COMPANY RESEARCH AND ANALYSIS REPORT

MUGEN ESTATE Co., Ltd.

3299

Tokyo Stock Exchange Standard Market

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Revenue and profit declined in the first half due to a decrease in overseas demand and other factors. Full-year earnings forecast revised downward (operating income to ¥8,588mn)

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 industry and operates as a highly profitable enterprise.

1. Overview of 1H FY12/26 results

In 1H FY12/26, net sales decreased 18.8% year on year (YoY) to ¥26,743mn, operating income fell 49.4% to ¥2,773mn, ordinary income declined 56.6% to ¥2,142mn, and interim net profit attributable to owners of parent dropped 60.2% to ¥1,320mn, resulting in declines in both revenue and profit.

In terms of net sales, the core Purchase & Resale Business saw a decline in revenue mainly due to the limited effects during the first half of measures to strengthen sales activities targeting domestic investors in response to the decline in demand from overseas investors, and the sluggish sales of high-priced and large-scale properties. By category, sales of investment-type properties increased 1.8% YoY to ¥12,531mn, as sales measures targeting domestic investors proved effective and sales of whole-building income-producing properties increased. On the other hand, residential-type properties posted a decline in revenue of 36.5% to ¥12,068mn, with the number of units sold remaining flat but sales of high-priced properties not progressing, resulting in the decrease. Geographically, although sales are centered on the Tokyo metropolitan area, the sales composition ratio for regional areas rose 15.0 percentage points (pp) to 20.0%. The proportion of sales to overseas investors fell 20.6pp to 24.7%. 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 30.1% to ¥1,777mn due to an increase in real estate for sale and non-current assets. As for profit, in addition to the impact of decreased revenue, profits declined due to factors such as a 3.9pp decrease in the gross profit margin, resulting from a decrease in the number of high-profitability large-scale properties sold. Looking at results by quarter, both net sales and profits at each level progressed with the standalone 2Q exceeding the standalone 1Q.

2. FY12/26 forecasts

In FY12/26, the Company forecasts net sales to decrease 9.8% YoY to ¥61,599mn, operating income to fall 22.3% to ¥8,588mn, ordinary income to decline 27.3% to ¥7,237mn, and net profit attributable to owners of parent to drop 28.4% to ¥4,770mn, with both net sales and profits at each level revised downward based on the first half results and the outlook for future real estate market conditions.

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In the core Purchase & Resale Business, the Company plans to strengthen sales to domestic investors and end-user demand, while accumulating sales and profits through measures such as expanding sales channels, strengthening regional areas, and a flexible pricing strategy. By category within the Purchase & Resale Business, forecasts for investment-type properties were revised to an increase of 7.4% YoY to ¥33,143mn, and for residential-type properties to a decrease of 29.7% to ¥22,818mn, strengthening the shift toward investment-type properties. Given the limited demand from overseas investors, the Company will promote strengthening collaboration with financial institutions, including regional banks, as a measure to expand sales channels. The Real Estate Development Business will move forward with the early sale of completed properties. In the Real Estate Specified Joint Business, the Company will strengthen sales efforts and expand sales channels aimed at selling the Soka project within the year. The procurement amount for 2Q was ¥22,256mn, a decrease of ¥1,046mn YoY, as the Company thoroughly focused on procurements emphasizing profitability. The balance of real estate for sale (at the end of 2Q) amounted to ¥80,982mn, indicating a sufficient inventory level. The progress rate against the revised full-year earnings forecast after the first half is 43.4% for net sales and 32.3% for operating income, expected to be weighted toward the second half. In an environment of change where demand from overseas investors is limited, responsiveness such as flexible pricing and a shift to domestic investors will be key.

Growth strategy and topics: While the pre-owned condominium market is at a turning point, the Company strengthens flexible recovery measures

The environment surrounding the real estate industry is in a phase where strong demand for investment-type properties, particularly in urban areas, is a factor pushing up the market, while downward pressures such as rising construction costs due to soaring material prices and labor costs, as well as the Bank of Japan's policy interest rate hikes, are also at play, and the outlook remains uncertain.

Although the pre-owned condominium market is less affected compared to the new construction market that is directly impacted by inflation, the number of transactions for pre-owned condominiums in the Tokyo metropolitan area (June 2026) was down 1.3% YoY, falling below the same month of the previous year for the third consecutive month. The contract price per square meter and the contract price decreased slightly, and the number of properties for sale exceeded the same month of the previous year for the fourth consecutive month, indicating a change in the tide in the urban real estate market conditions. With regard to residential condominiums, the trend toward polarization between the low-priced and high-priced segments is intensifying. Although the Company was affected by a decrease in overseas customers centered on China in its specialty high-priced segment, it is strengthening recovery measures targeting domestic affluent individuals and other regions such as Taiwan. As a specific example of these measures, in addition to collaboration with financial institutions (as mentioned above), the Company is establishing a system where approximately 250 sales employees stationed nationwide can collaborate across multiple regions to aim for contracts, seeking synergies. On the other hand, the vacancy rate of rental properties in central Tokyo remains at a low level, and rising rents are also a tailwind, so the value of income-producing real estate remains strong, and there is little concern that the market will undergo a major adjustment.

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Shareholder return policy: Annual dividend for FY12/26 is projected to decrease ¥10 to ¥104 (interim dividend of ¥52 already paid, year-end dividend of ¥52)

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. An interim dividend was introduced from FY12/25, making the stock more accessible to investors. For FY12/26, the Company forecasts an annual dividend of ¥104 per share (down ¥10 YoY; ¥52 interim dividend and ¥52 year-end dividend), and a payout ratio of 51.3% (after revision). Based on the revision of the full-year earnings forecast and future market conditions, the year-end dividend forecast was reduced by ¥26 from the initial forecast to ¥52.

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