

COMPANY RESEARCH AND ANALYSIS REPORT

MUGEN ESTATE Co., Ltd.

3299

Tokyo Stock Exchange Standard Market

19-Aug.-2025

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Recorded record sales and profits for an interim period for 2Q FY12/25 by a strong performance in the Purchase & Resale Business

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 FY12/25 interim results

In the FY12/25 interim period, the Company recorded record highs in net sales and profits at each level. Net sales rose 4.6% year on year (YoY) to ¥32,943mn, operating income increased 9.0% to ¥5,479mn, ordinary income increased 6.2% to ¥4,932mn, and interim net profit attributable to owners of parent was up 8.4% to ¥3,320mn.

The business environment for the real estate industry remained strong, supported by overseas real estate investment due to the weak yen and strong inbound demand. In June 2025, the number of transactions and transaction prices for used condominiums in the Tokyo metropolitan area both increased YoY for the eighth consecutive month. In the core Purchase & Resale Business, large property sales performed strongly, and net sales of residential-type properties increased 56.0% YoY to ¥19,005mn, driving a significant increase in net sales. Although Sales of investment-type properties has declined compared to the same period last year, sales have been steadily increasing while maintaining profitability. One factor behind the strong performance in the Purchase & Resale Business was the remarkable growth in sales to foreigners, which increased 49.8% YoY to ¥14,188mn. In the Real Estate Specified Joint Business, the second phase offering of the Sapporo Hostel project was sold out. Regarding the status of real estate purchases, the Company has carefully examined the profitability and inventory status of properties and has made steady progress, with purchases down 7.9% YoY to ¥23,302mn.

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 net 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 opened the Kyoto Office (February 2025) and Naha Office (March 2025), and further established the Overseas Sales Department (January 2025), expecting growth as the area expands. In this segment, the Company expects to increase net sales 30.5% YoY to ¥71,756mn, and to drive growth particularly in investment-type properties of the Purchase & Resale Business, 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, and will continue to strengthen leasing and sales activities for completed properties. In this business, 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 proceed with a project of a total value of ¥1.5bn.

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It forecasts net sales of ¥3,056mn in this business, an increase of 42.7%. In the new Asset Management Business, the Company plans to obtain the required licenses for asset management, and to gradually establish private funds over the next few years to expand the outstanding assets under management, with contributions to performance expected from next fiscal year onwards. Real estate for sale as of the end of the interim period stood at ¥63,917mn (an increase of ¥3,190mn from the end of FY12/24), and is deemed sufficient. As of the end of 2Q, the progress rate toward the full-year operating income forecast was 50.0%, indicating steady performance. Given that the opening of new 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 and topic: Progressed in the pipeline for the Real Estate Development Business and the Real Estate Specified Joint Business

In the interim period, the Company is focusing on developing the Real Estate Development Business and the Real Estate Specified Joint Business. Projects that are likely to see movement in the second half of the year include the sale of the seventh product, the Shinkoiwa project, and the eighth product, the Ogikubo project, in the Real Estate Specified Joint Business. The Shinkoiwa project raised an offering amount of ¥600mn and began sales in March 2025, while the Ogikubo project raised an offering amount of ¥878mn and began sales in June 2025. In addition, in the Real Estate Development Business, SIDEPLACE ASAGAYA (seven-story building with seven restaurants and retail stores) was completed in July 2025, and is expected to contribute to future performance.

Shareholder return policy: Interim dividend will be paid for the first time (scheduled for payment in September 2025). Against the backdrop of a forecast for increased profits for FY12/25, the annual dividend is forecast to be ¥112 (interim dividend planned: ¥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 planned of ¥45 and a forecast 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 the current fiscal year (FY12/25), in addition to the year-end dividend, in order to enhance opportunities to return profits to its shareholders. In its third medium-term management plan, the Company plans to pay a dividend of ¥130 in FY12/2026 and ¥161 in FY12/2027.

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