COMPANY RESEARCH AND ANALYSIS REPORT

# MUGEN ESTATE Co., Ltd.

## 3299

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# Significant increases in net sales and profits for 1Q FY12/25, driven by a strong performance in the Purchase & Resale Business. Established a credit facility (¥10.0bn) through a syndicated loan to strengthen purchasing capability

MUGEN ESTATE Co., Ltd. <3299> (hereafter, also “the Company”) is engaged in the business of purchasing and reselling used properties, primarily investment-type and residential-type condominiums. The Company is recognized as a pioneer in the real estate industry and operates as a highly profitable enterprise.

**1. Overview of 1Q FY12/25 results**

In 1Q FY12/25, the Company made a strong start. Net sales rose 39.4% year on year (YoY) to ¥17,153mn, operating income increased 152.3% to ¥2,982mn, ordinary income increased 167.5% to ¥2,656mn, and profit attributable to owners of parent was up 176.5% to ¥1,800mn.

Looking at the business environment for the real estate industry, although there were some concerns about the Bank of Japan’s trajectory of interest rate hikes, demand was resilient, owing to favorable market conditions continuing from the previous fiscal year and a gradual economic recovery. In March 2025, the number of transactions and transaction prices for used condominiums in the Tokyo metropolitan area both increased YoY for the fifth consecutive month. In the core Purchase & Resale Business, sales of high-priced residential-type properties performed strongly, and net sales of residential-type properties increased 131.6% YoY to ¥13,126mn, driving a significant increase in net sales. Sales of investment-type properties declined, partly due to the postponement of large property sales to 2Q and beyond. One factor behind the strong performance in the Purchase & Resale Business was the continued strength in sales to overseas investors, which totaled ¥7,057mn and accounted for approximately 43% of sales in this business. In the Real Estate Development Business and the Real Estate Specified Joint Business, there were no sales recorded as of 1Q. In the Real Estate Specified Joint Business, the second phase offering of the Sapporo Hostel project was completed, and sales for the Shinkoiwa project began (March 2025). Regarding the status of real estate purchases, these purchases decreased 20.5% YoY, as purchases were made with consideration given to both the profitability of properties and overall portfolio balance.

**2. FY12/25 forecasts**

In FY12/25, the Company forecasts steady increases in net sales and profits at each level (as initially forecast). It expects net sales to rise 29.8% YoY to ¥80,694mn, operating income to increase 13.9% to ¥10,961mn, ordinary income to rise 12.4% to ¥9,955mn, and profit attributable to owners of parent to increase 6.9% to ¥6,504mn. Real estate market conditions in urban areas across Japan, where the Company operates, are expected to remain strong, supported by factors such as the yen’s depreciation and low interest rates, despite uncertainties surrounding issues such as potential policy rate hikes by the Bank of Japan and the effects of US tariff policies.

In the core Purchase & Resale Business, the Company will expand its business area by expanding its sales channels, diversifying its asset portfolio, and bolstering sales in regional market areas. To develop and deepen business in the western Japan area, the Company has completed the opening of the Kyoto Office (February 2025) and Naha Office (March 2025), and the positive effects of these offices are expected to emerge over the medium term. In addition, the Company established the Overseas Sales Department (January 2025), with the aim of strengthening its approach to overseas brokerage activities. In this segment, the Company expects to increase net sales 30.1% YoY to ¥77,727mn, and to drive growth particularly in investment-type properties, for which net sales are projected to grow 44.3% to ¥39,034mn. In the Real Estate Development Business, the Company will continue to rigorously focus on developing energy-efficient and environmentally friendly products, collaborate with the Purchase & Resale Business, and acquire land for development. In this segment, the Company is forecasting a 16.2% increase in net sales to ¥2,915mn. In the Real Estate Specified Joint Business, the Company will strive to diversify asset types and purchase properties that fit the characteristics of regional market areas. It forecasts net sales of ¥3,056mn in this segment, an increase of 42.7%. In the new Asset Management Business, the Company has completed the development of its personnel structure and plans to obtain the required licenses for asset management, as well as to establish private funds within the current fiscal year. In addition, real estate for sale as of the end of 1Q FY12/25 stood at ¥61,243mn (an increase of ¥516mn from the end of FY12/24), and is deemed sufficient. As of the end of 1Q, the progress rate toward the full-year operating income forecast was 27.2%, indicating steady performance. Given that the opening of new offices (an increase of eight offices) and hiring undertaken in the previous and current fiscal year are expected to generate positive effects, the Company can be said to have laid the groundwork for achieving its plans.

## Growth strategy: Launched third medium-term management plan aimed at surpassing ¥100.0bn in net sales. Established a credit facility (¥10.0bn) through a syndicated loan to strengthen purchasing capability

The Company has announced and is currently implementing a three-year medium-term management plan starting in FY12/25 and ending in FY12/27. The Company aims to make significant strides forward by attaining its numerical targets for FY12/27, the plan's final year. These targets are net sales of ¥105,712mn (approximately 1.7 times the FY12/24 result), operating income of ¥14,428mn (approximately 1.5 times), and profit attributable to owners of parent of ¥9,361mn (approximately 1.5 times).

In each business, strengthening purchasing capability based on a sound financial foundation is a prerequisite for the growth strategy. The Company has formed a syndicated loan (credit facility: ¥10.0bn) agreement with eight banks, including two megabanks. It can be said that the Company has secured a flexible and stable means of funding to strengthen its purchasing capability in the core Purchase & Resale Business.

The Real Estate Specified Joint Business is positioned as a growth business. In the current fiscal year, progress is being made on initiatives such as the complete sell-out of the second-phase offering of the Sapporo Hostel project, formed in April 2025 (investment unit price: ¥1mn; number of units offered: 220), and the start of sales for the Shinkoiwa project in March 2025 (investment unit price: ¥1mn; number of units offered 600; total offering amount: ¥600mn). The Company can be expected to steadily build up its track record.

## Shareholder return policy: Against the backdrop of a forecast for increased profits for FY12/25, the annual dividend is forecast to be ¥112 (interim dividend: ¥45; year-end dividend: ¥67), an increase of ¥8, resulting in a dividend payout ratio of 40.1%

The Company considers the return of profits 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 by comprehensively taking into account the levels of performance and the cost of capital and capital profitability based on the balance sheet, aiming for a consolidated dividend payout ratio of 40% or more in the medium to long term. For FY12/25, the Company plans to pay an annual dividend of ¥112 (an increase of ¥8 YoY, consisting of an interim dividend of ¥45 and a year-end dividend of ¥67), resulting in a dividend payout ratio of 40.1%. The Company has decided to pay dividends twice a year, offering an interim dividend beginning in FY12/25, in addition to the year-end dividend, in order to enhance opportunities to return profits to its shareholders.

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