fiscal year was 2,006 million yen). This was mainly attributable to profit before income taxes of 4,647 million yen, while there were the Income taxes paid of 1,331 million yen and the increase in inventories of 5,901 million yen.

(Cash flows from investing activities)

Net cash used in investing activities during the first six months of the consolidated fiscal year under review was 294 million yen (net cash used during the first six months of the previous fiscal year was 128 million yen). This was caused primarily by proceeds from the withdrawal of time deposits of 795 million yen, offset by payments into time deposits of 947 million yen. and purchase of Property, plant and equipment of 147 million yen.

(Cash flows from financing activities)

Net cash provided for financing activities during the first six months under review amounted to 2,023 million yen (net cash of 1,266 million yen was used during the first six months of the previous fiscal year). This was primarily proceeds from long-term borrowings of 15,585 million yen, while there were reflects repayment of long-term borrowings of 12,088 million yen and cash dividends paid of 1,484 million yen.

(3) Information on future forecasts including consolidated financial forecasts

Forecasts for consolidated financial results and dividends for the fiscal year ending December 31, 2024 remain unchanged from the Notice Regarding Revisions to Forecasts for Financial Results and Dividend announced on February 14, 2024.

The descriptions of business forecasts presented in this document are based on the future assumptions, outlook, and plans as of the date of the publication of this document, which include risks and uncertain factors. Actual results may vary significantly from the forecasts presented in this document due to the economic environment, market trends, and other factors that affect the business of the Group.

2. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Million yen)

	FY2023 (As of December 31, 2023)	FY2024 2Q (As of June 30, 2024)
Assets		
Current assets		
Cash and deposits	20,420	20,101
Accounts receivable - trade	35	50
Real estate for sale	52,644	58,098
Real estate for sale in process	477	619
Other	616	1,036
Allowance for doubtful accounts	(4)	(5)
Total current assets	74,189	79,901
Non-current assets		
Property, plant and equipment		
Buildings	2,684	2,833
Accumulated depreciation	(508)	(576)
Buildings, net	2,176	2,256
Land	2,902	2,988
Other	159	147
Accumulated depreciation	(81)	(70)
Other, net	77	77
Total property, plant and equipment	5,156	5,321
Intangible assets	81	78
Investments and other assets		
Investment securities	7	7
Deferred tax assets	454	454
Other	419	409
Total investments and other assets	880	871
Total non-current assets	6,119	6,271
Deferred assets	53	49
Total assets	80,362	86,223

(Million yen)

	FY2023 (As of December 31, 2023)	FY2024 2Q (As of June 30, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	466	694
Short-term borrowings	9,153	9,207
Current portion of bonds payable	1,041	4,110
Current portion of long-term borrowings	5,407	4,994
Income taxes payable	1,413	1,670
Provision for bonuses	44	57
Provision for bonuses for directors (and other officers)	45	—
provision for Executive Officers bonuses	64	—
Construction warranty reserve	60	54
Other	1,785	1,856
Total current liabilities	19,484	22,646
Non-current liabilities		
Bonds payable	6,150	3,149
Long-term borrowings	25,894	29,804
Retirement benefit liability	308	315
Other	681	818
Total non-current liabilities	33,034	34,087
Total liabilities	53,028	56,733
Net assets		
Shareholders' equity		
Share capital	2,552	2,552
Capital surplus	2,475	2,575
Retained earnings	23,207	24,787
Treasury shares	(483)	(518)
Total shareholders' equity	27,751	29,397
Share acquisition rights	92	92
Total net assets	27,844	29,489
Total liabilities and net assets	80,362	86,223

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
[Quarterly Consolidated Statements of Income]
(For six months from January 1 to June 30, 2024)

(Million yen)

	FY2023 2Q (From January 1 to June 30, 2023)	FY2024 2Q (From January 1 to June 30, 2024)
Net sales	26,247	31,502
Cost of sales	20,354	23,178
Gross profit	5,893	8,323
Selling, general and administrative expenses	2,589	3,294
Operating profit	3,303	5,029
Non-operating income		
Interest and dividend income	1	1
Commission income	11	23
Penalty income	11	7
Refund of real estate acquisition tax	4	5
Other	8	4
Total non-operating income	37	42
Non-operating expenses		
Interest expenses	370	376
Commission expenses	24	28
Other	27	21
Total non-operating expenses	423	425
Ordinary profit	2,918	4,645
Extraordinary income		
Gain on sale of non-current assets	—	2
Total extraordinary income	—	2
Extraordinary losses		
Loss on sale of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	2,917	4,647
Income taxes - current	996	1,583
Income taxes - deferred	(8)	0
Total income taxes	988	1,583
Profit	1,929	3,064
Profit attributable to owners of parent	1,929	3,064

[Quarterly Consolidated Statements of Comprehensive Income]
(For six months from January 1 to June 30, 2024)

(Million yen)

	FY2023 2Q (From January 1 to June 30, 2023)	FY2024 2Q (From January 1 to June 30, 2024)
Income before minority interests	1,929	3,064
Comprehensive income	1,929	3,064
(Breakdown)		
Comprehensive income attributable to owners of parent	1,929	3,064

(3) Quarterly Consolidated Cash Flow

(Million yen)

	FY2023 2Q (From January 1 to June 30, 2023)	FY2024 2Q (From January 1 to June 30, 2024)
Cash flows from operating activities		
Profit before income taxes	2,917	4,647
Depreciation	348	384
Increase (decrease) in allowance for doubtful accounts	3	1
Increase (decrease) in provision for bonuses	(12)	12
Increase (decrease) in provision for bonuses for directors (and other officers)	2	(45)
Increase (decrease) in provision for executive officer's bonuses	7	(64)
Increase (decrease) in construction warranty reserve	15	(5)
Increase (decrease) in net defined benefit liability	1	6
Interest and dividend income	(1)	(1)
Interest expenses	370	376
Share-based payment expenses	25	54
Refund of real estate acquisition tax	4	5
Amortization of bond issuance costs	12	12
Loss (gain) on sale of non-current assets	—	(2)
Loss on retirement of non-current assets	0	0
Decrease (increase) in trade receivables	(16)	(14)
Decrease (increase) in inventories	(1,510)	(5,901)
Increase (decrease) in trade payables	129	228
Increase (decrease) in accrued consumption taxes	114	(242)
Decrease (increase) in consumption taxes refund receivable	245	(0)
Increase (decrease) in lease and guarantee deposits received	22	44
Decrease (increase) in other current assets	15	(309)
Increase (decrease) in other current liabilities	280	317
Other, net	(10)	(0)
Subtotal	2,966	(495)
Interest and dividends received	1	1
Interest paid	(382)	(378)
Income taxes refund	0	0
Income taxes paid	(579)	(1,331)
Net cash provided by (used in) operating activities	2,006	(2,204)
Cash flows from investing activities		
Payments into time deposits	(953)	(947)
Proceeds from withdrawal of time deposits	868	795
Purchase of property, plant and equipment	(19)	(147)
Proceeds from sale of property, plant and equipment	—	2
Payments of leasehold and guarantee deposits	(19)	(5)
Proceeds from refund of leasehold and guarantee deposits	0	7
Payments for investments in capital	(4)	—
Net cash provided by (used in) investing activities	(128)	(294)

(Million yen)

	FY2023 2Q (From January 1 to June 30, 2023)	FY2024 2Q (From January 1 to June 30, 2024)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,721	53
Proceeds from long-term borrowings	8,389	15,585
Repayments of long-term borrowings	(12,600)	(12,088)
Proceeds from issuance of bonds	247	641
Redemption of bonds	(553)	(582)
Repayments of lease liabilities	(2)	(2)
Purchase of treasury shares	—	(98)
Dividends paid	(469)	(1,484)
Net cash provided by (used in) financing activities	(1,266)	2,023
Net increase (decrease) in cash and cash equivalents	611	(475)
Cash and cash equivalents at beginning of period	16,315	19,037
Cash and cash equivalents at end of period	16,926	18,562

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Segment Information)

For six months ended June 30, 2023 (From January 1 to June 30, 2023)

Information relating to the amount of net sales, and income or loss by reportable segment

(Million yen)

	Reportable Segments			Adjustment (Note 1)	Total (Note 2)
	Real Estate Trading Business	Real Estate Leasing and Other Business	Sub-total		
Net sales					
Net sales to external customers	25,121	1,126	26,247	—	26,247
Inter-segment sales or transfer	0	11	11	(11)	—
Total	25,121	1,137	26,259	(11)	26,247
Segment profit	4,001	374	4,375	(1,071)	3,303

(Note) 1. The segment profit adjustment of (1,071) million yen consists of primarily company-wide expenses that are not allocated to the selling, general and administrative expenses of each reported segment.

2. Segment profit has been adjusted to operating income stated in quarterly consolidated statements of income.

For six months ended June 30, 2024 (From January 1 to June 30, 2024)

Information relating to the amount of net sales, and income or loss by reportable segment

(Million yen)

	Reportable Segments			Adjustment (Note 1)	Total (Note 2)
	Real Estate Trading Business	Real Estate Leasing and Other Business	Sub-total		
Net sales					
Net sales to external customers	30,309	1,193	31,502	—	31,502
Inter-segment sales or transfer	3	10	14	(14)	—
Total	30,313	1,203	31,517	(14)	31,502
Segment profit	5,799	378	6,177	(1,148)	5,029

(Note) 1. The segment profit adjustment of (1,148) million yen consists of primarily company-wide expenses that are not allocated to the selling, general and administrative expenses of each reported segment.

2. Segment profit has been adjusted to operating income stated in quarterly consolidated statements of income.