COMPANY RESEARCH AND ANALYSIS REPORT

MUGEN ESTATE Co., Ltd.

3299

Tokyo Stock Exchange Standard Market

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Contents

Summary

Achieved record-high profits in FY12/24. Targeting net sales of over ¥100.0bn and operating income of ¥14.0bn in the Third Medium-Term Management Plan

MUGEN ESTATE Co., Ltd. <3299> (hereafter, also “the Company”) is engaged in the business of purchasing and reselling pre-owned properties, primarily investment-type and residential-type real estate. The Company is recognized as a pioneer in the real estate industry and operates as a highly profitable enterprise. It handles a wide range of pre-owned properties, from entire condominium and office buildings worth billions of yen to condominium units worth tens of millions of yen. The Company operates in the Tokyo metropolitan area and other major cities nationwide through a network of 16 offices from Hokkaido to Fukuoka, focused on the Tokyo metropolitan area. It had 466 employees (consolidated) as of December 31, 2024. MUGEN ESTATE listed on the Tokyo Stock Exchange Mothers Market in 2014. The listing was moved to the Tokyo Stock Exchange First Section in 2016 and the Tokyo Stock Exchange Prime Market in 2022, then to the Tokyo Stock Exchange Standard Market in 2023.

1. Business overview

The Company’s operations are divided into two segments: the Real Estate Trading Business and the Real Estate Leasing and Other Business. In FY12/24, the mainstay Real Estate Trading Business generated 96.1% of consolidated net sales and 93.9% of segment income. It consists of three business models: 1) the Purchase & Resale Business, 2) Real Estate Development Business, and 3) Real Estate Specified Joint Business. The Purchase & Resale Business buys pre-owned properties and enhances their value and profitability through interior, exterior, and other improvements, and then sells them as “revitalized real estate.” This business accounted for 88.4% of the Company’s net sales. The Real Estate Development Business purchases land for development and conducts planning, design, construction, leasing, and sales, while the Real Estate Specified Joint Business sells small-lot real estate products in accordance with the Real Estate Specified Joint Enterprise Act. The second segment, the Real Estate Leasing and Other Business, leases and manages real estate and conducts other business activities. In FY12/24, it accounted for 3.9% of the Company’s net sales and 6.1% of its segment income.

2. Overview of FY12/24 results

For FY12/24, the Company posted net sales of ¥62,187mn, an increase of 20.4% year on year (YoY), operating income increasing 62.1% to ¥9,623mn, ordinary income up 68.9% to ¥8,858mn, and profit attributable to owners of parent rising 66.6% to ¥6,086mn. Both sales and profits increased, and profits reached a record high. In the mainstay Purchase & Resale Business, sales of large investment properties and residential properties, especially to foreign buyers, were the primary driver of net sales growth. Progress with property sales in regional areas also helped lift net sales. Despite higher personnel expenses and sales commissions, profits rose sharply, supported by an increase in gross profit and an improvement in the gross profit margin amid higher sales.

3. FY12/25 forecasts

In FY12/25, the Company forecasts steady increases in net sales and profits at each level. It expects net sales to rise 29.8% YoY to ¥80,694mn, operating income to grow 13.9% to ¥10,961mn, ordinary income to increase 12.4% to ¥9,955mn, and profit attributable to owners of parent to rise 6.9% to ¥6,504mn. In the core Purchase & Resale Business, the Company will expand its business field by broadening its sales channels, diversifying its asset portfolio, and bolstering sales in regional markets. As of end-FY12/24, real estate for sale (non-consolidated basis) was firm, rising ¥7,850mn from end-FY12/23 to ¥60,726mn. Additionally, given the expected boost from the opening of new sales offices (an increase of 6) and personnel recruitment (an increase of 103 staff) in FY12/24, we believe the Company is on track to achieve its targets.

4. Growth strategy

The Company formulated the Third Medium-Term Management Plan ending in FY12/27. The Company's vision for MUGEN ESTATE in 2027 is to "Strengthen our organizational capabilities to expand the business scope and create new businesses." Its management policy is to expand business domains and create new value in the Purchase & Resale Business (core business), and in the Real Estate Development Business and the Real Estate Specified Joint Business (growth businesses). In addition to these business strategies, the Company's human resources strategy is to attract and develop diverse human resources and build personnel systems, while its DX strategy is to improve customer satisfaction and maximize business efficiency. The plan's targets for FY12/27 are consolidated net sales of ¥105,712mn and operating income of ¥14,428mn.

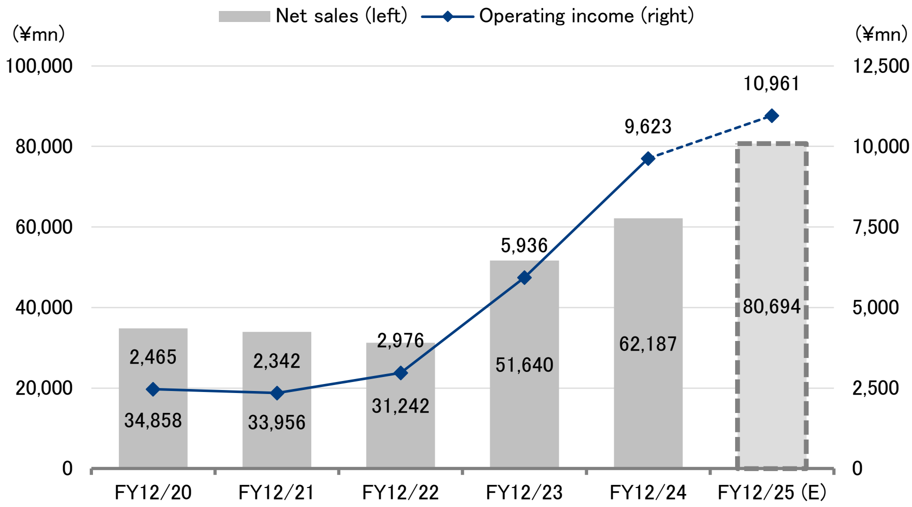
5. Shareholder return policy

The Company considers the return to shareholders to be one of its most important management initiatives. The Company's basic policy is to continue to pay stable dividends while strengthening its financial position and maintaining adequate internal reserves in order to expand its business in the long term. The Company determines the allocation of profits aiming for a consolidated dividend payout ratio of 40% or more in the medium to long term. In FY12/24, against the backdrop of strong results, the Company set an annual dividend of ¥104.0 (representing increases of ¥41.0 YoY, ¥36.0 from the initial forecast, and ¥12.0 from the revised forecast), bringing the dividend payout ratio to 40.1%, and the total payout ratio to 48.3%. It intends to introduce an interim dividend from FY12/25 to pay dividends twice yearly in order to increase opportunities to return profits to shareholders. For FY12/25, it forecasts an annual dividend of ¥112.0 (an increase of ¥8.0 YoY, consisting of an interim dividend of ¥45.0 and a year-end dividend of ¥67.0), resulting in a dividend payout ratio of 40.1%.

Key Points

- Strength lies in strong financial resources and ability to quickly assess and purchase pre-owned properties in metropolitan areas, regardless of size—from entire buildings to individual condominium units
- Achieved record-high profits in FY12/24; higher sales to foreign buyers and in regional areas
- Forecasts double-digit YoY growth in net sales, operating income, and ordinary income in FY12/25
- Targeting net sales of over ¥100.0bn in final year of the Third Medium-Term Management Plan (FY12/25–FY12/27)
- Raised FY12/24 dividend to ¥104.0 after an upward revision, an increase of ¥41.0 YoY. Plans ¥112.0 for FY12/25

Results trends



Source: Prepared by FISCO from the Company's financial results

Company profile

Industry pioneer in the purchase and resale of pre-owned properties, focusing on investment and residential properties

1. Company profile and history

MUGEN ESTATE is a highly profitable company and an industry pioneer in the purchase and resale of pre-owned properties, focusing on investment and residential properties. It reported operating income of ¥9,623mn in FY12/24. The Company's motto is "Making Dreams Come True," expressing its desire to help customers make their dream of buying a home come true. The first of the Company's Values (action guidelines) is "Pursuing speed," and its corporate culture is defined by rapid action. It handles a wide range of pre-owned properties, from entire condominium and office buildings worth billions of yen to condominium units worth tens of millions of yen. The Company operates in the Tokyo metropolitan area and other major cities nationwide through a network of 16 offices (head office, branch offices, sales offices) from Hokkaido to Fukuoka, focused on the Tokyo metropolitan area. It had 466 employees (consolidated) as of end-FY12/24. Founded in 1990, MUGEN ESTATE is a pioneer in the real estate purchase and resale sector. The Company initially expanded rapidly but was forced to undergo a major restructuring in the late 2000s due to the financial crisis triggered by the collapse of Lehman Brothers. In the 2010s, the Company actively moved into investment real estate and expanded the scale of its properties. Since 2018, demand for investment properties has cooled due to issues with fraudulent loans for investment real estate, while the COVID-19 pandemic led to a contraction in the real estate market, including office buildings. MUGEN ESTATE adapted flexibly to this operating environment by balancing residential and investment real estate projects, which helped it return to growth in recent years.

The Company listed on the Tokyo Stock Exchange Mothers Market in 2014 before moving to the Tokyo Stock Exchange First Section in 2016. Its listing was transferred to the Tokyo Stock Exchange Prime Market in 2022 following the Tokyo Stock Exchange's market restructuring, and then to the Tokyo Stock Exchange Standard Market in 2023.

History

Month Year	Main events
May 1990	MUGEN ESTATE Co., Ltd. established (capital of ¥10mn, Chuo-ku, Tokyo)
July 1990	Obtained a real estate brokerage license from the Governor of Tokyo
August 1997	Established FUJI HOME Co., Ltd. as real estate brokerage subsidiary
July 2005	Registered as a First-Class Architect Office with the Governor of Tokyo
May 2010	Obtained a real estate brokerage license from the Minister of Land, Infrastructure, Transport and Tourism
June 2010	Opened Yokohama branch
January 2013	Established Distribution Department in FUJI HOME to run real estate brokerage operations, strengthening sales capabilities
June 2014	Listed on Tokyo Stock Exchange Mothers Market
February 2016	Listing moved to Tokyo Stock Exchange First Section
June 2018	Obtained authorization for Real Estate Specified Joint Business from the Governor of Tokyo
August 2018	Established Mugen Funding Co., Ltd.
May 2020	Relocated head office to Otemachi, Chiyoda-ku, Tokyo
September–December 2021	Opened offices in Kitasenju, Funabashi, Ogikubo, Akabane, and Ikebukuro
April 2022	Listing moved from Tokyo Stock Exchange First Section to Tokyo Stock Exchange Prime Market following market restructuring
December 2022	Opened Kamata Office
May 2023	Opened Osaka Office
October 2023	Listing moved to Tokyo Stock Exchange Standard Market
January–August 2024	Opened offices in Sapporo, Nagoya, Fukuoka, Shibuya, and Sendai. Opened Osaka Branch
January 2025	Established Mugen Asset Management Co., Ltd. as a consolidated subsidiary
February 2025	Opened Kyoto Office

Source: Prepared by FISCO from the Company's annual securities reports and results briefing materials

2. Business description

The Company's operations are divided into two segments: the Real Estate Trading Business and the Real Estate Leasing and Other Business. In FY12/24, the mainstay Real Estate Trading Business generated 96.1% of consolidated net sales and 93.9% of segment income. It consists of three business models: 1) the Purchase & Resale Business, 2) Real Estate Development Business, and 3) Real Estate Specified Joint Business. The Purchase & Resale Business buys pre-owned properties and enhances their value and profitability through interior, exterior, and other improvements, and then sells them as "revitalized real estate." This business accounted for 88.4% of the Company's net sales. The Real Estate Development Business purchases land for development and conducts planning, design, construction, leasing, and sales, while the Real Estate Specified Joint Business sells small-lot real estate products in accordance with the Real Estate Specified Joint Enterprise Act. The second segment, the Real Estate Leasing and Other Business, leases and manages real estate and conducts other business activities. In FY12/24, it accounted for 3.9% of the Company's net sales and 6.1% of its segment income.

Overview of segments and main businesses

Segment	Business	Business description	Composition (FY12/24)		
			Net sales		Segment income
Real Estate Trading Business	Purchase & Resale Business	This business buys pre-owned properties and enhances their value and profitability through interior, exterior, and other improvements, and then sells them as “revitalized real estate.” It handles investment properties (properties that generate rental income) and residential properties.	96.1%	88.4%	93.9%
	Real Estate Development Business	This business develops income-generating properties, primarily rental condominiums and office buildings. It is involved in land procurement, planning, design, construction, leasing, and sales.		4.0%	
	Real Estate Specified Joint Business	This business carefully selects prime rental apartment buildings and office buildings and sells them as small-lot real estate products in accordance with the Real Estate Specified Joint Enterprise Act.		3.4%	
	Other	This business conducts real estate interior and exterior construction work and real estate distribution.		0.2%	
Real Estate Leasing and Other Business		This business conducts real estate leasing and property management and operates other businesses.	3.9%	3.9%	6.1%
Total			100.0%	100.0%	100.0%

Source: Prepared by FISCO from the Company’s financial results and results briefing materials

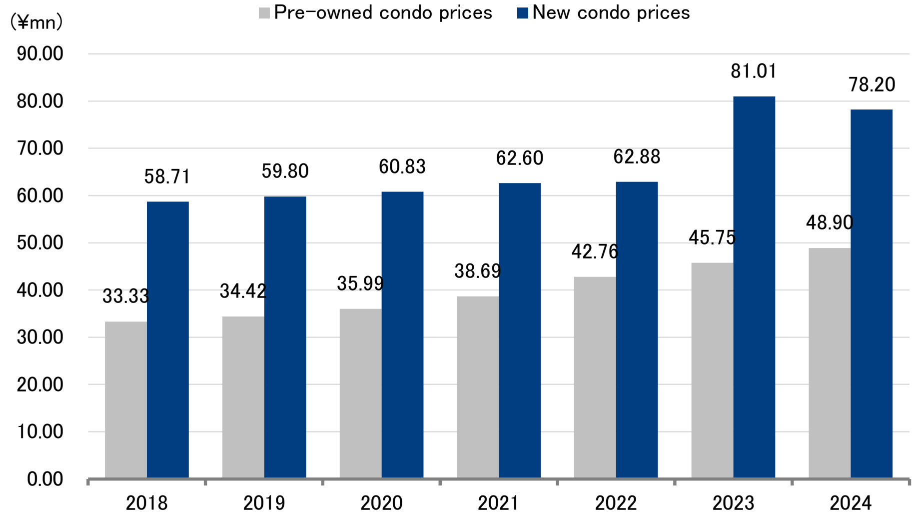
Business overview

Strength lies in strong financial resources and ability to quickly assess and purchase pre-owned properties in metropolitan areas, regardless of size—from entire buildings to individual condominium units

1. Trends in the market for pre-owned properties

According to the Real Estate Information Network for East Japan (REINS East Japan), the number of contracts concluded for pre-owned condominiums in the Tokyo metropolitan area in 2024 was 37,222 (up 3.4% YoY), rising for the second consecutive year. The contracted price per square meter was ¥768,800 (up 6.9% YoY) and the average contract price was ¥48.9mn (up 6.9% YoY), both rising for the 12th consecutive year. Condominium inventory as of December 2024 was 44,981 units, down 3.3% YoY. The data indicates that the market for pre-owned properties, especially in urban areas, is firm. This partly reflects surging prices and shrinking supply for new-build condominiums, increasing the relative attractiveness of pre-owned condominiums.

Tokyo metropolitan area condominium prices (pre-owned and new)



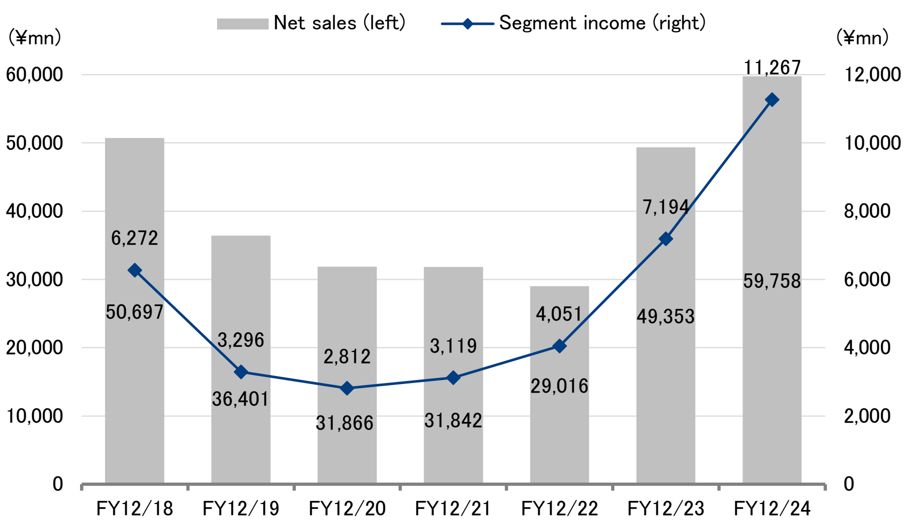
Source: Prepared by FISCO from documents published by Real Estate Information Network for East Japan and Real Estate Economic Institute Co., Ltd.

There are some concerns for the market outlook, including the Bank of Japan's decision to end its negative interest rate policy and implement additional rate hikes in 2024. However, with only modest rate hikes through early 2025, the yen continues to depreciate as the interest rate differential between Japan and the US remains significant. As such, we believe any impact on real estate demand will be limited for now.

2. Real Estate Trading Business

The Real Estate Trading Business segment consists of the core Purchase & Resale Business (investment and residential properties), the Real Estate Development Business, a relatively new business for the Company, and the Real Estate Specified Joint Business. The earnings impact of the COVID-19 pandemic has faded in recent years, with net sales increasing for two consecutive years and segment income rising for four consecutive years.

Results trends in Real Estate Trading Business



Source: Prepared by FISCO from the Company's financial results

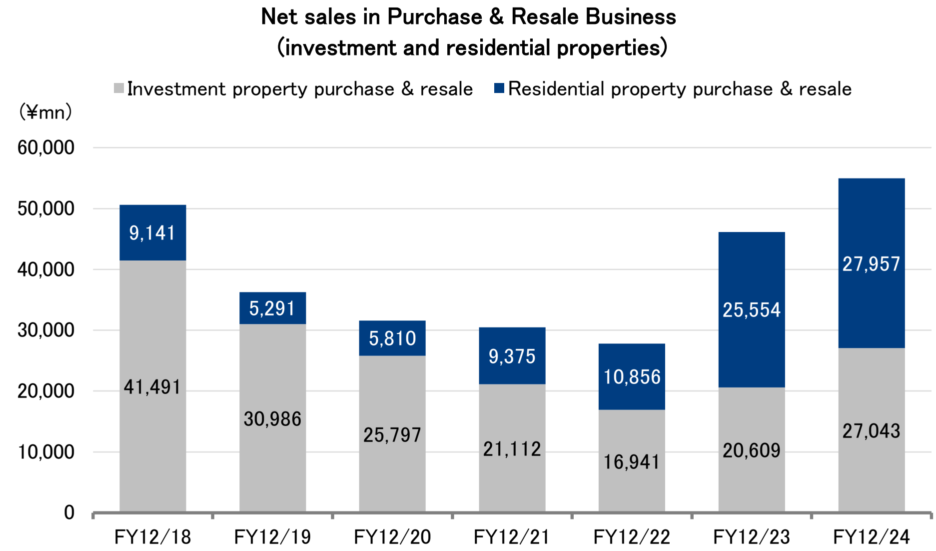
(1) Purchase & Resale Business

This is the Company's core and founding business, which purchases pre-owned properties and resells them after adding value. Properties are classified and managed as either "investment properties" or "residential properties." The Group's construction and leasing management departments are mainly responsible for adding value to properties. In the resale process, the Company typically asks an outside real estate brokerage firms to act as an intermediaries (either as brokers or agents). Investment properties are properties that generate rental income, such as rental apartment buildings, office buildings, and condominium units. The buyers are real estate investors from both Japan and overseas. Value is added by increasing real estate investment yields by improving building management, repairing age-related deterioration, leasing vacant units and eliminating rental arrears. Investment properties are relatively low-risk and profitable, because rental income tends to continue flowing even if the investor cannot sell the property for some time. The average time from purchase to sale is about 18 months. Residential properties are properties used by the purchaser to live in, and are primarily condominium units. Buyers range from first-time homebuyers to senior citizens looking to move out of their existing homes. Value is added by carrying out interior work and updating fittings such as unit baths and system kitchens. The average time from purchase to sale is less than one year.

The Company also has the following strengths:

1) Offices and personnel in the Tokyo metropolitan area (Tokyo, Kanagawa, Chiba, Saitama), Hokkaido (Sapporo), Tohoku (Sendai), and western Japan (Nagoya, Kyoto, Osaka, Fukuoka, Naha), giving it access to property purchase and sales information from domestic and overseas brokerage networks.
2) Ability to purchase and resell both residential and investment properties, from small properties worth several million yen to large properties worth several billion yen.
3) Ability to make investment exit decisions quickly (assessment capabilities), as everything from procurement to construction work and marketing is overseen by a single person for each property.
4) Business relationships with roughly 60 financial institutions.
5) A sound financial base and fund-raising capabilities.

In recent years, earnings have returned to a growth trajectory after emerging from the impact of the COVID-19 pandemic. Growth has been particularly strong in investment properties, driving consolidated earnings. In FY12/24, the Company sold 177 investment properties (up 47 YoY) at an average price of ¥152mn (down 3.6%), with sales rising 31.2% YoY to ¥27,043mn. It also sold 481 residential properties (up 49) at an average sales price of ¥58mn (down 1.7%), with sales increasing 9.4% to ¥27,957mn.



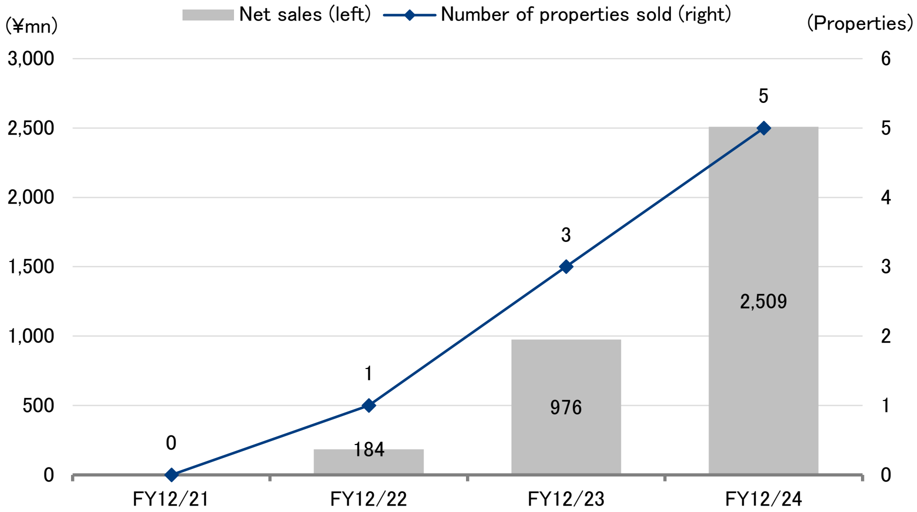
Source: Prepared by FISCO from the Company's financial results

(2) Real Estate Development Business

The Real Estate Development Business was launched in 2020, with sales of development properties starting in FY12/22. The business develops income-generating properties, primarily rental apartment buildings and office buildings, mainly for real estate investors. The Group handles the entire process, from purchasing land for development to planning, design, construction, leasing, and sales. The key factor for success in this business is the acquisition of land. The Company effectively utilizes land information from its real estate purchasing network, giving it a competitive advantage. Its property brand name is SIDEPLACE, and it has a proven track record in apartment and office buildings with retail space. It plans to leverage its accumulated expertise in real estate revitalization to develop more environmentally friendly properties and provide optimal development concepts for each property.

Net sales growth has been strong recently, but the business remains small in scale. In FY12/24, the business sold 5 properties (up 2 YoY) at an average sales price of ¥501mn (up 54.2%), with net sales increasing 157.0% to ¥2,509mn.

Results trends in Real Estate Development Business



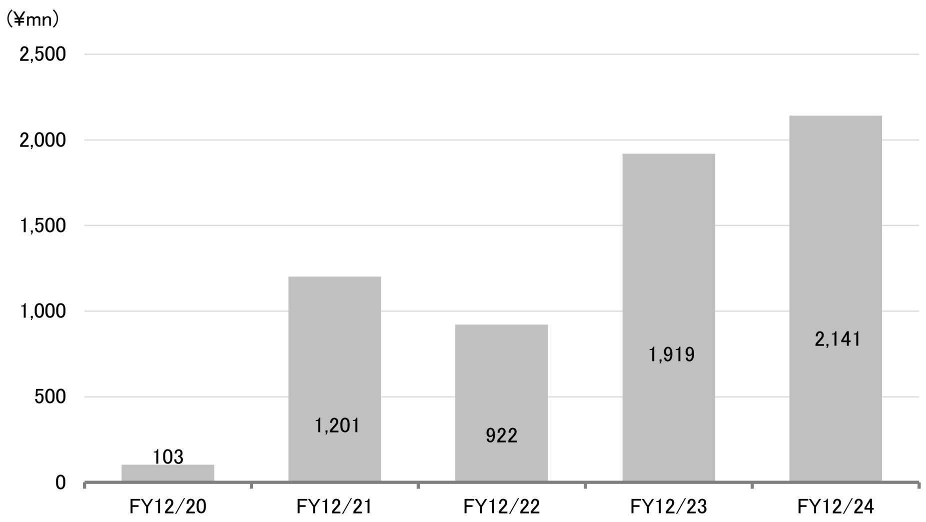
Source: Prepared by FISCO from the Company's financial results and results briefing materials

(3) Real Estate Specified Joint Business

This business segment sells small-lot real estate products under the Real Estate Specified Joint Enterprise Act, with the aim of broadening the base of real estate investors. It is a relatively new business, having entered the market in June 2018 after obtaining a license to operate a Real Estate Specified Joint Business from the Governor of Tokyo. Further market growth is expected. Because prime rental apartment and office buildings with stable income are preferred for small-lot real estate investments, the Company needs strong expertise in evaluating pre-owned properties. To maintain high quality after acquisition, it has established a comprehensive support system encompassing planning, design, operation, and management, leveraging capabilities across the Group.

The business has shown strong growth since entering the market, but remains small in scale, partly due to the limited number of suitable properties. In FY12/24, the Company concluded the formation of two projects and the first-phase offering of its Sapporo Hostel project, lifting net sales 11.5% YoY to ¥2,141mn.

Net sales in Real Estate Specified Joint Business



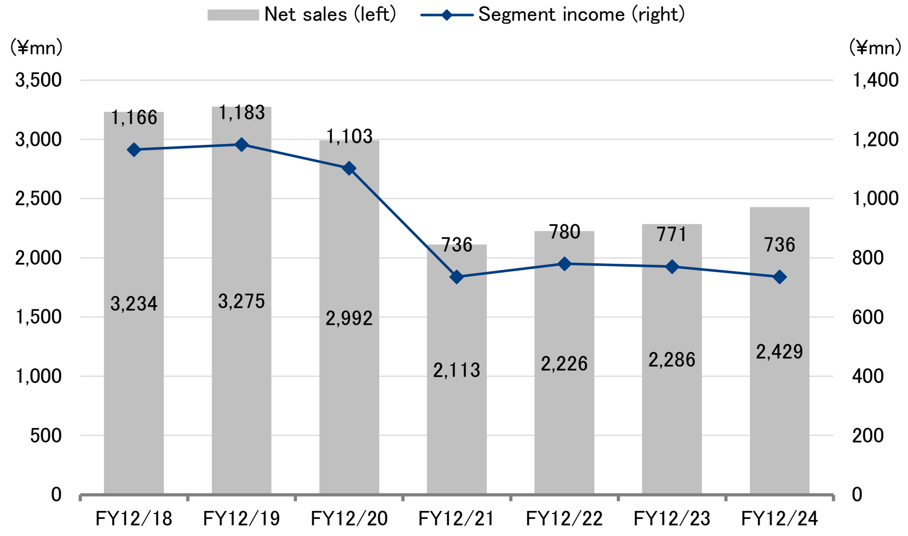
Source: Prepared by FISCO from the Company's financial results and results briefing materials

3. Real Estate Leasing and Other Business

In the Real Estate Leasing Business, the Company leases out purchased investment properties and fixed real estate assets owned by the Group to end users and other tenants. By outsourcing property management to FUJI HOME, the Company is enhancing profitability in the Real Estate Leasing Business and improving the efficiency of sales activities in the Purchase & Resale Business. The property management business is a rental property management service provided by FUJI HOME, which increases real estate investment yields by improving building management, repairing age-related deterioration, leasing vacant units, and eliminating rental arrears. In addition, Mugen Funding Co., Ltd. works with crowdfunding companies to provide small-lot real estate investment services to individual investors with little experience in real estate investing.

Rental income has been flat in recent years. In FY12/24, net sales rose 6.2% YoY to ¥2,429mn and operating income declined 4.6% to ¥736mn.

Results trends in Real Estate Leasing and Other Business



Source: Prepared by FISCO from the Company's financial results

Results trends

Achieved record-high profits in FY12/24. Increased sales to foreign buyers and in regional areas

1. Overview of FY12/24 results

For FY12/24, the Company posted net sales of ¥62,187mn, an increase of 20.4% YoY, operating income increasing 62.1% to ¥9,623mn, ordinary income up 68.9% to ¥8,858mn, and profit attributable to owners of parent rising 66.6% to ¥6,086mn. Both sales and profits increased, and profits reached a record high.

In the real estate industry operating environment, the Bank of Japan ended its negative interest rate policy and subsequently raised interest rates, but there was limited impact on the real estate market, with demand remaining strong. The number of contracts concluded for pre-owned condominiums in the Tokyo metropolitan area increased YoY and contract prices also rose.

In the mainstay Purchase & Resale Business, sales of large investment properties and residential properties were the primary driver of net sales growth. The number of investment properties sold increased to 177 (up 47 YoY), and net sales rose 31.2% to ¥27,043mn, supported by moderate growth in rents and an increase in inbound tourism. Sales of investment and residential properties to foreign buyers increased 67.4% YoY to ¥21,032mn, reflecting high demand from buyers in China, Taiwan, and other Asian countries. Progress with property sales in regional areas also helped lift net sales. Net sales in the Real Estate Development Business increased 157.0% YoY to ¥2,509mn, driven by leasing and sales of the company's SIDEPLACE series. The Real Estate Specified Joint Business focused on offering a variety of asset types, selling nursing homes, rental residences, and hostels, which lifted net sales 11.5% to ¥2,141mn. Despite higher personnel expenses and sales commissions, profits rose sharply, supported by an increase in gross profit (up ¥2,329mn) and the positive impact of an improved gross profit margin (up ¥2,828mn) amid higher sales.

FY12/24 results

(¥mn)

	FY12/23		FY12/24		
	Results	vs. net sales	Results	vs. net sales	YoY
Net sales	51,640	100.0%	62,187	100.0%	20.4%
Cost of sales	40,233	77.9%	45,622	73.4%	13.4%
Gross profit	11,406	22.1%	16,564	26.6%	45.2%
SG&A expenses	5,469	10.6%	6,941	11.2%	26.9%
Operating income	5,936	11.5%	9,623	15.5%	62.1%
Ordinary income	5,243	10.2%	8,858	14.2%	68.9%
Profit attributable to owners of parent	3,653	7.1%	6,086	9.8%	66.6%

Source: Prepared by FISCO from the Company's financial results

Equity ratio is 36.6%, and the Company's strength lies in its ability to raise funds backed by sound financial base

2. Financial position and management indicators

Total assets as of end-FY12/24 were ¥87,503mn, up ¥7,140mn from the end of the previous fiscal year. Current assets rose ¥9,536mn, mainly reflecting increases of ¥7,881mn in real estate for sale and ¥1,595mn in cash and deposits. Non-current assets declined ¥2,384mn, largely due to a drop of ¥2,383mn in property, plant and equipment.

Total liabilities increased ¥2,908mn from the end of the previous fiscal year to ¥55,426mn. Of this amount, current liabilities rose ¥2,812mn, mainly due to an increase of ¥2,958mn in the current portion of bonds payable, outweighing a decline of ¥1,334mn in short-term borrowings. Non-current liabilities increased ¥95mn, primarily reflecting an increase of ¥2,930mn in long-term borrowings, despite a drop of ¥3,145mn in bonds payable. Interest-bearing debt rose ¥1,172mn to ¥48,834mn. Total net assets increased ¥4,232mn to ¥32,076mn, mainly due to an increase in retained earnings resulting from profit attributable to owners of parent.

In terms of management indicators, the current ratio for FY12/24 was 375.5% (380.8% at end-FY12/23) and the equity ratio was 36.6% (34.5%), indicating that the Company's finances are sound and stable.

Consolidated balance sheets and management indicators

(¥mn)

	FY12/23	FY12/24	Change
Current assets	74,189	83,725	9,536
Cash and deposits	20,420	22,016	1,595
Real estate for sale	52,644	60,525	7,881
Non-current assets	6,119	3,735	-2,384
Property, plant and equipment	5,156	2,773	-2,383
Total assets	80,362	87,503	7,140
Current liabilities	19,484	22,296	2,812
Short-term borrowings	9,153	7,818	-1,334
Current portion of bonds payable	1,041	3,999	2,958
Current portion of long-term borrowings	5,407	5,170	-237
Non-current liabilities	33,034	33,130	95
Bonds payable	6,150	3,004	-3,145
Long-term borrowings	25,894	28,825	2,930
Total liabilities	52,518	55,426	2,908
Total net assets	27,844	32,076	4,232
Retained earnings	23,207	27,809	4,602
Total liabilities and net assets	80,362	87,503	7,140
<Stability>			
Current ratio	380.8%	375.5%	-5.3pp
Equity ratio	34.5%	36.6%	2.1pp
<Profitability>			
Return on equity (ROE)	14.0%	20.4%	6.4pp
Return on assets (ROA)	4.6%	7.0%	2.4pp
Return on sales (ROS)	11.5%	15.5%	4.0pp

Source: Prepared by FISCO from the Company's financial results and results briefing materials

Outlook

Forecasts YoY growth in net sales and profits in FY12/25. Plans to significantly increase investment properties

In FY12/25, the Company forecasts steady increases in net sales and profits at each level. It expects net sales to rise 29.8% YoY to ¥80,694mn, operating income to grow 13.9% to ¥10,961mn, ordinary income to increase 12.4% to ¥9,955mn, and profit attributable to owners of parent to rise 6.9% to ¥6,504mn. FY12/25 is the first year of the Company's Third Medium-Term Management Plan (FY12/25–FY12/27). It is targeting strong growth under its management vision for 2027—"Strengthen our organizational capabilities to expand the business scope and create new businesses." Despite uncertainties such as hikes to the policy rate by the Bank of Japan, the real estate market in urban areas, where the Company operates, is projected to remain strong, supported by the weak yen and low interest rates.

In the mainstay Purchase & Resale Business, the Company aims to extend its business domain by expanding sales channels, diversifying the type of assets it handles, and strengthening sales in regional areas. It plans to expand its sales area into Kyoto and Okinawa, where tourism demand is strong. The Company forecasts FY12/25 net sales in the Real Estate Trading Business segment will increase 30.1% YoY to ¥77,727mn, driven by strong sales growth of 44.3% YoY to ¥39,034mn for investment properties. Sales from residential properties are forecast to increase 17.0% YoY to ¥32,721mn. In the Real Estate Development Business, the Company plans to continue focusing on the development of energy-efficient and environmentally friendly products, while also working with the Purchase & Resale Business to acquire land for development. Sales in this business are forecast to increase 16.2% YoY to ¥2,915mn. In the Real Estate Specified Joint Business, the Company forecasts FY12/25 net sales will increase 42.7% to ¥3,056mn, supported by moves to diversify asset types and purchase properties that match the characteristics of regional areas. In the new asset management business, it plans to obtain authorizations and licenses related to asset management operations, incrementally form private funds over several years, and increase assets under management, aiming to contribute to consolidated earnings from FY12/26. As of end-FY12/24, real estate for sale (non-consolidated basis) was up ¥7,850mn from end-FY12/23 to ¥60,726mn, and given an expected boost from new sales offices (increase of 6) and personnel recruitment (increase of 103 staff) in FY12/24, we believe the Company is on track to achieve the above forecasts.

The Company is laying the groundwork for the future, with plans to purchase ¥65,012mn in real estate in FY12/25, up 48.6% YoY.

Outlook for FY12/25

(¥mn)

	FY12/24		FY12/25		
	Results	vs. net sales	Forecast	vs. net sales	YoY
Net sales	62,187	100.0%	80,694	100.0%	29.8%
Operating income	9,623	15.5%	10,961	13.6%	13.9%
Ordinary income	8,858	14.2%	9,955	12.3%	12.4%
Profit attributable to owners of parent	6,086	9.8%	6,504	8.1%	6.9%

Source: Prepared by FISCO from the Company's financial results

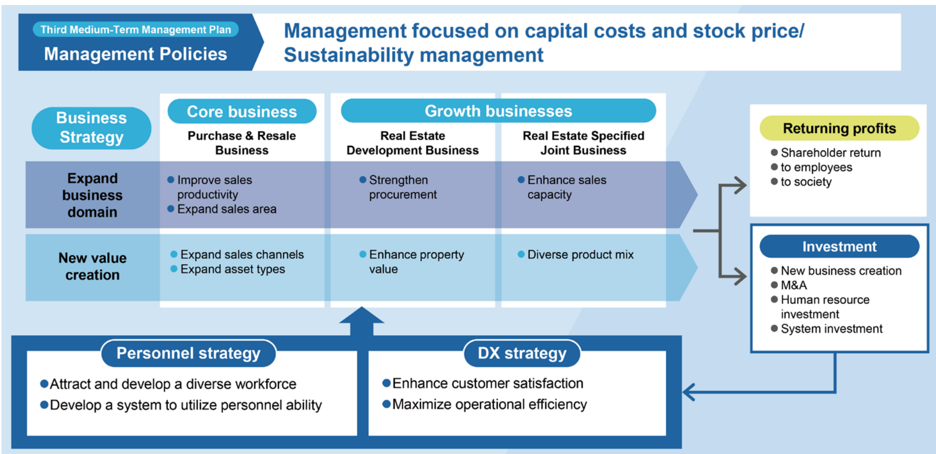
Growth strategies and topics

Aiming to surpass ¥100.0bn in net sales under the Third Medium-Term Management Plan

1. Formulation of the Third Medium-Term Management Plan (FY12/25–FY12/27)

The Company's long-term vision for 2030 is "Creating sustainable economic and social value through the real estate business." FY12/27, the final year of the Third Medium-Term Management Plan, is the halfway point on the path to the 2030 vision. Its vision for MUGEN ESTATE in FY12/27 is to "Strengthen our organizational capabilities to expand the business scope and create new businesses." Under its management policies of achieving management focused on cost of capital and the share price and implementing sustainability management, the Company aims to expand its business domains and create new value in the Purchase & Resale Business (core business), and in the Real Estate Development Business and the Real Estate Specified Joint Business (growth businesses). Specifically, in the Purchase & Resale Business, it aims to improve sales productivity, extend sales areas, expand sales channels, and increase asset types. New asset types are expected to include logistics facilities, hotels, healthcare facilities, and data centers. In addition to these business strategies, the Company is focusing on its human resources strategy, which is to attract and develop diverse human resources and build personnel systems. It also plans to accelerate its DX strategy to enhance customer satisfaction and maximize operational efficiency. In addition to profits from its business, it plans to maintain financial soundness and diversify funding sources to procure funds for purchasing real estate for sale (¥200.0bn–240.0bn), investing in human resources/DX/M&A (¥10.0bn–13.0bn), and paying returns to shareholders (¥8.0bn–10.0bn).

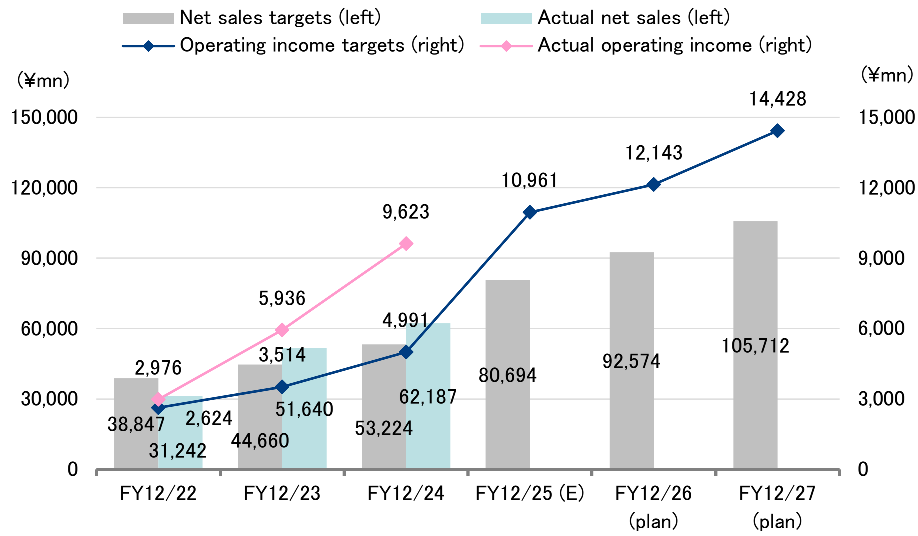
Strategy summary



Source: The Company's Medium-Term Management Plan materials

The Company is targeting FY12/27 net sales of ¥105,712mn, operating income of ¥14,428mn, ordinary income of ¥13,248mn, and profit attributable to owners of parent of ¥9,361mn. Its net sales and operating income targets are 1.70 times and 1.50 times the respective levels in FY12/24. To close the gap with these targets, the Company plans to expand its business, especially in the purchase and resale of investment properties, where it forecasts sales will rise sharply to ¥48,166mn in FY12/27, up ¥21,123mn from FY12/24. It sees the greatest growth potential in the Real Estate Specified Joint Business, where it is targeting net sales of ¥7,150mn, 3.3 times the level in FY12/24. In terms of KPIs, it has selected indicators to pursue an optimum balance between growth, capital efficiency, financial soundness, and shareholder returns to achieve management that is conscious of cost of capital and the share price. In terms of growth potential (CAGR), it is targeting net sales growth of 20% or more and EPS growth of 15% or more. Its target for capital efficiency is ROE of 20% or more, and for financial soundness it is aiming for an equity ratio of 30.0%–35.0% and a net DE ratio of 1.2–1.5 times For shareholder returns, its targets are a payout ratio of 40% or more and the payment of interim dividends.

Results and Medium-Term Management Plan targets

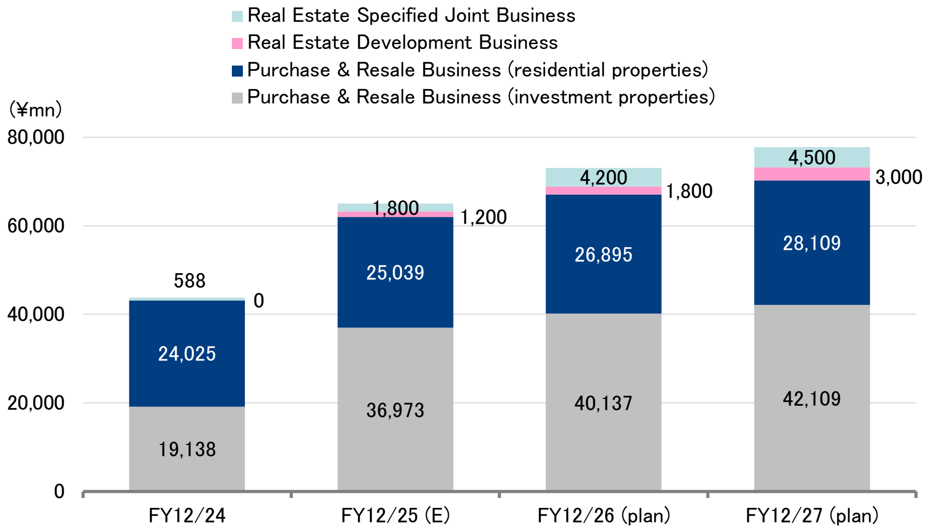


Source: Prepared by FISCO from the Company's Medium-Term Management Plan materials

2. Real estate procurement plan

Real estate procurement underpins the Company's earnings forecasts. In the three years from FY12/25 to FY12/27, the Real Estate Trading Business plans to purchase properties worth a total of ¥215.7bn, including ¥77.7bn in FY12/27 alone. In the mainstay Purchase & Resale Business, the Company will focus on purchasing investment properties, including in regional areas. Leveraging its nationwide offices and human resources, it has a system in place to ensure it does not lose out in the buying process. Also, due to strict procurement criteria in the Real Estate Development Business and the Real Estate Specified Joint Business, the Company will deepen cooperation within the Group and conduct procurement activities based on the profitability of each property. We believe the Company's strengths—a strong financial base and good relationships with financial institutions—give it an advantage in achieving these procurement plans.

Real estate procurement plans

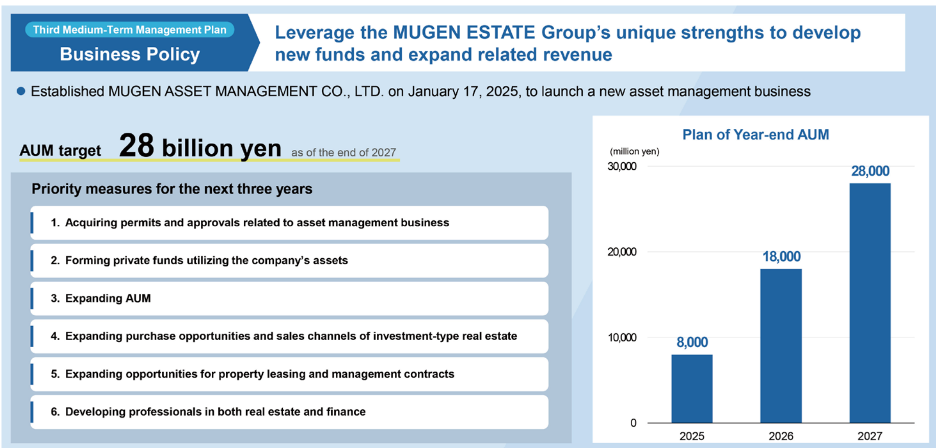


Source: Prepared by FISCO from the Company's Medium-Term Management Plan materials

3. New businesses

In January 2025, the Company established Mugen Asset Management Co., Ltd. to enter the real estate asset management business. In the medium to long term, the Company aims to drive growth in its real estate operations by combining the Group's expertise in adding value to properties, mainly in the Purchase & Resale Business, with its knowledge of real estate finance. It also plans to use real estate securitization to offer products that match investor needs. Its goal is to incrementally form private funds over the next few years to increase assets under management to ¥28.0bn in the three years through FY12/27.

Launch of asset management business



Source: The Company's Medium-Term Management Plan materials

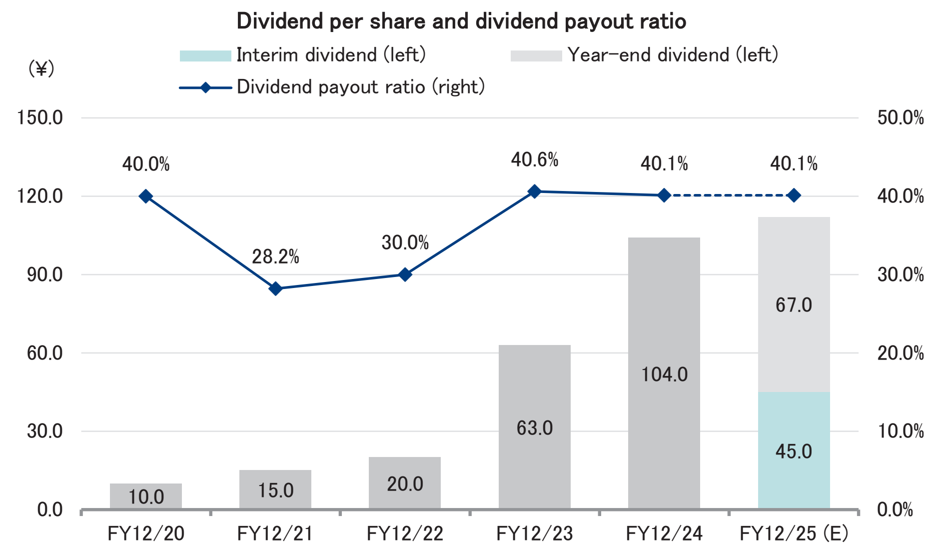
4. Management conscious of cost of capital and share price

The Company aims to achieve management that is conscious of cost of capital and the share price. It has selected P/B ratio (= ROE x forward P/B ratio) as a key indicator. It has improved all three metrics, which are currently above industry averages (based on 13 real estate purchase and resale companies). Efforts to improve profit growth and capital efficiency in particular have lifted ROE to 20.4% (FY12/24), which is above the industry average of 13.9%. There is still room for improvement, so the Company will continue to grow earnings and actively implement initiatives from the perspectives of profitability, capital efficiency, and financial soundness, as well as IR activities for shareholders and investors.

Shareholder return policy

Paid upwardly revised FY12/24 dividend of ¥104.0, increase of ¥41.0 YoY; forecasts ¥112.0 for FY12/25

The Company considers the return to shareholders to be one of its most important management initiatives. The Company's basic policy is to continue to pay stable dividends while strengthening its financial position and maintaining adequate internal reserves in order to expand its business in the long term. The Company determines the allocation of profits aiming for a consolidated dividend payout ratio of 40% or more in the medium to long term. In FY12/24, against the backdrop of strong results, the Company set an annual dividend of ¥104.0 (representing increases of ¥41.0 YoY, ¥36.0 from the initial forecast, and ¥12.0 from the revised forecast), bringing the dividend payout ratio to 40.1%, and the total payout ratio to 48.3%. For FY12/25, it forecasts an annual dividend of ¥112.0 (an increase of ¥8.0 YoY, consisting of an interim dividend of ¥45.0 and a year-end dividend of ¥67.0), resulting in a dividend payout ratio of 40.1%. It intends to introduce an interim dividend from FY12/25 to pay dividends twice yearly in order to increase opportunities to return profits to shareholders.



Source: Prepared by FISCO from the Company's financial results

Disclaimer

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