

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.

Summary of Consolidated Financial Results for the First Quarter ended March 31, 2021 [Based on Japanese GAAP]

May 14, 2021

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, Director, General Manager of Administrative Division ir@mugen-estate.co.jp
 Scheduled date of quarterly securities report filing: May 14, 2021 Scheduled date of dividend payment: -
 Supplementary material for financial results: Yes
 Quarterly financial results briefing: No

(fractions of one million yen are rounded off)

1. Consolidated financial results for the first quarter ended March 31, 2021 (January 1 to March 31, 2021)

(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	%
1Q ended March 31, 2021	10,241	10.1	657	18.8	516	36.8	348	38.5
1Q ended March 31, 2020	9,298	5.4	553	(23.9)	377	(32.9)	251	(34.8)

(Note) Comprehensive income: 1Q ended March 31, 2021 348 million yen (38.5%)
 1Q ended March 31, 2020 251 million yen (-34.8%)

	Net Income per share	Diluted net income per share
	Yen	Yen
1Q ended March 31, 2021	14.55	14.47
1Q ended March 31, 2020	10.49	10.45

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2021	57,774	22,714	39.2
As of December 31, 2020	62,487	22,605	36.0

(Reference) Shareholders' equity: As of March 31, 2021 22,627 million yen
 As of December 31, 2020 22,518 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, 2020	-	0.00	-	10.00	10.00
Year ending December 31, 2021	-	-	-	-	-
Year ending December 31, 2021 (forecast)	-	0.00	-	10.00	10.00

(Note) Revision of the latest dividend forecast: None

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2021

(January 1, 2021 to December 31, 2021) (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
FY2021 (Full year)	35,412	1.6	1,916	(22.3)	1,315	(26.3)	651	8.8	27.17

(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 March 31, 2021 24,361,000 shares
 - As of December 31, 2020 24,361,000 shares
- (ii) Number of treasury stock held at end of the period
 - As of March 31, 2021 382,309 shares
 - As of December 31, 2020 382,309 shares
- (iii) Average number of shares outstanding during the period (cumulative)
 - As of March 31, 2021 23,978,691 shares
 - As of March 31, 2020 23,995,155 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 1 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 First Quarter Ended March 31, 2021

(1) Analysis of Operating Results

During the first quarter of the consolidated fiscal year under review (January 1, 2021 through March 31, 2021), in the real estate industry where the MUGEN ESTATE Group operates, the average price of land for all purposes in Japan as of January 1, 2021 announced by the Ministry of Land, Infrastructure, Transport and Tourism fell 0.5%, which was the first decrease in six years. In the Tokyo metropolitan area, the appraised value of land, especially that of commercial area, declined significantly due to the COVID-19 pandemic. Meanwhile, the fluctuation of land prices in residential areas was more moderate than in commercial areas, and steady transactions were observed primarily for residential-type properties in the real estate market.

Because of the resurgence of COVID-19 infections which triggered another state of emergency, the outlook is still uncertain. However, it is projected that the inflow of funds into the real estate market will continue due to global financial and monetary easing policies. As a result, firm demand from real estate investors in Japan and abroad is expected to continue. Because the ways that people live and work have been drastically changing in association with new lifestyles during the COVID-19 pandemic, demand has been increasing for properties in areas other than urban centers and properties with wider exclusive spaces. According to the Real Estate Information Network for East Japan (East Japan REINS), strong demand has continued and there was a 16.1% year-on-year increase in the number of contracts concluded for used condominium units in the metropolitan area in the fiscal year ended March 31, 2021, a record high since the establishment of the organization. Due to these strong sales, the number of inventory properties continued to decrease, 24.9% year on year.

In this business environment, the MUGEN ESTATE Group has endeavored in its core Real Estate Trading Business to increase the occupancy rates of investment type properties and improve inventory turnover by boosting sales with the measures such as increasing the added value provided by properties. Competition for purchasing residential type properties increased while steady demand was maintained, so we committed ourselves to enhance purchase and sales activities strictly considering profitability.

As a result, consolidated net sales increased 10.1% year on year, to 10,241 million yen, consolidated operating income rose 18.8% year on year, to 657 million yen, consolidated ordinary income climbed 36.8% year on year, to 516 million yen, and consolidated profit attributable to owners of parent grew 38.5% year on year, to 348 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 45 (up 6 units year on year) and the average unit selling price was 171 million yen (up 1.5% year on year), registering net sales of 7,701 million yen (up 17.1% year on year). Meanwhile, the number of units sold in residential-type properties came to 49 (0 units year on year) and the average unit selling price was 39 million yen (up 1.5% year on year), registering net sales of 1,939 million yen (up 1.5% year on year).

As a result, net sales for the segment increased 13.4% year on year, to 9,668 million yen, and the segment profit (operating income for the segment) increased 13.3% year on year, to 771 million yen.

[Real Estate Leasing and Other Business]

In the Real Estate Leasing and Other Business, revenue from real estate leasing came to 546 million yen (down 27.4% year on year).

As a result, net sales for the segment decreased 25.9% year on year, to 573 million yen, and segment profit (operating income for the segment) down 15.0% year on year, to 207 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” are classified as real estate used by buyers as their housing units, most of which are owned condominiums.

(2) Analysis of Financial Position

The financial position at the end of the first quarter of the consolidated fiscal year under review included assets of 57,774 million yen (down 7.5% from the end of the previous fiscal year), liabilities of 35,059 million yen (down 12.1% from the end of the previous fiscal year), and net assets of 22,714 million yen (up 0.5% from the end of the previous fiscal year).

Principal factors contributing to the decrease in assets included a decrease of 6,425 million yen in real estate properties for sale.

The decrease in liabilities was attributable primarily to the decrease of 4,328 million yen in long-term debt.

The increase in net assets resulted in large part from a decrease of 239 million yen in retained earnings attributable to dividends paid, and a rise of 348 million yen in retained earnings due to the recording of profit attributable to owners of parent.

(3) Information on future forecasts including consolidated financial forecasts

No changes have been made to the full-year forecasts of the consolidated results for the fiscal year ending December 31, 2021, as announced on February 15, 2021. However, if the COVID-19 pandemic or other factors affect the real estate trading market, it is possible that the MUGEN ESTATE Group's performance may worsen.

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)

	FY2020 (As of December 31, 2020)	FY2021 1Q (As of March 31, 2020)
Assets		
Current assets		
Cash and deposits	16,065	17,371
Accounts receivable - trade	16	12
Real estate for sale	41,337	34,912
Real estate for sale in process	283	405
Other	242	551
Allowance for doubtful accounts	(8)	(5)
Total current assets	57,937	53,247
Non-current assets		
Property, plant and equipment		
Buildings	2,292	2,302
Accumulated depreciation	(397)	(420)
Buildings, net	1,895	1,881
Land	1,908	1,908
Other	114	140
Accumulated depreciation	(79)	(74)
Other, net	34	65
Total property, plant and equipment	3,838	3,856
Intangible assets	83	81
Investments and other assets		
Deferred tax assets	241	208
Other	342	336
Total investments and other assets	583	544
Total non-current assets	4,504	4,482
Deferred assets	45	43
Total assets	62,487	57,774

(Million yen)

	FY2020 (As of December 31, 2020)	FY2021 1Q (As of March 31, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	216	223
Short-term borrowings	2,050	2,236
Current portion of bonds payable	860	780
Current portion of long-term borrowings	6,192	5,484
Income taxes payable	573	152
Provision for bonuses	23	52
Construction warranty reserve	42	46
Other	1,178	1,160
Total current liabilities	11,137	10,135
Non-current liabilities		
Bonds payable	3,307	3,172
Long-term borrowings	24,713	21,092
Retirement benefit liability	101	100
Other	622	558
Total non-current liabilities	28,744	24,924
Total liabilities	39,882	35,059
Net assets		
Shareholders' equity		
Share capital	2,552	2,552
Capital surplus	2,475	2,475
Retained earnings	17,790	17,899
Treasury shares	(300)	(300)
Total shareholders' equity	22,518	22,627
Share acquisition rights	86	86
Total net assets	22,605	22,714
Total liabilities and net assets	62,487	57,774

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
 [Quarterly Consolidated Statements of Income]
 (For three months from January 1 to March 31, 2021)

(Million yen)

	FY2020 1Q (From January 1 to March 31, 2020)	FY2021 1Q (From January 1 to March 31, 2021)
Net sales	9,298	10,241
Cost of sales	7,886	8,774
Gross profit	1,412	1,466
Selling, general and administrative expenses	859	809
Operating profit	553	657
Non-operating income		
Interest and dividend income	0	0
Commission income	5	3
Penalty income	4	1
Other	3	1
Total non-operating income	14	7
Non-operating expenses		
Interest expenses	167	130
Commission expenses	14	9
Other	8	7
Total non-operating expenses	190	148
Ordinary profit	377	516
Extraordinary income		
Gain on reversal of share acquisition rights	0	
Total extraordinary income	0	
Extraordinary losses		
Loss on sales of non-current assets	0	
Total extraordinary losses	0	
Profit before income taxes	377	516
Income taxes - current	145	134
Income taxes - deferred	(19)	33
Total income taxes	126	167
Profit	251	348
Profit attributable to owners of parent	251	348

[Quarterly Consolidated Statements of Comprehensive Income]
(For three months from January 1 to March 31, 2021)

(Million yen)

	FY2020 1Q (From January 1 to March 31, 2020)	FY2021 1Q (From January 1 to March 31, 2021)
Income before minority interests	251	348
Comprehensive income	251	348
(Breakdown)		
Comprehensive income attributable to owners of parent	251	348

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Additional information)

There are no significant changes concerning assumptions about the future prevalence of COVID-19 or the timing of it finally being brought under control as described in (Additional information) (Accounting estimate regarding the impact of the COVID-19 pandemic) in the Securities Report for the previous consolidated fiscal year.

(Segment Information)

For three months ended March 31, 2020 (From January 1 to March 31, 2020)

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	8,525	773	9,298	-	9,298
Inter-segment sales or transfer	-	-	-	-	-
Total	8,525	773	9,298	-	9,298
Segment profit	681	244	925	(372)	553

(Note) 1. The segment profit adjustment of (372) 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 three months ended March 31, 2021 (From January 1 to March 31, 2021)

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	9,668	573	10,241	-	10,241
Inter-segment sales or transfer	3	8	12	(12)	-
Total	9,672	581	10,253	(12)	10,241
Segment profit	771	207	979	(321)	657

(Note) 1. The segment profit adjustment of (321) 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.