

# URBANET CORPORATION (3242)

Consolidated Fiscal Year (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY06/2019	20,084	2,148	1,913	1,310	52.09	18.00	332.15
FY06/2020	22,018	2,484	2,198	1,506	52.66	20.00	359.81
FY06/2021CoE	20,000	2,050	1,770	1,100	35.06	15.00	-
FY06/2020	YoY	9.6%	15.7%	14.9%	15.0%	-	-
FY06/2021CoE	YoY	(9.2%)	(17.5%)	(19.5%)	(27.0%)	-	-

Source: Company Data, WRJ Calculation

## 1.0 Executive Summary (18 September 2020)

### A Stepwise Growth


URBANET CORPORATION, running operations mainly of development and sale of investment-oriented studio apartments on a per-building basis, is going for "a stepwise growth". Given uncertainty of the impacts stemming from COVID-19, the Company strengthens its financial base, while enforcing its selective acquisitions of sites for own investment-oriented studio apartments based on the level of expected return for itself at the same time. It appears that FY06/2021 Company forecasts assume that sales of properties scheduled to be completed and delivered towards the end of the fiscal year will be delayed due to a concern that the construction may be delayed by the impacts stemming from COVID-19. This is a key factor why sales and thus earnings are to come down over the previous year, but boosting sales for FY06/2022 by this amount at the same time. When based on the assumptions here and the current state of the site acquisitions, the number of units sold for investment-oriented studio apartments will remain roughly unchanged for FY06/2022 over FY06/2021. Meanwhile, the number of units sold for FY06/2023 all hinges on the trends of the site acquisitions now and going forward, In other words, the Company has to go through steps to suffer from the impacts stemming from COVID-19, but planning to pursue an opportunity of growth after having gone through the said steps.

IR Representative: Wataru Akai, Senior Executive Officer (+81 3 6630 3051 / [akai.wataru@urbanet.co.jp](mailto:akai.wataru@urbanet.co.jp))

(to be appointed as director at the 23rd ordinary general meeting of shareholders to be held on 28 September 2020)

## 2.0 Company Profile

### Development and Sale of Investment-Oriented Studio Apartments on a Per-Building basis

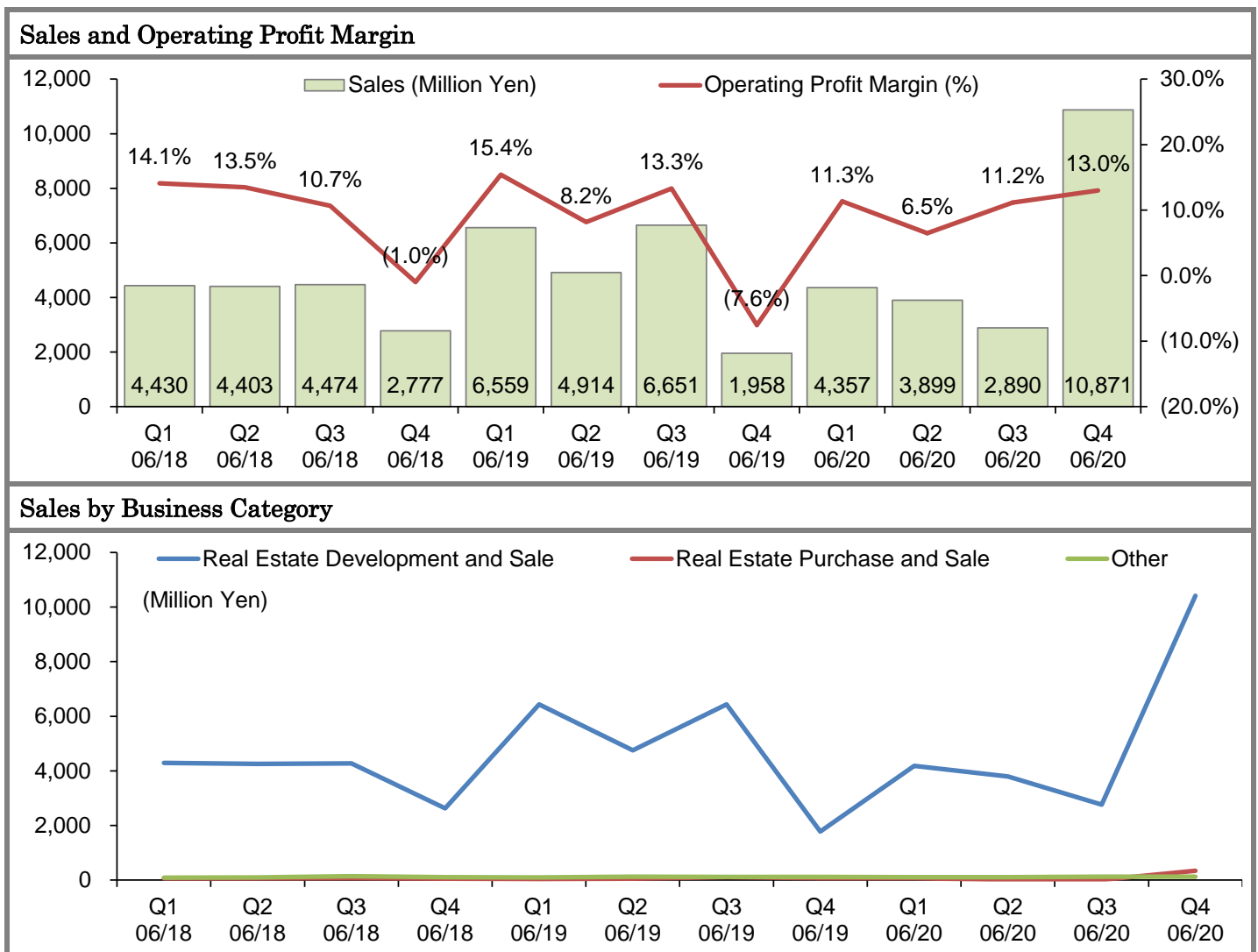
<b>Company Name</b>	URBANET CORPORATION Co., Ltd. <a href="#">Company Website (Japanese only)</a> <a href="#">IR Information</a> <a href="#">Share Price (Japanese)</a>	
<b>Established</b>	7 July 1997	
<b>Listing</b>	28 March 2007: Tokyo Stock Exchange JASDAQ Standard (ticker: 3242)	
<b>Capital</b>	¥2,693m (as of the end of June 2020)	
<b>No. of Shares</b>	31,374,100 shares, including 62 treasury shares (as of the end of June 2020)	
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Developer of condominiums and apartments with a limited downside risk for earnings due to limited headcount and thus limited fixed costs</li> <li>● Focus on grand design (outer design and/or basic design) and site acquisitions</li> <li>● Taking advantage of outsourcing for execution design, construction, etc.</li> </ul>	
<b>Business Segment</b>	I . Real Estate Business (mainly development of investment-oriented apartments and condominiums as well as stocking and selling)	
<b>Top Management</b>	President and Representative Director: Shinji Hattori	
<b>Shareholders</b>	Hattori Co. 17.90%, Morgan Stanley MUFG Securities 1.99%, Goda Kohmuten 1.87%, Hironobu Hattori 1.22% (as of the end of June 2020)	
<b>Headquarters</b>	Chiyoda-ku, Tokyo, JAPAN	
<b>No. of Employees</b>	Consolidated: 53, Parent: 44 (as of the end of June 2020)	

Source: Company Data

## 3.0 Recent Trading & Prospects

### FY06/2020 Results

In FY06/2020, sales came in at ¥22,018m (up 9.6% YoY), operating profit ¥2,484m (up 15.7%), recurring profit ¥2,198m (up 14.9%) and profit attributable to owners of parent ¥1,506m (up 15.0%), while operating profit margin 11.3% (up 0.6% points). Compared with initial Company forecasts (announced on 8 August 2019), the results were rather better, i.e., by ¥638m (3.0%) in sales, by ¥104m (4.4%) in operating profit, by ¥108m (5.2%) in recurring profit and by ¥56m (3.9%) in profit attributable to owners of parent.



Source: Company Data, WRJ Calculation

By business category, Real Estate Development and Sale saw sales of ¥21,152m (up 9.1%) and sales composition ratio of 96.1%, implying that this business category overwhelmingly drives the performance as a whole for the Company. Meanwhile, Real Estate Purchase and Sale saw sales of ¥405m (up 61.8%) and Other sales of ¥460m (up 4.6%). In Real Estate Purchase and Sale, the Company saw two units sold for stocking and selling of properties, while having seen sales stemming from a lump sum deal (12 units) at the same time. In Other, the Company saw sales stemming from own operations of real estate brokerage and real estate leasing.

One of the major features of Real Estate Development and Sale is that sales on a quarterly basis inevitably and constantly fluctuate widely. In FY06/2020, there was a conspicuous concentration of sales in Q4. The background to this is the concentration of completion and delivery of properties. Sales are booked for Real Estate Development and Sale, stemming from sale of each property on a per-building basis, while the timing of sale depends on that of completion and delivery. Still, the number of properties completed and delivered varies greatly from quarter to quarter, resulting in the same for sales likewise.

As a whole for the Company, on the other hand, gross profit came in at ¥3,833m (up 9.9%) and SG&A expenses ¥1,348m (up 0.6%), implying gross profit margin of 17.4% (up 0.0% point) and sales to SG&A expenses ratio of 6.1% (down 0.5% points). While gross profit margin has remained effectively unchanged over the previous year, the Company has constrained increase of SG&A expenses, having resulted in marginal improvement for operating profit margin. Considering that sales of Real Estate Development and Sale accounted for the majority of sales as a whole for the Company, all those trends of earnings were of this business category to a large extent.

In Real Estate Development and Sale, the Company runs real estate business mainly comprising development and sale of investment-oriented studio apartments on a per-building basis, which are exclusively located within 10-minute walk from a station in the 23 wards of Tokyo. In FY06/2020, the Company saw 712 units sold (14 buildings) for properties developed in-house, comprising 709 units of 13 investment-oriented studio apartments and three units of one retail premises. The latter was originally developed as investment-oriented studio apartment, but was completed as retail premises in line with request from the buyer, according to the Company. On top of this, the Company saw sales stemming from sale of one site having had been acquired as that of investment-oriented studio apartment. Sale of sites sees gross profit margin lower than that of investment-oriented studio apartments and thus this deal is suggested to have provided gross profit margin as a whole for the Company with some negative impacts.

**FY06/2020: The Number of Units Sold for Properties Developed In-House**

Name of Properties (Segment: Investment-Oriented Studio Apartment = ○)	Segment	No. of Units Sold	No. of Units	Buyer	(Vendor)	(Other)
MUSICIANS VILLA HATAGAYA	○	41	41	Other		41
GRAND CONCIERGE OMORIHONCHO I ASYLCOURT	○	34	34	Vendor	34	
GRAND CONCIERGE OMORIHONCHO II ASYLCOURT	○	50	50	Vendor	50	
MAKES DESIGN KOJIYA ASYLCOURT	○	48	48	Vendor	48	
ASYLCOURT TAITO NEGISHI	○	90	90	Other		90
AXAS KOMAGOME ASYLCOURT	○	38	38	Vendor	38	
COMFORIA FUDOMAE	○	46	46	Other		46
STAGE GRANDE SHIN-NAKAO ASYLCOURT	○	74	74	Vendor	74	
COMFORIA SAKURA-JOSUI	○	130	130	Other		130
GRAND CONCIERGE MAGOME ASYLCOURT	○	48	60	Vendor	48	
STAGE GRANDE CHITOSE-KARASUYAMA ASYLCOURT	○	13	52	Vendor	13	
URBAN PARK NISHI-SUGAMO WEST	○	44	44	Other		44
ASYLCOURT KAMATA	○	53	53	Other		53
WAYMARK SANGENJAYA	Retail P.	3	3	Other		3
<b>Total</b>		<b>712</b>			<b>305</b>	<b>407</b>
<b>Composition Ratio</b>		<b>100.0%</b>			<b>42.8%</b>	<b>57.2%</b>

Source: Company Data, WRJ Calculation

FY06/2020 initial Company forecasts (announced on 8 August 2019) assumed 735 units sold for properties developed in-house, but the results were 712 units, having fallen short of by 23 units. Nevertheless, this was more than compensated for by the fact that the above-mentioned sale of site was not assumed, having resulted in sales and earnings better than expected as a whole for the Company. This deal carries low gross profit margin, but it appears to have had impacts to sales and earnings in terms of absolute values to more than a certain extent.

The buyers of investment-oriented studio apartments developed in-house by the Company are divided into two categories, i.e., Vendor and Other. In terms of the number of units sold in FY06/2020, Vendor accounted for 42.8% of total and Other 57.2%. With respect to sale to Vendor, the Company adopts an innate scheme called "Senyu-Oroshi", while sale to Other is of sale to REIT (Real Estate Investment Trust), etc. For both of Vendor and Other, the Company runs operations of sale on a per-building basis, but it takes up to four months to complete booking sales after the delivery of properties with respect to Vendor, while immediately with respect to Other.

So-called "Senyu-Oroshi", adopted in sale to Vendor, represents a scheme exclusively innate in a part of Japan's real estate industry, where vendors to retail investment-oriented studio apartments developed in-house by the Company procure them on a per-building basis, while the Company stipulates that the payment is supposed to be made on a per-unit basis with a condition that all the settlement has to be completed within four months after the delivery of each property. For the procured properties, vendors are running operations to retail to individuals to purchase on a per-unit basis with an objective of investment. Meanwhile, as soon as each sales contract for vendors to sell to all those individuals is concluded, the Company sees corresponding settlement for the payments and thus books sales corresponding to the deals.

In FY06/2020, some parts of the settlement on a per-unit basis scheduled to be completed in Q4 were delayed into the next fiscal year, which was the reason for the shortfall of the number of units sold for properties developed in-house. The background to this is the impacts stemming from COVID-19. Individuals purchasing properties through vendors tend to raise funds to do so through loans from major credit card companies, while face-to-face procedures with them were delayed as they adopted working from home.

FY06/2021 Company Forecasts: The Number of Units Sold for Properties Developed In-House						
Name of Properties (Segment: Investment-Oriented Studio Apartment = ○)	Segment	No. of Units Sold	No. of Units	Buyer	(Vendor)	(Other)
GRAND CONCIERGE MAGOME ASYLCOURT	○	12	60	Vendor	12	
STAGE GRANDE CHITOSE-KARASUYAMA ASYLCOURT	○	39	52	Vendor	39	
ASYLCOURT SAKURA-JOSUI	○	34	34	Other		34
<b>KIKUKAWA V Project</b>	<b>○</b>	<b>50</b>	<b>50</b>	<b>In Talks</b>		
KYODO Project	○	49	49	Vendor	49	
KUGAHARA Project	○	62	62	Vendor	62	
<b>SHIN-KOENJI Project</b>	<b>○</b>	<b>64</b>	<b>64</b>	<b>In Talks</b>		
SHIN-NAKANO III Project	○	74	74	Vendor	74	
KAMATA V Project	○	35	35	Vendor	35	
RYOGOKU IV Project	○	64	64	Other		64
TACHIAIGAWA Project	○	88	88	Other		88
KYODO II Project	○	39	39	Vendor	39	
TABATA Project	○	34	34	Vendor	34	
OTORII II Project	○	30	30	Vendor	30	
<b>Total</b>		<b>674</b>			<b>114</b>	<b>186</b>
<b>Composition Ratio</b>		<b>100.0%</b>			<b>16.9%</b>	<b>27.6%</b>

Source: Company Data, WRJ Calculation

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FY06/2021 Company forecasts (announced on 6 August 2020) assume 674 units sold (14 buildings) for properties developed in-house, comprising those of Vendor by 55.5%, Other by 27.6% and In Talks by 16.9% in terms of the number of units sold by Buyer. When based on the current status and information available in [FINANCIAL REPORT \(in Japanese\)](#) disclosed on the next day of the results (7 August 2020), it should be the case that the size of sales as a whole for the Company in FY06/2021 has been effectively fixed as found in detailed state of sale and that of construction for each property as follows. For a couple of the properties, the status of Buyer is In Talks, but the status is to be fixed in a short term as far as we could gather. Meanwhile, it appears that Company forecasts assume sales associated with properties scheduled to be completed and delivered for Q4 (April to June 2021) not to be booked by the end of the fiscal year in a conservative viewpoint that the impacts stemming from COVID-19 may lead to delayed completion.

#### **GRAND CONCIERGE MAGOME ASYLCOURT (Buyer: Vendor)**

It appears that the 12 units carried over from FY06/2020 have been sold by the deadline for settlement on a per-unit basis in Q1 (July to September 2020).

#### **STAGE GRANDE CHITOSE-KARASUYAMA ASYLCOURT (Vendor)**

It appears that the 39 units carried over from FY06/2020 have been sold by the deadline for settlement on a per-unit basis in Q1 (July to September 2020).

### **ASYLCOURT SAKURA-JOSUI (Other)**

It has been already revealed that sales were booked in Q1 (July to September 2020).

### **KIKUKAWA V Project (In Talks)**

When the FINANCIAL REPORT was disclosed, the Company was going for completion by the end of August 2020, while status of Buyer was In Talks. Originally, sale to a REIT was scheduled, while sale to Vendor was also considered, when the FINANCIAL REPORT was disclosed, in light of economic rationality and other factors. To date, it appears that a decision has been made, whose details are to be disclosed in line with the announcement of Q1 results (July to September 2020).

### **KYODO Project (Vendor)**

When the FINANCIAL REPORT was disclosed, the Company was going for completion in September 2020, while it was revealed that sales contract had been concluded.

### **KUGAHARA Project (Vendor)**

To be completed in October 2020, while sales contract has already been concluded.

### **SHIN-KOENJI Project (In Talks)**

To be completed in October 2020, while the status of Buyer was In Talks, when the FINANCIAL REPORT was disclosed. Sale to the same REIT as mentioned for KIKUKWA V Project was originally scheduled, while sale to Vendor was also considered, when the FINANCIAL REPORT was disclosed, in light of economic rationality and other factors.

### **SHIN-NAKANO III Project (Vendor)**

To be completed in November 2020, while sales contract has already been concluded.

### **KAMATA V Project (Vendor)**

To be completed in November 2020, while sales contract has already been concluded.

### **RYOGOKU IV Project (Other)**

To be completed in December 2020, while sales contract has already been concluded.

### **TACHIAIGAWA Project (Other)**

To be completed in December 2020, while sales contract has already been concluded.

### **KYODO II Project (Vendor)**

To be completed in January 2021, while sales contract has already been concluded.

### **TABATA Project (Vendor)**

To be completed in February 2021, while sales contract has already been concluded.

## OTORII II Project (Vendor)

To be completed in February 2021, while sales contract has already been concluded.

### FY06/2020 Company Forecasts and Results

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY06/2020CoE	8-Aug-19	Q4 Results	21,380	2,380	2,090	1,450
FY06/2020CoE	7-Nov-19	Q1 Results	21,380	2,380	2,090	1,450
FY06/2020CoE	6-Feb-20	Q2 Results	21,380	2,380	2,090	1,450
FY06/2020CoE	14-May-20	Q3 Results	21,380	2,380	2,090	1,450
FY06/2020Act	6-Aug-20	Q4 Results	22,018	2,484	2,198	1,506
		Amount of Gap	638	104	108	56
		Rate of Gap	3.0%	4.4%	5.2%	3.9%
FY06/2020CoE	8-Aug-19	Q4 Results	21,380	2,380	2,090	1,450
FY06/2020Act	6-Aug-20	Q4 Results	22,018	2,484	2,198	1,506
		Amount of Gap	638	104	108	56
		Rate of Gap	3.0%	4.4%	5.2%	3.9%
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q1 to Q2 FY06/2020CoE	8-Aug-19	Q4 Results	8,150	650	510	350
Q1 to Q2 FY06/2020CoE	7-Nov-19	Q1 Results	8,150	650	510	350
Q1 to Q2 FY06/2020Act	6-Feb-20	Q2 Results	8,256	747	591	406
		Amount of Gap	106	97	81	56
		Rate of Gap	1.3%	14.9%	15.9%	16.0%
Q1 to Q2 FY06/2020CoE	8-Aug-19	Q4 Results	8,150	650	510	350
Q1 to Q2 FY06/2020Act	6-Feb-20	Q2 Results	8,256	747	591	406
		Amount of Gap	106	97	81	56
		Rate of Gap	1.3%	14.9%	15.9%	16.0%
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q3 to Q4 FY06/2020CoE	8-Aug-19	Q4 Results	13,230	1,730	1,580	1,100
Q3 to Q4 FY06/2020CoE	7-Nov-19	Q1 Results	13,230	1,730	1,580	1,100
Q3 to Q4 FY06/2020CoE	6-Feb-20	Q2 Results	13,124	1,633	1,499	1,044
		Amount of Gap	(106)	(97)	(81)	(56)
		Rate of Gap	(0.8%)	(5.6%)	(5.1%)	(5.1%)
Q3 to Q4 FY06/2020CoE	14-May-20	Q3 Results	13,124	1,633	1,499	1,044
Q3 to Q4 FY06/2020Act	6-Aug-20	Q4 Results	13,762	1,737	1,607	1,100
		Amount of Gap	638	104	108	56
		Rate of Gap	4.9%	6.4%	7.2%	5.4%
Q3 to Q4 FY06/2020CoE	8-Aug-19	Q4 Results	13,230	1,730	1,580	1,100
Q3 to Q4 FY06/2020Act	6-Aug-20	Q4 Results	13,762	1,737	1,607	1,100
		Amount of Gap	532	7	27	0
		Rate of Gap	4.0%	0.4%	1.7%	-

Source: Company Data, WRJ Calculation



## Income Statement (Cumulative/Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	YoY	
(Million Yen)	06/2019	06/2019	06/2019	06/2019	06/2020	06/2020	06/2020	06/2020	06/2020	Net Chg.
<b>Sales</b>	<b>6,559</b>	<b>11,473</b>	<b>18,125</b>	<b>20,084</b>	<b>4,357</b>	<b>8,256</b>	<b>11,147</b>	<b>22,018</b>		<b>+1,934</b>
Cost of Sales	5,246	9,426	14,847	16,595	3,546	6,842	9,116	18,184		+1,589
Gross Profit	1,312	2,046	3,277	3,488	811	1,414	2,030	3,833		+344
SG&A Expenses	301	634	981	1,340	316	666	960	1,348		+8
<b>Operating Profit</b>	<b>1,011</b>	<b>1,411</b>	<b>2,296</b>	<b>2,148</b>	<b>494</b>	<b>747</b>	<b>1,070</b>	<b>2,484</b>		<b>+336</b>
Non Operating Balance	(49)	(105)	(180)	(234)	(62)	(156)	(230)	(285)		(51)
<b>Recurring Profit</b>	<b>961</b>	<b>1,306</b>	<b>2,115</b>	<b>1,913</b>	<b>431</b>	<b>591</b>	<b>839</b>	<b>2,198</b>		<b>+284</b>
Extraordinary Balance	-	-	-	-	-	-	-	-		-
Profit before Income Taxes	961	1,306	2,115	1,913	431	591	839	2,198		+284
Total Income Taxes	290	399	650	603	131	184	264	681		+78
NP Belonging to Non-Controlling SHs	-	-	-	-	-	-	-	10		+10
<b>Profit Attributable to Owners of Parent</b>	<b>670</b>	<b>906</b>	<b>1,465</b>	<b>1,310</b>	<b>300</b>	<b>406</b>	<b>575</b>	<b>1,506</b>		<b>+195</b>
Sales YoY	+48.1%	+29.9%	+36.2%	+24.9%	(33.6%)	(28.0%)	(38.5%)	+9.6%		-
Operating Profit YoY	+62.0%	+15.9%	+35.4%	+28.7%	(51.1%)	(47.0%)	(53.4%)	+15.7%		-
Recurring Profit YoY	+69.8%	+18.2%	+37.8%	+32.8%	(55.1%)	(54.8%)	(60.3%)	+14.9%		-
Profit Attributable to Owners of Parent YoY	+72.0%	+19.6%	+39.8%	+32.5%	(55.2%)	(55.2%)	(60.8%)	+15.0%		-
Gross Profit Margin	20.0%	17.8%	18.1%	17.4%	18.6%	17.1%	18.2%	17.4%		+0.0%
Sales to SG&A Expenses Ratio	4.6%	5.5%	5.4%	6.7%	7.3%	8.1%	8.6%	6.1%		(0.5%)
Operating Profit Margin	15.4%	12.3%	12.7%	10.7%	11.3%	9.1%	9.6%	11.3%		+0.6%
Recurring Profit Margin	14.7%	11.4%	11.7%	9.5%	9.9%	7.2%	7.5%	10.0%		+0.5%
Profit Attributable to Owners of Parent Margin	10.2%	7.9%	8.1%	6.5%	6.9%	4.9%	5.2%	6.8%		+0.3%
Total Income Taxes/Profit before Income Taxes	30.3%	30.6%	30.7%	31.5%	30.4%	31.2%	31.5%	31.0%		(0.5%)
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	
(Million Yen)	06/2019	06/2019	06/2019	06/2019	06/2020	06/2020	06/2020	06/2020	06/2020	Net Chg.
<b>Sales</b>	<b>6,559</b>	<b>4,913</b>	<b>6,651</b>	<b>1,958</b>	<b>4,357</b>	<b>3,899</b>	<b>2,890</b>	<b>10,871</b>		<b>+8,912</b>
Cost of Sales	5,246	4,180	5,420	1,747	3,546	3,296	2,274	9,068		+7,320
Gross Profit	1,312	733	1,230	211	811	603	616	1,802		+1,591
SG&A Expenses	301	333	346	359	316	350	293	388		+28
<b>Operating Profit</b>	<b>1,011</b>	<b>400</b>	<b>884</b>	<b>(148)</b>	<b>494</b>	<b>253</b>	<b>322</b>	<b>1,414</b>		<b>+1,562</b>
Non Operating Balance	(49)	(55)	(74)	(53)	(62)	(93)	(73)	(55)		(1)
<b>Recurring Profit</b>	<b>961</b>	<b>345</b>	<b>809</b>	<b>(201)</b>	<b>431</b>	<b>159</b>	<b>248</b>	<b>1,358</b>		<b>+1,560</b>
Extraordinary Balance	-	-	-	-	-	-	-	-		-
Profit before Income Taxes	961	345	809	(201)	431	159	248	1,358		+1,560
Total Income Taxes	290	108	250	(46)	131	53	80	416		+463
NP Belonging to Non-Controlling SHs	-	-	-	-	-	-	-	10		+10
<b>Profit Attributable to Owners of Parent</b>	<b>670</b>	<b>236</b>	<b>558</b>	<b>(155)</b>	<b>300</b>	<b>106</b>	<b>168</b>	<b>931</b>		<b>+1,086</b>
Sales YoY	+48.1%	+11.6%	+48.7%	(29.5%)	(33.6%)	(20.6%)	(56.5%)	+455.0%		-
Operating Profit YoY	+62.0%	(32.6%)	+85.4%	-	(51.1%)	(36.8%)	(63.5%)	-		-
Recurring Profit YoY	+69.8%	(36.0%)	+88.1%	-	(55.1%)	(53.8%)	(69.2%)	-		-
Profit Attributable to Owners of Parent YoY	+72.0%	(35.8%)	+92.5%	-	(55.2%)	(55.1%)	(69.9%)	-		-
Gross Profit Margin	20.0%	14.9%	18.5%	10.8%	18.6%	15.5%	21.3%	16.6%		+5.8%
Sales to SG&A Expenses Ratio	4.6%	6.8%	5.2%	18.4%	7.3%	9.0%	10.2%	3.6%		(14.8%)
Operating Profit Margin	15.4%	8.2%	13.3%	(7.6%)	11.3%	6.5%	11.2%	13.0%		+20.6%
Recurring Profit Margin	14.7%	7.0%	12.2%	(10.3%)	9.9%	4.1%	8.6%	12.5%		+22.8%
Profit Attributable to Owners of Parent Margin	10.2%	4.8%	8.4%	(7.9%)	6.9%	2.7%	5.8%	8.6%		+16.5%
Total Income Taxes/Profit before Income Taxes	30.3%	31.5%	31.0%	-	30.4%	33.3%	32.3%	30.7%		-

Source: Company Data, WRJ Calculation

## Sales by Business Category (Cumulative/Quarterly)

Sales by Business Category (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 06/2019	Q1 to Q2 06/2019	Q1 to Q3 06/2019	Q1 to Q4 06/2019	Q1 06/2020	Q1 to Q2 06/2020	Q1 to Q3 06/2020	Q1 to Q4 06/2020		
Real Estate Development and Sale	6,432	11,180	17,614	19,392	4,180	7,973	10,739	21,152	+1,760	
Real Estate Purchase and Sale	31	76	181	250	70	70	70	405	+155	
Other	95	216	328	440	106	212	337	460	+20	
<b>Sales</b>	<b>6,559</b>	<b>11,473</b>	<b>18,125</b>	<b>20,084</b>	<b>4,357</b>	<b>8,256</b>	<b>11,147</b>	<b>22,018</b>	<b>+1,934</b>	
Real Estate Development and Sale	+49.9%	+30.8%	+37.4%	+25.5%	(35.0%)	(28.7%)	(39.0%)	+9.1%	-	
Real Estate Purchase and Sale	(41.4%)	(29.2%)	+6.2%	+15.1%	+122.4%	(8.0%)	(61.3%)	+61.8%	-	
Other	+12.5%	+20.1%	+3.0%	+5.0%	+11.7%	(1.7%)	+2.7%	+4.6%	-	
<b>Sales (YoY)</b>	<b>+48.1%</b>	<b>+29.9%</b>	<b>+36.2%</b>	<b>+24.9%</b>	<b>(33.6%)</b>	<b>(28.0%)</b>	<b>(38.5%)</b>	<b>+9.6%</b>	-	
Real Estate Development and Sale	98.1%	97.4%	97.2%	96.6%	95.9%	96.6%	96.3%	96.1%	-	
Real Estate Purchase and Sale	0.5%	0.7%	1.0%	1.2%	1.6%	0.8%	0.6%	1.8%	-	
Other	1.4%	1.9%	1.8%	2.2%	2.4%	2.6%	3.0%	2.1%	-	
<b>Sales (Composition Ratio)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	

Sales by Business Category (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 06/2019	Q2 06/2019	Q3 06/2019	Q4 06/2019	Q1 06/2020	Q2 06/2020	Q3 06/2020	Q4 06/2020		
Real Estate Development and Sale	6,432	4,748	6,434	1,778	4,180	3,793	2,766	10,413	+8,635	
Real Estate Purchase and Sale	31	45	105	69	70	-	-	335	+266	
Other	95	121	112	112	106	106	125	123	+11	
<b>Sales</b>	<b>6,559</b>	<b>4,913</b>	<b>6,651</b>	<b>1,958</b>	<b>4,357</b>	<b>3,899</b>	<b>2,890</b>	<b>10,871</b>	<b>+8,912</b>	
Real Estate Development and Sale	+49.9%	+11.6%	+50.6%	(32.4%)	(35.0%)	(20.1%)	(57.0%)	+485.7%	-	
Real Estate Purchase and Sale	(42.6%)	(16.7%)	+66.7%	+50.0%	+122.4%	-	-	+385.5%	-	
Other	+13.1%	+26.0%	(19.4%)	+12.0%	+11.7%	(12.4%)	+11.6%	+9.8%	-	
<b>Sales (YoY)</b>	<b>+48.1%</b>	<b>+11.6%</b>	<b>+48.7%</b>	<b>(29.5%)</b>	<b>(33.6%)</b>	<b>(20.6%)</b>	<b>(56.5%)</b>	<b>+455.0%</b>	-	
Real Estate Development and Sale	98.1%	96.6%	96.7%	90.8%	95.9%	97.3%	95.7%	95.8%	-	
Real Estate Purchase and Sale	0.5%	0.9%	1.6%	3.5%	1.6%	0.0%	0.0%	3.1%	-	
Other	1.4%	2.5%	1.7%	5.7%	2.4%	2.7%	4.3%	1.1%	-	
<b>Sales (Composition Ratio)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	

Source: Company Data, WRJ Calculation

## Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 06/2019	Q2 06/2019	Q3 06/2019	Q4 06/2019	Q1 06/2020	Q2 06/2020	Q3 06/2020	Q4 06/2020		
Cash and Deposit	3,973	4,431	5,759	5,305	5,753	7,250	8,536	8,908	+3,603	
Real Estate for Sale	3,267	3,483	951	3,762	255	997	6,669	2,351	(1,410)	
Real Estate for Sale in Process	13,611	16,197	16,954	15,499	17,887	18,256	16,161	16,063	+563	
Other	513	284	198	305	189	275	405	355	+50	
<b>Current Assets</b>	<b>21,366</b>	<b>24,396</b>	<b>23,864</b>	<b>24,872</b>	<b>24,085</b>	<b>26,779</b>	<b>31,773</b>	<b>27,679</b>	<b>+2,806</b>	
Tangible Assets	4,902	4,881	4,991	4,996	4,960	5,009	5,119	5,725	+729	
Intangible Assets	3	4	3	3	2	2	1	1	(2)	
Investments and Other Assets	576	573	592	595	569	564	560	593	(1)	
<b>Fixed Assets</b>	<b>5,481</b>	<b>5,458</b>	<b>5,587</b>	<b>5,594</b>	<b>5,533</b>	<b>5,576</b>	<b>5,681</b>	<b>6,320</b>	<b>+725</b>	
<b>Total Assets</b>	<b>26,848</b>	<b>29,855</b>	<b>29,451</b>	<b>30,467</b>	<b>29,618</b>	<b>32,356</b>	<b>37,455</b>	<b>33,999</b>	<b>+3,532</b>	
Accounts Payables, etc.	1,578	2,075	753	2,046	305	1,040	3,155	1,190	(855)	
Short-term Borrowings	258	114	394	723	890	719	1,196	655	(68)	
Current Portion of Bonds	20	20	-	-	-	-	-	-	-	
Current Portion of Long-term Loans Payable	8,082	8,574	9,387	8,879	10,678	8,857	11,297	9,231	+352	
Other	860	1,191	1,763	1,859	1,502	1,051	985	1,402	(457)	
<b>Current Liabilities</b>	<b>10,799</b>	<b>11,975</b>	<b>12,298</b>	<b>13,508</b>	<b>13,375</b>	<b>11,668</b>	<b>16,636</b>	<b>12,479</b>	<b>(1,029)</b>	
Long-term Borrowings	8,012	9,604	8,497	8,473	7,740	10,067	8,847	8,607	+133	
Other	141	138	136	120	114	109	106	105	(15)	
<b>Fixed Liabilities</b>	<b>8,153</b>	<b>9,742</b>	<b>8,633</b>	<b>8,594</b>	<b>7,854</b>	<b>10,176</b>	<b>8,953</b>	<b>8,712</b>	<b>+118</b>	
<b>Total Liabilities</b>	<b>18,953</b>	<b>21,718</b>	<b>20,932</b>	<b>22,103</b>	<b>21,230</b>	<b>21,845</b>	<b>25,590</b>	<b>21,192</b>	<b>(911)</b>	
<b>Shareholders' Equity</b>	<b>7,887</b>	<b>8,129</b>	<b>8,511</b>	<b>8,356</b>	<b>8,379</b>	<b>10,503</b>	<b>10,357</b>	<b>11,288</b>	<b>+2,932</b>	
Other	7	7	7	7	7	7	1,507	1,518	+1,510	
<b>Net Assets</b>	<b>7,895</b>	<b>8,137</b>	<b>8,519</b>	<b>8,363</b>	<b>8,387</b>	<b>10,510</b>	<b>11,865</b>	<b>12,807</b>	<b>+4,443</b>	
<b>Total Liabilities and Net Assets</b>	<b>26,848</b>	<b>29,855</b>	<b>29,451</b>	<b>30,467</b>	<b>29,618</b>	<b>32,356</b>	<b>37,455</b>	<b>33,999</b>	<b>+3,532</b>	
Equity Capital	7,887	8,129	8,511	8,356	8,379	10,503	10,357	11,288	+2,932	
Interest Bearing Debt	16,372	18,313	18,278	18,076	19,309	19,644	21,342	18,493	+417	
Net Debt	12,398	13,882	12,519	12,771	13,556	12,393	12,805	9,585	(3,186)	
Equity Ratio	29.4%	27.2%	28.9%	27.4%	28.3%	32.5%	27.7%	33.2%	-	
Net Debt Equity Ratio	157.2%	170.8%	147.1%	152.8%	161.8%	118.0%	123.6%	84.9%	-	
ROE (12 months)	17.0%	14.7%	17.6%	16.6%	11.6%	8.7%	4.4%	15.3%	-	
ROA (12 months)	7.0%	5.9%	7.3%	6.5%	4.9%	3.9%	1.9%	6.8%	-	
Quick Ratio	37%	37%	47%	39%	43%	62%	51%	71%	-	
Current Ratio	198%	204%	194%	184%	180%	229%	191%	222%	-	

Source: Company Data, WRJ Calculation

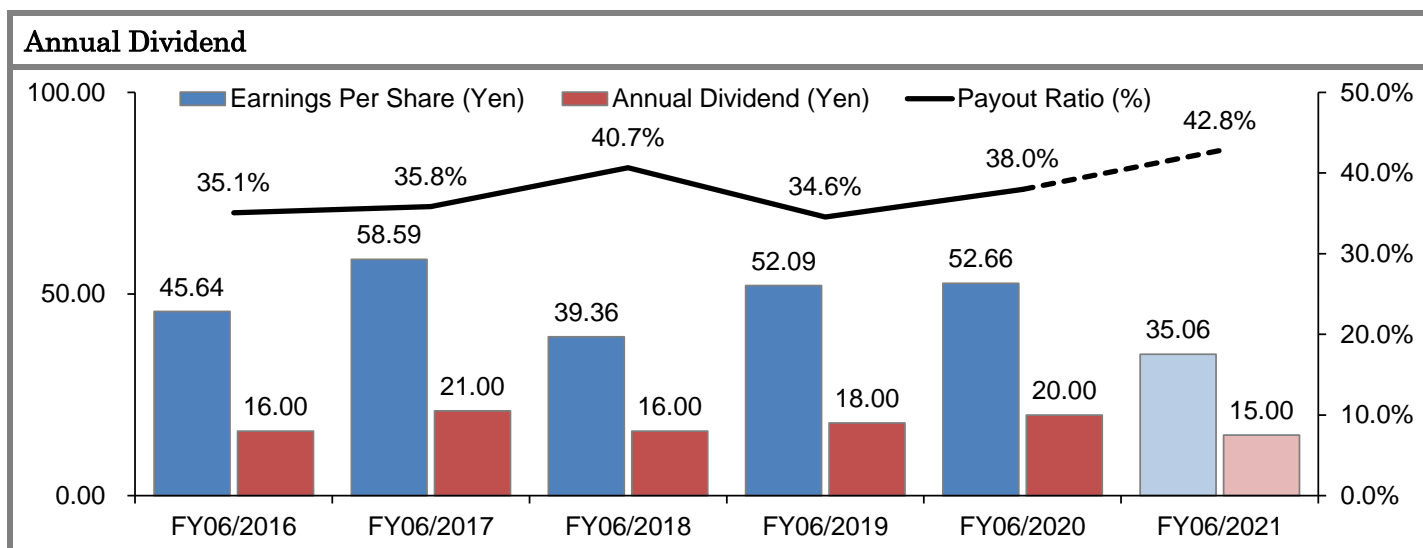
## Cash Flow Statement (Cumulative/Quarterly)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 06/2019	Q1 to Q2 06/2019	Q1 to Q3 06/2019	Q1 to Q4 06/2019	Q1 06/2020	Q1 to Q2 06/2020	Q1 to Q3 06/2020	Q1 to Q4 06/2020		
Operating Cash Flow	1,986	586	2,153	2,043	(537)	(1,242)	(2,754)	1,143	(899)	
Investing Cash Flow	(0)	(8)	(67)	(167)	(21)	(97)	(235)	(836)	(668)	
<b>Operating Cash Flow and Investing Cash Flow</b>	<b>1,986</b>	<b>578</b>	<b>2,086</b>	<b>1,875</b>	<b>(559)</b>	<b>(1,339)</b>	<b>(2,989)</b>	<b>307</b>	<b>(1,568)</b>	
Financing Cash Flow	(2,243)	(378)	(558)	(801)	1,007	3,284	6,220	3,296	+4,097	
<b>Cash Flow Statement</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>YoY</b>
<b>(Million Yen)</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Net Chg.</b>	
Operating Cash Flow	1,986	(1,400)	1,567	(110)	(537)	(704)	(1,512)	3,897	+4,007	
Investing Cash Flow	(0)	(7)	(58)	(100)	(21)	(75)	(138)	(601)	(500)	
<b>Operating Cash Flow and Investing Cash Flow</b>	<b>1,986</b>	<b>(1,408)</b>	<b>1,508</b>	<b>(210)</b>	<b>(559)</b>	<b>(779)</b>	<b>(1,650)</b>	<b>3,296</b>	<b>+3,507</b>	
Financing Cash Flow	(2,243)	1,865	(180)	(243)	1,007	2,277	2,935	(2,924)	(2,681)	

Source: Company Data, WRJ Calculation

### FY06/2021 Company Forecasts

FY06/2021 Company forecasts are going for prospective sales of ¥20,000m (down 9.2% YoY), operating profit of ¥2,050m (down 17.5%), recurring profit of ¥1,770m (down 19.5%) and profit attributable to owners of parent of ¥1,100m (down 27.0%), while operating profit margin of 10.3% (down 1.0% point). At the same time, Company forecasts are going for prospective annual dividend of ¥15.00 per share, implying payout ratio of 42.8%.



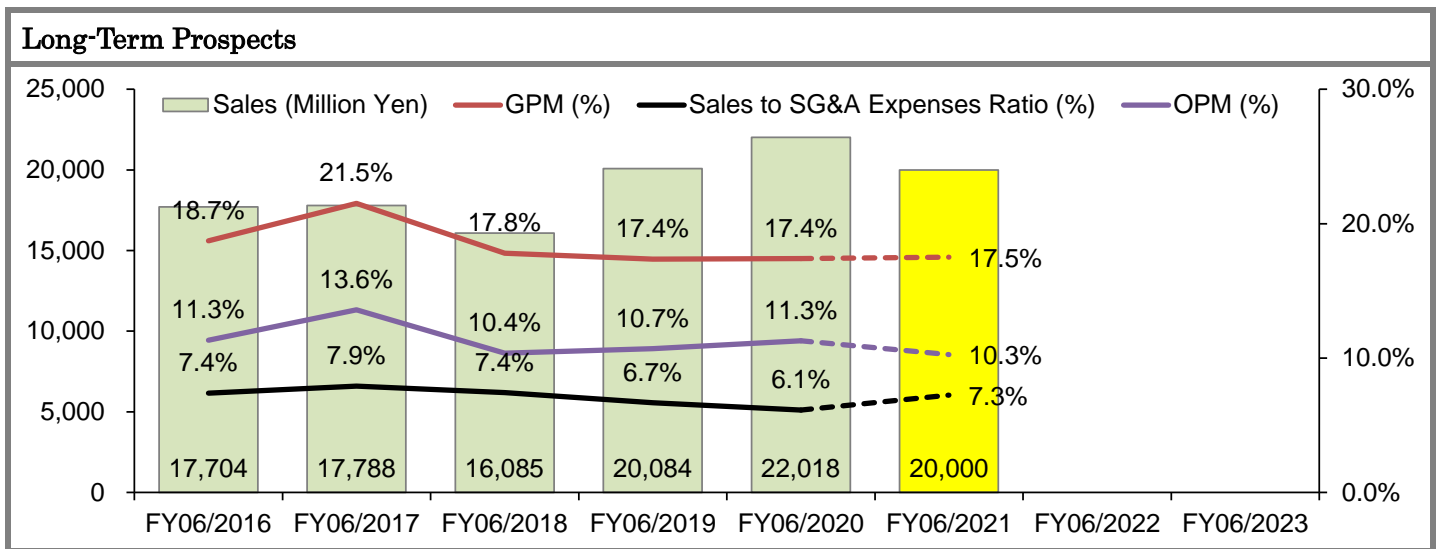
Source: Company Data, WRJ Calculation

Company forecasts assume a decline in the number of units sold for investment-oriented studio apartments and thus sales and earnings as a whole for the Company at the same time. In line with this, earnings per share inevitably comes down and the Company, which pays a performance-based dividend, is forced to cut back on dividend per share to a corresponding extent. The basic dividend philosophy of the Company is to pay a certain ratio of profit attributable to owners of parent after deducting the impacts of income taxes adjustment.

Considering that the philosophy sets earnings, excluding the impacts of income taxes adjustment which may fluctuate significantly due to temporary factors, as the sources for paying dividend, it should be realized that the Company intends to also maintain a stability for paying dividend to shareholders in some respects. Meanwhile, the Company has raised the above mentioned ratio up to 40% from 35% through FY06/2019 to FY06/2020 on the expenses of suspending shareholder special benefit plan. The raised ratio up to 40% is to persist for FY06/2021 and thereafter, implying the Company is now keen on returning earnings to institutional investors in particular. They have never benefited from shareholder special benefit plan but only retail investors. When this ratio was raised, the Company made a change in its policy, having mentioned that it was going back-to-basics, i.e., paying dividend was the most appropriate way of returning earnings to shareholders.

### Long-Term Prospects

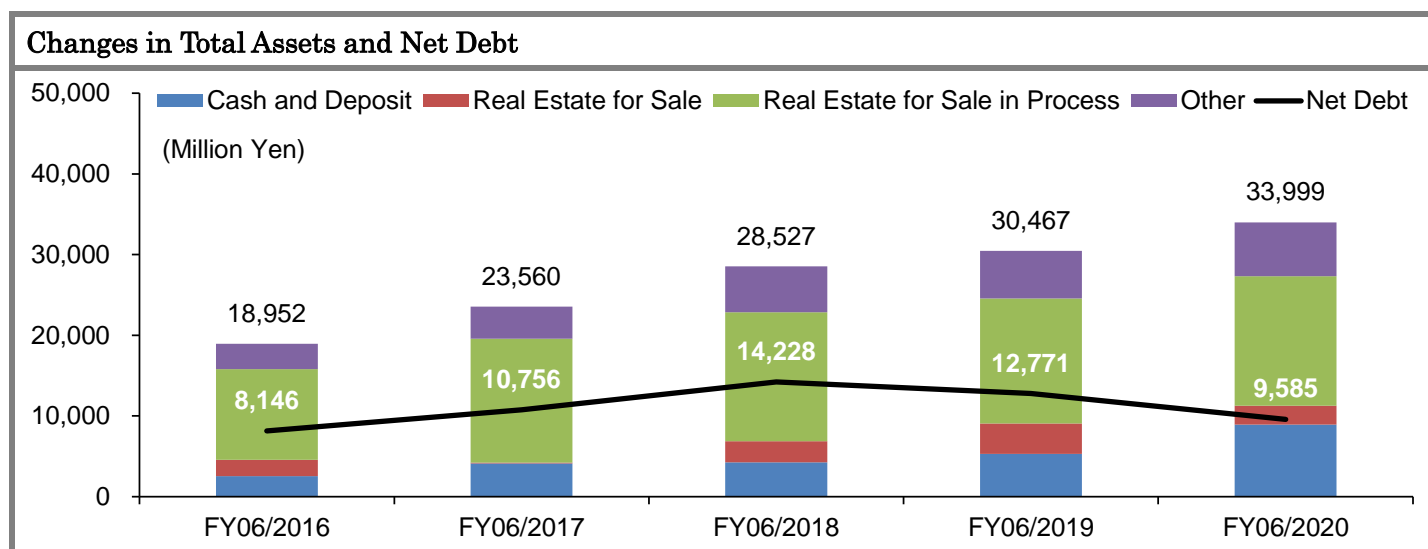
FY06/2021 Company forecasts assume that 674 units (14 buildings) of properties developed in-house will be sold, while the Company has concluded contracts to procure sites for properties developed in-house corresponding to 840 units to date (as of 7 August 2020). Although details such as the timing for each property to be completed have not been disclosed, a direction is suggested that some 670 units will be sold for FY06/2022 and the remainder, i.e., some 170 units for FY06/2023. The time lag from the acquisition of the sites to sale of the properties varies from property to property, but it appears possibility of additional sales of properties for FY06/2022 is rather limited. However, more than two and a half years have been left for the period by the end of FY06/2023 and it appears that the current and future status of site acquisitions will have a major impact for FY06/2023.



Source: Company Data, WRJ Calculation

COVID-19, which occurred in Wuhan-city, China in December 2019, has spread worldwide at an astonishing pace and the first infectious person was confirmed in Japan on 17 January 2020. The government issued a Declaration of Emergency Situation on 7 April 2020, having requested to refrain from going out without necessity and to suspend operations for the designated industries. On the other hand, the number of people affected declined as a result and the Declaration was lifted on May 25. However, from mid-June, the spread of the infections again expanded, particularly in Tokyo. At the beginning of August, more than 18m people were infectious worldwide and the impacts on the world economy and the Japanese economy have been expected to be extremely large. The Company has spotted that the magnitude of the damages could exceed that of the Lehman Brothers collapse in 2008.

Based on its wealth of experience overcoming the global financial crisis, the Company is aiming for "a stepwise growth" rather than a rapid expansion of its performance. Meanwhile, the Company now focuses on strengthening for its financial position and expanding its cash flow. With respect to development and sale of investment-oriented studio apartments on a per-building basis or the mainstay business, the Company runs the operations exclusively in the 23 wards of Tokyo where real estate values are unlikely to decline. As a result, the Company is able to withstand large-scale economic fluctuations to more than a certain extent. However, in anticipation of possibility of a sharp deterioration in the real estate market due to the impacts stemming from COVID-19, the Company is strengthening its selection of sites to acquire and is working to accelerate the conclusion of sales contracts for the properties.



Source: Company Data, WRJ Calculation

As of the end of FY06/2020, Total Assets stood at ¥33,999m, having increased by 11.6% from the end of FY06/2019. For the breakdown, Cash and Deposit stood at ¥8,908m (up 67.9%), Real Estate for Sale ¥2,351m (down 37.5%), Real Estate for Sales in Process ¥16,063m (up 3.6%) and Other ¥6,675m (up 13.2%). On the other hand, Net Debt stood at ¥9,585m (down 24.9%) and Net Debt Equity Ratio 84.9% (down 67.9% points), implying that the Company's dependency on interest-bearing debt has declined significantly and thus its financial soundness has improved accordingly. In other words, financial institutions' confidence in the Company has increased, although the impacts stemming from COVID-19 are inevitable for recent trading.

Cash and Deposit increased sharply due mainly to the success of equity financing. Having raised ¥2,016m through capital increase, the Company has also raised ¥1,500m through the issuance of preferred shares by a 100% subsidiary URBANET LIVING CO., LTD. With respect to a situation that Real Estate for Sale decreased sharply and Real Estate for Sales in Process only edged up, the Company suggests that this was mainly attributable to the Company's strategy to be selective in site acquisitions. With respect to increased assets for Other, the Company suggests that this was mainly attributable to collective capitalization of ¥1,398m as fixed assets for Hotel ASYL KAMATA TOKYO in line with its completion and delivery, comprising expenses on the procurement of the site and those of constructing the building, etc.

## Hotel ASYL KAMATA TOKYO



Location:	7-30-5 Nishi-Kamata, Ota-ku, Tokyo
Access:	Three-minute walk from KAMATA Station on the JR Keihin Tohoku Line, three-minute walk from KAMATA Station on the Tokyu Ikegami Line and Tamagawa Line
Structure and Scale:	Steel construction, 15 floors above ground
No. of guest rooms	48
Hotel Management:	URBANET LIVING CO., LTD. (The Company's subsidiary)
Completion:	June 2020
Opening:	Up in the air: originally scheduled in August 2020, but decided to postpone due to the impacts stemming from COVID-19. Priority placed on the safety of guests and employees, given growing concerns about the spread of infections. The timing of the opening to be determined in light of future conditions.

Source: Company Data

On 6 July 2017, the Company announced that it had entered the hotel domain through acquiring 6 existing hotels. It has been leased to the same lessee (hotel management company) on the same terms as prior to this deal and this is positioned as the possession of revenue-generating properties in the Company. Revenue from here is recognized as sales of real estate leasing (which is a part of Other by business category). Meanwhile, the Company had an opportunity to procure a favorable location for the site, i.e., three-minute walk from KAMATA station and/or at the corner of a crossroad near the rotary in front of the station, having had made progress for its development on Hotel ASYL KAMATA TOKYO as the first hotel developed in-house. Originally, it was scheduled to open in August 2020 and it was planned to make a full-scale entry into the hotel domain with this.

However, the timing to open Hotel ASYL KAMATA TOKYO has been reconsidered due to the impacts stemming from COVID-19 and is now “to be determined in light of future conditions”, according to the Company. At the end of the day, the Company is going for sale of this property to pursue earnings, but it has been planned since the inception of this development that the Company runs the operations of this hotel through its subsidiary at an initial stage with an objective to learn about knowhow, etc. in the hotel domain. Since its establishment in July 1997, the Company has specialized in the development in the residential domain, represented by development and sale of investment-oriented studio apartment on a per-building basis. Thus, the Company has been having an idea that it is a must to go through the above-mentioned process prior to the entrance into the hotel domain on a full-fledged basis. In the first place, the Company has been trying to get at the entrance into the hotel domain on a full-fledged basis with an objective of “diversifying sale destinations”. Meanwhile, the Company currently places the utmost emphasis upon measures to prevent the spread of infections amongst hotel guests and employees.

## 4.0 Business Model

### Development and Sale of Investment-Oriented Studio Apartments on a Per-Building basis

The Company is a developer of condominiums and apartments, originally set up as an architect office. One of the features is that the Company is highly specialized in the development and sale of investment-oriented studio apartments on a per-building basis. Several peers are running operations similar to this, but they do so as a part of broader business portfolio and the Company is said to be fairly unique in this respect. Another feature is that the Company is least exposed to a downside risk for earnings due to low fixed costs with limited headcount. In the Company, the limited human resources are intensively allocated to grand design (outer design and/or basic design) and site acquisitions for investment-oriented studio apartments. Meanwhile, the Company heavily takes advantage of outsourcing with respect to construction of the properties, etc.

#### Investment-Oriented Studio Apartments : ASYLCOURT



Source: Company Data

Grand design (outer design and/or basic design) represents that of overall shape and room arrangement for the properties in a way that corresponds to the surrounding environment and various local regulations under the concept of the Company, while it is said that everything else is consigned to external design firms, including so-called execution design (detailed design to create execution drawing for construction firms to actually materialize outer design and/or basic design fixed beforehand), examination of design load, etc. The Company has a tendency to prioritize the maximization for the number of units per property to be constructed at each site with its grand design (outer design and/or basic design).



With respect to site acquisitions, the Company has strengths on planning. That is to say, the Company suggests that it has knowhow to complete planning for a specific site acquisition even on the following day at the earliest, including expected rate of return for the Company, as far as information like plot and address on the said site is available (because the regulations on design differ from ward to ward in Tokyo where the Company runs its operations). Most recently, the Company has raised the lower limit of expected rate of return indispensable for the sites to be acquired so that the selection should become more rigorous than before. Meanwhile, the Company's peers in a respect of above-mentioned sense are said to have a tendency to outsource the planning to external architect offices, etc., which often requiring a week or so to be completed.

Meanwhile, the Company runs development of investment-oriented studio apartments with commitment on Locations and other aspects. Many of the properties sold to vendors carry the Company brand ASYLCOURT, while the Company develops all the properties with commitment to all those aspects comprising Appearances, Needs, Storages, Comforts and Arts on top of Locations.

In the aspect of Locations, there is a conspicuous commitment to the 23 wards of Tokyo and within 10-minute walk from a station. Condominiums and apartments can be defined as residences with superior locations in the first place, while it is the case that the Company's investment-oriented studio apartments are intensively developed with a particular focus on locations that satisfy the best conditions.

In the aspect of Appearances, there is a conspicuous commitment to the design by monotone colors. Condominiums and apartments will continue to be in place for 20 to 30 years or more, while preferences for the colors of the exterior walls will depend in different times. Thus, the Company's design does not follow the fashion in appearances, but it uses simple monotone colors that do not seem uncomfortable with the surrounding landscape. Monotone colors are a combination of colors that tend to have a weak impression. However, the Company thoroughly pursues a balance between white and black and realizes Appearances that are a simple combination with a memorable impression.

In the aspect of Needs, the Company has a conspicuous commitment to analysis of user needs. Based on surveys for residents of completed condominiums and apartments developed in-house, the Company analyzes the live opinions from the residents at all points and utilizes them in developing the following properties as a “monozukuri (manufacturing)” company.

In the aspect of Storages, the Company has a conspicuous commitment to maximization for the use of spaces. As far as typical studio apartments are concerned, each unit has only one closet, which is often not enough and this is raised as the key dissatisfied issue in the Company's surveys for residents. Based on all those data, the Company has made certain improvements by pursuing storage capacity from the bottom up without increasing floor spaces for the sake of maintaining efficiency of investment.

In the aspect of Comforts, the Company has a conspicuous commitment to development of facilities in-house. For example, in the case of small bathtub commonly used in conventional studio apartments, it is not very comfortable to be bathed in that people have to be bathed with their legs held. The Company has developed original bathroom to respond to such voices of the residents, where the bathtub has been replaced by one where people can stretch their legs in a relaxed way with almost no change in the size for bathroom by means of changing the shape and layout of bathtub. Meanwhile, since it has been often spotted that the colors used in the conventional bathroom are not very beautiful, the Company has adopted a design in which all the colors in the bathroom for bathtub, wall and floor, are pure white and a beautiful light blue is reflected when hot water is poured.

In the aspect of Arts, the Company has a conspicuous commitment to living spaces with arts. In the entrance of all the investment-oriented studio apartments developed in-house, there are decorations of original works created through collaboration between architects and stereoscopic artists. The works are of one and only in the world, created by developing concepts over time based on the history and environment of each location, while pursuing a feeling of pleasure amongst all the residents and thus serving as a valuable common property for them.

## 5.0 Financial Statements

### Income Statement

Income Statement (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
	FY 06/2016	FY 06/2017	FY 06/2018	FY 06/2019	FY 06/2020	FY 06/2021	YoY Net Chg.
<b>Sales</b>	<b>17,704</b>	<b>17,788</b>	<b>16,085</b>	<b>20,084</b>	<b>22,018</b>	<b>20,000</b>	<b>(2,018)</b>
Cost of Sales	14,390	13,961	13,222	16,595	18,184	16,500	(1,684)
Gross Profit	3,313	3,827	2,862	3,488	3,833	3,500	(333)
SG&A Expenses	1,308	1,407	1,194	1,340	1,348	1,450	+101
<b>Operating Profit</b>	<b>2,005</b>	<b>2,419</b>	<b>1,668</b>	<b>2,148</b>	<b>2,484</b>	<b>2,050</b>	<b>(434)</b>
Non Operating Balance	(285)	(260)	(227)	(234)	(285)	(280)	+5
<b>Recurring Profit</b>	<b>1,720</b>	<b>2,158</b>	<b>1,440</b>	<b>1,913</b>	<b>2,198</b>	<b>1,770</b>	<b>(428)</b>
Extraordinary Balance	-	-	-	-	-	-	-
Profit before Income Taxes	1,720	2,158	1,440	1,913	2,198	1,770	(428)
Total Income Taxes	580	692	451	603	681	625	(56)
NP Belonging to Non-Controlling SHs	-	-	-	-	10	45	+34
<b>Profit Attributable to Owners of Parent</b>	<b>1,139</b>	<b>1,465</b>	<b>988</b>	<b>1,310</b>	<b>1,506</b>	<b>1,100</b>	<b>(406)</b>
Sales YoY	+48.6%	+0.5%	(9.6%)	+24.9%	+9.6%	(9.2%)	-
Operating Profit YoY	+21.3%	+20.6%	(31.0%)	+28.7%	+15.7%	(17.5%)	-
Recurring Profit YoY	+23.3%	+25.5%	(33.3%)	+32.8%	+14.9%	(19.5%)	-
Profit Attributable to Owners of Parent YoY	+30.5%	+28.6%	(32.5%)	+32.5%	+15.0%	(27.0%)	-
Gross Profit Margin	18.7%	21.5%	17.8%	17.4%	17.4%	17.5%	+0.1%
Sales to SG&A Expenses Ratio	7.4%	7.9%	7.4%	6.7%	6.1%	7.3%	+1.1%
Operating Profit Margin	11.3%	13.6%	10.4%	10.7%	11.3%	10.3%	(1.0%)
Recurring Profit Margin	9.7%	12.1%	9.0%	9.5%	10.0%	8.9%	(1.1%)
Profit Attributable to Owners of Parent Margin	6.4%	8.2%	6.1%	6.5%	6.8%	5.5%	(1.3%)
Total Income Taxes/Profit before Income Taxes	33.8%	32.1%	31.4%	31.5%	31.0%	35.3%	4.3%

Source: Company Data, WRJ Calculation

### Sales by Business Category

Sales by Business Category (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
	FY 06/2016	FY 06/2017	FY 06/2018	FY 06/2019	FY 06/2020	FY 06/2021	YoY Net Chg.
Real Estate Development and Sale	15,755	17,198	15,448	19,392	21,152	-	-
Real Estate Purchase and Sale	1,776	239	217	250	405	-	-
Other	172	351	419	440	460	-	-
<b>Sales</b>	<b>17,704</b>	<b>17,788</b>	<b>16,085</b>	<b>20,084</b>	<b>22,018</b>	<b>20,000</b>	<b>(2,018)</b>
Real Estate Development and Sale	+35.0%	+9.2%	(10.2%)	+25.5%	+9.1%	-	-
Real Estate Purchase and Sale	-	(86.5%)	(9.1%)	+15.1%	+61.8%	-	-
Other	+20.3%	+103.1%	+19.5%	+5.0%	+4.6%	-	-
<b>Sales (YoY)</b>	<b>+48.6%</b>	<b>+0.5%</b>	<b>(9.6%)</b>	<b>+24.9%</b>	<b>+9.6%</b>	<b>(9.2%)</b>	<b>-</b>
Real Estate Development and Sale	89.0%	96.7%	96.0%	96.6%	96.1%	-	-
Real Estate Purchase and Sale	10.0%	1.3%	1.3%	1.2%	1.8%	-	-
Other	1.0%	2.0%	2.6%	2.2%	2.1%	-	-
<b>Sales (Composition Ratio)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>

Source: Company Data, WRJ Calculation

## Balance Sheet

Balance Sheet (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	06/2016	06/2017	06/2018	06/2019	06/2020	06/2021	Net Chg.
Cash and Deposit	2,547	4,113	4,231	5,305	8,908	-	-
Real Estate for Sale	2,005	95	2,618	3,762	2,351	-	-
Real Estate for Sale in Process	11,252	15,363	16,006	15,499	16,063	-	-
Other	78	136	206	305	355	-	-
<b>Current Assets</b>	<b>15,883</b>	<b>19,709</b>	<b>23,061</b>	<b>24,872</b>	<b>27,679</b>	-	-
Tangible Assets	2,825	3,621	4,902	4,996	5,725	-	-
Intangible Assets	2	1	3	3	1	-	-
Investments and Other Assets	240	226	560	595	593	-	-
<b>Fixed Assets</b>	<b>3,068</b>	<b>3,850</b>	<b>5,466</b>	<b>5,594</b>	<b>6,320</b>	-	-
<b>Total Assets</b>	<b>18,952</b>	<b>23,560</b>	<b>28,527</b>	<b>30,467</b>	<b>33,999</b>	-	-
Accounts Payables, etc.	875	417	1,638	2,046	1,190	-	-
Short-term Borrowings	223	255	195	723	655	-	-
Current Portion of Bonds	100	82	36	-	-	-	-
Current Portion of Long-term Loans Payable	5,739	7,172	8,130	8,879	9,231	-	-
Other	1,421	1,268	843	1,859	1,402	-	-
<b>Current Liabilities</b>	<b>8,359</b>	<b>9,195</b>	<b>10,843</b>	<b>13,508</b>	<b>12,479</b>	-	-
Long-term Borrowings	4,512	7,323	10,098	8,473	8,607	-	-
Other	210	119	135	120	105	-	-
<b>Fixed Liabilities</b>	<b>4,722</b>	<b>7,443</b>	<b>10,233</b>	<b>8,594</b>	<b>8,712</b>	-	-
<b>Total Liabilities</b>	<b>13,082</b>	<b>16,639</b>	<b>21,077</b>	<b>22,103</b>	<b>21,192</b>	-	-
<b>Shareholders' Equity</b>	<b>5,858</b>	<b>6,913</b>	<b>7,442</b>	<b>8,356</b>	<b>11,288</b>	-	-
Other	10	7	7	7	1,518	-	-
<b>Net Assets</b>	<b>5,869</b>	<b>6,921</b>	<b>7,450</b>	<b>8,363</b>	<b>12,807</b>	-	-
<b>Total Liabilities and Net Assets</b>	<b>18,952</b>	<b>23,560</b>	<b>28,527</b>	<b>30,467</b>	<b>33,999</b>	-	-
Equity Capital	5,858	6,913	7,442	8,356	11,288	-	-
Interest Bearing Debt	10,693	14,869	18,459	18,076	18,493	-	-
Net Debt	8,146	10,756	14,228	12,771	9,585	-	-
Equity Ratio	30.9%	29.3%	26.1%	27.4%	33.2%	-	-
Net Debt Equity Ratio	139.1%	155.6%	191.2%	152.8%	84.9%	-	-
ROE (12 months)	20.8%	23.0%	13.8%	16.6%	15.3%	-	-
ROA (12 months)	10.0%	10.2%	5.5%	6.5%	6.8%	-	-
Quick Ratio	30%	45%	39%	39%	71%	-	-
Current Ratio	190%	214%	213%	184%	222%	-	-

Source: Company Data, WRJ Calculation

## Cash Flow Statement

Cash Flow Statement (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	06/2016	06/2017	06/2018	06/2019	06/2020	06/2021	Net Chg.
Operating Cash Flow	(1,366)	(1,747)	(1,600)	2,043	1,143	-	-
Investing Cash Flow	(986)	(399)	(1,388)	(167)	(836)	-	-
<b>Operating Cash Flow and Investing Cash Flow</b>	<b>(2,352)</b>	<b>(2,146)</b>	<b>(2,988)</b>	<b>1,875</b>	<b>307</b>	-	-
Financing Cash Flow	2,216	3,736	3,106	(801)	3,296	-	-

Source: Company Data, WRJ Calculation

## Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 06/2016	FY 06/2017	FY 06/2018	FY 06/2019	FY 06/2020	FY 06/2021	YoY Net Chg.
No. of Shares FY End (-000 Shares)	24,974	25,092	25,144	25,158	31,374	-	-
Net Profit / EPS (-000 Shares)	24,967	25,017	25,127	25,152	28,600	-	-
Treasury Shares FY End (-000 Shares)	0	0	0	0	0	-	-
Earnings Per Share	45.64	58.59	39.36	52.09	52.66	35.06	-
Earnings Per Share (Fully Diluted)	45.60	58.49	39.34	52.09	52.64	-	-
Book Value Per Share	234.60	275.54	296.01	332.15	359.81	-	-
Dividend Per Share	16.00	21.00	16.00	18.00	20.00	15.00	-
Per Share Data (After Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 06/2016	FY 06/2017	FY 06/2018	FY 06/2019	FY 06/2020	FY 06/2021	YoY Net Chg.
Share Split Factor	1	1	1	1	1	1	-
Earnings Per Share	45.64	58.59	39.36	52.09	52.66	35.06	-
Book Value Per Share	234.60	275.54	296.01	332.15	359.81	-	-
Dividend Per Share	16.00	21.00	16.00	18.00	20.00	15.00	-
Payout Ratio	35.1%	35.8%	40.7%	34.6%	38.0%	42.8%	-

Source: Company Data, WRJ Calculation

## 6.0 Other Information

### Realizing Affluent and Decent Society

On 7 July 1997, the Company was founded by the current President and Representative Director Shinji Hattori (born 29 June 1950 in Fukuoka-prefecture and the first-class architect). The Company's corporate philosophy is to propose safe and comfortable “lifestyles” that contribute to the realization of affluent and decent society. Meanwhile, the management guidelines stipulate customer orientation (pursuing the happiness of shareholders and employees with the top priority on improving a feeling of pleasure amongst customers), creative orientation (creating and strengthening the technological innovation required by society and the unique characteristics of the Company through proposals for "lifestyles") and symbiotic orientation (pursuing management objective of valuing the network between companies as well as between people to grow in a form of symbiotics).

Further, URBANET **BASIC** MISSION is defined, comprising **BRIDGE** (we act as a bridge between companies, between people and between information as well as between now and the future), **ACTION** (we act positively with a picture of success without a fear of failure), **SKILL** (we strive to hone ourselves to always achieve the best performance with accuracy and speed), **IDEAL** (we make the utmost efforts to pursue an "ideal residence" that is aesthetic and sophisticated with innovative ideas) and **COMMUNICATION** (we treat counterparties with sincerity and humility, while fully communicating each other for the sake of building a solid relationship of trust).

## Company History

Date	Events
July 1997	Established Urbanet Co., Ltd. at 1-24 Shinjuku, Shinjuku-ku, Tokyo, primarily to plan and design condominiums and apartments
September 1997	Registered as the first-class architect office (Governor of Tokyo Registration No. 42424)
October 1997	Building Lots and Buildings Transaction Operator's License (Governor of Tokyo (1) No. 75706)
December 2000	Started development and sale of investment-oriented studio apartments on a per-building basis
November 2001	Started development and sale of family-oriented condominiums
February 2002	Started real estate leasing
March 2002	Head office moved to 1-5-1 Shinjuku, Shinjuku-ku, Tokyo Newly identified as URBANET CORPORATION Co., Ltd.
June 2002	Started development and sale of detached housing
February 2005	Head office moved to 5-6, Nibancho, Chiyoda-ku, Tokyo
October 2006	Registered as Trust Beneficiary Rights Seller (Director General of the Kanto Local Finance Bureau (Baishin) No. 416)
March 2007	Listed on the JASDAQ (ticker: 3242)
September 2007	Change in registration to Type II Financial Instruments Business from Trust Beneficiary Rights Seller in accordance with the enforcement of the Financial Instruments and Exchange Act (Director General of the Kanto Local Finance Bureau (Kinsho) No. 1178)
March 2015	Established subsidiary URBANET LIVING Co., Ltd., to which management of condominiums and apartments, sale by unit and real estate leasing transferred
June 2015	Head office moved to 4-2-5 Kanda-Surugadai, Chiyoda-ku, Tokyo
July 2017	Started operations in the hotel domain
December 2019	Implemented capital increase through public offering aimed at the further development in the hotel domain, etc.

**Disclaimer**

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Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage, etc.

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