COMPANY RESEARCH AND ANALYSIS REPORT

MUGEN ESTATE Co., Ltd.

3299

Tokyo Stock Exchange Standard Market

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FISCO Ltd. Analyst
Hideo Kakuta

FISCO Ltd.
https://www.fisco.co.jp

In 1Q, revenue and profit declined due to slowing overseas demand and a slowdown in the high-priced segment. The Company plans to recover by shifting toward domestic demand and regional markets

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 condominiums. The Company is recognized as a pioneer in the Real Estate Purchase & Resale Business and operates as a highly profitable enterprise.

1. Overview of 1Q FY12/26 results

In 1Q FY12/26, net sales decreased 27.0% year on year (YoY) to ¥12,523mn, operating income fell 66.0% to ¥1,014mn, ordinary income declined 72.5% to ¥731mn, and quarterly net profit attributable to owners of parent dropped 75.5% to ¥440mn, resulting in declines in both revenue and profit.

According to the latest officially assessed land prices (announced by the Ministry of Land, Infrastructure, Transport and Tourism in March 2026), the nationwide average for all land-use categories rose 2.8% YoY, marking the fifth consecutive year of increase. In addition, both the number of transactions and the transaction prices of pre-owned condominiums in the Tokyo metropolitan area in March 2026 increased for the 17th consecutive month. In the Tokyo metropolitan real estate market, although investment costs per property are increasing, rising rents have helped maintain profitability. Meanwhile, amid worsening conditions in the Middle East, surging crude oil prices have led to supply constraints for housing equipment and rising prices for construction materials, raising concerns about their impact on the business environment surrounding real estate.

In terms of net sales, the core Purchase & Resale Business saw a decline in revenue partly due to weaker demand from overseas investors and sluggish sales of large-scale properties. By category, sales of investment-type properties increased, driven by a rise in sales of whole-building properties (over ¥300mn), resulting in an increase of 65.1% YoY to ¥5,527mn. On the other hand, residential-type properties posted a significant decline in revenue, falling 56.0% to ¥5,780mn, largely due to sluggish sales of high-priced properties. Geographically, Tokyo declined 25.5 percentage points (pp) to 54.2%, while regional market areas rose 13.8pp to 16.5%. The proportion of sales to overseas investors fell 22.6pp to 20.2%. The Real Estate Specified Joint Business posted higher revenue due to the complete sellout of the Ogikubo project. In the Real Estate Leasing and Other Business, revenue increased 32.9% to ¥862mn due to asset expansion. As for profit, in addition to the impact of decreased revenue, profits declined due to factors such as a 5.2pp decrease in the gross profit margin, resulting from a decrease in the number of high-priced, large-scale properties sold, which have high profitability.

2. FY12/26 forecasts

In FY12/26, the Company forecasts double-digit growth in both net sales and profits at each level, with net sales expected to increase 16.1% YoY to ¥79,286mn, operating income to rise 12.2% to ¥12,398mn, ordinary income to grow 11.1% to ¥11,058mn, and net profit attributable to owners of parent to increase 14.1% to ¥7,595mn (unchanged from the initial forecast).

In the core Purchase & Resale Business, the Company aims to enhance sales productivity by strengthening its sales infrastructure and increasing the average unit price of properties handled. Following the previous fiscal year, it also plans to further diversify the types of assets it handles, including logistics facilities, hotels, and healthcare facilities. By category within the Purchase & Resale Business, sales of investment-type properties are projected to increase 27.6% YoY to ¥39,379mn, while sales of residential-type properties are expected to decline 4.2% to ¥31,086mn, clearly differentiating the growth profile between the two. The Company positions investment-type properties as the growth driver of the Purchase & Resale Business. The Real Estate Development Business aims to accelerate sales of the two completed properties (SIDEPLACE HIRAI and SIDEPLACE JUJO), with sales projected to increase 229.5%. In the Real Estate Specified Joint Business, the Company will strengthen sales efforts and expand sales channels to accelerate early sales of the Soka project, with sales projected to increase 84.9%. In the newly launched Asset Management Business, the Company completed registration in December 2025 as a Type II Financial Instruments Business Operator and as an investment advisory and agency business operator, and aims to establish a private placement fund at an early stage. The procurement amount for 1Q was ¥11,505mn, an increase of ¥492mn, as procurements were made cautiously while taking into account the balance between property profitability and inventory. The balance of real estate for sale (at the end of 1Q) amounted to ¥79,255mn, indicating a sufficient inventory level. Amid expectations that demand from overseas investors will remain limited, uncertainty has also increased due to factors such as delays in material delivery schedules resulting from the situation in the Middle East. Accordingly, the Company plans to strengthen sales efforts under a flexible pricing strategy, primarily targeting domestic investors and end-user demand.

Growth Strategy and Topic: Commencement of offering for the “Soka project (nursing care facility)” under the Real Estate Specified Joint Business (small-lot real estate products)

The Company is currently promoting its three-year Medium-Term Management Plan, which runs through FY12/27 as the final year, in which it positions the Real Estate Specified Joint Business (small-lot real estate products) as one of its growth businesses. To date, it has handled residential properties and lodging facilities, and in March 2026, the Ogikubo project, its eighth project (residential, second-phase offering of ¥340mn), was fully sold out. Since March 2026, applications for the Soka project, its ninth project (the Geriatric Health Services Facility “Midori no Yakata,” first-phase offering of ¥440mn), have begun, and contracts are reportedly progressing steadily. As both a new business model (small-lot real estate products) and an expansion into the healthcare sector (such as nursing care facilities), where market demand is high and stable, this is noteworthy as an example of steady progress in initiatives aimed at growth businesses.

Shareholder return policy: Annual dividend for FY12/26 is projected to increase ¥16 to ¥130 (an interim dividend of ¥52 and a year-end dividend of ¥78)

The Company positions shareholder returns as one of its key management priorities. Its basic policy is to maintain stable dividends while strengthening its financial base and enhancing internal reserves to support long-term business expansion.

In determining profit allocation, the Company comprehensively considers earnings levels, as well as capital costs and capital efficiency based on its balance sheet, and has set a medium- to long-term consolidated dividend payout ratio target of 40% or higher. In terms of actual results, this marks five consecutive years of dividend increases through FY12/25, with a dividend payout ratio in the 40% range for three consecutive years. An interim dividend was introduced in FY12/25, making the stock more accessible to investors. For FY12/26, the Company forecasts an annual dividend of ¥130 per share (up ¥16 YoY; ¥52 interim dividend and ¥78 year-end dividend), and a payout ratio of 40.2%.

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■ For inquiries, please contact: ■
FISCO Ltd.
5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062
Phone: 03-5774-2443 (IR Consulting Business Division)
Email: support@fisco.co.jp