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# 3242

# URBANET Corporation

Company Name
**URBANET Corporation**

Listed On
**Tokyo Stock Exchange, Standard Market**

Established
**1997-07-07**

Head Office
**35th floor, Kasumigaseki Building, 3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo 100-6001**

Fiscal Year-End
**Jun**

Exchange Listing
**2007-03-28**

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Research Coverage Report by **Shared Research Inc.**

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# Executive summary

## Business overview

URBANET Corporation (TSE Standard: 3242) is a real estate developer specializing in urban rental apartments located within a 10-minute walk of a train station in Tokyo's 23 wards. The company develops 10–15 investment-use studio apartment buildings each year, with an average unit size of about 25sqm. It also develops and sells mixed-use condominiums designed for DINKs and families with children, as well as terraced houses. The company sells properties primarily on a whole-building basis, either wholesale to sales companies or directly to a wide range of buyers including corporations, funds, and individual investors. By extensively outsourcing operations, the company achieves both efficiency and risk control. Its properties feature monotone exteriors designed to blend into the local landscape without being influenced by trends, original bathroom layouts, ample storage, and entrance halls decorated with three-dimensional art—features that help sustain high rents and occupancy rates.

In the Real Estate business, URBANET has developed mixed-use condominiums designed for DINKs and families with children, in addition to its traditional investment-use studio apartments. Starting from end-FY06/24, the company began referring to these properties as urban rental apartments rather than studio apartments for investment.

In FY06/25, the Real Estate segment accounted for 99.3% of total sales of JPY33.9bn (+21.3% YoY). This segment consists of three subsegments: Real Estate Development and Sales (94.8% of sales), which develops urban rental apartments; Real Estate Purchase and Sales (2.1%), which purchases and resells pre-owned condominiums; and Other Real Estate business (2.4%), which handles real estate brokerage and leasing. K-nine Co., Ltd., which became a consolidated subsidiary in Q3 FY06/24, belongs to the Real Estate Development and Sales subsegment and is mainly engaged in the sale of detached houses and terraced houses, as well as building construction. URBANET also entered the Hotel business in FY06/18 (0.7% of sales). Its in-house-developed Hotel Asyl Tokyo Kamata, which opened in October 2020, had long been impacted by the COVID-19 pandemic but turned profitable in FY06/24.

Established in July 1997 by Chairman and CEO Shinji Hattori, a first-class architect, the company is a real estate developer with roots in design and real estate consulting. Its development approach is to manage the overall design of urban rental apartments, secure land, and then outsource detailed architectural design to design firms and construction work to general contractors. Each year, the company screens hundreds of lots and formulates design plans based on floor-area ratios to assess suitability for apartment development. Because URBANET itself handles the overall design—a process typically commissioned to design firms—it can quickly evaluate land and make profitability-driven decisions. In FY06/25, URBANET signed contracts for 18 projects and acquired land for more than 1,000 units.

For property sales, URBANET primarily relies on whole-building wholesale (B2B) to condominium sales companies, thereby avoiding sales risk. The urban rental apartments it develops, typically averaging 40–50 units per building, are sold at about JPY30mn per unit (Shared Research estimate) and then marketed to investors and other buyers through sales companies at around JPY35mn per unit. In recent years, however, the company has increasingly sold entire buildings directly to corporations, funds, and individual asset management companies in Japan and overseas. URBANET is also engaged in the development of condominiums, detached houses, and smaller apartments. Subsidiary URBANET LIVING handles condominium sales to individuals, while K-nine primarily develops and sells detached and terraced houses.

URBANET focuses exclusively on development and maximizes outsourcing, which allows it to operate efficiently with a small workforce and keep fixed costs low. By primarily selling entire buildings to condominium sales companies, it limits risk to the development phase. Under its contracts, once an urban rental apartment is completed and delivered, the company receives payment for all units within four months. Sales companies make payments each time they sell a unit to an investor, and at the end of the four-month period, they pay the remaining balance for any unsold units. As a result, URBANET does not generate accounts receivable or engage in bill settlements.

Renters (tenants) are the end users of urban rental apartments. The company's principal development area is within Tokyo's 23 wards, focusing on locations within a 10-minute walk of a train station. There are several reasons for this focus. First, although competition to acquire land is intense, the population of Tokyo's 23 wards is expected to keep growing even as Japan's overall population declines. According to the Ministry of Internal Affairs and Communications Bureau of Statistics, net inflows into the 23 wards are projected to rise through 2040 (with details provided later in this report). Second, most people moving into Tokyo—particularly into the 23 wards—are single, making them potential tenants of studio apartments. Third, prospective tenants tend to prefer prime locations with convenient access to school or work. Finally, since buyers of urban rental apartments are investors rather than residents, the company can generate demand as long as yields remain attractive.

URBANET notes the process from land acquisition (name transfer on land) through sale (wholesale) takes about two and a half years on average. In principle, it relies on bank loans for cash to purchase land. In many cases, the buyer is determined at the time of land acquisition. The company pays general contractors 10% at the start of construction, 10% when the framework is completed, and 80% as payments for each unit are settled. Condominium sales companies to which URBANET sells entire buildings include Meiwa Co., Ltd. (unlisted) and ASSETLEAD Inc. (unlisted). More than half of the properties the company develops are contracted to Goda Koumuten Co., Ltd. (unlisted; headquartered in Takamatsu, Kagawa Prefecture), which is also one of its shareholders.

The company's sales consist of the number of buildings sold multiplied by the unit price for urban rental apartments, and the number of units sold multiplied by the unit price for resale of pre-owned condominiums. Brokerage fees from other businesses, rental income from income properties, and hotel accommodation fees are also included in sales. In terms of cost structure, cost of sales increased 17.7% YoY in FY06/25, and the cost of sales ratio was 81.0% (-2.4pp YoY). The company has contained the impact of higher construction material prices by placing construction orders at an early stage. SG&A expenses rose 56.5% YoY, driven mainly by a 45.7% increase in personnel expenses, which accounted for 45.7% of total SG&A expenses. However, supported by revenue growth, the SG&A ratio was contained at 8.8% (+2.0pp YoY).

URBANET's main competitors include FJ Next Holdings Co., Ltd. (TSE Prime: 8935), The Global Ltd. (TSE Prime: 3271), Dear Life Co., Ltd. (TSE Prime: 3245), and Good Com Asset Co., Ltd. (TSE Prime: 3475). Compared with competitors and industry peers, the company's profitability (ROE of 11.4% in FY06/25) and efficiency (ROA of 5.1%) were below the 10-company averages of 19.6% and 8.8%, respectively. However, sales and operating profit per employee were significantly higher than the 10-company averages of JPY234.6mn and JPY22.9mn, reaching JPY377.0mn and JPY38.7mn in FY06/25 (see "Industry peers and competitors").

## Earnings trends

In FY06/25, URBANET recorded sales of JPY33.9bn (+21.3% YoY), operating profit of JPY3.5bn (+27.7% YoY), recurring profit of JPY2.8bn (+14.9% YoY), and net income of JPY1.9bn (+8.8% YoY). Sales and profit exceeded the initial forecast, driven by the Q4 sale of a 52-unit building not included in the projection, stronger-than-expected earnings from K-nine Co., Ltd. (acquired in February 2024), and solid performance in the Hotel business. In FY06/25, the company sold 12 urban rental apartment buildings with 607 units (versus 11 buildings with 712 units in FY06/24), 43 detached and terraced houses (23), and nine land parcels (five). It plans to pay an annual dividend of JPY22.0 per share, up JPY1.0 YoY.

For FY06/26, the company projects sales of JPY37.0bn (+9.2% YoY), operating profit of JPY3.6bn (+4.1% YoY), recurring profit of JPY2.9bn (+2.2% YoY), and net income attributable to owners of the parent of JPY1.9bn (+2.7% YoY). Planned sales include 12 urban rental apartment buildings and similar properties with 552 units (-55 units YoY), 39 detached and terraced houses (-4 units YoY), and land for resale, along with several apartment developments. Of the urban rental apartments and similar properties, 525 units are already under contract. The dividend forecast is JPY22.0 per share (JPY11.0 interim and JPY11.0 year-end), unchanged YoY, with a projected payout ratio of 40.5%. As of the Q1 earnings announcement, the company maintained its full-year forecast.

URBANET announced its medium-term business plan through FY06/28 alongside the release of its Q3 FY06/25 earnings results. In recent years, it has identified sustainable growth and enhancing corporate value as top priorities, resulting in growth in both group sales and headcount. In preparation for its next stage of growth, the company formulated a new medium-term business plan based on a policy of management with a focus on share price and capital cost. The plan targets the early achievement of a market capitalization of JPY20.0bn by working to maintain ROE exceeding the CAPM-based theoretical cost of equity and by further improving the price-to-book (P/B) ratio. Its numerical targets under the plan are sales of JPY32.0bn (+14.4% YoY) and operating profit of JPY2.8bn (+2.7% YoY) for FY06/25, sales of JPY37.0bn (+15.8% YoY) and operating profit of JPY3.6bn (+29.4% YoY) for FY06/26, sales of JPY42.5bn (+14.8% YoY) and operating profit of JPY4.1bn (+12.6% YoY) for FY06/27, sales of JPY50.0bn (+17.6% YoY) and operating profit of JPY4.6bn (+12.6% YoY) FY06/28.

## Strengths and weaknesses

Shared Research believes URBANET has three core strengths:

- Ability to differentiate through distinctive design and planning
- Focus on development areas within Tokyo's 23 wards, which have population growth potential
- Risk reduction through strong relationships with condominium sales companies

Meanwhile, Shared Research sees three weaknesses:

- Concentration of transactions with specific business partners
- Limited progress in building expertise in retail sales
- Low level of recurring revenue

# Key financial data

| Income statement | FY06/16 | FY06/17 | FY06/18 | FY06/19 | FY06/20 | FY06/21 | FY06/22 | FY06/23 | FY06/24 | FY06/25 | FY06/26 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (JPYmn) | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Company forecast |
| **Sales** | **17,705** | **17,789** | **16,085** | **20,084** | **22,019** | **20,955** | **19,607** | **20,265** | **27,966** | **33,934** | **37,044** |
| YoY | 48.6% | 0.5% | -9.6% | 24.9% | 9.6% | -4.8% | -6.4% | 3.4% | 38.0% | 21.3% | 9.2% |
| **Gross profit** | **3,314** | **3,827** | **2,863** | **3,489** | **3,834** | **3,801** | **3,543** | **4,039** | **4,631** | **6,463** | |
| YoY | 28.4% | 15.5% | -25.2% | 21.9% | 9.9% | -0.9% | -6.8% | 14.0% | 14.7% | 39.6% | |
| Gross profit margin | 18.7% | 21.5% | 17.8% | 17.4% | 17.4% | 18.1% | 18.1% | 19.9% | 16.6% | 19.0% | |
| **Operating profit** | **2,005** | **2,419** | **1,668** | **2,148** | **2,485** | **2,322** | **2,223** | **2,430** | **2,726** | **3,481** | **3,623** |
| YoY | 21.3% | 20.6% | -31.0% | 28.7% | 15.7% | -6.6% | -4.3% | 9.3% | 12.2% | 27.7% | 4.1% |
| Operating profit margin | 11.3% | 13.6% | 10.4% | 10.7% | 11.3% | 11.1% | 11.3% | 12.0% | 9.7% | 10.3% | 9.8% |
| **Recurring profit** | **1,720** | **2,159** | **1,441** | **1,914** | **2,199** | **2,081** | **1,986** | **2,140** | **2,427** | **2,788** | **2,850** |
| YoY | 23.3% | 25.5% | -33.3% | 32.8% | 14.9% | -5.4% | -4.6% | 7.8% | 13.4% | 14.9% | 2.2% |
| Recurring profit margin | 9.7% | 12.1% | 9.0% | 9.5% | 10.0% | 9.9% | 10.1% | 10.6% | 8.7% | 8.2% | 7.7% |
| **Net income** | **1,139** | **1,466** | **989** | **1,310** | **1,506** | **1,282** | **1,314** | **1,447** | **1,701** | **1,851** | **1,900** |
| YoY | 30.5% | 28.6% | -32.5% | 32.5% | 15.0% | -14.9% | 2.6% | 10.1% | 17.5% | 8.8% | 2.7% |
| Net margin | 6.4% | 8.2% | 6.1% | 6.5% | 6.8% | 6.1% | 6.7% | 7.1% | 6.1% | 5.5% | 5.1% |
| **Per-share data (split-adjusted; JPY)** | | | | | | | | | | | |
| Shares issued (year-end; '000) | 24,974 | 25,092 | 25,144 | 25,158 | 31,374 | 31,374 | 31,374 | 31,374 | 32,774 | 35,574 | |
| EPS (JPY) | 45.6 | 58.6 | 39.4 | 52.1 | 52.7 | 40.9 | 41.9 | 46.3 | 54.2 | 56.3 | 54.3 |
| EPS (fully diluted; JPY) | 45.6 | 58.5 | 39.3 | 52.1 | 52.6 | - | - | - | 54.0 | 56.2 | |
| Dividend per share (JPY) | 16.0 | 21.0 | 16.0 | 18.0 | 20.0 | 17.0 | 17.0 | 19.0 | 21.0 | 22.0 | 22.0 |
| Book value per share (JPY) | 235 | 276 | 296 | 332 | 360 | 384 | 408 | 438 | 468 | 496 | |
| **Balance sheet (JPYmn)** | | | | | | | | | | | |
| Cash and cash equivalents | 2,548 | 4,113 | 4,231 | 5,305 | 8,908 | 7,203 | 8,495 | 9,141 | 8,531 | 11,423 | |
| **Total current assets** | **15,847** | **19,660** | **23,062** | **24,873** | **27,680** | **28,755** | **31,473** | **37,411** | **39,381** | **53,748** | |
| Tangible fixed assets | 2,826 | 3,622 | 4,903 | 4,996 | 5,725 | 5,858 | 5,996 | 5,853 | 6,810 | 7,736 | |
| Investments and other assets | 277 | 277 | 560 | 595 | 594 | 558 | 618 | 970 | 775 | 825 | |
| Intangible assets | 3 | 2 | 3 | 3 | 1 | 4 | 3 | 3 | 7 | 14 | |
| **Total assets** | **18,952** | **23,560** | **28,528** | **30,467** | **34,000** | **35,175** | **38,091** | **44,238** | **46,973** | **62,323** | |
| Short-term debt | 6,083 | 7,529 | 8,378 | 9,623 | 9,900 | 7,090 | 7,496 | 7,975 | 11,752 | 11,823 | |
| **Total current liabilities** | **8,360** | **9,195** | **10,844** | **13,509** | **12,480** | **9,378** | **10,122** | **10,348** | **13,809** | **14,670** | |
| Long-term debt | 4,563 | 7,355 | 10,131 | 8,510 | 8,630 | 12,111 | 13,476 | 18,299 | 17,457 | 29,877 | |
| **Total fixed liabilities** | **4,723** | **7,444** | **10,234** | **8,594** | **8,713** | **12,205** | **13,575** | **18,697** | **18,100** | **30,304** | |
| **Total liabilities** | **13,083** | **16,639** | **21,077** | **22,103** | **21,192** | **21,584** | **23,697** | **29,045** | **31,908** | **44,975** | |
| Shareholders' equity | 5,859 | 6,914 | 7,443 | 8,356 | 11,289 | 12,037 | 12,795 | 13,551 | 15,062 | 17,347 | |
| **Total net assets** | **5,869** | **6,921** | **7,451** | **8,364** | **12,807** | **13,591** | **14,393** | **15,193** | **15,064** | **17,348** | |
| **Total liabilities and net assets** | **18,952** | **23,560** | **28,528** | **30,467** | **34,000** | **35,175** | **38,091** | **44,238** | **46,973** | **62,322** | |
| Total interest-bearing debt | 10,646 | 14,884 | 18,508 | 18,133 | 18,530 | 19,201 | 20,973 | 26,274 | 29,209 | 41,700 | |
| **Cash flow statement (JPYmn)** | | | | | | | | | | | |
| Cash flows from operating activities | -1,367 | -1,747 | -1,601 | 2,043 | 1,143 | -1,434 | 491 | -2,836 | 2,978 | -7,279 | |
| Cash flows from investing activities | -986 | -400 | -1,388 | -167 | -836 | -392 | -398 | -954 | -82 | -2,602 | |
| Cash flows from financing activities | 2,216 | 3,737 | 3,107 | -802 | 3,296 | 121 | 1,199 | 4,436 | -3,518 | 12,770 | |
| **Financial ratios** | | | | | | | | | | | |
| ROA (RP-based) | 10.0% | 10.2% | 5.5% | 6.5% | 6.8% | 6.0% | 5.4% | 5.2% | 5.3% | 5.1% | |
| ROE | 20.8% | 23.0% | 13.8% | 16.6% | 15.3% | 11.0% | 10.6% | 11.0% | 11.9% | 11.4% | |
| Equity ratio | 30.9% | 29.3% | 26.1% | 27.4% | 33.2% | 34.2% | 33.6% | 30.6% | 32.1% | 27.8% | |
| Total asset turnover | 102.6% | 83.7% | 61.8% | 68.1% | 68.3% | 60.6% | 53.5% | 49.2% | 61.3% | 62.1% | |

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

# Recent updates

## URBANET acquires land for apartment-style hotel

2025-09-26

URBANET Corporation has acquired land in Akasaka, Minato-ku, Tokyo, for the development of an apartment-style hotel.

The company is developing apartment-style hotels as part of its growth strategy and has acquired land in Akasaka, Minato-ku, Tokyo for this purpose.

The property is located in a highly coveted central Tokyo location, just a one-minute walk from Tameike-sanno Station on the Tokyo Metro. It is close to historic and cultural landmarks such as the Imperial Palace and the State Guest House, within the Akasaka district—home to international dining and entertainment. With both convenience and prestige, URBANET expects the site to generate stable demand from business travelers and tourists from Japan and overseas. The company intends to maximize this locational advantage by developing an apartment-style hotel that emphasizes craftsmanship, comfort, and sophisticated design.

URBANET particularly aims to capture the expanding demand for longer-term stays amid growing inbound tourism to Japan. Upon completion, the company plans to sell the entire building.

### Project overview (planned)

| | |
|---|---|
| Project name | Akasaka project |
| Location | Akasaka, Minato-ku, Tokyo |
| Access | 1-minute walk from Tameike-sanno Station on the Tokyo Metro Ginza and Namboku lines |
| Number of rooms | 51 |
| Scheduled completion | 2028 |

Source: Shared Research based on company materials

## URBANET completes exercise of the 10th, 11th, and 12th series of share acquisition rights issued through private placement

2025-09-09

URBANET Corporation resolved in August 2023 to allot the 10th, 11th, and 12th series of share acquisition rights to Milestone Capital Management Co., Ltd. On September 9, 2025, the company announced that all of these share acquisition rights had been fully exercised on that day.

The company has allocated funds raised through the 10th, 11th, and 12th series of share acquisition rights to land acquisition, construction costs, and M&A investments to support sustainable growth and enhance corporate value. As of September 9, 2025, the number of shares outstanding was 37,574,100, and capital stock stood at JPY3,968,364,285.

### Overview of share acquisition rights issued through private placement

| | |
|---|---|
| Exercise completion date | September 9, 2025<br>10th series: December 12, 2024<br>11th series: June 23, 2025<br>12th series: September 9, 2025 |
| Total number of share acquisition rights issued and issue price | 62,000 (JPY4,925,000 in total)<br>10th series: 21,000 (JPY190 per right)<br>11th series: 21,000 (JPY35 per right)<br>12th series: 20,000 (JPY10 per right) |
| Total number of exercised rights and exercise price | 62,000 (6,200,000 common shares)<br>10th series: 21,000 (JPY373 per right)<br>11th series: 21,000 (JPY411 per right)<br>12th series: 20,000 (JPY448 per right) |
| Remaining share acquisition rights | 0 |
| Total funds raised | JPY2,547,325,000<br>Proceeds from issuance of share acquisition rights: JPY4,925,000<br>Proceeds from exercise of share acquisition rights: JPY2,542,400,000 |

Source: Shared Research based on company materials

# Trends and outlook

## Quarterly trends and results

| Cumulative | FY06/24 | | | | FY06/25 | | | | FY06/26 | FY06/26 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (JPYmn) | Q1 | Q1-Q2 | Q1-Q3 | Q1-Q4 | Q1 | Q1-Q2 | Q1-Q3 | Q1-Q4 | Q1 | % of forecast | Company forecast |
| Sales | 4,598 | 11,421 | 17,467 | 27,966 | 1,786 | 7,965 | 11,792 | 33,934 | 14,235 | 38.4% | 37,044 |
| YoY | - | 96.0% | 49.3% | 38.0% | -61.2% | -30.3% | -32.5% | 21.3% | 697.1% | | 9.2% |
| Cost of sales | 3,944 | 9,801 | 14,613 | 23,335 | 1,271 | 6,459 | 9,558 | 27,471 | 10,702 | | |
| YoY | - | 99.9% | 51.0% | 43.8% | -67.8% | -34.1% | -34.6% | 17.7% | 741.8% | | |
| Cost ratio | 85.8% | 85.8% | 83.7% | 83.4% | 71.2% | 81.1% | 81.1% | 81.0% | 75.2% | | |
| Gross profit | 654 | 1,620 | 2,853 | 4,631 | 514 | 1,506 | 2,233 | 6,463 | 3,533 | | |
| YoY | 848.8% | 75.5% | 41.3% | 14.7% | -21.3% | -7.0% | -21.7% | 39.6% | 586.7% | | |
| Gross profit margin | 14.2% | 14.2% | 16.3% | 16.6% | 28.8% | 18.9% | 18.9% | 19.0% | 24.8% | | |
| SG&A expenses | 384 | 791 | 1,221 | 1,905 | 645 | 1,406 | 2,185 | 2,982 | 886 | | |
| YoY | 12.4% | 9.8% | 6.0% | 18.4% | 68.0% | 77.7% | 79.0% | 56.5% | 37.4% | | |
| SG&A ratio | 8.3% | 6.9% | 7.0% | 6.8% | 36.1% | 17.7% | 18.5% | 8.8% | 6.2% | | |
| Operating profit | 270 | 829 | 1,633 | 2,726 | -130 | 101 | 49 | 3,481 | 2,647 | 73.1% | 3,623 |
| YoY | - | 308.8% | 88.0% | 12.2% | - | -87.9% | -97.0% | 27.7% | - | | 4.1% |
| Margin | 5.9% | 7.3% | 9.3% | 9.7% | - | 1.3% | 0.4% | 10.3% | 18.6% | | 9.8% |
| Recurring profit | 212 | 720 | 1,439 | 2,427 | -262 | -232 | -450 | 2,788 | 2,421 | 84.9% | 2,850 |
| YoY | - | - | 125.4% | 13.4% | - | - | - | 14.9% | - | | 2.2% |
| Margin | 4.6% | 6.3% | 8.2% | 8.7% | - | - | - | 8.2% | 17.0% | | 7.7% |
| Net income | 138 | 510 | 1,011 | 1,701 | -200 | -211 | -379 | 1,851 | 1,653 | 87.0% | 1,900 |
| YoY | - | - | 149.0% | 17.5% | - | - | - | 8.8% | - | | 2.7% |
| Margin | 3.0% | 4.5% | 5.8% | 6.1% | - | - | - | 5.5% | 11.6% | | 5.1% |
| **Quarterly (three months)** | **FY06/24** | | | | **FY06/25** | | | | **FY06/26** | | |
| **(JPYmn)** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | | |
| Sales | 4,598 | 6,823 | 6,045 | 10,499 | 1,786 | 6,179 | 3,826 | 22,142 | 14,235 | | |
| YoY | - | 20.2% | 2.9% | 22.6% | -61.2% | -9.4% | -36.7% | 110.9% | 697.1% | | |
| Cost of sales | 3,944 | 5,857 | 4,812 | 8,722 | 1,271 | 5,188 | 3,100 | 17,912 | 10,702 | | |
| YoY | - | 21.5% | 0.8% | 33.2% | -67.8% | -11.4% | -35.6% | 105.4% | 741.8% | | |
| Cost ratio | 85.8% | 85.8% | 79.6% | 83.1% | 71.2% | 83.9% | 81.0% | 80.9% | 75.2% | | |
| Gross profit | 654 | 966 | 1,234 | 1,778 | 514 | 992 | 727 | 4,230 | 3,533 | | |
| YoY | 848.8% | 13.0% | 12.5% | -12.0% | -21.3% | 2.7% | -41.1% | 137.9% | 586.7% | | |
| Margin | 14.2% | 14.2% | 20.4% | 16.9% | 28.8% | 16.1% | 19.0% | 19.1% | 24.8% | | |
| SG&A expenses | 384 | 407 | 429 | 684 | 645 | 761 | 779 | 797 | 886 | | |
| YoY | 12.4% | 7.5% | -0.4% | 49.5% | 68.0% | 86.9% | 81.3% | 16.5% | 37.4% | | |
| SG&A ratio | 8.3% | 6.0% | 7.1% | 6.5% | 36.1% | 12.3% | 20.4% | 3.6% | 6.2% | | |
| Operating profit | 270 | 559 | 804 | 1,094 | -130 | 231 | -52 | 3,433 | 2,647 | | |
| YoY | - | 17.5% | 20.8% | -30.0% | - | -58.6% | - | 213.9% | - | | |
| Margin | 5.9% | 8.2% | 13.3% | 10.4% | - | 3.7% | - | 15.5% | 18.6% | | |
| Recurring profit | 212 | 508 | 718 | 988 | -262 | 30 | -218 | 3,238 | 2,421 | | |
| YoY | - | 24.2% | 22.0% | -34.2% | - | -94.1% | - | 227.7% | - | | |
| Margin | 4.6% | 7.4% | 11.9% | 9.4% | - | 0.5% | - | 14.6% | 17.0% | | |
| Net income | 138 | 372 | 501 | 690 | -200 | -11 | -168 | 2,229 | 1,653 | | |
| YoY | - | 42.3% | 34.0% | -33.7% | - | - | - | 223.2% | - | | |
| Margin | 3.0% | 5.5% | 8.3% | 6.6% | - | - | - | 10.1% | 11.6% | | |

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods, and blank spaces are not disclosed.

| Cumulative | FY06/24 | | | | FY06/25 | | | | FY06/26 |
|---|---|---|---|---|---|---|---|---|---|
| (JPYmn) | Q1 | Q1-Q2 | Q1-Q3 | Q1-Q4 | Q1 | Q1-Q2 | Q1-Q3 | Q1-Q4 | Q1 |
| Sales | 4,598 | 11,421 | 17,467 | 27,966 | 1,786 | 7,965 | 11,792 | 33,934 | 14,235 |
| YoY | - | 96.0% | 49.3% | 38.0% | -61.2% | -30.3% | -32.5% | 21.3% | 697.1% |
| Real Estate | 4,547 | 11,313 | 17,301 | 27,748 | 1,729 | 7,846 | 11,614 | 33,695 | 14,181 |
| YoY | - | 96.2% | 49.2% | 38.0% | -62.0% | -30.7% | -32.9% | 21.4% | 720.3% |
| % of total | 98.9% | 99.1% | 99.1% | 99.2% | 96.8% | 98.5% | 98.5% | 99.3% | 99.6% |
| Real Estate Development and Sales | 4,433 | 11,042 | 16,913 | 27,115 | 1,571 | 6,698 | 10,303 | 32,155 | 13,608 |
| YoY | - | 100.7% | 51.3% | 38.5% | -64.6% | -39.3% | -39.1% | 18.6% | 766.2% |
| % of total | - | 96.7% | 96.8% | 97.0% | 88.0% | 84.1% | 87.4% | 94.8% | 95.6% |
| Real Estate Purchase and Sales | 0 | 46 | 46 | 46 | 0 | 727 | 727 | 727 | 417 |
| YoY | - | - | 24.3% | 24.3% | - | - | - | - | - |
| % of total | - | 0.4% | 0.3% | 0.2% | - | 9.1% | 6.2% | 2.1% | 2.9% |
| Other | 113 | 224 | 340 | 585 | 157 | 419 | 582 | 811 | 155 |
| YoY | -8.9% | -14.5% | -9.6% | 17.9% | 38.9% | 87.1% | 71.2% | 38.6% | -1.3% |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| % of total | 2.5% | 2.0% | 1.9% | 2.1% | 8.8% | 5.3% | 4.9% | 2.4% | 1.1% |
| Hotel | 51 | 108 | 166 | 218 | 57 | 120 | 177 | 238 | 54 |
| YoY | 107.8% | 78.4% | 61.6% | 43.2% | 11.3% | 10.6% | 7.1% | 9.2% | -5.4% |
| % of total | 1.1% | 0.9% | 0.9% | 0.8% | 3.2% | 1.5% | 1.5% | 0.7% | 0.4% |
| Operating profit | 270 | 829 | 1,633 | 2,726 | -130 | 101 | 49 | 3,481 | 2,647 |
| YoY | - | 308.8% | 88.0% | 12.2% | - | -87.9% | -97.0% | 27.7% | - |
| Margin | 5.9% | 7.3% | 9.3% | 9.7% | - | 1.3% | 0.4% | 10.3% | 18.7% |
| Real Estate | 540 | 1,386 | 2,450 | 3,874 | 217 | 865 | 1,255 | 5,020 | 2,988 |
| YoY | - | 101.8% | 47.9% | 10.4% | -59.7% | -37.6% | -48.8% | 29.6% | - |
| Margin | 11.9% | 12.2% | 14.2% | 14.0% | 12.6% | 11.0% | 10.8% | 14.9% | 21.1% |
| Hotel | 9 | 20 | 33 | 31 | 14 | 30 | 45 | 46 | 10 |
| YoY | - | - | - | - | 59.0% | 53.2% | 35.3% | 46.8% | -24.3% |
| Margin | 16.7% | 18.3% | 20.0% | 14.3% | 23.9% | 25.3% | 25.3% | 19.2% | 19.1% |
| Adjustments (company-wide expenses) | -278 | -577 | -851 | -1,179 | -362 | -795 | -1,251 | -1,584 | -352 |
| **Quarterly (three months)** | | **FY06/24** | | | | **FY06/25** | | | **FY06/26** |
| **(JPYmn)** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** |
| Sales | 4,598 | 6,823 | 6,045 | 10,499 | 1,786 | 6,179 | 3,826 | 22,142 | 14,235 |
| YoY | - | 20.2% | 2.9% | 22.6% | -61.2% | -9.4% | -36.7% | 110.9% | 697.1% |
| Real Estate | 4,598 | 6,766 | 5,988 | 10,447 | 1,786 | 6,117 | 3,769 | 22,081 | 14,235 |
| YoY | - | 20.0% | 2.7% | 22.7% | -61.2% | -9.6% | -37.1% | 111.4% | 697.1% |
| % of total | 100.0% | 99.2% | 99.0% | 99.5% | 100.0% | 99.0% | 98.5% | 99.7% | 100.0% |
| Real Estate Development and Sales | 4,433 | 6,609 | 5,871 | 10,202 | 1,571 | 5,127 | 3,605 | 21,852 | 13,608 |
| YoY | - | 20.1% | 3.4% | 21.5% | -64.6% | -22.4% | -38.6% | 114.2% | 766.2% |
| % of total | 96.4% | 96.9% | 97.1% | 97.2% | 88.0% | 83.0% | 94.2% | 98.7% | 95.6% |
| Real Estate Purchase and Sales | 0 | 46 | 0 | 0 | 0 | 727 | 0 | 0 | 417 |
| YoY | - | - | - | - | - | - | - | - | - |
| % of total | - | 0.7% | - | - | - | 11.8% | - | - | 2.9% |
| Other | 113 | 111 | 116 | 245 | 157 | 262 | 163 | 229 | 155 |
| YoY | -8.9% | -19.6% | 1.8% | 104.2% | 38.9% | 136.0% | 40.5% | -6.5% | -1.3% |
| % of total | 2.5% | 1.6% | 1.9% | 2.3% | 8.8% | 4.2% | 4.3% | 1.0% | 1.1% |
| Hotel | 51 | 57 | 109 | 110 | 57 | 62 | 115 | 124 | 54 |
| YoY | 107.8% | 58.3% | 63.3% | 27.5% | 11.3% | 10.0% | 5.6% | 12.8% | -5.4% |
| % of total | 1.1% | 0.8% | 1.8% | 1.0% | 3.2% | 1.0% | 3.0% | 0.6% | 0.4% |
| Operating profit | 270 | 559 | 804 | 1,094 | -130 | 231 | -52 | 3,433 | 2,647 |
| YoY | - | 17.5% | 20.8% | -30.0% | - | -58.6% | - | 213.9% | - |
| Margin | 5.9% | 8.2% | 13.3% | 10.4% | - | 3.7% | - | 15.5% | 18.6% |
| Real Estate | 540 | 846 | 1,065 | 1,423 | 217 | 648 | 390 | 3,764 | 2,988 |
| YoY | - | 20.1% | 9.7% | -23.1% | -59.7% | -23.4% | -63.4% | 164.5% | - |
| Margin | 11.9% | 7.5% | 6.2% | 5.1% | 12.6% | 8.3% | 3.4% | 11.2% | 21.1% |
| Hotel | 9 | 11 | 13 | -2 | 14 | 17 | 15 | 1 | 10 |
| YoY | - | - | - | - | 59.0% | 48.8% | 8.8% | - | -24.3% |
| Margin | 16.7% | 10.3% | 8.1% | -0.9% | 23.9% | 13.9% | 8.2% | 0.4% | 19.1% |
| Adjustments (company-wide expenses) | -278 | -298 | -274 | -328 | -362 | -433 | -457 | -333 | -352 |

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Performance achieved through the company's mainstay business of developing and selling urban rental apartments tends to fluctuate significantly from quarter to quarter because factors such as lot sizes, apartment counts, construction periods, the timing at which sales are recorded (dependent upon completion and delivery times), selling prices, and profit margins vary by project.

# Q1 FY06/26 results (out November 6, 2025)

## Earnings summary

### Q1 FY06/26 results (July–September 2025)

- Sales: JPY14.2bn (+697.1% YoY)
- Operating profit: JPY2.6bn (loss of JPY130mn in Q1 FY06/25)
- Recurring profit: JPY2.4bn (loss of JPY262mn)
- Net income attributable to owners of the parent: JPY1.7bn (loss of JPY200mn)

Progress toward the full-year FY06/26 forecast in Q1 was 38.4% for sales, 73.1% for operating profit, 84.9% for recurring profit, and 87.0% for net income attributable to owners of the parent.

### Reasons for increases in sales and profit

In Q1 FY06/26, URBANET benefited from steady completion and handover of urban rental apartments, while subsidiary K-nine also continued to perform well. As the company did not record any sales of urban rental apartments in Q1 FY06/25, sales and profit increased sharply YoY. The urban rental apartments delivered in Q1 included highly profitable properties in central Tokyo, which helped drive progress toward full-year earnings targets. In FY06/25, property sales recognition was heavily concentrated in Q4, but in FY06/26 the company expects to complete about half of its properties in 1H, and performance so far has been roughly in line with projections.

The GPM was 24.8%, down 4.0pp YoY, but this decline mainly reflected a one-off factor: in Q1 FY06/25, results consisted solely of highly profitable sales from K-nine. In the core urban rental apartment business, the company continued to maintain strong profitability by acquiring well-located properties in central Tokyo and selling them at favorable prices. Although higher materials and labor costs and longer construction periods due to measures such as introducing a two-day weekend remain challenges, the company has expanded its network of general contractors to about ten partners, which helps secure sufficient construction capacity.

SG&A expenses rose 37.4% YoY, while the SG&A ratio fell 29.9pp YoY to 6.2%. The main drivers of the increase in SG&A expenses were roughly 20% YoY growth in personnel expenses, reflecting higher headcount and wage levels, and higher brokerage fees on property sales due to increased sales volume. Operating profit returned to profit from a loss in Q1 FY06/25 and increased substantially. Although higher interest and commission expenses pushed non-operating expenses up 66.7% YoY, the company remained profitable at both the recurring profit and net income levels.

## Land acquisitions

In Q1 (July–September 2025), URBANET acquired a site in Akasaka, Minato-ku, Tokyo for hotel development. The company intends to fully leverage this rare prime central location by developing an apartment-style hotel that offers comfortable spaces reflecting its commitment to quality craftsmanship and high-quality design. Targeting growing medium- to long-stay demand from inbound visitors, the company plans to sell the completed property as an entire building.

Although land prices continue to rise, the company has strengthened its ability to source information on prime central sites (including the five and seven central wards of Tokyo) and large-scale projects, and has secured inventory of about 1,400–1,500 units, including properties slated for completion and sale in FY06/27 and beyond.

### Land acquisitions in Q1 (projects for which land prices have been paid)

| Project | Property type | Location | Total units and rooms (planned) | Scheduled completion |
|---|---|---|---|---|
| Akasaka project | Apartment-style hotel | Minato-ku, Tokyo | 51 rooms | 2028 |

Source: Shared Research based on company materials

## Performance by segment

### Real Estate business

In Q1 FY06/26, the Real Estate business (Real Estate Development and Sales, Real Estate Purchase and Sales, Other Real Estate Business) posted sales of JPY14.2bn (+720.3% YoY) and segment profit of JPY3.0bn (JPY217mn in Q1 FY06/25).

#### Real Estate Development and Sales

In Q1 FY06/26, sales in the Real Estate Development and Sales subsegment totaled JPY13.6bn (+766.2% YoY), and profit rose sharply as the sales mix included a large share of highly profitable properties. Sales consisted of four urban rental apartment buildings with 229 units (none in Q1 FY06/25), nine detached and terraced houses (unchanged YoY), and four land parcels (up from two). For urban rental apartments, progress toward the full-year sales target reached 41.5%. Major buyers were funds in Japan, and projects developed in partnership with Mitsui Fudosan Investment Advisors also contributed.

In URBANET's Asyl Court brand, a key strength is the planning capability tailored to the characteristics of each location. In the upscale Shoto area, Asyl Court Shoto offers larger units; Asyl Court Mishuku Terrace features youth-oriented designs and a variety of floor plans; and at the Hirai project, some units include soundproof rooms suitable for playing musical instruments or streaming content. These specifications enhance rent competitiveness and help the brand capture tenant demand.

K-nine maintained solid performance in its core business of selling detached and terraced houses, with sales roughly flat YoY. The breakdown of sales was as follows: three detached houses, six terraced houses, one land resale, and two purchase-and-resale units. Sales of JPY42mn (-14.3% YoY) from contracted construction work are also included in Real Estate Development and Sales. K-nine has deep knowledge of the Setagaya area and acquires flagpole-shaped and other irregularly shaped sites at favorable prices that other companies tend to avoid, then uses its in-house construction team to offer highly compelling price points compared with newly built condominiums in the same area. In Q1, K-nine generated sales of JPY1.8bn and operating profit of JPY200mn, almost in line with the forecast, but the company also sees upside potential to its full-year targets.

### Performance in Real Estate Development and Sales

| | Q1 FY06/25 | | Q1 FY06/26 | | Changes (JPYmn) | Reasons for changes |
|---|---|---|---|---|---|---|
| | Number of units or parcels | Sales (JPYmn) | Number of units or parcels | Sales (JPYmn) | | |
| Urban rental apartments | - | - | 229 | 10,512 | 10,512 | Four buildings with 229 units sold to funds |
| Detached houses | 4 | 231 | 3 | 230 | -1 | Solid sales at K-nine |
| Terraced houses | 5 | 517 | 6 | 469 | -48 | Sold by K-nine |
| Land resale | 2 | 772 | 4 | 2,354 | 1,582 | Solid sales at URBANET (parent company) and K-nine |
| Contracted construction | - | 49 | - | 42 | -7 | Sales at K-nine declined |
| Total | | 1,571 | | 13,608 | 12,037 | |

Source: Shared Research based on company materials
Note: Figures may differ from company materials due to differences in rounding methods.

### Properties recorded as sales in Q1

Source: Company materials
Left: Hirai project; Edogawa-ku, Tokyo; reinforced concrete; six stories; 56 units; completed August 2025
Center: Asyl Court Shoto; Shibuya-ku, Tokyo; reinforced concrete; 12 stories; 51 units; completed August 2025
Right: Asyl Court Mishuku Terrace; Setagaya-ku, Tokyo; reinforced concrete; five stories above ground with one below; 58 units; completed July 2025

### Properties recorded as sales in Q1 (K-nine)

Source: Company materials
Left: Lim Terrace Sangenjaya The Class; Setagaya-ku, Tokyo; steel frame; three stories; completed August 2025
Right: Fols Higashi-Kamata; Ota-ku, Tokyo; wooden structure; three stories; completed August 2025

#### Real Estate Purchase and Sales

In Q1 FY06/26, the company sold two renovated properties in the Real Estate Purchase and Sales subsegment, generating sales of JPY417mn. There were no sales in Q1 FY06/25.

#### Other Real Estate Business (including leasing and brokerage)

In Q1 FY06/26, the company posted sales of JPY155mn (-1.3% YoY) in the Other Real Estate Business, driven by revenue from real estate brokerage and leasing operations.

### Hotel business

In Q1 FY06/26, the Hotel business generated sales of JPY54mn (-5.4% YoY), mainly from room charges at Hotel ASYL Tokyo Kamata, and recorded segment profit of JPY10mn (-24.3% YoY). During the summer, demand from inbound tourists temporarily softened due to extreme heat and misinformation on social media in early July suggesting a major disaster would occur in Japan, which weighed on sales and profit. Since October, inbound demand has rebounded sharply and occupancy has remained high, with foreign guests accounting for roughly 60% of total stays. Based on existing bookings, the company expects an average daily rate (ADR) of JPY15,234 in 1H.

## Assets, liabilities, and net assets

At end-Q1 FY06/26, total assets rose JPY1.5bn from end-FY06/25 to JPY63.8bn. Strong sales led to a JPY981mn decrease in real estate held for sale, while payments from buyers boosted cash and deposits by JPY2.5bn. The company intends to manage total assets with a focus on inventory turnover, keeping the balance at around JPY70.0bn. Properties held by K-nine accounted for about 21.0% of inventories.

At end-Q1 FY06/26, liabilities declined JPY568mn from end-FY06/25 to JPY44.4bn. The company reduced long-term borrowings (including the portion due within one year) by JPY797mn as it completed and delivered several condominium projects. In Q1, K-nine's borrowings accounted for about 25.5% of interest-bearing debt.

Net assets increased JPY2.1bn from end-FY06/25 to JPY19.4bn. This reflects the company’s booking of quarterly net income, as well as an increase in share capital and capital surplus resulting from the exercise of stock acquisition rights, which more than offset dividend payments. The equity ratio rose to 30.4%, up from 27.8% at end-FY06/25.

### Exercise of stock acquisition rights completed

In September 2023, the company issued 62,000 share subscription rights to raise funds for sustainable growth and to strengthen its financial base. By September 9, 2025, all rights had been exercised, generating approximately JPY2.5bn in proceeds. The company utilized the funds to acquire development sites, cover construction costs, and finance M&A activity.

### Student-only three-dimensional art competition (AAC)

As part of its corporate social responsibility (CSR) activities, URBANET has hosted the Art Meets Architecture Competition (AAC)—a student-only three-dimensional art competition to discover, support, and nurture young artists—every year since 2001. On October 21, 2025, the company held the final judging for the 25th AAC2025. URBANET awarded JPY1mn to the grand prize winner and will permanently install the winning work in the entrance hall of Asyl Court Toritsudaigaku, a newly built apartment building developed by the company.

### Grand prize: Green Poem

Source: Company materials

## Full-year company forecast

| | FY06/24 | | | FY06/25 | | | FY06/26 |
|---|---|---|---|---|---|---|---|
| (JPYmn) | 1H results | 2H results | FY results | 1H results | 2H results | FY results | FY forecast |
| **Sales** | **11,421** | **16,545** | **27,966** | **7,965** | **25,969** | **33,934** | **37,044** |
| YoY | 96.0% | 14.6% | 38.0% | -30.3% | 57.0% | 21.3% | 9.2% |
| Cost of sales | 9,801 | 13,533 | 23,335 | 6,459 | 21,012 | 27,471 | |
| YoY | 99.9% | 19.5% | 43.8% | -34.1% | 55.3% | 17.7% | |
| **Gross profit** | **1,620** | **3,011** | **4,631** | **1,506** | **4,957** | **6,463** | |
| YoY | 75.5% | -3.4% | 14.7% | -7.0% | 64.6% | 39.6% | |
| Gross profit margin | 14.2% | 18.2% | 16.6% | 18.9% | 19.1% | 19.0% | |
| SG&A expenses | 791 | 1,114 | 1,905 | 1,406 | 1,576 | 2,982 | |
| YoY | 9.8% | 25.3% | 18.4% | 77.7% | 41.5% | 56.5% | |
| SG&A ratio | 6.9% | 6.7% | 6.8% | 17.7% | 6.1% | 8.8% | |
| **Operating profit** | **829** | **1,898** | **2,726** | **101** | **3,381** | **3,481** | **3,623** |
| YoY | 308.8% | -14.8% | 12.2% | -87.9% | 78.2% | 27.7% | 4.1% |
| Operating profit margin | 7.3% | 11.5% | 9.7% | 1.3% | 13.0% | 10.3% | 9.8% |
| **Recurring profit** | **720** | **1,707** | **2,427** | **-232** | **3,020** | **2,788** | **2,850** |
| YoY | 1353.4% | -18.4% | 13.4% | - | 76.9% | 14.9% | 2.2% |
| Recurring profit margin | 6.3% | 10.3% | 8.7% | - | 11.6% | 8.2% | 7.7% |
| **Net income** | **510** | **1,191** | **1,701** | **-211** | **2,061** | **1,851** | **1,900** |
| YoY | 1477.5% | -15.8% | 17.5% | - | 73.1% | 8.8% | 2.7% |
| Net margin | 4.5% | 7.2% | 6.1% | - | 7.9% | 5.5% | 5.1% |

Source: Shared Research based on company materials

### Full-year FY06/26 consolidated earnings forecast (out August 7, 2025)

- Sales: JPY37.0bn (+9.2% YoY)
- Operating profit: JPY3.6bn (+4.1% YoY)
- Recurring profit: JPY2.9bn (+2.2% YoY)
- Net income attributable to owners of the parent: JPY1.9bn (+2.7% YoY)
- EPS: JPY54.31 (JPY56.26 in FY06/25)

In Q1, the company achieved 38.4% of its full-year FY06/26 sales forecast, 73.1% of its operating profit forecast, 84.9% of its recurring profit forecast, and 87.0% of its net income forecast. These high profit progress rates reflect the inclusion of several high-margin properties in Q1 sales, but the company had already factored them into its initial forecast. As of the Q1 earnings announcement, it kept its full-year outlook unchanged.

The sharp profit increase in Q1 mainly reflected the timing of construction work on urban rental apartments, which was concentrated in the quarter, but profits also remained solid thanks to earnings recovery in K-nine's detached houses business and Hotel business. In 2H, as the company expects to complete most construction projects in Q4, it anticipates profit growth in Q2 and Q3 to slow temporarily.

### Assumptions for the initial forecast

For FY06/26, URBANET expects sales and profit to rise YoY, as in FY06/25, driven by high-value-added urban rental apartments and strong performance at K-nine. The company projects sales to reach a record high for the second straight year.

In the Real Estate business, the company plans to develop and sell 12 urban rental apartment buildings and similar properties with 552 units (-55 units YoY), 39 detached and terraced houses (-4 units YoY), several smaller apartment buildings, and land for resale. Of the urban rental apartments and similar properties, 525 units are already under contract, including one building for a business operator, two for sales companies, and nine for funds and REITs. Of the 12 buildings scheduled for completion, seven are in 1H and five in 2H. For FY06/26, the company also aims to acquire 14–15 projects, each with an estimated sales value of about JPY2.0bn, for a total of around JPY28.0–30.0bn.

For K-nine, the company projects sales of JPY7.5bn. However, given rising selling prices and steady land acquisitions, results could exceed this level if it undertakes land resale on projects with sufficient profit potential. In the Hotel business (Hotel Asyl Tokyo Kamata), the company expects the impact of rumors predicting a major disaster in Japan in early July 2025 to persist into Q1, but for the full year it forecasts a slight YoY increase.

#### Shareholder returns

URBANET's dividend policy is to pay out 40% of net income attributable to owners of the parent, excluding the impact of income tax adjustments. For FY06/26, it plans to pay an annual dividend of JPY22.0 per share (interim dividend of JPY11.0 and year-end dividend of JPY11.0), with a projected payout ratio of 40.5%. The company has also introduced a shareholder benefit program, offering QUO prepaid cards valued at JPY5,000 per year to shareholders holding 500 or more shares and JPY10,000 per year to those holding 1,000 or more shares, with the first record date set for December 31, 2024.

## Differences between initial forecasts and actual results

| Initial forecast vs. results (JPYmn) | FY06/16 Cons. | FY06/17 Cons. | FY06/18 Cons. | FY06/19 Cons. | FY06/20 Cons. | FY06/21 Cons. | FY06/22 Cons. | FY06/23 Cons. | FY06/24 Cons. | FY06/25 Cons. |
|---|---|---|---|---|---|---|---|---|---|---|
| Sales (initial forecast) | 16,000 | 18,000 | 16,000 | 17,550 | 21,380 | 20,000 | 23,000 | 20,000 | 25,000 | 32,000 |
| Sales (results) | 17,705 | 17,789 | 16,085 | 20,084 | 22,019 | 20,955 | 19,607 | 20,265 | 27,966 | 33,934 |
| **Differences between initial forecast and actual results** | **10.7%** | **-1.2%** | **0.5%** | **14.4%** | **3.0%** | **4.8%** | **-14.8%** | **1.3%** | **11.9%** | **6.0%** |
| Operating profit (initial forecast) | 1,760 | 2,300 | 1,500 | 1,750 | 2,380 | 2,050 | 2,220 | 2,300 | 2,500 | 2,800 |
| Operating profit (results) | 2,005 | 2,419 | 1,668 | 2,148 | 2,485 | 2,322 | 2,223 | 2,430 | 2,726 | 3,481 |
| **Differences between initial forecast and actual results** | **13.9%** | **5.2%** | **11.2%** | **22.7%** | **4.4%** | **13.3%** | **0.1%** | **5.6%** | **9.1%** | **24.3%** |
| Recurring profit (initial forecast) | 1,440 | 1,900 | 1,250 | 1,510 | 2,090 | 1,770 | 1,950 | 2,050 | 2,250 | 2,450 |
| Recurring profit (results) | 1,720 | 2,159 | 1,441 | 1,914 | 2,199 | 2,081 | 1,986 | 2,140 | 2,427 | 2,788 |
| **Differences between initial forecast and actual results** | **19.5%** | **13.6%** | **15.3%** | **26.7%** | **5.2%** | **17.6%** | **1.8%** | **4.4%** | **7.9%** | **13.8%** |
| Net income (initial forecast) | 900 | 1,270 | 850 | 1,030 | 1,450 | 1,100 | 1,300 | 1,350 | 1,500 | 1,730 |
| Net income (results) | 1,139 | 1,466 | 989 | 1,310 | 1,506 | 1,282 | 1,314 | 1,447 | 1,701 | 1,851 |
| **Differences between initial forecast and actual results** | **26.6%** | **15.4%** | **16.4%** | **27.2%** | **3.9%** | **16.5%** | **1.1%** | **7.2%** | **13.4%** | **7.0%** |

Source: Shared Research based on company materials

Since the sale contracts are mostly completed at the time of land acquisition, the company's results are generally in line with the initial forecast, and with the exception of FY06/22, sales showed no major deviations.

The company, affected by the global financial crisis in September 2008, posted an operating loss in FY06/09, but after that, it achieved its sixth consecutive fiscal year of sales and profit growth in FY06/17, starting from FY06/12.

In FY06/18, sales and operating profit declined YoY because fewer properties were recorded as sales, mainly reflecting the status of land purchases for development.

In FY06/19, the number of properties recorded as sales increased, with the company once again achieving YoY increases in sales and operating profit.

In FY06/20, sales and operating profit rose 9.6% and 15.7% YoY, respectively, setting new record highs.

In FY06/21, although the number of units sold in the Real Estate business decreased YoY and sales and profit declined, the gross profit margin exceeded the plan due to several projects that secured a higher profit margin than expected.

In FY06/22, although sales and profit declined due to delays in some projects, profit remained largely in line with the initial plan.

In FY06/23, both sales and profit exceeded the initial forecast due to the diversification of sales destinations and timely and appropriate sales based on detailed sales strategies for each project in the sales of individual buildings of studio apartments for investment in central Tokyo.

For FY06/24, the company revised its forecast upward following the acquisition of K-nine as a subsidiary in Q3. In addition to the consolidation of a new subsidiary, certain projects initially scheduled to be recorded in FY06/25 were brought forward. Furthermore, the Hotel business performed strongly and turned profitable due to the recovery in domestic travel demand and a surge in inbound tourism. As a result, consolidated sales reached a new record high.

In FY06/25, sales and profit exceeded the company’s initial forecast, supported by the sale in Q4 of one project not included in the projection, stronger-than-expected earnings from K-nine Co., Ltd. (acquired in February 2024), and solid performance in the Hotel business.

# Medium-term earnings outlook

## Medium-term business plan CHALLENGE 2028

URBANET announced its three-year medium-term business plan from FY06/26 through FY06/28 together with its Q3 FY06/25 earnings results. In recent years, it has identified "sustainable growth" and "enhancing corporate value" as top priorities, resulting in growth in both group sales and headcount. In preparation for its next stage of growth, the company formulated a new medium-term business plan based on a policy of management with a focus on share price and capital cost. The plan targets the early achievement of a market capitalization of JPY20.0bn by working to maintain ROE exceeding the CAPM-based theoretical cost of equity and by further improving the price-to-book (P/B) ratio.

Under the medium-term business plan, the company aims to achieve sales of JPY50.0bn in FY06/28, as shown in the table below. The compound annual growth rate (CAGR) over the five-year period from FY06/23 is projected at 19.8% for sales and 13.6% for operating profit.

### Numerical targets under the medium-term business plan

| | FY06/23 | FY06/24 | FY06/25 | FY06/26 | FY06/27 | FY06/28 | 5-year |
|---|---|---|---|---|---|---|---|
| | Results | Results | Forecast | Targets | Targets | Targets | CAGR |
| Sales | 20,265 | 27,966 | 32,000 | 37,044 | 42,529 | 50,000 | 19.8% |
| YoY | 3.4% | 38.0% | 14.4% | 15.8% | 14.8% | 17.6% | |
| Operating profit | 2,430 | 2,726 | 2,800 | 3,623 | 4,078 | 4,590 | 13.6% |
| YoY | 9.3% | 12.2% | 2.7% | 29.4% | 12.6% | 12.6% | |
| Operating profit margin | 12.0% | 9.7% | 8.8% | 9.8% | 9.6% | 9.2% | |

Source: Shared Research based on company materials

### Medium- to long-term core strategy

Four main medium-term strategies:

- Further expand the core business of developing and selling urban rental apartment buildings.
- Concentrate on securing additional sales channels—including domestic and overseas investors, affluent individuals in Japan, and companies in need of company housing or dormitories—rather than just the condominium sales companies to whom URBANET has traditionally wholesaled.
- Diversify operations, including recurring-revenue model businesses (increase holdings of income-generating properties that generate sales to grow the leasing business), and the development of hotels and senior housing.
- Aim for sustainable growth by expanding business areas

### Three key themes under CHALLENGE 2028

In response to current business conditions, the company has outlined three strategic focus areas in its medium-term business plan: expanding real estate investment by foreign investors; diversifying spatial development needs in central Tokyo; and rising demand for spatial development targeting domestic and international high-net-worth individuals

#### 1. Expanding real estate investment by foreign investors

According to the company, foreign capital investment has grown at a CAGR of 19% since 2016 and rose 38% YoY in 2024. Investment in condominiums and hotels—URBANET's core business areas—remains at elevated levels. With a strong track record in the urban rental apartment segment, highly esteemed by both residents and investors, the company plans to expand development in this area. It also aims to improve total asset turnover by selling properties to foreign investors and investment funds.

### 2. Diversifying spatial development needs in central Tokyo

National census data and household forecasts by the Tokyo Metropolitan Government show a continuing rise in the number of single-person households in central Tokyo. Additionally, surveys by the Ministry of Health, Labour and Welfare point to increasing demand for home-based care and residential services. The combined effects of rising single-person households, growth in inbound tourism, and an aging population are diversifying spatial development needs in urban centers. In response, the company is promoting the development of terraced houses, hotels, and senior-friendly condominiums to provide high-value living spaces tailored to these evolving demands.

### 3. Rising demand for spatial development targeting domestic and international high-net-worth individuals

With inbound tourism recovering following the containment of COVID-19, international travelers' demand rebounded notably in Hokkaido. The company anticipates growing travel and leisure demand from high-net-worth individuals both domestically and internationally—particularly in areas offering quality winter sports. It plans to advance the development of lodging facilities and surrounding infrastructure in these regions to capture associated demand.

## Business initiatives and numerical targets

While continuing to expand its core businesses, the company aims to drive overall growth through the consolidated performance of K-nine and the development of its solutions business.

### Urban rental apartment development business (FY06/28 sales target: JPY32.0bn)

Key initiatives

- Increase the number of well-located projects by enhancing land acquisition and increasing design personnel
- Develop high-grade and compact condominiums
- Promote sustainable condominium development, including ZEH-compliant and disaster-resilient designs

### K-nine's B2C and related businesses (FY06/28 sales target: JPY9.0bn)

Key initiatives

- Develop compact condominiums in central Tokyo
- Expand the terraced and detached housing sales business
- Strengthen personnel in construction operations

### Solutions and other businesses (FY06/28 sales target: JPY9.0bn)

Key initiatives

- Strengthen the rights-adjustment (land use coordination) business
- Enter new business domains through partnerships with other companies
- Develop condominiums for seniors
- Expand hotel development and operations
- Grow businesses targeting inbound demand and high-net-worth individuals

## Management focused on share price and cost of capital

URBANET's ROE has remained above 10% for over a decade, consistently exceeding its estimated shareholder cost of capital of 8.0% (based on the CAPM model, as of end-March 2025). The projected PBR for FY06/25 stands at 1.04x, surpassing the 1.0x threshold and showing an improving trend. To further raise its PBR, the company aims to enhance its earnings and ROE through execution of its medium-term business plan, while also working to lower its shareholder cost of capital by strengthening IR activities. As well as improving market valuation, the company seeks to consistently deliver ROE well in excess of its cost of capital by enhancing profitability and balance sheet efficiency.

Aiming to be a company recognized by the capital market

- Pursue greater corporate value through profit growth and improved capital efficiency
- Promote sustainable earnings growth and maintain financial soundness to reduce volatility in both profits and share price

- Clarify its stance on shareholder returns and investor relations, and engage with the capital market with a clear awareness of investor perspectives

| | FY06/23 | FY06/24 | FY06/25 | FY06/28 |
|---|---|---|---|---|
| | Results | Results | Forecast | Targets |
| Equity ratio | 30.6% | 32.1% | 32.4% | 31.8% |
| Debt-to-equity ratio | 1.94 | 1.94 | 1.93 | 1.99 |
| ROE | 11.0% | 11.9% | 10.8% | 12.0% or higher |
| Assumed shareholder cost | 7.4% | 8.2% | 8.0% | 7.0% |

Source: Shared Research based on company materials

## Basic sustainability policy

In November 2021, URBANET established a basic sustainability policy to achieve sustainable growth through its business activity, contribute to the realization of a sustainable society, and enhance corporate value. The policy calls for initiatives to address sustainability issues through business, strengthen relationships with stakeholders, and enhance society's trust in the company.

In June 2022, the company used the loan-type crowdfunding platform known as Funds as a new fundraising channel and raised general business funds for its Real Estate Development and Sales business with the aim of increasing awareness of its sustainability initiatives. In just two hours after the solicitation, the amount raised reached JPY100mn. Additionally, in February 2025, it raised a record-high JPY300mn through Funds. The planned investment period is approximately 11 months, with an expected annual pre-tax yield of 2.40%. The company reached its funding target on the first day of solicitation and plans to allocate the proceeds to general business purposes, including its Real Estate Development and Sales business and sustainability initiatives.

### Four activities related to the SDGs

| Priority theme | |
|---|---|
| Development of ideal housing | By leveraging the skills and expertise accumulated over many years in developing and selling studio condominiums in central Tokyo, the company contributes to sustainable economic growth through the development and provision of safe, comfortable housing. |
| Initiatives in arts and culture | By discovering, supporting, and nurturing young artists dedicated to their studies, the company contributes to building a rich and healthy society. |
| Environmental and social initiatives | In January 2020, the company launched the URBANET Disaster Prevention Program and began incorporating designs and facilities in its condominiums to prepare for large-scale typhoons. It also continues to address environmental and social issues such as poverty while contributing to the creation of sustainable communities. |
| Creating an attractive workplace | The company is committed to fostering a comfortable working environment, promoting employee health, and enhancing human resource development. By building an attractive workplace, it nurtures capable talent and contributes to realizing a sustainable society. |

Source: Shared Research based on company materials

## Strengthening human capital investment

URBANET has a policy of actively investing in human capital to further enhance its corporate value. To attract top talent, the company enhanced employee benefits by raising overall salaries, expanding qualification and housing allowances, and introducing cafeteria services. Additionally, it has introduced an employee stock ownership plan (ESOP), enabling all employees to benefit from improved performance tied to stock price awareness. In July 2024, the company relocated its headquarters to the Kasumigaseki Building, doubling its office space to accommodate future growth through M&A and increased hiring. The new office features amenities such as a fitness gym, lounge, and common area to create a more comfortable workplace, which the company expects will also support recruitment efforts going forward.


Source: Company materials

# Business

## Business description

### Company overview

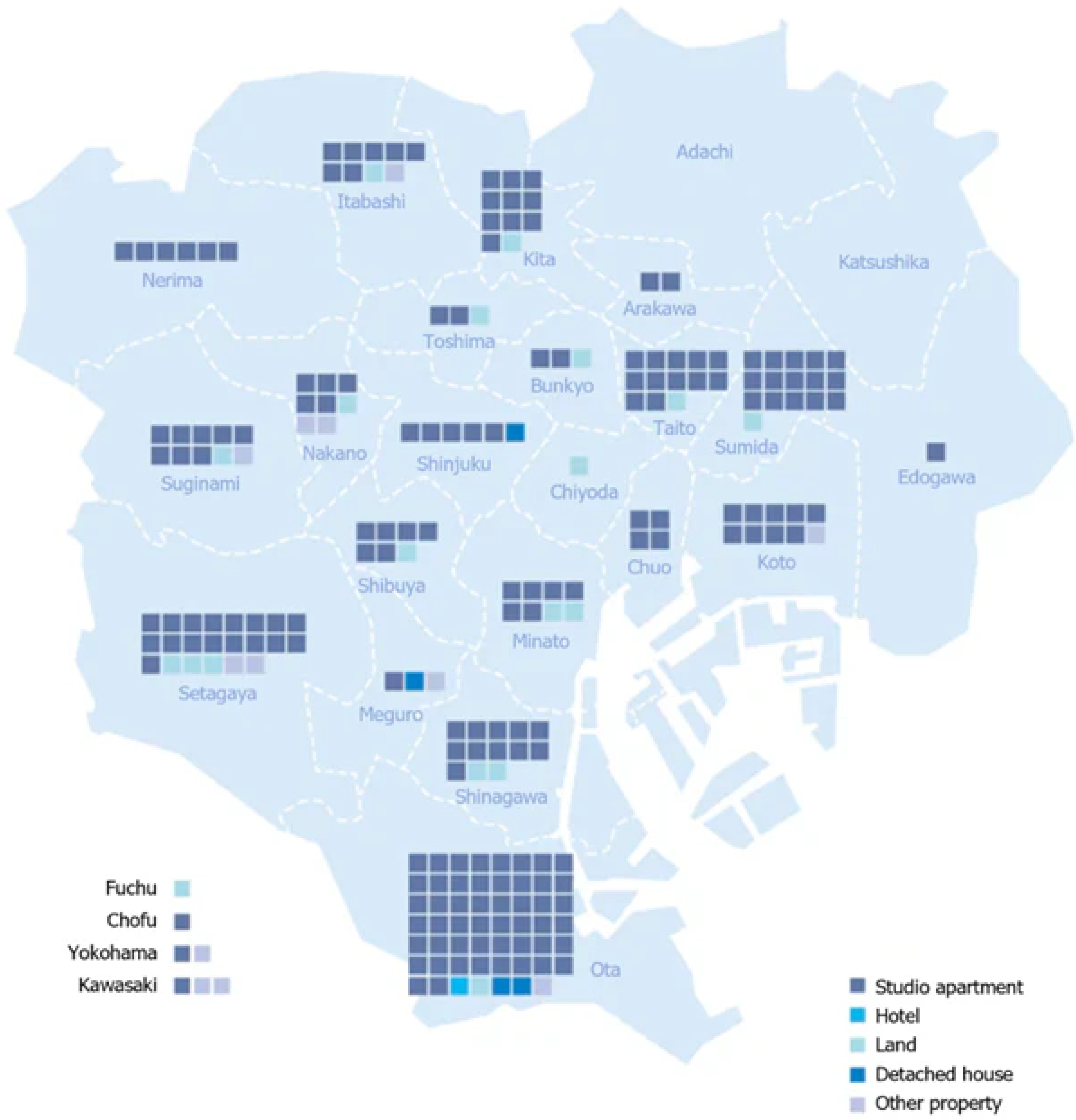
URBANET's main business is developing urban rental apartment buildings and other properties in-house and selling them on a whole-building basis. Established in July 1997 by Chairman and CEO Shinji Hattori, a first-class architect, the company is a real estate developer with roots in design and consulting. Building on its origins as a design firm, URBANET has also created its own brands of condominiums and hotels.

The company focuses on land within Tokyo's 23 wards located within a 10-minute walk of a train station, developing about 10–15 investment apartment buildings each year with an average unit size of 25sqm. By primarily selling entire buildings rather than individual units and making extensive use of outsourcing, the company pursues operational efficiency and risk control. In addition to wholesaling properties to condominium sales companies and selling directly to corporations, funds, and individual investors, it also develops and sells condominiums.

In its Real Estate business, URBANET has developed mixed-use condominiums designed for DINKs and families with children, in addition to its traditional investment-use studio apartments. Starting from end-FY06/24, the company began referring to these properties as urban rental apartments rather than studio apartments for investment.

URBANET's urban rental apartments have achieved high rents and occupancy rates thanks to timeless monotone exteriors that blend into their surroundings, uniquely designed bathrooms, ample storage, and luxurious entrance halls decorated with three-dimensional art. In FY06/18, the company entered the Hotel business, and in October 2020, it opened its own Hotel Asyl Tokyo Kamata.

### Development track record




Source: Shared Research based on company materials (as of June 2024)

## Business model

### Develops urban rental apartments, which are sold per building

URBANET wholesales properties it has developed (entire buildings) to condominium sales companies (B2B) and therefore does not bear the risk that comes with selling individual units. The company sells the urban rental apartment buildings it develops, with an average of 40–50 units, at around JPY30mn per studio (Shared Research estimate). Those sales companies then market the studios to investors at about JPY35mn each. URBANET also sells some of the studio apartment buildings it develops directly to domestic or overseas corporations, funds, or individuals. In addition, the company develops condominiums, detached houses, and apartments, and sells them to individuals. Sales to individuals of company-developed condominiums are handled by consolidated subsidiaries URBANET LIVING and K-nine.

Renters (tenants) are the end users of urban rental apartments. The company's principal development area is within Tokyo's 23 wards, focusing on locations within a 10-minute walk of a train station. There are several reasons for this focus.

First, although competition to acquire land is intense, the number of households in Tokyo's 23 wards is expected to keep increasing even as Japan's overall population declines. According to the Ministry of Internal Affairs and Communications Bureau of Statistics, household numbers in the 23 wards are projected to rise through 2040 (with details provided later in this report). Second, most people moving into Tokyo—particularly into the 23 wards—are single, making them potential tenants of studio apartments. Third, prospective tenants tend to prefer prime locations with convenient access to school or work. Finally, since buyers of urban rental apartments are investors rather than residents, the company can generate demand as long as yields remain attractive.

Note: Some development properties are outside Tokyo's 23 wards, such as projects in Fuchu and Chofu, Tokyo, and Kawasaki and Yokohama, Kanagawa Prefecture.

## Achieving efficiency and limiting risks to the development phase

URBANET focuses exclusively on development and maximizes outsourcing, which allows it to operate efficiently with a small workforce and keep fixed costs low. By primarily selling entire buildings to condominium sales companies, it limits risk to the development phase. Under its contracts, once an urban rental apartment is completed and delivered, URBANET receives payment for all units within four months. Sales companies make payments each time they sell a unit to an investor, and at the end of the four-month period, they pay the remaining balance for any unsold units. As a result, URBANET does not generate accounts receivable or engage in bill settlements.

The company notes the process from land acquisition (name transfer on land) through sale (wholesale) takes two to two and a half years on average. In principle, it relies on bank loans for cash to purchase land. The company pays general contractors 10% at the start of construction, 10% when the framework is completed, and 80% as payments for each unit are settled. URBANET wholesales buildings to condominium sales companies such as Meiwa and ASSETLEAD. It outsources construction of more than half of its properties to Goda Koumuten Co., Ltd., headquartered in Takamatsu, Kagawa Prefecture.

### Business model characteristics

- Concentrates management resources on general design and development of urban rental apartments (outsources detailed design and construction)

- Mainly wholesales developed properties (sells entire buildings) to condominium sales companies (no risk of units remaining unsold, as those companies sell units on to investors)

As a result of the above characteristics, the company bears only development risk, so it is relatively resistant to economic downturns. Fixed costs are low, profitability is high, and the business can respond flexibly to market fluctuations. As of end-FY06/24, sales per employee stood at JPY341.0mn (calculated based on 82 consolidated employees in 2024), and net income per employee was JPY33.2mn, significantly outperforming competitors (see "Industry peers and competitors"). Historically, the company has operated with a lean, highly skilled team. However, having celebrated its 25th anniversary in July 2022, and to prepare for the organizational and personnel expansion necessary for further growth, the company relocated its headquarters in July 2024. The new office is twice the size of the previous one, and the company plans to further increase its workforce.

After overcoming the global financial crisis of 2008, URBANET resolved to expand in calculated steps rather than pursue rapid growth. Its management approach emphasizes a strong financial position and cash flows.

## Large condominium development

In the Real Estate business, leveraging its unique business model and stable financial platform, the company is developing condominiums with 100–150 units, larger than its traditional 50–100 units, and has started buying the necessary land. It is also exploring developments in areas adjacent to Tokyo, including Kawasaki, Yokohama, and Funabashi.

The company also plans to actively handle large properties with more than 100 units. The Etchujima project, the company's largest condominium development to date (143 units plus retail space), was completed at end-September 2023 and went on sale in October the same year. Layouts range from 1K (studio unit with kitchen) to 4LDK (four-room unit with dining and kitchen area), catering to various lifestyles from singles to families.

### Largest condominium development project to date completed

Source: Company materials
Note: Located within a 10-minute walk of JR Etchujima Station; reinforced concrete; 15 stories; 143 units plus retail space.

## Patent acquisition

In February 2023, URBANET obtained a patent for sidewall structures and entrances. It designs the entrances of its Asyl Court buildings (urban rental apartment buildings developed by the company) in line with the characteristics of each site and surrounding space, applying a different design theme to each property. For the entrance of its Shin-Koenji project (completed in 2020), the company used softly curved walls that extend both inside and outside the building to naturally draw the eye inward. It also sought to harmonize with exterior lighting by using draped walls that take advantage of the 2.8-meter-high ceiling, creating layered shadows. URBANET obtained a patent for the sidewall structure techniques devised to realize this design. Going forward, the company intends to continue proactively applying for patents and design rights to enhance the uniqueness of the condominiums it develops. The Shin-Koenji project received an award in the mid- to high-rise (studio) condominium category at the Japan Housing Industry Association (Zenjukyo)'s 11th Excellent Business Awards.

### Patented Shin-Koenji project entrance

Source: Company materials

## Development of ZEH* apartments

As one of its SDG-related initiatives, URBANET launched development of ZEH studio apartments for investment—an industry first (according to the company's research). It began this initiative following the government's October 2021 announcement that all new buildings after 2030 should be ZEH as part of climate measures. In December 2021, the company announced plans to design and develop condominiums that meet ZEH criteria, with financing provided by ORIX Bank Corporation (an unlisted subsidiary of ORIX Corporation [TSE Prime: 8591]) and sales by Makes Co., Ltd. (unlisted).

The cost of condominiums meeting ZEH-M specifications is a little over JPY500,000 higher per unit than ordinary condominiums, creating a challenging balance with investment yields. Sales by Makes to private investors and ORIX Bank's preferential lending rates for both the company's development funds and individual investors' purchase funds helped maintain attractive yields even as ZEH-related costs rose. The company believes that if rents can be raised, yields will increase and the spread of ZEH-M will accelerate. The company expects demand to rise due to soaring energy costs and hopes to eventually convert all of its properties into ZEH condominiums. By end-January 2025, it had completed its second ZEH-M Oriented urban rental apartment, Asyl Court Honancho Terrace, and its third, Grand Concierge Nerima Nakamurabashi Asyl Court.

∗ZEH stands for "net Zero Energy House" and refers to a house with net energy usage of zero—or even producing more energy than it uses—achieved through better insulation, energy-efficient equipment, solar power, and other measures. The ZEH concept has attracted attention in the US since around 2008. In Japan, in response to the Basic Energy Plan approved by the Cabinet in 2014, the Ministry of Economy, Trade and Industry and the Ministry of the Environment are implementing a subsidy program to promote ZEH adoption.

### First studio apartment building in Tokyo with ZEH-M Oriented specifications

Makes Hikawadai Asyl Court was completed and all units delivered at end-February 2023. It is the company's (and Tokyo's) first studio apartment building with ZEH-M Oriented specifications. The building in Nerima-ku, Tokyo has 36 units. Accreditation was obtained in March 2022 and construction began in April. All units comply with insulation standards for the building envelope, such as windows and exterior walls. The building is rated as consuming 33% less energy than average residences and received BELS∗ accreditation. All residential units were sold and leased at the time of completion. The company believes awareness of ZEH properties is spreading among individual investors and renters.

∗Building-housing energy-efficiency labeling system (BELS) is one of the evaluation systems set out in the Ministry of Land, Infrastructure, Transport and Tourism Public Notice No. 489 "Guidelines on labeling of energy consumption performance of buildings." Organizations registered to conduct BELS evaluate the energy saving performance of buildings and display the result with a score (maximum five stars). Primary energy consumption is calculated using the same method set out in the Act on the Improvement of Energy Consumption Performance of Buildings, allowing consumers to compare energy performance across buildings. Obtaining BELS accreditation is considered a plus in GRESB assessments, an annual benchmark that measures ESG performance of real estate companies and funds.

**Makes Hikawadai Asyl Court**

Source: Company materials

**Advantages of ZEH-M**

Comfortable and healthy living: Less affected by outside air and easier to maintain a constant room temperature. Can help prevent heat-shock accidents caused by sharp temperature changes.

Energy-saving and economical living: Well-insulated, high-efficiency equipment lowers monthly utility bills. A unit in this property can save around JPY1,400 per month—or JPY16,000 per year—on utilities compared with a conventional unit (based on calculation by a third-party organization).

The company established a policy to increase ZEH urban rental apartments as part of its pursuit of a sustainable society (a medium- to long-term basic policy through 2030). By FY06/25, it had introduced ZEH-M standards in three projects. Condominium buildings are classified into four categories based on energy-saving rates and other criteria, with ZEH-M Oriented having the lowest energy-saving rate, followed by ZEH-M Ready, Nearly ZEH-M, and ZEH-M. The company aims to make all projects ZEH-M by 2030 wherever possible.

**Makes Hikawadai Asyl Court received the Excellence in Business Award**

In April 2024, Makes Hikawadai Asyl Court, which the company developed, received the Excellence in Business Award in the mid- to high-rise condominium category at the Japan Housing Industry Association (Zenjukyo)'s 14th Excellent Business Awards. Makes Hikawadai Asyl Court is Tokyo's first condominium building with ZEH-M Oriented specifications. The three companies involved (development, sales, and financing) established a business scheme to share part of the costs of meeting ZEH specifications, maintaining an attractive investment yield. The condominium sold out in about one month thanks to a sales plan that allowed buyers to receive preferential interest rates. In addition, the company expects reductions in utility costs to support demand; the condominium was fully occupied within about a month after rental applications began. To promote the development of ZEH studio apartments for investment, the company has disclosed this business scheme to other companies in the industry and is encouraging them to adopt it. Many ZEH investment apartments are now being built.

## URBANET Disaster Prevention Program

In January 2020, the company formulated the URBANET Disaster Prevention Program in response to the devastating Typhoon No. 15 and Typhoon No. 19, which hit Greater Tokyo for the first time in recorded history in 2019. Because condominium residents suffered damage such as broken windows, flooding, and power outages due to the direct hit, the company strengthened measures against strong winds, heavy rain, and power outages and incorporated typhoon countermeasures into its urban rental apartments.

Strong wind countermeasures

- Reinforce evacuation bulkhead panels and frames: Reinforce evacuation bulkhead panels and frames in areas 20m or more above ground level (8th floor and above).
- Improved wind-pressure resistance of sashes: Specifications to withstand wind speeds of 38m/s, exceeding the 34m/s standard set for Tokyo by the Ministry of Land, Infrastructure, Transport and Tourism.
- Measures against shattering and falling glass and screen doors: Fire-prevention equipment using shatterproof film or wired glass that the company expects will help prevent shattering and falling.

Heavy rain countermeasures

- Reinforce rainwater-intrusion measures (common areas): Simple installation of watertight panels in flooded areas (50cm or more) on hazard maps.
- Adopt a system that temporarily stores rainwater that cannot be released during flooding in an underground pit.
- Implement backflow-prevention measures for in-unit plumbing when the main sewer pipeline reaches full capacity (part of the company's inland-flooding prevention measures).

Power outage countermeasures

- Permanently install underfoot security lights for power outages (private areas): Safety lights that turn on during a power outage.
- Equipment for power-outage scenarios: Build a disaster-prevention warehouse on the first floor of the common area and install equipment such as a hand-cranked solar power storage radio with a smartphone charging function and a portable toilet.

### URBANET Disaster Prevention Program (typhoon countermeasures)


Source: Company website

## Synergies with group companies

Through its subsidiary URBANET LIVING, established in March 2015 to operate B2C businesses, URBANET is working to expand sales of condominium units, detached houses, and apartments it develops for end users, while also building its leasing and management operations. Within URBANET LIVING, the company has set up a division responsible for effective land utilization and is focusing on businesses that involve adjusting rights over time. Although acquiring well-located land in central Tokyo remains difficult, the company is increasingly purchasing and reviewing land lots. To secure sites for projects in FY06/25 and beyond, it expanded its workforce in the division responsible for effective land utilization, as well as in the design and management departments, following the relocation of its headquarters in July 2024. As a result, these initiatives have begun to produce positive outcomes.

URBANET has expanded its existing businesses, strengthened recurring-revenue businesses, and broadened its business areas through M&A. These efforts are part of the company's broader strategy to achieve sustainable growth and enhance corporate value. As M&A targets, the company is considering businesses that do not overlap with its current operations but offer synergies. In February 2024, it acquired shares in K-nine, which has strengths in the sale of detached houses and terraced housing units, and made it a consolidated subsidiary from Q3 FY06/24. Following its inclusion in the group as a subsidiary of a listed company, K-nine has gained increased creditworthiness, allowing it to obtain financing from financial institutions and advance the acquisition of high-margin development sites. URBANET views K-nine as a key growth driver for the group.

# Business segments

URBANET's business consists of two segments: Real Estate (99.3% of sales with an OPM of 14.9% in FY06/25) and Hotel (added in FY06/21; 0.7% of sales with an OPM of 19.2%). The Real Estate segment is further divided into three subsegments:

- Real Estate Development and Sales (94.8% of sales): Develops and sells urban rental apartments; develops and sells condominiums, detached houses, and smaller apartments; buys and sells land for commercial use; and provides design, construction management, and other services on consignment, along with brokerage services.

- Real Estate Purchase and Sales (2.1% of sales): Buys and resells pre-owned family condominiums and other properties developed by other companies.

- Other Real Estate business (2.4% of sales): Real estate leasing and brokerage

## Real Estate business

The Real Estate business (Real Estate Development and Sales, Real Estate Purchase and Sales, and Other Real Estate business) recorded sales of JPY33.7bn (+21.4% YoY) and operating profit of JPY5.0bn (+29.6% YoY) in full-year FY06/25. K-nine, which became a consolidated subsidiary in FY06/24, mainly engages in sales of detached houses and terraced houses to end users, as well as building construction. The subsidiary is included in the Real Estate Development and Sales subsegment.

| | | FY06/16 | FY06/17 | FY06/18 | FY06/19 | FY06/20 | FY06/21 | FY06/22 | FY06/23 | FY06/24 | FY06/25 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (JPYmn) | | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. |
| Real Estate (sales) | | 17,705 | 17,789 | 16,085 | 20,084 | 22,019 | 20,931 | 19,539 | 20,112 | 27,748 | 33,695 |
| | YoY | 48.6% | 0.5% | -9.6% | 24.9% | 9.6% | -4.9% | -6.7% | 2.9% | 38.0% | 21.4% |
| Real Estate Development and Sales | | 15,755 | 17,198 | 15,448 | 19,392 | 21,152 | 20,257 | 18,789 | 19,578 | 27,115 | 1,571 |
| | YoY | 35.0% | 9.2% | -10.2% | 25.5% | 9.1% | -4.2% | -7.2% | 4.2% | 38.5% | -94.2% |
| | % of total | 89.0% | 96.7% | 96.0% | 96.6% | 96.1% | 96.8% | 96.2% | 97.3% | 97.7% | 4.7% |
| Combined total of apartments for investment and condominiums | (buildings) | 15 | 12 | 12 | 14 | 14 | 15 | 11 | 11 | 11 | 12 |
| | (units) | 658 | 587 | 540 | 650 | 712 | 683 | 658 | 584 | 712 | 607 |
| Detached houses, terraced houses, and smaller apartments | (units) | 4 | 12 | 16 | 21 | | | | | 23 | 43 |
| Land | | 2 | 1 | 1 | 3 | 1 | 1 | 1 | 1 | 5 | 9 |
| Real Estate Purchase and Sales | | 1,776 | 239 | 217 | 250 | 405 | 199 | 217 | 37 | 46 | 727 |
| | YoY | 1745.0% | -86.5% | -9.2% | 15.2% | 62.0% | -50.9% | 9.0% | -82.9% | 24.3% | 1480.4% |
| | % of total | 10.0% | 1.3% | 1.3% | 1.2% | 1.8% | 1.0% | 1.1% | 0.2% | 0.2% | 2.2% |
| Resale of pre-owned condos | (units) | 37 | 5 | 4 | 7 | 14 | 5 | 6 | 1 | 1 | 1 |
| Other (brokerage and leasing) | | 172 | 351 | 419 | 440 | 460 | 473 | 532 | 496 | 585 | 811 |
| | YoY | 19.9% | 104.1% | 19.4% | 5.0% | 4.5% | 2.8% | 12.5% | -6.8% | 17.9% | 38.6% |
| | % of total | 1.0% | 2.0% | 2.6% | 2.2% | 2.1% | 2.3% | 2.7% | 2.5% | 2.1% | 2.4% |

Source: Shared Research based on company materials

### Real Estate Development and Sales

URBANET specializes in development sites within a 10-minute walk of a train station in Tokyo's 23 wards, where real estate prices remain relatively stable. To acquire land for business use, the company gathers extensive data on sites and market rents. When selecting sites, it prioritizes properties with strong potential to secure target profitability through plan design and profit simulations—an area of expertise since its origins as a design office.

After acquiring land, the company conducts detailed surveys and drafts design plans to create business plans that maximize each site's profit potential. Leveraging its roots as a design firm, it aims to differentiate through comprehensive planning capabilities and distinctive exteriors.

The company operates its business based on the following six principles.

## Characteristics of the company's urban rental apartments: Differentiation through design capabilities

### 1. Focus on location: Location within a 10-minute walk of a train station, with high rental demand

The company specializes in the development area centered on Tokyo because the resident base for studio apartments—its main development properties—continues to grow in the city, and demand to live in Tokyo and own real estate remains consistently strong.

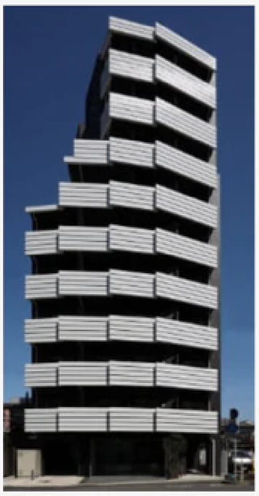
As telework spread during COVID-19, the net inflow into Tokyo's 23 wards fell from 64,176 in 2019 to a net outflow of 14,828 in 2021. By 2024, however, net inflow had recovered to 58,804. For Greater Tokyo, net inflows over the past three years were 99,519 in 2022, 126,515 in 2023, and 135,843 in 2024, indicating continued migration toward the metropolitan area. According to the Tokyo Metropolitan Government Bureau of General Affairs, the number of households in the 23 wards is projected to keep rising through 2035–2040, driven mainly by growth in one-person households (see "Market and value chain").

### 2. Commitment to exterior design: The company's unique, striking monotone exterior

Although exterior-color trends change over time, the company designs simple monotone exteriors that blend naturally into the surrounding streetscape.

## Distinctive exterior design


Asyl Court Kikukawa


Asyl Court Nakasaiwai


Grand Tiara Shin-okachimachi Asyl Court


Stage Grande Kamata Asyl Court

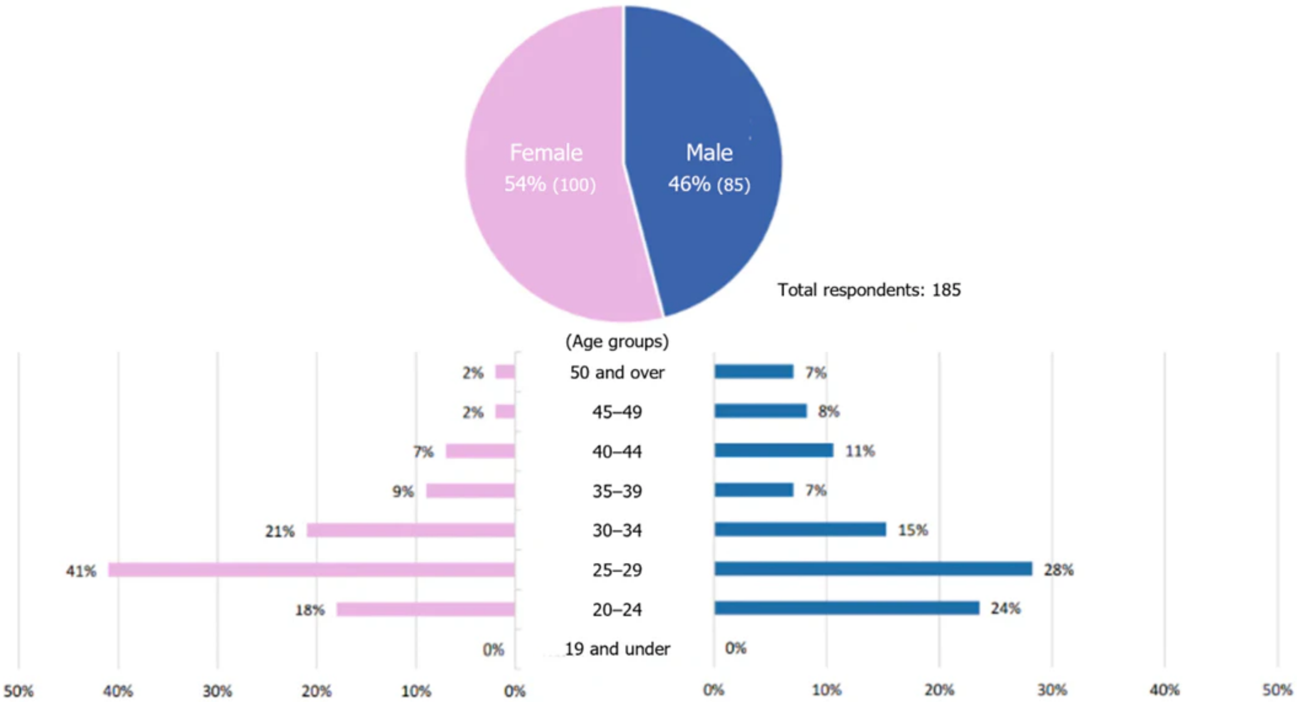
Source: Company website

### 3. Commitment to user needs

The company regularly surveys tenants and applies findings to produce properties with high rents and low vacancy rates. By assessing actual day-to-day usability, it improves the living environment and reflects results in subsequent developments.

Since 2012, URBANET has surveyed residents (basically once every two years) of its Asyl Court brand. In a January 2024 survey covering 13 Asyl Court condominiums, about 80% of residents reported owning more than six pairs of shoes; one in two women reported owning more than 10. Many residents also stored daily necessities and cleaning goods in shoe closets. Based on these results, the company began installing large-capacity shoe closets in its urban rental apartments. In addition to space for all shoes, the new closets include slipper holders, an umbrella stand, and movable shelves. In the January 2024 survey (28.3% response rate), average resident satisfaction was 79.4%.

## Age demographic of residents in URBANET's urban rental apartments




Source: Shared Research based on a resident survey the company conducted in January 2024

## Large-capacity shoe closet

Source: Company website

#### 4. Attention to storage

Studios often lack storage, but the company maximizes space and improves capacity while considering investment efficiency. Upper cabinets for storage boxes are standard, using dead space in hallways and above living rooms, and many units include popular walk-in closets. Compared with a 25sqm studio the company developed 10 years ago, storage per unit has increased by the equivalent of more than 800 tissue boxes.

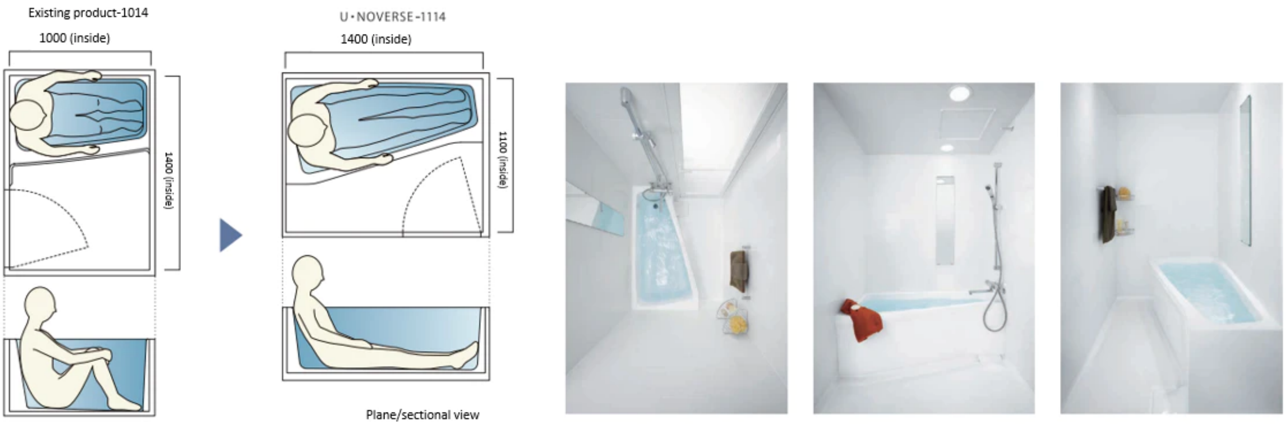
### Interior with large storage capacity (maximizing storage volume without increasing floor space)

Source: Company website

#### 5. Attention to comfort

Typical studio bathtubs only allow a person to take a bath with their legs bent, so the company has installed its own in-house-developed bathtub called Unobath and improved the bathrooms to make them into more comfortable spaces. By changing the orientation and shape of the bathtub with little change to the size of the bathroom, Unobath allows even people as tall as 185cm to take a bath with their legs stretched out. Based on user feedback regarding the color scheme of existing bathrooms, the company has redesigned the bathtubs, walls, and floors to be entirely white. The bathtub is designed in such a way that when it is filled with water, the water surface appears light blue.

### In-house developed Unobath allows people to take a bath with their legs stretched out




Source: Company website

#### 6. Attention to art: Calming entrance with three-dimensional art

The properties developed by the company incorporate art into daily life by displaying original three-dimensional works in entrance halls, created through collaborations between designers and artists. Considering each site's history and environment, the company develops a tailored concept over time, creating entrance halls that resemble mini galleries. Since 2001, it has hosted a sculpture competition for students; the winning work is permanently displayed in its condominiums.

Source: Company website

### URBANET brand: Asyl

- Asyl Court: Studio apartments for investment, emphasizing design and efficient living space
- Asyl Coffret: Compact condominiums for sale, targeting DINKs and singles
- Grand Asyl: Family condominiums
- Musicians Villa: Studio apartments with enhanced soundproofing

The brand name Asyl means "sanctuary," derived from the Greek word *Asylon*. Asyl Court is URBANET's flagship urban rental apartment brand, featuring monotone exteriors designed to remain timeless and recognizable within the community. Entrance halls are designed with themes tailored to each site and space, and artwork is displayed to enhance the atmosphere. Inside, the units are designed for comfort within the limited space of a studio apartment, offering walk-in closets, powder rooms, ample storage, and well-considered water facilities.

### URBANET condominium series


Source: Company website

### Consolidation of K-nine

URBANET acquired all common shares in K-nine in February 2024 and made it a consolidated subsidiary in Q3 FY06/24. K-nine primarily sells detached and terraced houses for end users in the southwestern part of Tokyo and the northern part of Kanagawa and engages in the construction business. Through the acquisition, URBANET can expand its core development area to Yokohama and Kawasaki, secure a construction department and additional land-procurement personnel, and strengthen resources in B2C. The company intends to expand its business further by leveraging synergies within the group to enlarge development areas and business domains, acquire management resources, and share information in the group, increasing the overall corporate value and sustainable growth.

### Possible synergies

| | URBANET | K-nine |
|---|---|---|
| Enlarging development areas | Tokyo's 23 wards | Southwestern part of Tokyo and the northern part of Kanagawa (Yokohama and Kawasaki) |
| Enlarging business domains | Wholesale of entire studio apartment buildings for investment (B2B) | Sales of detached and terraced houses (B2C) |
| Acquiring management resources | Handles overall building design; outsources construction | Has a construction department |
| Sharing information in the group | Land lots for development | |

Source: Shared Research based on company materials

Detached houses and terraced housing units sold in FY06/24 were those sold by K-nine, which became a consolidated subsidiary in Q3, in the southwestern part of Tokyo's 23 wards and in Kawasaki and Yokohama, Kanagawa Prefecture, among other areas. As a subsidiary of a listed company, K-nine has improved creditworthiness; with financing from financial institutions, it has been acquiring high-margin development sites. The company believes K-nine will drive the group's growth. K-nine's GPM is nearly the same as that of the parent.

### Properties developed by K-nine

Source: Company materials

## Real Estate Purchase and Sales: Purchase and resale

In addition to its own Real Estate Development and Sales business, URBANET also engages in exclusive wholesale of individual condominium buildings developed by other companies and in by-unit purchase and resale of pre-owned condominiums. The by-unit purchase and resale business—purchasing, renovating, and reselling pre-owned condominiums—is conducted by consolidated subsidiary URBANET LIVING.

## Other Real Estate business

URBANET provides brokerage services such as real estate sales, leasing of condominiums it develops as well as those built by other companies, proposals for effective land use, and leasing and condominium management. The company owns eight rental properties in Tokyo (Suginami-ku, Ota-ku, and Shinagawa-ku) and in Kawasaki, Kanagawa Prefecture, which generate stable income. To advance proposals for effective land use, it established a division responsible for effective land utilization at URBANET LIVING and is focusing on businesses that coordinate property rights over time.

# Hotel business

### Launch of the Hotel business

URBANET recognized that relying solely on one segment (Real Estate) would constrain growth, so it entered the Hotel business. In FY06/18, as a first step, it began leasing six existing B&B roadside hotels it had acquired.

In FY06/19 and FY06/20, the company developed and completed Hotel Asyl Tokyo Kamata—its first hotel project—on a site in Nishikamata, Ota-ku, Tokyo (268.18sqm) originally purchased for an urban rental apartment. According to the company, sites suitable for hotels and urban rental apartments are largely identical in size and location. While a studio apartment unit is typically around 21sqm, the hotel includes rooms as small as 11sqm, which the company believed would meet demand from Western travelers. The company believes it can improve earnings by operating hotels in-house and planned to do so based on expertise built through B&B roadside hotel operations.

The company completed construction of Hotel Asyl Tokyo Kamata in June 2020 as a limited-service hotel designed for families of three to five, with 48 guest rooms across 15 above-ground floors and bathing facilities. Although the hotel was scheduled to open in August that year, the opening was postponed to October 2020 due to COVID-19. The hotel is operated by subsidiary URBANET LIVING. It is conveniently located a three-minute walk from Kamata Station on the JR Keihin-Tohoku Line and Tokyu Tamagawa and Ikegami lines. Kamata Station offers easy access to Haneda Airport and Shinagawa Station, making it a convenient base for business or sightseeing in Tokyo. According to the company, occupancy started at only 20–30% when the hotel opened but rose to the 80–90% range by FY06/25.

#### Turned a profit due to a recovery in travel demand in Japan and a surge in inbound tourists

In FY06/25, the Hotel business recorded sales of JPY238mn (+9.2% YoY) and segment profit of JPY46mn (+46.8% YoY). Although operations were affected by the prolonged impact of COVID-19, earnings began to recover around December 2022 and improved significantly following the reclassification of COVID-19 to a Class 5 Infectious Disease in May 2023 and a sharp rise in inbound tourism to Japan. The Hotel business returned to profitability in FY06/24. In July 2022, occupancy was about 65% and the average daily rate (ADR) was JPY7,929 (excluding tax). By FY06/25, these figures had risen to around 89% and JPY15,000, respectively.

### Hotel Asyl Tokyo Kamata

Source: Company website

# Market and value chain

## Real estate market in Japan

### Market trend

After peaking in FY2014, real estate transaction value at listed companies in Japan declined in FY2015 before recovering in FY2017. Following a dip in FY2018, transaction value reached JPY4.5tn (+24.2% YoY) in FY2019. However, real estate transaction value in Japan declined in 1H FY2020 amid the spread of COVID-19 and remained weak in 2H, falling below the level seen in FY2019, when the market was booming. As a result, market transaction value in FY2020 was nearly 20%

less than in FY2019. In FY2021, the total value of real estate transactions exceeded pre-pandemic levels, reaching JPY4.4tn (+20.4% YoY). This increase was driven by a rise in transactions exceeding JPY10bn each, involving large office buildings, commercial facilities, and development land, as well as a surge in real estate sales by corporations seeking to secure funds amid the COVID-19 pandemic.

In FY2024, real estate transaction value in Japan rose for the first time in two years, up 20.3% YoY to JPY4.6tn. The number of transactions was 648, with the average transaction value reaching JPY7.2bn (+32.4% YoY), the highest level in the past 20 years (source: Mizuho Trust & Banking, *Real Estate Topics*, June 2025).

### Real estate transaction value and average value per transaction in Japan

| (JPYbn, FY) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1H (Apr–Sep) | 2,090 | 1,551 | 1,821 | 1,760 | 1,724 | 2,050 | 1,954 | 1,788 | 1,357 | 1,548 |
| YoY | -2.7% | -25.8% | 17.4% | -3.4% | -2.0% | 18.9% | -4.7% | -8.5% | -24.1% | 14.1% |
| 2H (Oct–Mar) | 2,000 | 2,557 | 3,155 | 1,850 | 2,760 | 1,578 | 2,388 | 2,764 | 2,495 | 3,086 |
| YoY | -36.3% | 27.9% | 23.4% | -41.4% | 49.2% | -42.8% | 51.3% | 15.7% | -9.7% | 23.7% |
| Total | 4,090 | 4,108 | 4,976 | 3,610 | 4,484 | 3,628 | 4,342 | 4,552 | 3,851 | 4,633 |
| YoY | -22.7% | 0.5% | 21.1% | -27.4% | 24.2% | -19.1% | 19.7% | 4.8% | -15.4% | 20.3% |
| Average value per transaction | 4.0 | 3.7 | 4.5 | 4.2 | 5.4 | 5.5 | 5.6 | 6.4 | 5.4 | 7.2 |
| YoY | -4.0% | -9.4% | 22.1% | -6.2% | 28.2% | 2.2% | 2.0% | 14.3% | -15.6% | 32.4% |

Source: Shared Research based on data from *Real Estate Topics*, Urban Research Institute Corporation

Real estate prices in Japan have continued to rise, driven by prolonged low interest rate policies introduced under the monetary easing measures launched in 2013 with Abenomics, as well as by labor shortages, the conflict between Russia and Ukraine, and higher construction costs mainly due to yen depreciation.

Rising prices have pushed down cap rates*, while property circulation within the real estate sector—among J-REITs, real estate companies, and foreign corporations—has become more active. Investment appetite for real estate also stayed strong as yield spreads*2 widened with falling interest rates, leading the market size of real estate funds in Japan to expand to JPY64.4tn in FY2024 (+4.9% YoY). According to the Association for Real Estate Securitization (ARES), as of end-December 2024, the market cap of J-REITs had declined to JPY14.3tn (-7.1% YoY), while their asset size (based on acquisition cost of owned properties) had grown to JPY23.6tn (+3.5% YoY).

*Cap rate: Short for capitalization rate. Yield used when determining property prices from net earnings generated by a property. Net operating income ÷ cap rate = property price.
*2 Yield spread: Gap between cap rate and 10-year government bond yield.

### Supply and selling prices of studio apartments

Amid very low interest rates and purchases by investors seeking rental income (asset management), the supply of studio apartments for investment in Greater Tokyo rose to 9,210 units in 2007. Supply then declined due to rising land prices and the 2008 global financial crisis, falling to 4,583 units in 2010. Since 2011, the number of units has been increasing, reaching 7,816 in 2018. In 2019, supply dropped YoY to 5,977 units but returned to the 6,000-unit level in 2020 and 2021.

According to Real Estate Economic Institute Co., Ltd., supply of investment-use studio apartments in Greater Tokyo in 2021 was 6,028 units (-3.7% YoY) across 130 properties (-7.1% YoY). The average number of units per property was 46.4 (+1.5 units YoY).

Average selling prices of investment-use studio apartments in Greater Tokyo had been rising since 2013, reflecting higher land prices, but declined 1.4% YoY to JPY31.32mn per unit, or JPY1.20mn per sqm (-2.7% YoY) in 2021. In 2022, the average price increased to JPY32.84mn per unit (+4.9% YoY) and JPY1.21mn per sqm (+3.8% YoY). In 2023, the average price dipped slightly to JPY32.59mn per unit (-0.8% YoY), while the per-sqm price rose to JPY1.24mn (+2.9% YoY).

In 1H 2024 (January–June), 56 investment-use apartment buildings were supplied in Greater Tokyo, unchanged from a year earlier, but the number of units fell 23.2% YoY to 2,167. The average price climbed to JPY35.95mn per unit (+13.0% YoY), while the per-sqm price rose to JPY1.35mn (+11.5% YoY), both posting double-digit growth. Competition for land acquisition in Tokyo's 23 wards remains intense, and the Real Estate Economic Institute expects a rising share of properties to be located in Yokohama and Kawasaki in Kanagawa Prefecture.

### Sales and contracts of newly built and pre-owned condominiums in Greater Tokyo

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Number of newly built condominium units sold | 40,449 | 35,772 | 35,898 | 37,132 | 31,238 | 27,228 | 33,636 | 29,569 | 26,873 | 23,003 |
| YoY | -9.9% | -11.6% | 0.4% | 3.4% | -15.9% | -12.8% | 23.5% | -12.1% | -9.1% | -14.4% |
| Number of pre-owned condominium units contracted | 34,776 | 37,189 | 37,329 | 37,217 | 38,109 | 35,825 | 39,812 | 35,429 | 35,987 | 37,222 |
| YoY | 2.9% | 6.9% | 0.4% | -0.3% | 2.4% | -6.0% | 11.1% | -11.0% | 1.6% | 3.4% |
| Price of newly built condominium units (JPYmn) | 54.70 | 55.54 | 59.31 | 58.86 | 59.80 | 60.83 | 62.60 | 62.88 | 81.01 | 78.20 |
| YoY | 8.4% | 1.5% | 6.8% | -0.8% | 1.6% | 1.7% | 2.9% | 0.4% | 28.8% | -3.5% |
| Price of pre-owned condominium units (JPYmn) | 28.92 | 30.48 | 31.95 | 33.33 | 34.42 | 35.99 | 38.69 | 42.76 | 45.75 | 48.90 |
| YoY | 6.1% | 5.4% | 4.8% | 4.3% | 3.3% | 4.6% | 7.5% | 10.5% | 7.0% | 6.9% |

Source: Shared Research based on data from the Real Estate Information Network for East Japan (East Japan REINS) and Real Estate Economic Institute Co., Ltd.

## Sales environment

### Condominiums

According to Real Estate Economic Institute Co., Ltd., the average price of newly built condominiums in Greater Tokyo in 2024 (January–December) was JPY78.20mn (-3.5% YoY), and JPY111.81mn (-2.6% YoY) in Tokyo's 23 wards. The number of condominium units sold in Greater Tokyo dropped sharply to 23,003 (-14.4% YoY), the lowest since the survey began, reflecting fewer housing starts in Tokyo. Selling prices per unit and per square meter remained elevated. Annual sales stayed below 30,000 for a third straight year, while inventory rose to 6,814 units (+531 YoY). The first-month contract rate was 66.9% (-0.4pp YoY), dipping into the 60% range for the first time since 2020. For 2025, the institute projects supply of 26,000 units (+13.0% YoY).

### Studio-type investment apartments

Selling prices of well-located properties near a train station in central Tokyo continue to rise, while yields have trended downward. Even so, sales of investment studios remain solid, supported by demand from buyers seeking tax and inheritance planning and by foreign capital inflows amid low interest rates and a weaker yen. Funds and REITs have also been active purchasers, further tightening supply.

## Market size of investment apartments

In Greater Tokyo, supply of investment apartments increased from the late 1990s through the mid-2000s, driven by ultra-low interest rates and expectations for rental income from asset management. Supply expanded across more areas in 2007, reaching a peak of 9,210 units. However, supply fell to 7,006 in 2008 amid rising land prices and the global financial crisis, and to 4,583 in 2010. In 2016, supply topped 7,000 units for the first time in eight years, reaching 7,028. Except for 2018, when supply was 7,816 units, volumes hovered around 6,000 units. In 2023, supply fell below 5,000 units for the first time in 13 years, totaling 4,796 units.

The market size of investment apartments in Greater Tokyo in 2024 is estimated at JPY152.6bn (-2.3% YoY), based on the number of units sold and the average price per unit. The average price per unit in 2024 was JPY35,990,000 (+10.4% YoY), while the price per square meter was JPY1,339,000 (+7.2% YoY). With competition for land in central Tokyo still intense, development is shifting toward Tokyo's Joto area* and to Kanagawa (Yokohama and Kawasaki). By area, Minami-ku, Yokohama ranked highest.

*The 23 Tokyo wards are often divided into four areas of Joto (Chuo-ku, Taito-ku, Sumida-ku, Koto-ku, Katsushika-ku, and Edogawa-ku), Josai (Shinjuku-ku, Setagaya-ku, Shibuya-ku, Nakano-ku, Suginami-ku, and Nerima-ku), Jonan (Minato-ku, Shinagawa-ku, Meguro-ku, and Ota-ku), and Johoku (Bunkyo-ku, Toshima-ku, Kita-ku, Arakawa-ku, Itabashi-ku, and Adachi-ku). The three central Tokyo wards are Chiyoda-ku, Chuo-ku, and Minato-ku, and the five central Tokyo wards are these three plus Shibuya-ku and Shinjuku-ku. The three central Tokyo wards are used for real estate-related data analysis such as residential property trends (including condominium starts) and the five central Tokyo wards are for business property trends such as vacancy rates.

## Market size of investment apartments in Greater Tokyo

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Market size (JPYmn) | 166,056 | 195,941 | 171,833 | 241,358 | 187,140 | 198,818 | 188,797 | 195,759 | 156,302 | 152,634 |
| YoY | 0.1% | 18.0% | -12.3% | 40.5% | -22.5% | 6.2% | -5.0% | 3.7% | -20.2% | -2.3% |
| Units supplied | 6,056 | 7,028 | 6,074 | 7,816 | 5,977 | 6,260 | 6,028 | 5,961 | 4,796 | 4,241 |
| YoY | -2.9% | 16.1% | -13.6% | 28.7% | -23.5% | 4.7% | -3.7% | -1.1% | -19.5% | -11.6% |
| Average price per unit (JPY'000) | 27,420 | 27,880 | 28,290 | 30,880 | 31,310 | 31,760 | 31,320 | 32,840 | 32,590 | 35,990 |
| YoY | 3.1% | 1.7% | 1.5% | 9.2% | 1.4% | 1.4% | -1.4% | 4.9% | -0.8% | 10.4% |
| Price per sqm (JPY'000) | 1,059 | 1,120 | 1,111 | 1,150 | 1,183 | 1,202 | 1,169 | 1,214 | 1,249 | 1,339 |
| YoY | 2.5% | 5.8% | -0.8% | 3.5% | 2.9% | 1.6% | -2.7% | 3.8% | 2.9% | 7.2% |
| Buildings supplied | 120 | 143 | 122 | 161 | 132 | 140 | 130 | 131 | 105 | 101 |
| YoY | -11.1% | 19.2% | -14.7% | 32.0% | -18.0% | 6.1% | -7.1% | 0.8% | -19.8% | -3.8% |

Source: Shared Research based on data from Real Estate Economic Institute Co., Ltd.

## Investment yields continue to decline

With the Bank of Japan's introduction of the negative interest rate policy in March 2016, interest rates on financial products declined, making investment in studio apartments as tangible assets relatively more attractive. However, investment yields have remained low, mainly due to rising property prices. According to data from the Japan Real Estate Institute, the transaction yield (gross yield*) for studio rental apartments for investment—located within a 10-minute walk of the nearest station and built within the past five years—in Tokyo's Jonan area (Minato-ku, Shinagawa-ku, Meguro-ku, and Setagaya-ku) fell from 4.4% in April 2016 to 3.4% in April 2025. The expected yield also declined from 4.7% to 3.7% over the same period.

*Gross yield: Annual leasing income divided by acquisition price. Net yield is calculated as annual leasing income minus attendant expenses (management fees, property taxes) divided by acquisition price plus attendant expenses (registration license tax). Investors take into account other factors as well, such as loan interest payments, vacancy risk, and potential losses on eventual sale. According to one company that sells investment apartments, main objectives when investing in studio apartments are obtaining yields, generating post-retirement cash flows, reaping tax benefits (if rental income minus various expenses during the initial purchase period is negative due to building depreciation, interest expenses, lower inheritance tax valuation, etc.), and signing up for life insurance (group credit insurance when borrowing).

## Expected and transaction yields for studio apartments for investment in Tokyo

| | Apr 2016 | Oct 2016 | Apr 2017 | Oct 2017 | Apr 2018 | Oct 2018 | Apr 2019 | Oct 2019 | Apr 2020 | Oct 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Expected yield (Jonan) | 4.7% | 4.6% | 4.5% | 4.5% | 4.5% | 4.4% | 4.3% | 4.3% | 4.3% | 4.2% |
| Expected yield (Joto) | 4.9% | 4.8% | 4.8% | 4.7% | 4.6% | 4.5% | 4.5% | 4.5% | 4.5% | 4.4% |
| Transaction yield (Jonan) | 4.4% | 4.3% | 4.3% | 4.2% | 4.1% | 4.0% | 4.0% | 4.0% | 4.0% | 3.9% |
| Transaction yield (Joto) | 4.6% | 4.6% | 4.5% | 4.4% | 4.3% | 4.2% | 4.2% | 4.2% | 4.2% | 4.1% |
| | Apr 2021 | Oct 2021 | Apr 2022 | Oct 2022 | Apr 2023 | Oct 2023 | Apr 2024 | Oct 2024 | Apr 2025 | |
| Expected yield (Jonan) | 4.2% | 4.0% | 4.0% | 3.9% | 3.8% | 3.8% | 3.8% | 3.8% | 3.7% | |
| Expected yield (Joto) | 4.4% | 4.3% | 4.1% | 4.1% | 4.0% | 4.0% | 3.9% | 3.9% | 3.9% | |
| Transaction yield (Jonan) | 3.8% | 3.8% | 3.7% | 3.6% | 3.5% | 3.5% | 3.5% | 3.4% | 3.4% | |
| Transaction yield (Joto) | 4.0% | 3.9% | 3.9% | 3.8% | 3.7% | 3.6% | 3.6% | 3.6% | 3.6% | |

Source: Shared Research based on Japan Real Estate Institute data

Note: Studio apartments for investment, located within a 10 minute walk of the nearest station, built within the past five years, with average exclusive-use floor space of 25–30sqm and a total of around 50 units

# Demographics

## Population inflow into Tokyo continues to grow

According to the “Report on Internal Migration in Japan” by the Statistics Bureau, Ministry of Internal Affairs and Communications, Tokyo’s 23 wards—where URBANET primarily develops urban rental apartments—recorded a net population inflow for 23 consecutive years from 1997 through 2020. Single-person households made up the majority of these inflows, representing a continually expanding pool of potential tenants for the company’s urban rental apartments. With the spread of teleworking in response to COVID-19, however, the net inflow into the 23 wards fell from 64,176 in 2019 to 13,034 in 2020, before turning into a net outflow of 14,828 in 2021. In 2022, the figure returned to positive territory at 21,420 and increased further to 58,804 in 2024. In Greater Tokyo (Tokyo, Kanagawa, Saitama, and Chiba), net inflows over the past three years were 99,519 in 2022, 126,515 in 2023, and 135,843 in 2024.

### Net inflows into Tokyo’s 23 wards

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 50,386 | 53,183 | 44,319 | 49,713 | 69,958 | 76,786 | 77,267 | 67,842 | 37,391 | 33,098 | 35,435 | 49,655 |
| Net inflows to Tokyo's 23 wards | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** |
| | 61,281 | 63,976 | 68,917 | 58,207 | 61,158 | 60,909 | 64,176 | 13,034 | -14,828 | 21,420 | 53,899 | 58,804 |

Source: Shared Research based on the “Report on Internal Migration in Japan” by the Statistics Bureau, Ministry of Internal Affairs and Communications (as of end-December each year).

## Population and household outlook for Tokyo

Estimates released in March 2024 by the Statistics Department of the Tokyo Metropolitan Government’s General Affairs Bureau indicate Tokyo’s total population will peak at 14,265,000 in 2030. Households are projected to reach 7,683,000 by 2035—driven by growth in single-person and couples-only households—before declining to 7,606,000 by 2045. In Tokyo’s 23 wards, where URBANET typically develops condominiums, the number of households is expected to keep rising, with a growing share of single-person households and an increase in the average age of household heads. For instance, the number of households in the 23 wards is projected to grow from 4,794,000 in 2015 to a peak of 5,636,000 in 2040, before edging down to 5,634,000 in 2045. The ratio of single-person households is expected to rise from 50.2% in 2020 to 53.9% in 2045, while the ratio of households headed by individuals aged 65 and older is projected to increase from 33.7% in 2020 to 42.6% in 2045.

According to the Statistics Department of the Tokyo Metropolitan Government’s General Affairs Bureau, as of January 1, 2025, Tokyo’s estimated population was about 14,003,000 (+0.7% YoY) with roughly 7,682,000 households (+1.6% YoY). The population of the 23 wards stood at about 9,731,000 (+0.9% YoY) with 5,529,000 households (+1.8% YoY). The average number of people per household was 1.82 in Tokyo (1.84 as of January 1, 2024) and 1.76 in the 23 wards (1.78), indicating a downward trend in both areas.

### Population and number of households in Tokyo

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Population of Tokyo ('000) | 13,298 | 13,415 | 13,530 | 13,637 | 13,741 | 13,835 | 13,844 | 13,795 | 13,842 | 13,912 | 14,003 |
| YoY | 0.7% | 0.9% | 0.9% | 0.8% | 0.8% | 0.7% | 0.1% | -0.4% | 0.3% | 0.5% | 0.7% |
| Number of households in Tokyo ('000) | 6,784 | 6,890 | 6,994 | 7,097 | 7,198 | 7,299 | 7,341 | 7,354 | 7,451 | 7,563 | 7,682 |
| YoY | 1.3% | 1.6% | 1.5% | 1.5% | 1.4% | 1.4% | 0.6% | 0.2% | 1.3% | 1.5% | 1.6% |
| Number of people per household | 1.96 | 1.95 | 1.93 | 1.92 | 1.91 | 1.90 | 1.89 | 1.88 | 1.86 | 1.84 | 1.82 |
| Population of Tokyo's 23 wards ('000) | 9,103 | 9,206 | 9,303 | 9,397 | 9,487 | 9,571 | 9,573 | 9,523 | 9,569 | 9,643 | 9,731 |
| YoY | 1.0% | 1.1% | 1.1% | 1.0% | 1.0% | 0.9% | 0.0% | -0.5% | 0.5% | 0.8% | 0.9% |
| Number of households in Tokyo’s 23 wards ('000) | 4,831 | 4,915 | 4,997 | 5,077 | 5,157 | 5,236 | 5,258 | 5,255 | 5,333 | 5,429 | 5,529 |
| YoY | 1.4% | 1.7% | 1.7% | 1.6% | 1.6% | 1.5% | 0.4% | -0.1% | 1.5% | 1.8% | 1.8% |
| Number of people per household | 1.88 | 1.87 | 1.86 | 1.85 | 1.84 | 1.83 | 1.82 | 1.81 | 1.79 | 1.78 | 1.76 |

Source: Shared Research based on the Basic Resident Ledger by the Statistics Department of the Tokyo Metropolitan Government’s General Affairs Bureau

### Number of households in Tokyo's 23 wards (estimated)

| (mn) | 2000 | 2005 | 2010 | 2015 | 2020 | 2025E | 2030E | 2035E | 2040E |
|---|---|---|---|---|---|---|---|---|---|
| Single-person households | 1.64 | 1.83 | 2.22 | 2.42 | 2.61 | 2.71 | 2.77 | 2.83 | 2.89 |
| Nuclear family households | 1.86 | 1.94 | 2.05 | 2.15 | 2.24 | 2.29 | 2.30 | 2.29 | 2.27 |
| Other general households | 0.26 | 0.26 | 0.26 | 0.22 | 0.22 | 0.21 | 0.19 | 0.18 | 0.16 |
| Total | 3.76 | 4.02 | 6.53 | 4.79 | 5.07 | 5.20 | 5.26 | 5.30 | 5.32 |
| Ratio of single-person households (%) | 43.6% | 45.4% | 49.1% | 50.6% | 51.5% | 52.1% | 52.7% | 53.5% | 54.4% |

Source: Shared Research based on data from the Statistics Department of the Tokyo Metropolitan Government's General Affairs Bureau (published March 2019)

### Age composition of general households in Tokyo

| | 2015 | 2020E | 2025E | 2030E | 2035E | 2040E |
|---|---|---|---|---|---|---|
| 15–24 | 5.5% | 5.4% | 5.2% | 5.1% | 5.0% | 4.8% |
| 25–34 | 15.7% | 14.6% | 14.2% | 13.9% | 13.4% | 13.3% |
| 35–44 | 18.6% | 16.9% | 15.5% | 14.5% | 14.5% | 14.5% |
| 45–54 | 17.5% | 19.3% | 19.2% | 17.5% | 16.3% | 15.5% |
| 55–64 | 13.5% | 14.2% | 16.4% | 18.6% | 18.8% | 17.5% |
| 65+ | 29.1% | 29.6% | 29.5% | 30.3% | 32.0% | 34.5% |

Source: Shared Research based on data from the Statistics Department of the Tokyo Metropolitan Government's General Affairs Bureau (published March 2019)

## Industry peers and competitors

According to the Real Estate Transaction Promotion Center's 2025 real estate industry statistics, 385,125 companies operated in Japan's real estate industry in FY2024 (+1.8% YoY, accounting for 12.9% of all industries excluding finance and insurance), of which 159 were listed. Industrywide sales totaled JPY56.5tn (+22.0% YoY), and OPM was 11.3%—the highest among all industries excluding finance and insurance, where the average was 4.6%.

URBANET's main competitors include FJ Next Holdings Co., Ltd. (TSE Prime: 8935), The Global Ltd. (TSE Prime: 3271), Dear Life Co., Ltd. (TSE Prime: 3245), and Good Com Asset Co., Ltd. (TSE Prime: 3475). Compared with competitors and industry peers, the company's profitability (ROE of 11.4% in FY06/25) and efficiency (ROA of 5.1% in FY06/25) were below the 10-company averages of 19.6% and 8.8%, respectively. However, sales and operating profit per employee were significantly higher than the 10-company averages of JPY234.6mn and JPY22.9mn, reaching JPY377.0mn and JPY38.7mn in FY06/25.

### Comparison with industry peers

| Ticker | Company | Fiscal year | Sales (JPYmn) | Operating profit (JPYmn) | Operating profit margin | Recurring profit (JPYmn) | Recurring profit margin | ROE | ROA | Equity ratio |
|---|---|---|---|---|---|---|---|---|---|---|
| 3242 | URBANET Corporation | FY06/25 | 33,934 | 3,481 | 10.3% | 2,788 | 8.2% | 11.4% | 5.1% | 27.8% |
| 3245 | Dear Life | FY09/24 | 46,880 | 4,619 | 9.9% | 4,656 | 9.9% | 13.1% | 10.5% | 52.5% |
| 3271 | The Global | FY06/25 | 61,748 | 5,416 | 8.8% | 4,632 | 7.5% | 39.2% | 10.4% | 26.8% |
| 3465 | Migalo Holdings | FY03/25 | 51,709 | 2,713 | 5.2% | 2,122 | 4.1% | 12.9% | 4.1% | 20.4% |
| 3469 | Dualtap | FY06/25 | 8,368 | 166 | 2.0% | 96 | 1.1% | 5.7% | 1.7% | 42.7% |
| 3475 | Good Com Asset | FY10/24 | 59,754 | 5,452 | 9.1% | 4,938 | 8.3% | 26.0% | 10.6% | 35.3% |
| 3486 | Global Link Management | FY12/24 | 64,482 | 5,732 | 8.9% | 5,138 | 8.0% | 33.3% | 15.0% | 31.8% |
| 3489 | FaithNetwork | FY03/25 | 29,916 | 4,519 | 15.1% | 4,107 | 13.7% | 32.2% | 14.5% | 32.5% |
| 8877 | Eslead | FY03/25 | 94,766 | 14,548 | 15.4% | 13,749 | 14.5% | 13.3% | 6.9% | 32.4% |
| 8935 | FJ Next Holdings | FY03/25 | 112,429 | 9,488 | 8.4% | 9,459 | 8.4% | 9.2% | 9.4% | 69.1% |
| | | Average | 56,399 | 5,613 | 9.3% | 5,168 | 8.4% | 19.6% | 8.8% | 37.1% |

Source: Shared Research based on data from each company

| (JPYmn) | URBANET Corporation (3242) | | | Dear Life (3245) | | | Dualtap (3469) | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY06/23 | FY06/24 | FY06/25 | FY09/22 | FY09/23 | FY09/24 | FY06/23 | FY06/24 | FY06/25 |
| | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. |
| Sales | 20,265 | 27,966 | 33,934 | 51,905 | 43,503 | 46,880 | 8,627 | 5,172 | 8,368 |
| Cost of sales | 16,226 | 23,335 | 27,471 | 43,186 | 34,943 | 39,785 | 7,346 | 4,330 | 7,254 |
| Gross profit | 4,039 | 4,631 | 6,463 | 8,718 | 8,559 | 7,095 | 1,281 | 843 | 1,114 |
| SG&A expenses | 1,609 | 1,905 | 2,982 | 2,982 | 2,472 | 2,475 | 974 | 1,099 | 948 |
| Operating profit | 2,430 | 2,726 | 3,481 | 5,736 | 6,087 | 4,619 | 307 | -256 | 166 |
| Recurring profit | 2,140 | 2,427 | 2,788 | 5,666 | 6,181 | 4,656 | 273 | -332 | 96 |
| Net income | 1,447 | 1,701 | 1,851 | 4,199 | 4,304 | 3,170 | 193 | -387 | 117 |
| ROE | 11.0% | 11.9% | 11.4% | 23.3% | 19.3% | 13.1% | 9.1% | - | 5.7% |
| ROA (RP-based) | 5.2% | 5.3% | 5.1% | 17.7% | 15.8% | 10.5% | 5.3% | - | 1.7% |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Gross profit margin | 19.9% | 16.6% | 19.0% | 16.8% | 19.7% | 15.1% | 14.8% | 16.3% | 13.3% |
| Operating profit margin | 12.0% | 9.7% | 10.3% | 11.1% | 14.0% | 9.9% | 3.6% | -4.9% | 1.1% |
| Tangible fixed assets | 5,853 | 6,810 | 7,736 | 226 | 185 | 195 | 125 | 1,280 | 1,267 |
| Net assets | 15,193 | 15,064 | 17,348 | 21,259 | 24,162 | 25,075 | 2,202 | 1,788 | 2,348 |
| Total assets | 44,238 | 46,973 | 62,323 | 36,457 | 41,714 | 47,063 | 5,277 | 5,996 | 5,481 |
| Equity ratio | 30.6% | 32.1% | 27.8% | 57.2% | 57.0% | 52.5% | 41.6% | 29.7% | 42.7% |
| Real estate for sale | 85 | 1,496 | 2,070 | 8,004 | 11,400 | 14,139 | 697 | 1,867 | 1,469 |
| Real estate for sale in process | 27,980 | 28,721 | 39,361 | 5,081 | 4,954 | 10,644 | 1,874 | 1,263 | 809 |
| Inventory turnover (times/year) | 0.8 | 1.0 | 0.9 | 4.5 | 3.0 | 2.3 | 2.8 | 1.8 | 3.1 |
| Total asset turnover (times/year) | 0.5 | 0.6 | 0.6 | 1.6 | 1.1 | 1.1 | 1.7 | 0.9 | 1.5 |
| Cash flows (CFs) from operating activities | -2,836 | 2,978 | -7,009 | 5,045 | 1,365 | -5,932 | 1,191 | -825 | 1,028 |
| CFs from investing activities | -954 | -82 | -2,872 | -1,104 | 346 | 141 | -21 | -1,235 | -39 |
| CFs from financing activities | 4,436 | -3,518 | 12,770 | 1,019 | 529 | 2,581 | -32 | 1,084 | -717 |
| Cash and deposits | 9,141 | 8,531 | 11,423 | 19,707 | 21,882 | 18,653 | 1,992 | 1,031 | 1,333 |
| Interest-bearing debt | 26,274 | 29,209 | 41,730 | 11,851 | 13,864 | 18,850 | 2,604 | 3,714 | 2,592 |
| Net debt | 17,133 | 20,678 | 30,307 | -7,856 | -8,018 | 197 | 612 | 2,684 | 1,259 |
| Number of employees | 53 | 82 | 90 | 563 | 645 | 643 | 167 | 215 | 219 |
| Sales per employee (JPYmn) | 382.4 | 341.0 | 377.0 | 92.2 | 67.4 | 72.9 | 51.7 | 24.1 | 38.2 |
| Operating profit per employee (JPYmn) | 45.8 | 33.2 | 38.7 | 10.2 | 9.4 | 7.2 | 1.8 | -1.2 | 0.4 |

| (JPYmn) | The Global (3271) | | | Good Com Asset (3475) | | | FJ Next Holdings (8935) | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY06/23 | FY06/24 | FY06/25 | FY10/22 | FY10/23 | FY10/24 | FY03/23 | FY03/24 | FY03/25 |
| | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. (IFRS) | Cons. (IFRS) | Cons. (IFRS) |
| Sales | 42,393 | 27,037 | 61,748 | 40,049 | 22,190 | 59,754 | 84,688 | 100,405 | 112,429 |
| Cost of sales | 36,531 | 21,456 | 52,146 | 32,443 | 16,622 | 50,860 | 65,840 | 80,231 | 91,785 |
| Gross profit | 5,862 | 5,581 | 9,602 | 7,606 | 5,568 | 8,894 | 18,848 | 20,174 | 20,644 |
| SG&A expenses | 3,656 | 3,823 | 4,186 | 2,994 | 3,427 | 3,442 | 10,597 | 10,742 | 11,155 |
| Operating profit | 2,206 | 1,758 | 5,416 | 4,612 | 2,141 | 5,452 | 8,250 | 9,431 | 9,488 |
| Recurring profit | 1,567 | 3,080 | 4,632 | 4,342 | 1,788 | 4,938 | 8,219 | 9,434 | 9,459 |
| Net income | 1,747 | 2,715 | 3,684 | 2,858 | 1,030 | 3,320 | 5,621 | 6,453 | 6,483 |
| ROE | 39.3% | 41.0% | 39.2% | 27.6% | 8.9% | 26.0% | 9.2% | 9.8% | 9.2% |
| ROA (RP-based) | 4.7% | 7.5% | 10.4% | 19.3% | 4.6% | 10.6% | 9.6% | 10.2% | 9.4% |
| Gross profit margin | 13.8% | 20.6% | 15.5% | 19.0% | 25.1% | 14.9% | 22.3% | 20.1% | 18.4% |
| Operating profit margin | 5.2% | 6.5% | 8.8% | 11.5% | 9.6% | 9.1% | 9.7% | 9.4% | 8.4% |
| Net assets | 5,292 | 7,957 | 10,853 | 11,472 | 11,608 | 13,937 | 63,022 | 68,031 | 72,922 |
| Total assets | 33,244 | 49,002 | 40,471 | 24,452 | 53,497 | 39,460 | 88,938 | 95,281 | 105,477 |
| Tangible fixed assets | 59 | 59 | 313 | 71 | 70 | 70 | 11,089 | 10,987 | 10,973 |
| Equity ratio | 15.9% | 16.2% | 26.8% | 46.9% | 21.7% | 35.3% | 70.9% | 71.4% | 69.1% |
| Real estate for sale | 2,461 | 4,812 | 1,021 | 10,239 | 36,406 | 16,060 | 11,130 | 12,491 | 16,414 |
| Real estate for sale in process | 23,636 | 36,035 | 26,172 | 253 | 5,168 | 8,038 | 26,489 | 28,159 | 43,324 |
| Inventory turnover (times/year) | 1.3 | 0.8 | 1.8 | 3.8 | 0.9 | 1.8 | 2.5 | 2.6 | 2.2 |
| Total asset turnover (times/year) | 1.2 | 0.7 | 1.4 | 1.8 | 0.6 | 1.3 | 1.0 | 1.1 | 1.1 |
| Cash flows (CFs) from operating activities | 12,836 | -11,867 | 18,696 | 3,483 | -33,171 | 25,862 | -4,534 | 4,671 | -13,880 |
| CFs from investing activities | 19 | -386 | 419 | -256 | -54 | -701 | 1,933 | -5,036 | 4,906 |
| CFs from financing activities | -10,103 | 11,991 | -11,818 | 456 | 29,446 | -21,560 | -738 | -2,289 | 3,841 |
| Cash and deposits | 4,744 | 4,495 | 11,761 | 11,677 | 8,061 | 11,662 | 32,254 | 34,600 | 24,468 |
| Interest-bearing debt | 24,524 | 35,248 | 25,966 | 10,068 | 40,381 | 19,828 | 13,473 | 12,753 | 19,063 |
| Net debt | 19,780 | 30,752 | 14,205 | -1,609 | 32,320 | 8,166 | -18,781 | -21,847 | -5,405 |
| Number of employees | 140 | 143 | 142 | 167 | 186 | 186 | 564 | 557 | 584 |
| Sales per employee (JPYmn) | 302.8 | 189.1 | 434.8 | 239.8 | 119.3 | 321.3 | 150.2 | 180.3 | 192.5 |
| Operating profit per employee (JPYmn) | 15.8 | 12.3 | 38.1 | 27.6 | 11.5 | 29.3 | 14.6 | 16.9 | 16.2 |

Source: Shared Research based on relevant companies

# Strengths and weaknesses

## Strengths

### Ability to differentiate through distinctive design and planning

URBANET has strong design capabilities rooted in its origins as a design company. This background enables the company to make swift decisions on land acquisition and to create building plans that appeal to tenants.

Its development approach is to manage the overall design of urban rental apartments, secure land, and then outsource detailed architectural design to design firms and construction work to general contractors. Each year, the company screens hundreds of lots and formulates design plans based on floor-area ratios to assess suitability for apartment development. Because URBANET itself handles the overall design—a process typically commissioned to design firms—it can quickly evaluate land and make profitability-driven decisions.

URBANET's studio apartments incorporate distinctive features that encourage tenants to choose them over competitors. These features include striking monotone exteriors, calming entrances decorated with three-dimensional art, ample storage space, and spacious bathtubs. The company has also acquired intellectual property rights for technologies and design concepts developed through its manufacturing expertise. In addition to obtaining two patents covering exterior wall lighting structures, side-wall structures, and entrances, the company has registered a utility model for upper cabinets and a design for the Unobath, further differentiating its properties from those of other developers.

### Focus on development areas within Tokyo's 23 wards, which have population growth potential

URBANET has expanded business opportunities by concentrating management resources in Tokyo's 23 wards, where both population inflows and the number of single-person households continue to rise. As a general rule, the company develops properties within the 23 wards and within a 10-minute walk of a train station, offering tenants convenient access to work and school. From 1997 through 2020, Tokyo's 23 wards recorded net population inflows for 23 consecutive years, with the majority consisting of single-person households—providing a steadily growing pool of potential tenants for URBANET's urban rental apartments.

According to the Statistics Bureau of the Ministry of Internal Affairs and Communications, net inflow to the 23 wards was 64,176 in 2019 but dropped to 13,034 in 2020 before turning into a net outflow of 14,828 in 2021, largely due to the spread of telework during COVID-19. The figure returned to positive territory at 21,420 in 2022 and rose further to 58,804 in 2024, highlighting a continued inflow to central Tokyo. Most of the inflow consists of people aged 15 to 29, and by 2023 the level had recovered to or exceeded pre-pandemic levels. Looking ahead, the Tokyo Metropolitan Government projects the number of households in the 23 wards—mainly single-person households and couples without children—to keep rising toward a peak around 2040. Shared Research believes this trend suggests a business environment of continued stable demand growth going forward.

### Risk reduction through strong relationships with condominium sales companies

URBANET primarily sells its developed urban rental apartments on a whole-building basis to condominium sales companies, as well as to funds and REITs, and has built long-term partnerships with sales companies that have a proven track record. As of end-June 2025, Meiwa—its eighth-largest shareholder—had maintained a strong relationship with the company for more than a decade, and about 10% of URBANET's developed properties were wholesaled to the Meiwa group.

The company sells entire buildings to condominium sales companies, which then handle unit sales to investors and other end users. This approach enables URBANET to minimize advertising expenses and fixed sales costs, limiting risk to the development phase. Under its contracts, once an urban rental apartment is completed and delivered, URBANET receives payment for all units within four months. Sales companies make payments each time they sell a unit to an investor, and at the end of the four-month period, they pay the remaining balance for any unsold units. As a result, URBANET does not generate accounts receivable or engage in bill settlements.

In FY06/23, URBANET sold 55% of its urban rental apartment units to condominium sales companies, while in FY06/25 it sold only two apartment buildings with 82 units out of a total of 12 buildings with 607 units, reflecting a declining trend. However, even if acquisition appetite from funds and REITs weakens due to market conditions or interest rate trends, the company maintains a stable sales channel through its strong relationships with condominium sales companies.

## Weaknesses

### Concentration of transactions with specific business partners

URBANET's basic policy is to operate with a small staff and make extensive use of outsourcing, with much of its construction work contracted to Goda Koumuten. The company is aware of the risks of this concentration and is exploring new outsourcing partners, but it is unlikely to shift construction work lightly, as the company's unique design and planning approach requires specific technology and expertise. K-nine, consolidated in February 2024, began constructing urban rental apartments in FY06/25 but does not yet have capacity to run multiple projects in parallel.

URBANET also wholesales to several condominium sales companies besides Meiwa. Although current contracts allow full collection within four months, a sales company could face difficulty settling the balance if interest rates spike or the market deteriorates during that window. Given reliance on specific suppliers for both construction and sales, Shared Research views risks from policy changes or M&A involving these partners as presently unavoidable.

### Limited progress in building expertise in retail sales

URBANET's main focus is wholesaling entire studio apartment buildings it develops to sales companies, thereby eliminating the risk of unsold units. In exchange, however, Shared Research believes the company misses out on potential returns. With a small team dedicated to development, URBANET emphasizes wholesale over retail. As a result, the company has not necessarily accumulated sufficient selling capabilities and expertise.

URBANET established a subsidiary, URBANET LIVING, in March 2015 to target end users (B2C). The subsidiary aims to expand B2C businesses such as condominium, detached house, and apartment sales, as well as leasing and property management. Shared Research views the B2C business as central to URBANET's medium-term growth. However, URBANET LIVING is still a young company, launched in July 2015. It turned profitable in FY06/16 but has yet to accumulate sufficient experience and expertise in the B2C business. In addition, K-nine, which became a consolidated subsidiary in February 2024, is mainly engaged in detached house and terraced housing sales and building construction, but its contribution to consolidated earnings remains limited. Shared Research believes it will take time for the new subsidiary to inherit URBANET's expertise.

### Low level of recurring revenue

URBANET weathered the challenges facing the real estate industry during the global financial crisis through decisive restructuring and the rapid disposal of properties for sale. Having been frozen out of new development financing from financial institutions, the company faced shortages of cash and collateral properties. Consequently, URBANET aims to increase the number of income properties (generating leasing revenue) available for use as loan collateral while also working to expand recurring revenue. Sales generated by other businesses, including income properties, reached JPY811mn (+38.6% YoY) in FY06/25, accounting for only 2.4% of total sales.

The Hotel business, launched in FY06/21, was long affected by the spread of COVID-19. Earnings began to recover around December 2022, and following the reclassification of COVID-19 to a Class 5 Infectious Disease in May 2023 and a sharp increase in inbound tourism, sales in FY06/23 rose to JPY152mn (+124.0% YoY), although the company still recorded a loss of JPY23mn. In FY06/24, sales grew to JPY218mn (+43.2% YoY), and the business turned profitable with operating profit of JPY31mn. In FY06/25, sales reached JPY238mn (+9.2% YoY) and operating profit climbed to JPY46mn (+46.8% YoY). Nonetheless, the business represented just 0.7% of consolidated sales.

# Financial statements

## Income statement

| Income statement (JPYmn) | FY06/16 Cons. | FY06/17 Cons. | FY06/18 Cons. | FY06/19 Cons. | FY06/20 Cons. | FY06/21 Cons. | FY06/22 Cons. | FY06/23 Cons. | FY06/24 Cons. | FY06/25 Cons. |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sales** | **17,705** | **17,789** | **16,085** | **20,084** | **22,019** | **20,955** | **19,607** | **20,265** | **27,966** | **33,934** |
| YoY | 48.6% | 0.5% | -9.6% | 24.9% | 9.6% | -4.8% | -6.4% | 3.4% | 38.0% | 21.3% |
| Cost of sales | 14,391 | 13,962 | 13,223 | 16,595 | 18,185 | 17,155 | 16,064 | 16,226 | 23,335 | 27,471 |
| YoY | 54.2% | -3.0% | -5.3% | 25.5% | 9.6% | -5.7% | -6.4% | 1.0% | 43.8% | 17.7% |
| **Gross profit** | **3,314** | **3,827** | **2,863** | **3,489** | **3,834** | **3,801** | **3,543** | **4,039** | **4,631** | **6,463** |
| YoY | 28.4% | 15.5% | -25.2% | 21.9% | 9.9% | -0.9% | -6.8% | 14.0% | 14.7% | 39.6% |
| Gross profit margin | 18.7% | 21.5% | 17.8% | 17.4% | 17.4% | 18.1% | 18.1% | 19.9% | 16.6% | 19.0% |
| SG&A expenses | 1,308 | 1,408 | 1,194 | 1,341 | 1,349 | 1,479 | 1,321 | 1,609 | 1,905 | 2,982 |
| YoY | 41.1% | 7.6% | -15.2% | 12.3% | 0.6% | 9.6% | -10.7% | 21.9% | 18.4% | 56.5% |
| SG&A ratio | 7.4% | 7.9% | 7.4% | 6.7% | 6.1% | 7.1% | 6.7% | 7.9% | 6.8% | 8.8% |
| **Operating profit** | **2,005** | **2,419** | **1,668** | **2,148** | **2,485** | **2,322** | **2,223** | **2,430** | **2,726** | **3,481** |
| YoY | 21.3% | 20.6% | -31.0% | 28.7% | 15.7% | -6.6% | -4.3% | 9.3% | 12.2% | 27.7% |
| Operating profit margin | 11.3% | 13.6% | 10.4% | 10.7% | 11.3% | 11.1% | 11.3% | 12.0% | 9.7% | 10.3% |
| Non-operating income | 4 | 2 | 6 | 5 | 10 | 5 | 7 | 8 | 35 | 10 |
| Non-operating expenses | 289 | 263 | 233 | 239 | 296 | 246 | 244 | 298 | 334 | 704 |
| **Recurring profit** | **1,720** | **2,159** | **1,441** | **1,914** | **2,199** | **2,081** | **1,986** | **2,140** | **2,427** | **2,788** |
| YoY | 23.3% | 25.5% | -33.3% | 32.8% | 14.9% | -5.4% | -4.6% | 7.8% | 13.4% | 14.9% |
| Recurring profit margin | 9.7% | 12.1% | 9.0% | 9.5% | 10.0% | 9.9% | 10.1% | 10.6% | 8.7% | 8.2% |
| Extraordinary gains | - | - | - | - | - | 8 | 0 | 46 | 107 | - |
| Extraordinary losses | - | - | - | - | - | 117 | - | 5 | - | - |
| Income taxes | 581 | 693 | 452 | 604 | 682 | 646 | 628 | 689 | 800 | 937 |
| Net income attributable to non-controlling interests | - | - | - | - | 11 | 44 | 44 | 43 | 33 | - |
| **Net income attributable to owners of the parent** | **1,139** | **1,466** | **989** | **1,310** | **1,506** | **1,282** | **1,314** | **1,447** | **1,701** | **1,851** |
| YoY | 30.5% | 28.6% | -32.5% | 32.5% | 15.0% | -14.9% | 2.6% | 10.1% | 17.5% | 8.8% |
| Net margin | 6.4% | 8.2% | 6.1% | 6.5% | 6.8% | 6.1% | 6.7% | 7.1% | 6.1% | 5.5% |

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

### Construction costs per *tsubo* (3.3sqm) by structure

| (JPY'000/tsubo) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Steel reinforced concrete | 1,019 | 1,159 | 1,006 | 1,201 | 915 | 1,118 | 1,436 | 1,212 | 1,879 | 1,855 |
| YoY | 17.6% | 13.7% | -13.2% | 19.4% | -23.8% | 22.2% | 28.4% | -15.6% | 55.0% | -1.3% |
| Reinforced concrete | 840 | 877 | 869 | 944 | 912 | 953 | 917 | 1,039 | 1,220 | 1,339 |
| YoY | 5.8% | 4.4% | -0.9% | 8.6% | -3.4% | 4.5% | -3.8% | 13.3% | 17.4% | 9.8% |
| Steel frame | 674 | 709 | 707 | 756 | 759 | 751 | 799 | 929 | 1,019 | 1,298 |
| YoY | 3.4% | 5.2% | -0.3% | 6.9% | 0.4% | -1.1% | 6.4% | 16.3% | 9.7% | 27.4% |
| Wooden | 548 | 551 | 557 | 562 | 569 | 569 | 582 | 674 | 729 | 752 |
| YoY | 0.4% | 0.5% | 1.1% | 0.9% | 1.2% | 0.0% | 2.3% | 15.8% | 8.2% | 3.2% |

Source: Shared Research based on data from the Ministry of Land, Infrastructure, Transport and Tourism

GPM declined from 21.5% in FY06/17 to 16.6% in FY06/24, reflecting persistently high construction costs driven by soaring land prices and rising material prices. URBANET is working more closely with contractors to manage construction schedules and is diversifying its sales channels. In addition to the condominium sales companies, to which it has traditionally wholesaled, the company is now targeting investors in Japan and overseas, affluent individuals purchasing properties for inheritance tax planning, and corporations seeking company housing or dormitories for employees.

In the past, profit margins improved in years when sales of whole URBANET-developed urban rental apartments to affluent customers and funds accounted for a higher share, and margins tended to weaken in years when wholesale sales to sales companies dominated. However, this gap has gradually narrowed. The share of sales to affluent customers and funds dropped from 57.0% in FY06/20 to 43.9% in FY06/21, while OPM fell 0.2pp YoY to 11.1%. In FY06/22, OPM rose 0.2pp YoY to 11.3%, supported by a 63% increase in sales to funds and REITs amid the yen's depreciation. In FY06/24, OPM fell to 9.7% (-2.3pp YoY), reflecting a higher cost of sales ratio and an 18.4% YoY increase in SG&A expenses, partly due to higher personnel expenses following M&A.

In FY06/25, of the 12 buildings sold (607 units), 10 buildings (525 units), or about 86.5%, were sold to funds and REITs. While sales of urban rental apartments declined, growth in highly profitable projects in prime locations with higher unit prices, together with strong sales of land and terraced houses at K-nine—both with high margins—lifted OPM to 10.3% (+0.6pp YoY).

# Balance sheet

| Balance sheet | FY06/16 | FY06/17 | FY06/18 | FY06/19 | FY06/20 | FY06/21 | FY06/22 | FY06/23 | FY06/24 | FY06/25 |
|---|---|---|---|---|---|---|---|---|---|---|
| (JPYmn) | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. |
| **Assets** | | | | | | | | | | |
| Cash and deposits | 2,548 | 4,113 | 4,231 | 5,305 | 8,908 | 7,203 | 8,495 | 9,141 | 8,531 | 11,423 |
| Notes and accounts receivable | | | | | | | | 15 | 19 | 17 |
| Lease investment assets | | | 23 | 25 | 27 | 29 | 32 | 34 | 37 | 40 |
| Real estate for sale | 2,005 | 96 | 2,618 | 3,762 | 2,352 | 2,225 | 2,289 | 85 | 1,496 | 2,070 |
| Real estate for sale in process | 11,252 | 15,364 | 16,006 | 15,500 | 16,063 | 18,686 | 20,424 | 27,980 | 28,721 | 39,361 |
| Work in process and others | - | - | - | - | - | 0 | | 2 | - | - |
| Supplies | | | | | 37 | | 1 | 1 | 3 | 3 |
| Advance payments to suppliers | 10 | - | 25 | 161 | 30 | 129 | 83 | 36 | 488 | 469 |
| Prepaid expenses | 22 | 25 | 27 | 35 | 22 | 27 | 34 | 39 | 66 | 83 |
| Other | 10 | 61 | 131 | 84 | 240 | 454 | 115 | 77 | 20 | 281 |
| **Total current assets** | **15,847** | **19,660** | **23,062** | **24,873** | **27,680** | **28,755** | **31,473** | **37,411** | **39,381** | **53,748** |
| Buildings and structures | 1,518 | 1,964 | 2,091 | 1,996 | 2,742 | 2,660 | 2,731 | 2,606 | 2,532 | 2,031 |
| Machinery, equipment, and vehicles | 3 | 3 | 2 | 1 | 4 | 4 | 3 | 3 | 4 | 6 |
| Lease assets | 64 | 46 | 40 | 48 | 30 | 31 | 23 | 26 | 30 | 101 |
| Land | 1,240 | 1,609 | 2,770 | 2,770 | 2,949 | 3,163 | 3,240 | 3,201 | 4,208 | 5,292 |
| Construction in progress | - | - | - | 181 | - | - | - | 17 | 36 | 28 |
| Other | - | - | - | - | - | - | - | - | 1 | 8 |
| **Total tangible fixed assets** | **2,826** | **3,622** | **4,903** | **4,996** | **5,725** | **5,858** | **5,996** | **5,853** | **6,810** | **7,736** |
| Goodwill | | | | | | | | | | |
| Other | 0 | 0 | 0 | - | - | - | - | - | - | - |
| Software | 2 | 2 | 3 | 3 | 1 | 1 | 3 | 3 | 7 | 14 |
| **Total intangible assets** | **3** | **2** | **3** | **3** | **1** | **4** | **3** | **3** | **7** | **14** |
| Investment securities | - | - | - | - | - | | | | | |
| Investments in capital | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 3 |
| Lease and guarantee deposits | 65 | 63 | 59 | 61 | 60 | 57 | 55 | 106 | 236 | 195 |
| Long-term prepaid expenses | 4 | 2 | 6 | 4 | 2 | 1 | 9 | 30 | 42 | 34 |
| Long-term deposits | 50 | - | - | - | - | | | | | |
| Deferred tax assets | 60 | 80 | 39 | 79 | 76 | 29 | 84 | 122 | 178 | 224 |
| Lease investment assets | - | - | 335 | 310 | 281 | 251 | 218 | 185 | 148 | 107 |
| Other | 97 | 131 | 120 | 141 | 174 | 220 | 251 | 526 | 169 | 261 |
| **Investments and other assets** | **277** | **277** | **560** | **595** | **594** | **558** | **618** | **970** | **775** | **825** |
| **Total fixed assets** | **3,105** | **3,900** | **5,466** | **5,595** | **6,320** | **6,420** | **6,618** | **6,826** | **7,592** | **8,575** |
| **Total assets** | **18,952** | **23,560** | **28,528** | **30,467** | **34,000** | **35,175** | **38,091** | **44,238** | **46,973** | **62,323** |
| **Liabilities** | | | | | | | | | | |
| Notes and accounts payable | 876 | 417 | 1,638 | 2,046 | 1,191 | 1,400 | 1,555 | 616 | 719 | 984 |
| Short-term debt | 6,083 | 7,529 | 8,378 | 9,623 | 9,900 | 7,090 | 7,496 | 7,975 | 11,752 | 11,823 |
| Accounts payable–other | 74 | 95 | 52 | 104 | 120 | 58 | 45 | 81 | 155 | 240 |
| Accrued expenses | 23 | 17 | 21 | 25 | 19 | 17 | 14 | 23 | 63 | 49 |
| Income taxes payable | 342 | 460 | 71 | 470 | 521 | | 421 | 427 | 557 | 862 |
| Accrued consumption taxes | 128 | 13 | 3 | - | 5 | - | 109 | - | 25 | 0 |
| Advances received | 793 | 631 | 634 | 1,159 | 669 | 753 | 426 | 1,152 | 398 | 497 |
| Deposits | 36 | 25 | 34 | 31 | 35 | 47 | 36 | 55 | 63 | 58 |
| Provision for shareholder benefit program | | | | | | | | | | 77 |
| Allowance for compensation for completed construction | | | | | | | | | 11 | 13 |
| Other | 5 | 7 | 13 | 51 | 19 | 15 | 20 | 19 | 64 | 67 |
| **Total current liabilities** | **8,360** | **9,195** | **10,844** | **13,509** | **12,480** | **9,378** | **10,122** | **10,348** | **13,809** | **14,670** |
| Long-term debt | 4,563 | 7,355 | 10,131 | 8,510 | 8,630 | 12,111 | 13,476 | 18,299 | 17,457 | 29,877 |
| Provision for share awards for directors (and other officers) | | | | | | | | 29 | 70 | 100 |
| Provision for retirement benefits for directors (and other officers) | | | | | | | | | 14 | 30 |
| Retirement benefit liability | 33 | 38 | 44 | 49 | 51 | 57 | 62 | 59 | 65 | 73 |
| Deferred tax liabilities | | | | | | | | 268 | 303 | - |
| Other | 9 | 15 | 59 | 36 | 32 | 38 | 37 | 42 | 191 | 225 |
| **Total fixed liabilities** | **4,723** | **7,444** | **10,234** | **8,594** | **8,713** | **12,205** | **13,575** | **18,697** | **18,100** | **30,304** |
| **Total liabilities** | **13,083** | **16,639** | **21,077** | **22,103** | **21,192** | **21,584** | **23,697** | **29,045** | **31,908** | **44,975** |
| **Net assets** | | | | | | | | | | |
| Shareholders' equity | 5,859 | 6,914 | 7,443 | 8,356 | 11,289 | 12,037 | 12,795 | 13,551 | 15,062 | 17,348 |
| Treasury stock | - | 0 | 0 | 0 | -0 | -0 | -0 | -126 | -210 | -206 |
| **Total net assets** | **5,869** | **6,921** | **7,451** | **8,364** | **12,807** | **13,591** | **14,393** | **15,193** | **15,064** | **17,348** |
| **Total liabilities and net assets** | **18,952** | **23,560** | **28,528** | **30,467** | **34,000** | **35,175** | **38,091** | **44,238** | **46,973** | **62,322** |
| Working capital | 12,382 | 15,042 | 16,986 | 17,216 | 17,225 | 19,512 | 21,158 | 27,466 | 29,517 | 40,464 |
| Total interest-bearing debt | 10,646 | 14,884 | 18,508 | 18,133 | 18,530 | 19,201 | 20,973 | 26,274 | 29,209 | 41,700 |
| Net debt | 8,099 | 10,770 | 14,277 | 12,828 | 9,622 | 11,997 | 12,477 | 17,133 | 20,678 | 30,277 |

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

More than 60% of URBANET's assets are inventories (real estate for sale and real estate for sale in process). At end-FY06/25, total assets rose JPY15.4bn YoY to JPY62.3bn, mainly reflecting a JPY11.2bn increase in inventories. This growth was driven by active acquisitions of prime project sites despite persistently difficult land procurement conditions in central Tokyo, supported by continued investment in human resources to strengthen the land acquisition team, as well as K-nine's purchases of land for detached houses and rental apartments. Tangible fixed assets also increased JPY926mn due to acquisitions of income-generating properties and other assets. As a result, inventories accounted for 66.5% of total assets at end-FY06/25.

At end-FY06/16, tangible fixed assets represented 14.9% of total assets, rising to 16.8% by end-FY06/20 when the company's self-developed hotel was completed. By end-FY06/25, however, the ratio had dropped to 12.4%, reflecting increases of JPY2.9bn in cash and deposits and JPY11.2bn in inventories. URBANET expects K-nine's business model to further expand real estate for sale, anticipating a decline in the ratio of tangible fixed assets—which had previously trended upward due to increased holdings of income-generating properties.

With business growth, interest-bearing debt (the total of short- and long-term borrowings, lease liabilities, and corporate bonds) has continued to rise. In August 2023, the company raised about JPY2.5bn by issuing share acquisition rights to fund land purchases and M&A for new businesses. In FY06/24, short- and long-term borrowings (including the current portion of long-term borrowings) increased JPY2.9bn with the consolidation of K-nine as a subsidiary. In FY06/25, active land acquisitions drove a further JPY12.9bn increase in long-term borrowings for project site purchases and related purposes.

With its credit standing improved by becoming a subsidiary of a listed company, K-nine has been able to secure financing more easily from financial institutions and has actively pursued the acquisition of highly profitable development sites. As a result, at end-FY06/25, K-nine accounted for about JPY10.2bn of borrowings, or roughly 24.5% of URBANET's total interest-bearing debt of about JPY41.7bn, with URBANET providing funding support for its subsidiary's business expansion.

# Cash flow statement

| Cash flow statement | FY06/16 | FY06/17 | FY06/18 | FY06/19 | FY06/20 | FY06/21 | FY06/22 | FY06/23 | FY06/24 | FY06/25 |
|---|---|---|---|---|---|---|---|---|---|---|
| (JPYmn) | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. |
| Cash flows from operating activities (1) | -1,367 | -1,747 | -1,601 | 2,043 | 1,143 | -1,434 | 491 | -2,836 | 2,978 | -7,279 |
| Cash flows from investing activities (2) | -986 | -400 | -1,388 | -167 | -836 | -392 | -398 | -954 | -82 | -2,602 |
| Free cash flow (1+2) | -2,353 | -2,147 | -2,989 | 1,876 | 307 | -1,826 | 93 | -3,790 | 2,897 | -9,881 |
| Cash flows from financing activities | 2,216 | 3,737 | 3,107 | -802 | 3,296 | 121 | 1,199 | 4,436 | -3,518 | 12,770 |

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

As sales grow, expansion of inventories (real estate for sale), together with increases in real estate for sale in process, typically results in operating cash outflows. However, in FY06/19 and FY06/20, the company posted operating cash inflows due to strong performance and increasing difficulty in procuring land for development. In FY06/24, operating activities generated net cash of JPY3.0bn on the back of strong sales. In FY06/25, operating activities used net cash of JPY7.3bn due to higher inventories.

Purchases of income properties and other investments usually result in negative investing cash flows. In FY06/22, acquisitions of property, plant, and equipment caused net outflows of JPY398mn. In FY06/23, the company posted outflows of JPY953mn, mainly from acquiring shares in a subsidiary for real estate development. In FY06/24, investing activities used net cash of JPY82mn for the acquisition of shares in K-nine. In FY06/25, outflows rose to JPY2.6bn due to purchases of tangible fixed assets.

Financing cash flows tend to be positive with funding through indirect finance. In FY06/24, financing activities used net cash of JPY3.5bn due to repayments of long-term borrowings, dividend payments, and the acquisition of shares in K-nine. In FY06/25, financing activities generated net cash of JPY12.8bn, as inflows from long-term borrowings for land acquisitions and from share issuance through the exercise of share acquisition rights exceeded outflows from repayments of long-term borrowings tied to property sales and dividend payments.

# Historical earnings

## Full-year FY06/25 results (out August 7, 2025)

### Earnings summary

#### FY06/25 results (July 2024–June 2025)

- Sales: JPY33.9bn (+21.3% YoY)
- Operating profit: JPY3.5bn (+27.7% YoY)
- Recurring profit: JPY2.8bn (+14.9% YoY)
- Net income attributable to owners of the parent: JPY1.9bn (+8.8% YoY)

On July 24, 2025, URBANET raised its FY06/25 earnings forecast. The company achieved 100.1% of the revised sales target, 100.9% of operating profit, 101.4% of recurring profit, and 100.0% of net income. With earnings from all projects scheduled for Q4 recorded, both sales and profit rose YoY for the third consecutive year.

#### Factors behind higher sales and profit

In FY06/25, project sales were heavily weighted toward Q4, resulting in losses through Q3. However, with all projects scheduled for Q4 completed and associated earnings recorded, both sales and profit exceeded the initial targets. Contributing factors included the Q4 sale of a 52-unit building not included in the projection, stronger-than-expected earnings from K-nine Co., Ltd. (acquired in February 2024), and solid performance in the Hotel business. While FY06/24 results reflected only four months (March–June 2024) of K-nine's earnings, the subsidiary contributed for the full year in FY06/25. The project sale not included in the initial projection was one of two properties that had been held as rental real estate until September 2024 and then reclassified as real estate for sale.

Although cost of sales rose 17.7% YoY due to higher construction costs, gross profit increased 39.6% YoY, with a GPM of 19.0% (+2.4pp YoY), reflecting an increase in the number of highly profitable projects in prime locations with higher unit prices per square meter, despite lower sales of urban rental apartments. K-nine's strong sales of land and terraced houses, which maintained high margins, also supported higher GPM.

SG&A expenses rose 56.5% YoY, with the SG&A ratio at 8.8% (+2.0pp YoY). The increase in SG&A mainly reflected higher personnel expenses from the addition of 17 employees across the group and increased salary levels, as well as roughly JPY100mn in additional stock-related expenses due to the introduction of a shareholder benefit program (QUO prepaid cards) as part of shareholder returns. In addition, as the company actively acquired land for future development and advanced condominium projects as growth investments, long-term borrowings, including syndicated loans, increased. Consequently, financing costs such as interest and commission expenses rose, pushing non-operating expenses to about 2.1x the FY06/24 level.

#### Land acquisitions

In Q4 (April–June 2025), URBANET made strong progress in acquiring land for development. The company completed payments for four sites and signed contracts for two more, acquiring a total of six sites. The acquisitions covered a diverse range of locations, ranging from Tokyo's 23 wards to suburbs with convenient access to central Tokyo, as well as resort areas popular with both domestic and international tourists.

The company aims to acquire land for 600–700 residential units annually. It is building up a solid foundation for earnings, backed by its robust land acquisition. As of FY06/25, the company had secured land for over 2,250 units, including those planned for sale in FY06/26. At end-FY06/25, real estate for sale stood at JPY2.1bn (+JPY574mn YoY), while real estate for sale in process was JPY39.4bn (+JPY10.6bn YoY).

### Land acquisitions in Q4 (projects for which land prices have been paid)

| Project | Property type | Location | Total units and rooms (planned) | Scheduled completion |
|---|---|---|---|---|
| Ebisu project | Urban rental apartment | Shibuya-ku, Tokyo | 9 stories, 36 units | 2028 |
| Funabashi project | Urban rental apartment | Funabashi, Chiba | 7 stories, 274 units | 2028 |
| Hatchobori II project | Apartment-style hotel | Chuo-ku, Tokyo | 10 stories, 16 rooms | 2026 |
| Niseko Hirafu project | Business targeting affluent customers in Japan and overseas | Kutchan-cho, Abuta-gun, Hokkaido | Land area: 1,311sqm | - |

Source: Shared Research based on company materials

#### Development of apartment-style hotel (Hatchobori II project)

In May 2025, URBANET launched development of an apartment-style hotel designed for groups and extended stays. The company has carried out this project jointly with PROFITZ Co., Ltd. (unlisted), which specializes in enhancing real estate profitability, and TAT Inc. (unlisted), which has a proven track record in operating hotels for inbound visitors. A sales contract with the buyer has already been signed. Located within a 10-minute walk of Hatchobori Station on the Tokyo Metro Hibiya Line, the property will have 16 rooms in total and is scheduled for completion in 2026.

#### Launch of real estate solutions business for affluent clients in Japan and overseas (Niseko Hirafu project)

As part of its medium-term business plan CHALLENGE 2028: Creating valuable spaces, the company has launched a real estate development business targeting affluent clients in Japan and overseas to diversify its business portfolio. Travel and leisure demand from high-net-worth individuals, particularly inbound visitors, continues to grow, and in Hokkaido—where winter sports are especially popular—demand for high-value-added accommodations and related spaces has been increasing year by year. For its first project, the company selected development in the Hirafu area, the core of Niseko, which has established itself as one of the world's leading ski resorts with strong inbound demand. In June 2025, the company acquired land in Niseko Hirafu, Hokkaido, for this new business and plans to develop a comprehensive facility including accommodations, commercial facilities, and surrounding amenities.

## Performance by segment

### Real Estate business

In FY06/25, the Real Estate business (Real Estate Development and Sales, Real Estate Purchase and Sales, and Other Real Estate business) posted sales of JPY33.7bn (+21.4% YoY) and segment profit of JPY5.0bn (+29.6% YoY).

#### Real Estate Development and Sales

In FY06/25, sales in Real Estate Development and Sales were JPY32.2bn (+18.6% YoY). URBANET sold 12 urban rental apartment buildings with 607 units (versus 11 apartment buildings with 712 units in FY06/24), 43 detached and terraced houses (23), and nine land parcels (five). In urban rental apartment development, both the number of buildings and units sold exceeded initial targets. This was primarily due to the company's ability to complete all projects scheduled for the fiscal year, achieved through meticulous project management based on long-term trust built with contractors and repeated in-depth discussions.

In Q4, the company completed seven rental apartment projects, the highest in its history. Most properties are located within walking distance of multiple train lines, providing excellent access to central Tokyo. The company researches the residential demographics of each area and adopts floor plans favored by the target segment, thereby accurately capturing rental demand and achieving high rents.

In detached and terraced housing, K-nine conducted sales in the southwestern parts of Tokyo's 23 wards, as well as in Kawasaki and Yokohama. Sales from contracted construction totaling JPY579mn were also included in Real Estate Development and Sales. In FY06/25, K-nine posted sales of JPY6.1bn and operating profit of JPY700mn, exceeding its initial sales forecast of JPY5.5bn. URBANET believes demand for K-nine's terraced houses has increased as soaring prices of newly built condominiums in central Tokyo have made them a more attractive alternative.

In May 2025, K-nine completed detached houses that met the standards of the environmentally friendly Tokyo Zero Emission Housing program. In addition to estimated annual utility savings of JPY165,000, buyers can receive subsidies from the Tokyo Metropolitan Government and reductions in real estate acquisition tax. These incentives contributed to strong sales. Going forward, K-nine plans to build all detached houses in compliance with the Tokyo Zero Emission Housing standards.

## Performance in Real Estate Development and Sales

| | FY06/24 | | FY06/25 | | | |
|---|---|---|---|---|---|---|
| | Number of units or parcels | Sales (JPYmn) | Number of units or parcels | Sales (JPYmn) | Changes (JPYmn) | Reasons for changes |
| Urban rental apartments | 712 | 25,263 | 607 | 24,430 | -833 | Decline in number of units sold |
| Detached houses | 14 | 845 | 11 | 901 | 56 | Sold by K-nine |
| Apartments | 6 | 289 | 11 | 314 | 25 | Sold by K-nine |
| Terraced houses | 2 | 89 | 21 | 1,469 | 1,380 | Sold by K-nine |
| Condominium units | 1 | 22 | 0 | 0 | -22 | No sales of condominium units |
| Land resale | 5 | 523 | 9 | 4,460 | 3,937 | Sold by URBANET (parent company) and K-nine |
| Contracted construction | - | 80 | - | 579 | 499 | Sold by K-nine |
| Total | | 27,115 | | 32,155 | 5,040 | |

Source: Shared Research based on company materials

## Properties recorded as sales in Q4 (1 of 2)

Source: Company materials
Left: Kasai project; Edogawa-ku, Tokyo; reinforced concrete; nine stories; 84 units; completed April 2025
Center: Asyl Court Ikejiri-Ohashi; Meguro-ku, Tokyo; reinforced concrete; five stories above ground with one below; 41 units; completed May 2025
Right: Asyl Court Nerima-Nakamurabashi; Nerima-ku, Tokyo; reinforced concrete; four stories; 103 units; completed June 2025

## Properties recorded as sales in Q4 (2 of 2)

Source: Company materials
From left: Minami-Shinagawa project; Shinagawa-ku, Tokyo; reinforced concrete; 16 stories; 51 units; completed April 2025
Asyl Court Machiya; Arakawa-ku, Tokyo; reinforced concrete; 15 stories; 48 units; completed May 2025
Asyl Court Monzen-Nakacho; Koto-ku, Tokyo; reinforced concrete; nine stories; 24 units; completed May 2025
Asyl Court Korakuen; Bunkyo-ku, Tokyo; reinforced concrete; four stories above ground with one below; 34 units; completed June 2025

### Properties recorded as sales in Q4 (K-nine)

Source: Company materials
Top row (from left): Lim Terrace Meidaimae The Class; Setagaya-ku, Tokyo; steel frame; three stories; five units; completed May 2025
Bottom row (from left): Fols Seijo-Gakuenmae II; Setagaya-ku, Tokyo; wooden structure; two stories; completed May 2025; compliant with Tokyo Zero Emission Housing standards

#### Real Estate Purchase and Sales

In FY06/25, sales in Real Estate Purchase and Sales increased JPY681mn YoY to JPY727mn, reflecting one purchase and resale of a pre-owned rental apartment building (versus JPY46mn from one pre-owned condominium unit recorded in FY06/24).

#### Other Real Estate business (including leasing and brokerage)

Sales in this subsegment (real estate brokerage and leasing) were JPY811mn (+38.6% YoY) in FY06/25.

### Hotel business

In FY06/25, the Hotel business generated sales of JPY238mn (+9.2% YoY), mainly from room fees at Hotel Asyl Tokyo Kamata, and segment profit of JPY46mn (+46.8% YoY). Both the occupancy rate and the average daily rate (ADR) increased, backed by a recovery in domestic travel demand coupled with a surge in inbound tourists. For the full year, occupancy was about 89% and ADR was around JPY15,000.

### Business alliance with Mitsui Fudosan Investment Advisors

In July 2025, URBANET entered into a basic pipeline support agreement with Mitsui Fudosan Investment Advisors, Inc. (unlisted), a wholly owned subsidiary of Mitsui Fudosan Co., Ltd. (TSE Prime: 8801). Mitsui Fudosan Investment Advisors manages private funds, and under the agreement, a certain number of URBANET's Asyl Court brand urban rental apartments developed each year will be preferentially supplied to these funds. The Asyl Court series is already included in private funds managed by Mitsui Fudosan Investment Advisors, and URBANET expects the alliance to support stable and sustainable growth.

## Assets, liabilities, and net assets

At end-FY06/25, total assets amounted to JPY62.3bn, up JPY15.4bn compared with end-FY06/24. This increase occurred primarily because, despite a persistently challenging environment for acquiring sites for condominium projects in central Tokyo, the company increased its land acquisition staff through continued investment in human capital, resulting in progress in purchasing well-located project sites. K-nine Co., Ltd. also actively purchased land for detached houses, apartments, and other uses. As a result, inventories increased JPY11.2bn, and tangible fixed assets rose JPY926mn due to the purchase of income-generating properties and other assets.

Liabilities increased to JPY45.0bn, up JPY13.1bn compared with end-FY06/24, mainly reflecting a JPY12.9bn increase in long-term borrowings (including the current portion of long-term borrowings).

Net assets amounted to JPY17.3bn, up JPY2.3bn compared with end-FY06/24. Share capital and legal capital surplus together rose JPY1.1bn due to the exercise of stock acquisition rights. Retained earnings increased JPY1.2bn, reflecting the booking of net income of JPY1.9bn despite a JPY696mn decrease from dividend payments. The company's equity ratio stood at 27.8% (versus 32.1% at end-FY06/24).

# Cumulative Q3 FY06/25 results (out May 13, 2025)

## Earnings summary

### Cumulative Q3 FY06/25 (July 2024–March 2025)

- Sales: JPY11.8bn (-32.5% YoY)
- Operating profit: JPY49mn (-97.0% YoY)
- Recurring loss: JPY450mn (profit of JPY1.4bn in cumulative Q3 FY06/24)
- Net loss attributable to owners of the parent: JPY379mn (income of JPY1.0bn)

URBANET expects sales recognition for FY06/25 to be concentrated in Q4. In cumulative Q3 FY06/25, the company's progress toward its full-year FY06/25 target was 36.8% for sales and 1.7% for operating profit. With subsidiaries' businesses performing robustly, the company maintains its earnings forecast at the time of the Q3 earnings announcement.

### Factors behind lower sales and profit

The significant decline in sales and profit in cumulative Q3 FY06/25 was mainly due to the scheduled recognition of project sales concentrated in Q4. While the company in FY06/25 plans to sell a total of 588 units, including urban rental apartments, it completed sales of only three urban rental apartment buildings with 97 units, an apartment building with 11 units, and 23 detached and terraced houses along with seven land parcels in cumulative Q3. K-nine, which became a consolidated subsidiary in February 2024, performed well with sales of JPY5.1bn and operating profit of JPY700mn in cumulative Q3 FY06/25.

Cost of sales decreased 34.6% YoY, with the cost of sales ratio improving by 2.6pp YoY to 81.1%. This was due to a decline in sales of urban rental apartments compared with cumulative Q3 FY06/24. However, the company maintained a high profit margin by developing properties in prime locations with a high unit price per square meter. Additionally, K-nine contributed to profitability through land sales and other activities, helping to sustain strong margins.

SG&A expenses increased 79.0% YoY, with the SG&A ratio rising by 11.5pp YoY to 18.5%. The increase in SG&A expenses was primarily due to the consolidation of K-nine as a subsidiary, salary increases stemming from revisions to the personnel system and base pay, and rising personnel costs driven by incentive programs tied to property acquisitions. Rent expenses also doubled following the relocation of the company's headquarters. Non-operating expenses rose to approximately 2.2x the year-ago figure, reflecting higher financing costs such as interest payments and loan-related fees. This increase was associated with the company's growth investments, including active acquisition of development land and promotion of condominium projects aimed at expanding future sales and earnings. As a result, the company recorded a recurring loss.

### Land acquisitions

In Q3 FY06/25 (January–March 2025), the company made strong progress in purchasing land for development. It completed payments for four sites (listed below) and signed contracts for four more, acquiring a total of eight sites. Additionally, information sharing with K-nine has increased access to prime locations in central Tokyo, facilitating successful off-market transactions.

URBANET aims to acquire land for 600–700 residential units annually. It is building up a solid foundation for earnings in FY06/26 and beyond, backed by its robust land acquisition. As of end-May 2025, the company had secured land for over 2,000 units, including those planned for sale in FY06/25. At end-Q3, real estate for sale amounted to JPY3.5bn (+JPY1.6bn compared with end-FY06/24), including JPY1.6bn worth of tangible fixed assets previously held as rental properties until September 2024, which were reclassified as real estate for sale. In addition, real estate for sale in process amounted to JPY43.2bn (+JPY14.5bn).

## Land acquisitions in Q3 (projects for which land prices have been paid)

| Project | Location | Total units (planned) | Scheduled completion |
|---|---|---|---|
| Omorimachi IV project | Ota-ku, Tokyo | 67 | 2027 |
| Shimotakaido III project | Suginami-ku, Tokyo | 74 | 2027 |
| Musashi Koyama II project | Shinagawa-ku, Tokyo | 41 | 2027 |
| Magome IV Project | Ota-ku, Tokyo | 54 | 2027 |

Source: Shared Research based on company materials

# Performance by segment

## Real Estate business

In cumulative Q3 FY06/25, the Real Estate business (Real Estate Development and Sales, Real Estate Purchase and Sales, and Other Real Estate business) posted sales of JPY11.6bn (-32.9% YoY) and segment profit of JPY1.3bn (-48.8% YoY).

### Real Estate Development and Sales

In cumulative Q3 FY06/25, sales in Real Estate Development and Sales totaled JPY10.3bn, down 39.1% YoY. Despite the overall decline, sales of detached houses, apartments, terraced houses, and land for resale increased YoY, driven by K-nine's strong performance.

URBANET sold three urban rental apartment buildings with 97 units (versus seven apartment buildings with 503 units in cumulative Q3 FY06/24), an apartment building with 11 units (none in cumulative Q3 FY06/24), 23 detached and terraced houses (none), and seven land parcels (one land parcel). Sales in Real Estate Purchase and Sales also include sales of JPY575mn from K-nine's contracted construction. All three urban rental apartments completed and sold in Q3 FY06/25 were built to ZEH-M Oriented standards. These properties feature high thermal insulation, including Low-E double-glazed windows and additional insulation on exterior walls. They are also equipped with energy-efficient systems such as Eco-Jozu water heaters and LED lighting, contributing to reduced energy consumption.

## Performance in Real Estate Development and Sales

| | Q3 FY06/24 | | Q3 FY06/25 | | Changes (JPYmn) | Reasons for changes |
|---|---|---|---|---|---|---|
| | Number of units or parcels | Sales (JPYmn) | Number of units or parcels | Sales (JPYmn) | | |
| Urban rental apartments | 503 | 16,832 | 97 | 3,502 | -13,330 | Deliveries (recording of sales) concentrated in Q4 |
| Detached houses | - | | 9 | 620 | 620 | Sold by K-nine |
| Apartments | - | | 11 | 314 | 314 | Sold by K-nine |
| Terraced houses | - | | 14 | 1,234 | 1,234 | Sold by K-nine |
| Land sales | 1 | 81 | 7 | 4,055 | 3,974 | Sold by URBANET (parent company) and K-nine |
| Contracted construction | - | | - | 575 | 575 | Sold by K-nine |
| Total | | 16,913 | | 10,300 | -6,613 | |

Source: Shared Research based on company materials

## Properties for which sales were recorded in Q3



Source: Company materials
Left: Asyl Court Honancho Terrace; reinforced concrete; five stories; 36 units; completed end-January 2025
Center: Grand Concierge Nerima Nakamurabashi Asyl Court; reinforced concrete; five stories; 43 units; completed end-January 2025
Right: Grand Concierge Setagaya Asyl Court; reinforced concrete; five stories; 39 units; completed end-March 2025

### Properties for which sales were recorded in Q3 (K-nine)

Source: Company materials
Left: Higashi-Gotanda project (Shinagawa-ku); three detached houses; completed February 2025
Center: Midorigaoka project (Meguro-ku); one apartment building; three-story steel frame; completed March 2025
Right: Honmachi project (Shibuya-ku); five terraced houses; three-story light-gauge steel frame; completed March 2025

#### Synergies with K-nine

In Q3 FY06/25, K-nine received its first construction order from URBANET for an in-house development project. The first project, known as the Gotokuji project, is a four-story wall-structured reinforced concrete building with a total of 27 units, scheduled for completion in March 2026. To date, K-nine has primarily handled wooden and steel-frame construction projects, making this its first full-scale order involving reinforced concrete construction. In response, K-nine is expanding its architectural workforce, including construction management and site supervision personnel. URBANET believes that once K-nine becomes fully capable of executing reinforced concrete construction, it will unlock significant synergies within the group.

#### Real Estate Purchase and Sales

In cumulative Q3 FY06/25, sales in Real Estate Purchase and Sales increased JPY681mn YoY to JPY727mn, with one purchase and resale of a pre-owned property (versus one recorded in 1H FY06/24).

#### Other Real Estate business (including leasing and brokerage)

Sales in this subsegment (real estate brokerage and leasing) were JPY582mn (+71.2% YoY) in cumulative Q3 FY06/25. Since Q2 FY06/25, URBANET LIVING has been managing properties sold by K-nine. With the number of managed units expected to increase in line with rising sales, the company anticipates a moderate uptick in earnings.

### Hotel business

In cumulative Q3 FY06/25, the Hotel business generated sales of JPY177mn (+7.1% YoY) mainly from room fees for Hotel Asyl Tokyo Kamata and segment profit of JPY45mn (+35.3% YoY). The occupancy rate and the average daily rate (ADR) increased, backed by a recovery in domestic travel demand coupled with a surge in inbound tourists. According to the company, the occupancy rate in Q3 was approximately 90%, ADR was around JPY18,000, and inbound tourists accounted for about 50% of total guests. During the cherry blossom season, the proportion of foreign guests rose to around 70%, pushing the occupancy rate up to 92% in April.

In May 2025, the company announced plans to develop an apartment-style hotel on land for business use it acquired in April in Chuo-ku, Tokyo. The project is designed to accommodate group tourists and extended stays, targeting strong inbound tourism demand. It will be jointly developed with PROFITZ Co., Ltd. (unlisted), which specializes in maximizing real estate profitability, and TAT Inc. (unlisted), which has a proven track record in operating hotels for inbound travelers. The company has already secured a buyer and signed a sales contract. The site is located within a 10-minute walk of Hatchobori Station on the Tokyo Metro Hibiya Line. The hotel will comprise 16 rooms and is scheduled for completion in 2026.

## Assets, liabilities, and net assets

At end-Q3 FY06/25, total assets amounted to JPY62.2bn, up JPY15.2bn compared with end-FY06/24. This increase occurred primarily because cash and deposits decreased JPY2.5bn, while real estate for sale in process increased JPY14.5bn due to the company’s proactive land acquisitions. Real estate for sale increased about 2.4x from the end of

FY06/24 to JPY3.5bn, driven by the impact of consolidating K-nine. The company also reclassified some tangible fixed assets of JPY1.6bn previously held as rental properties as real estate for sale.

Liabilities increased to JPY47.8bn, up JPY15.6bn compared with end-FY06/24, mainly reflecting a JPY1.7bn rise in accounts payable due to an increase in properties developed and a JPY15.2bn increase in long-term borrowings (including the current portion of long-term borrowings) for long-term working capital through project funds and syndicated loans associated with land acquisitions. As of end-Q3 FY06/25, approximately 20% of interest-bearing debt was attributable to borrowings by K-nine.

Net assets amounted to JPY14.4bn (-JPY665mn compared with end-FY06/24). The decrease was due to the recording of net loss and the dividend payment, which offset increases in share capital and legal capital surplus through the exercise of the share acquisition rights. The company's equity ratio fell to 23.2% (versus 32.1% at end-FY06/24).

#### Funding activities

In March 2025, the company raised JPY300mn through Funds, a loan-type crowdfunding platform. This marked its fourth round of fundraising via the platform, with its offering fully subscribed on the day of launch—demonstrating that this method has become a well-established means of financing. Regarding the approximately JPY2.5bn in stock acquisition rights issued in September 2023, a total of 24,500 units (equivalent to 2.45mn shares) had been exercised as of end-March 2025, resulting in proceeds of about JPY930mn.

## 1H FY06/25 results (out February 7, 2025)

### Earnings summary

#### 1H FY06/25 (July–December 2024)

- Sales: JPY8.0bn (-30.3% YoY)
- Operating profit: JPY101mn (-87.9% YoY)
- Recurring loss: JPY232mn (profit of JPY720mn in 1H FY06/24)
- Net loss attributable to owners of the parent: JPY211mn (income of JPY510mn)

URBANET expects sales recognition for FY06/25 to be concentrated in Q4. As a result, as of end-1H FY06/25, progress toward the full-year target remained low, with the progress rate for sales at 24.9% and operating profit at 3.6%. With construction progressing well, the company maintains its earnings forecast at the time of the interim earnings announcement.

#### Factors behind lower sales and profit

The significant decline in sales and profit in 1H FY06/25 was mainly due to the scheduled recognition of project sales concentrated in Q4. The company plans to sell a total of 588 units in FY06/25, including urban rental apartments. However, in 1H, it sold only 77 units (-265 units YoY), comprising an urban rental apartment building with 50 units, an apartment building with 11 units, and 16 detached and terraced houses, along with five land parcels. K-nine, which became a consolidated subsidiary in February 2024, performed well with sales of JPY4.2bn and operating profit of JPY700mn in 1H FY06/25.

Cost of sales decreased 34.1% YoY, while the cost of sales ratio improved 4.7pp YoY to 81.1%, reflecting changes in the sales mix. Although sales of urban rental apartments declined YoY, K-nine posted a higher profit margin than URBANET on a non-consolidated basis, partly due to profit from land sales. SG&A expenses increased 77.7% YoY, with the SG&A ratio rising 10.8pp YoY to 17.7%. The increase in SG&A expenses was primarily driven by the consolidation of K-nine, an approximately 11% rise in salaries following revisions to the personnel system and a base pay hike, higher personnel expenses linked to the incentive program for real estate purchases, and a doubling of rent after the headquarters relocation. The company recorded a recurring loss as non-operating expenses grew to about 2.4x the 1H FY06/24 level, mainly due to higher financing costs associated with active acquisitions of prime commercial land in central Tokyo.

#### Land acquisitions

In Q2 FY06/25 (September–December 2024), the company made strong progress in purchasing land for development. It completed payments for five sites (listed below) and signed contracts for three more, acquiring a total of eight sites. Among these locations, the Gyotoku project in Ichikawa, Chiba Prefecture, marks the company's first land acquisition in Chiba. Following the consolidation of K-nine in February 2024, URBANET has expanded its development into new areas such as Yokohama and Kawasaki in Kanagawa Prefecture. Additionally, information sharing with K-nine has increased access to prime locations in central Tokyo, facilitating successful off-market transactions.

URBANET aims to acquire land for 600–700 residential units annually. It is building up a solid foundation for earnings in FY06/26 and beyond, backed by its robust land acquisition. As of end-December 2024, the company had secured land for over 2,000 units, including those planned for sale in FY06/25. At end-Q2, real estate for sale amounted to JPY3.3bn (+JPY1.8bn compared with end-FY06/24), including JPY1.6bn worth of tangible fixed assets previously held as rental properties, which were reclassified as real estate for sale. In addition, real estate for sale in process amounted to JPY37.8bn (+JPY9.0bn).

### Land acquisitions in Q2 (projects for which land prices have been paid)

| Project | Location | Total units | Scheduled completion |
|---|---|---|---|
| Shibuya Honmachi project | Shibuya-ku, Tokyo | 27 | 2027 |
| Nishimagome VIII project | Ota-ku, Tokyo | 48 | 2026 |
| Jujo II project | Kita-ku, Tokyo | 62 | 2027 |
| Kinshicho VI project | Sumida-ku, Tokyo | 42 | 2027 |
| Gyotoku project | Ichikawa, Chiba | - (Land: 1,870sqm) | - |

Source: Shared Research based on company materials

## Performance by segment

### Real Estate business

In 1H FY06/25, the Real Estate business (Real Estate Development and Sales, Real Estate Purchase and Sales, and Other Real Estate business) posted sales of JPY7.8bn (-30.7% YoY) and segment profit of JPY865mn (-37.6% YoY).

#### Real Estate Development and Sales

In 1H FY06/25, sales in Real Estate Development and Sales were JPY6.7bn (-39.3% YoY). URBANET sold an urban rental apartment building with 50 units (versus five apartment buildings with 342 units in 1H FY06/24), an apartment building with 11 units (none in 1H FY06/24), 16 detached and terraced houses (none), and five land parcels (one land parcel). Buyers included major real estate company funds and business operators. Sales in Real Estate Development and Sales include sales of JPY457mn from K-nine's contracted construction.

### Performance in Real Estate Development and Sales

| | Q2 FY06/24 | | Q2 FY06/25 | | Reasons for changes |
|---|---|---|---|---|---|
| | Number of units or parcels | Sales (JPYmn) | Number of units or parcels | Sales (JPYmn) | |
| Urban rental apartments | 342 | 10,960 | 50 | 2,005 | Sold as originally planned |
| Detached houses | - | - | 6 | 361 | Sold by K-nine |
| Apartments | - | - | 11 | 314 | Sold by K-nine |
| Terraced houses | - | - | 10 | 926 | Sold by K-nine |
| Land sales | 1 | 81 | 5 | 2,631 | Sold by URBANET (parent company) and K-nine |
| Contracted construction | - | - | | 457 | Sold by K-nine |
| Total | | 11,042 | | 6,698 | |

Source: Shared Research based on company materials

### Properties for which sales were recorded in Q2

Source: Company materials
Left: Togoshi project (urban rental apartment); center: Lim Terrace Soshigaya The Class (K-nine); right: Fols Class Ikegami (K-nine)

#### Real Estate Purchase and Sales

In 1H FY06/25, sales in Real Estate Purchase and Sales increased JPY681mn YoY to JPY727mn, with one purchase and resale of a pre-owned condominium by K-nine (versus one recorded in 1H FY06/24).

#### Other Real Estate business (including leasing and brokerage)

Sales in this subsegment (real estate brokerage and leasing through URBANET LIVING and K-nine) were JPY419mn (+87.1% YoY) in 1H FY06/25.

### Hotel business

In 1H FY06/25, the Hotel business generated sales of JPY120mn (+10.6% YoY) mainly from room fees for Hotel Asyl Tokyo Kamata and segment profit of JPY30mn (+53.2% YoY). The occupancy rate and the average daily rate (ADR) increased, backed by a recovery in domestic travel demand coupled with a surge in inbound tourists. According to the company, the occupancy rate in Q2 was approximately 90%, ADR was around JPY15,000, and inbound tourists accounted for about 60% of total guests.

## Assets, liabilities, and net assets

At end-Q2 FY06/25, total assets amounted to JPY57.2bn, up JPY10.2bn compared with end-FY06/24. This increase occurred primarily because cash and deposits decreased JPY1.2bn, while real estate for sale in process increased JPY9.0bn due to the company's proactive land acquisitions. The company also reclassified JPY1.6bn worth of tangible fixed assets as real estate for sale. These assets were previously held as rental properties until end-September 2024. Properties held by K-nine accounted for approximately 14% of total inventory.

Liabilities increased to JPY42.4bn, up JPY10.5bn compared with end-FY06/24, mainly reflecting a JPY621mn rise in accounts payable due to an increase in properties developed and a JPY10.7bn increase in long-term borrowings (including the current portion of long-term borrowings) for long-term working capital through project funds and syndicated loans associated with land acquisitions. Roughly 20% of interest-bearing debt at end-1H was attributed to borrowings by K-nine.

Net assets amounted to JPY14.8bn (-JPY243mn compared with end-FY06/24). The decrease was due to the recording of net loss and the year-end dividend payment, which offset increases in share capital and legal capital surplus through the exercise of the share acquisition rights. The company's equity ratio fell to 25.9% (versus 32.1% at end-FY06/24).

### Financing

URBANET recognizes the importance of securing stable funding to accelerate business growth. In December 2024, the company executed its first syndicated term loan to strengthen its financial foundation, securing JPY2.0bn with a five-year borrowing period. Additionally, in February 2025, it raised a record-high JPY300mn through the loan-type crowdfunding platform known as Funds. The planned investment period is approximately 11 months, with an expected annual pre-tax yield of 2.40%. The company reached its funding target on the first day of solicitation and plans to allocate the proceeds to general business purposes, including its Real Estate Development and Sales business and sustainability initiatives.

### Completion of ZEH-M urban rental apartments

As part of its commitment to the SDGs, URBANET became the first in the industry (based on its own research) to develop studio apartments for investment compliant with net Zero Energy House (ZEH) standards in 2021. This initiative followed the Japanese government's October 2021 announcement requiring all new buildings constructed after 2030 to be ZEH-compliant as a measure to counteract global warming. The company obtained accreditation in March 2022 and began construction in April 2022 for its first ZEH-M project, Makes Hikawadai Asyl Court, which was completed at end-February 2023.

By end-January 2025, URBANET had completed two additional ZEH-M properties: Asyl Court Honancho Terrace and Grand Concierge Nerima Nakamurabashi Asyl Court. Both properties feature high thermal insulation designs, including multi-layer glass windows and additional insulation in exterior walls. They are also equipped with high-efficiency facilities such as Eco-Jozu energy-saving water heaters and LED lighting, earning ZEH-M Oriented certification. Additionally, URBANET-brand Asyl Court properties come standard with the URBANET Disaster Prevention Program, which provides protection against typhoons and heavy rainfall, demonstrating the company’s commitment to disaster preparedness. The company plans to develop three more ZEH-M properties in FY06/25.

The cost of ZEH-M apartments is just over JPY500,000 higher per unit than standard apartments. However, URBANET believes higher rental prices can improve investment returns, promoting the wider adoption of ZEH-M properties. With rising energy costs, the company expects growing demand for energy-efficient ZEH-M apartments and ultimately aims to make all its developments ZEH-compliant. A resident survey at Makes Hikawadai Asyl Court indicated strong ratings for comfort, with many respondents expressing a willingness to pay higher rents for ZEH-M apartments. Rents for Asyl Court Honancho Terrace were JPY4,000–5,000 higher than the surrounding market rate, while rents for Grand Concierge Nerima Nakamurabashi Asyl Court were approximately JPY7,000 higher. Despite these premiums, both properties were nearly fully occupied as of end-February 2025.

*ZEH is an acronym for “net Zero Energy Housing.” ZEH refers to housing that achieves net energy usage of zero or less by improving the building’s heat insulation, introducing energy-efficient equipment to save energy, and using solar power generation or other renewable energy sources to generate the energy needed by the home. ZEH has been attracting attention in the US since around 2008. In Japan, the Ministry of Economy, Trade and Industry and the Ministry of the Environment have launched a subsidy program to promote ZEH under the Strategic Energy Plan passed by a Cabinet Decision in 2014.

*[2] ZEH-M Oriented refers to condominium buildings that achieve a 34–35% reduction in primary energy consumption solely through energy-saving measures, without requiring solar panel installation or compliance with renewable energy regulations. Condominium buildings are classified into four categories based on energy saving rates and other criteria, with ZEH-M Oriented having the lowest energy saving rate, followed by ZEH-M Ready, Nearly ZEH-M, and ZEH-M.

## Q1 FY06/25 results (out November 6, 2024)

### Earnings summary

#### Q1 FY06/25 (July–September 2024)

- Sales: JPY1.8bn (-61.2% YoY)
- Operating loss: JPY130mn (profit of JPY270mn in Q1 FY06/24)
- Recurring loss: JPY262mn (profit of JPY212mn)
- Net loss attributable to owners of the parent: JPY200mn (income of JPY138mn)

In Q1, the company’s progress toward its full-year FY06/25 target was 5.6% for sales. The rate of progress is low because all urban rental apartments are slated for sale in Q2 and beyond, and sales recognition is concentrated in 2H of the fiscal year.

## Factors behind lower sales and profit

The significant decline in sales and profit in Q1 FY06/25 was mainly due to the scheduled recognition of FY06/25 sales concentrated in Q4. Out of 588 units in total to be sold in FY06/25, the company completed the sale of only nine detached and terraced houses along with two land parcels in Q1. As originally planned, the company recorded no sales of urban rental apartments in Q1, with all sales scheduled for Q2 and beyond. In addition, a land resale initially scheduled for Q1 was instead recorded in October, and sales of 57 units initially scheduled for Q1 FY06/25 were recorded earlier in FY06/24, which also contributed to the decline in sales and profit. K-nine Co., Ltd., which became a consolidated subsidiary in February 2024, performed well and contributed to profit more than initially expected. The group's overall results were broadly in line with the initial projections for Q1 FY06/25. In the Hotel business, sales and profit increased, backed by a recovery in tourism in Japan and a surge in inbound demand.

Cost of sales decreased 67.8% YoY, and the cost of sales ratio fell 14.6pp YoY to 71.2%. This improvement was attributable to K-nine's higher profit margin than URBANET on a non-consolidated basis, as K-nine targets GPM of 30% and OPM of 10%. SG&A expenses increased 68.0% YoY due to an increase (roughly by 20%) in personnel costs following the consolidation of K-nine, strengthened investments in human capital, and headquarters relocation costs. Consequently, the SG&A ratio rose to 36.1% (+27.8pp YoY).

## Development environment and the company's response

URBANET recognizes that land acquisition continues to be increasingly challenging. Land prices in urban areas remain high, and the uncertainty caused by the overheated real estate market and rising interest rates persists, which tends to make financing more difficult. Nevertheless, the company reports steady progress in raising funds backed by a solid financial foundation. The company implemented an incentive program in July 2023 and has invested in human capital by, for instance, relocating its headquarters and raising salary levels, which have boosted employee motivation. The company has secured talented individuals through mid-career hires and enhanced its property acquisition capabilities. URBANET used to select land lots within a 10-minute walk of a train station in central Tokyo. However, due to demand for larger family-oriented layouts, the company has expanded to include properties located within a 12–13 minute walking distance. By sharing information with K-nine, the company is also exploring land purchases in previously untapped areas.

While the company has not seen any significant delays in construction, it anticipates construction durations to extend in the future. The company also expects construction costs to remain high, due to soaring costs of construction materials and labor. At URBANET, a team of nine members from the construction and architectural design departments is dedicated to developing innovative structural designs and construction methods to minimize costs. The company has also been consistently hiring new architectural department graduates over the past five years, and these new hires are now growing into valuable assets.

## Business environment and the company's response

Real estate sales remain strong, supported by the relatively robust domestic economy. Inquiries from funds and REITs continued to be strong, particularly in Greater Tokyo, with real estate market prices in central Tokyo on a firm upward trend. The company recognizes that and is closely monitoring interest rates and changes in financial institutions' policies.

In the Hotel business, the occupancy rate and the average daily rate (ADR) increased, backed by a recovery in domestic tourism and inbound demand in the industry. With inbound demand expected to grow further, the company aims to enhance profitability through higher ADRs.

## Land acquisitions

In Q1 FY06/25, the company made good progress in purchasing land for development. It completed payments for five sites and signed contracts for three more, acquiring a total of eight sites. The company has set a target of acquiring land for 600–700 residential units annually. It is building up a solid foundation for earnings in FY06/26 and beyond, reflecting its robust land acquisition. As of end-September 2024, the company has secured land for about 2,000 units, including those planned for sale in FY06/25. At end-Q1, real estate for sale amounted to JPY2.8bn (+JPY1.3bn compared with end-FY06/24), which includes JPY1.6bn worth of some tangible fixed assets reclassified from rental properties to real estate for sale. In addition, real estate for sale in process amounted to JPY34.5bn (+JPY5.8bn).

## Land acquisitions in Q1 (projects for which land prices have been paid)

| | Location | Total units | Scheduled completion |
|---|---|---|---|
| Jujo project | Kita-ku, Tokyo | 55 | 2027 |
| Higashi-koenji II project | Suginami-ku, Tokyo | 58 | 2027 |
| Higashi-fuchu II project | Fuchu, Tokyo | 54 | 2026 |
| Koenji project | Suginami-ku, Tokyo | 41 | 2026 |
| Shimotakaido II project | Suginami-ku, Tokyo | 53 | 2026 |

Source: Shared Research based on company materials

# Performance by segment

## Real Estate business

In Q1 FY06/25, the Real Estate business (Real Estate Development and Sales, Real Estate Purchase and Sales, and Other Real Estate business) posted sales of JPY1.7bn (-62.0% YoY) and segment profit of JPY217mn (-59.7% YoY).

### Real Estate Development and Sales

In Q1 FY06/25, sales in Real Estate Development and Sales were JPY1.6bn (-64.6% YoY). URBANET in Q1 FY06/25 sold nine detached and terraced houses (none in FY06/24), and two land parcels (one land parcel in FY06/24).

## Performance in Real Estate Development and Sales

| | Q1 FY06/24 | | Q1 FY06/25 | | |
|---|---|---|---|---|---|
| | Number of units or parcels | Sales (JPYmn) | Number of units or parcels | Sales (JPYmn) | Reasons for changes |
| Urban rental apartments | 117 | 4,352 | - | - | No delivery (recording of sales) as originally planned |
| Detached houses | - | - | 4 | 231 | Sold by K-nine |
| Terraced houses | - | - | 5 | 517 | Sold by K-nine |
| Land sales | 1 | 81 | 2 | 772 | Sold by K-nine |
| Contracted construction | - | - | | 49 | Sold by K-nine |
| Total | | 4,433 | | 1,571 | |

Source: Shared Research based on company materials

## Detached and terraced houses for which sales were recorded in Q1


Lim Terrace Yotsuya The Class


Motoishikawa-cho project

Source: Shared Research based on company materials

### Real Estate Purchase and Sales

The company recorded no purchases or resales of pre-owned condominiums or pre-owned detached houses (none in Q1 FY06/24 as well).

### Other Real Estate business

Sales in this subsegment (real estate brokerage and leasing) were JPY157mn (+38.8% YoY) in Q1 FY06/25. Sales growth was due to the addition of property leasing and brokerage sales from K-nine. URBANET LIVING will begin to manage terraced houses sold by K-nine in Q2 FY06/25, and URBANET expects a slight increase in sales in the future.

### Hotel business

In Q1 FY06/25, the Hotel business generated sales of JPY57mn (+11.3% YoY) mainly from room fees for Hotel Asyl Tokyo Kamata. The occupancy rate and the average daily rate (ADR) increased, backed by a recovery in domestic travel demand coupled with a surge in inbound tourists. As a result, segment profit rose +58.9% YoY to JPY13mn. According to the company, the occupancy rate in Q1 was roughly 90%, and the ADR was about JPY14,600. Agreements with travel agencies have helped reduce cancellation rates, contributing to higher ADR and cost control. Overseas tourists accounted for 50–60% of hotel guests, with the majority being travelers from China, followed by those from South Korea.

## Assets, liabilities, and net assets

At end-Q1 FY06/25, total assets amounted to JPY51.4bn, up JPY4.5bn compared with end-FY06/24. This increase occurred primarily because cash and deposits decreased JPY1.8bn, while real estate for sale in process increased JPY5.8bn. In addition to proactively acquiring land, the company has supported K-nine in securing finances, which has also contributed to the increase in inventory assets. The company also reclassified some tangible fixed assets previously held as rental properties of JPY1.6bn as real estate for sale.

Liabilities increased to JPY36.9bn, up JPY5.0bn compared with end-FY06/24, mainly reflecting a JPY542mn increase in short-term borrowings related to tax payments and a JPY4.6bn increase in long-term borrowings (including the current portion of long-term borrowings) associated with land acquisitions.

Net assets amounted to JPY14.5bn (-JPY559mn compared with end-FY06/24). The decrease was due to the recording of net loss and the year-end dividend payment. The company's equity ratio fell to 28.2% (versus 32.1% at end-FY06/24).

### URBANET group's first development of healthcare asset

Under the policy of promoting initiatives in response to social changes and needs stemming from Japan's aging population and declining birth rate, URBANET commenced its first healthcare asset development, marking the company's initial entry into the development of a paid nursing care facility. In the project, URBANET will develop the facility, and Charm Care Corporation (TSE Prime: 6062), a leading company in the elderly care industry, will manage and operate the facility. Charm Care has been operating 91 paid nursing care facilities in the Kinki and Tokyo metropolitan areas since 2005 (as of end-June 2024).
URBANET aims to create enhanced product offerings by combining its product development expertise with Charm Care's operational experience and ingenuity in elderly care. In addition, the company will entrust the design and construction of the facility to Daiwa House Industry Co., Ltd. (TSE Prime: 1925), a company with extensive experience in the paid nursing care facility business.

**Exterior completion rendering Chitose-Karasuyama II project (tentative)**

Source: Company material
Location: Setagaya-ku, Tokyo; steel frame with partially reinforced concrete, one basement floor, and three above-ground floors, 63 units, completion slated for December 2025

# News and topics

## Revisions of full-year FY06/25 earnings forecast

2025-07-24

URBANET Corporation has announced an upward revision to its full-year consolidated earnings forecast for FY06/25, originally disclosed on August 8, 2024.

- Sales: JPY33.9bn (+21.2% YoY; previous forecast: JPY32.0bn)
- Operating profit: JPY3.5bn (+26.5% YoY; JPY2.8bn)
- Recurring profit: JPY2.8bn (+13.3% YoY; JPY2.5bn)
- Net income attributable to owners of the parent: JPY1.9bn (+8.7% YoY; JPY1.7bn)
- Earnings per share: JPY56.25 (vs. JPY54.15 in FY6/24; JPY53.77)

The company has revised its full-year forecast upward as sales and profits at all levels are now expected to exceed initial projections, due to the following factors.

1. The sale of one project not included in the initial plan was realized in Q4 FY06/25.
2. K-nine Co., Ltd., which was acquired in February 2024 and became a consolidated subsidiary, delivered stronger-than-expected performance.
3. The Hotel business remained solid throughout the period.

## URBANET announces land acquisition and business alliance for Niseko Hirafu project in Hokkaido

2025-06-30

URBANET Corporation announced that it has acquired commercial land and entered into a business alliance agreement as part of efforts to diversify its business portfolio. This move marks the launch of a new real estate development business targeting high-net-worth individuals in both domestic and international markets.

Aiming to diversify its business portfolio, URBANET is launching a new real estate development business targeting high-net-worth individuals in Japan and overseas. As part of this initiative, it acquired a commercial site in the Niseko Hirafu area of Hokkaido on June 26, 2025. This acquisition aligns with the company's medium-term business plan, CHALLENGE 2028: Creating valuable spaces, and forms part of its real estate solutions business for high-net-worth clients both domestically and internationally.

Travel and leisure demand among affluent individuals—particularly inbound travelers—continues to grow, with strong momentum in Hokkaido, where winter sports are especially popular. Development needs for high value-added lodging and related facilities in the region have been rising year by year. According to the Japan Tourism Agency's survey of consumption trends among foreign visitors to Japan (2018 and 2023), winter sports have boosted overall spending, and further growth in demand is expected. In response to these market trends, the company has selected the Hirafu area—at the heart of Niseko and one of the world's premier snow resort areas—as the site of its first project. This development will focus on creating a multi-functional space that integrates accommodation, commercial facilities, and related infrastructure.

To support the development of resort assets beginning with this project, URBANET has concluded a business alliance agreement with REAX International Co., Ltd. (unlisted), which operates branches in Niseko, Karuizawa, and other locations, and has particular strength in working with overseas investors, especially those based in Asia. Through this alliance, the company will collaborate with REAX to share real estate information related to potential development sites for condominiums, hotels, hotel condominiums, and other properties—primarily in the Tokyo metropolitan area and Hokkaido. The partnership is also expected to support global business expansion, including the sale of development properties to overseas investors.

#### Project overview

| | |
|---|---|
| Project name | (Tentative) Niseko Hirafu project |
| Location | Niseko Hirafu, Kutchan-cho, Abuta-gun, Hokkaido |
| Land area | 1,311sqm (registered land area) |

Source: Shared Research based on company data

## URBANET announces medium-term business plan and postponement of merger effective date for wholly owned subsidiary (simplified/short-form merger)

2025-05-13

URBANET Corporation announced that its Board of Directors, at a meeting held on the same day, approved the URBANET Group Medium-term Business Plan (July 2025–June 2028) (hereinafter, the "Medium-term Business Plan").

#### Overview of the Medium-term Business Plan

- FY06/25: Sales of JPY32.0bn; operating profit of JPY2.8bn
- FY06/26: Sales of JPY37.0bn; operating profit of JPY3.6bn
- FY06/27: Sales of JPY42.5bn; operating profit of JPY4.1bn
- FY06/28: Sales of JPY50.0bn; operating profit of JPY4.6bn

The plan is presented under the slogan CHALLENGE 2028: Creating valuable spaces. URBANET aims to achieve a market capitalization of JPY20.0bn at an early stage by targeting ROE exceeding the CAPM-based theoretical cost of equity and pursuing improvements in its price-to-book (P/B) ratio.

The company also announced that its Board of Directors resolved to postpone the effective date of the merger with M-Land Co., Ltd., a wholly owned subsidiary. The merger had originally been disclosed on February 20, 2025.

The effective date has been changed from June 1, 2025 to June 30, 2025. This change reflects the revised timeline for the completion, sale, and delivery of an urban rental apartment development project located on company-owned land, which URBANET has been jointly promoting with M-Land. The project is now expected to reach completion in mid-June 2025 or later. According to the company, as the merger involves a wholly owned subsidiary, the impact on its full-year FY06/25 earnings will be negligible, and no revision to earnings forecasts has been made.

## Announcement regarding conclusion of syndicated loan agreement

2024-12-19

URBANET Corporation announced its Board of Directors reached the decision to conclude a syndicated loan agreement during a meeting held on December 19, 2024.

#### Purpose of the agreement

URBANET aims to achieve sustainable growth and enhance corporate value by investing in human capital and expanding its business domains. As a result, the company has progressed in acquiring land for urban rental apartment projects, its mainstay business. Looking ahead, the company envisions expanding its medium- to long-term business earnings through initiatives such as mergers and acquisitions and new business development. URBANET also recognizes the importance of securing stable funding to accelerate its business growth. By concluding a syndicated term loan agreement, the company seeks to establish a stronger financial foundation.

#### Outline of the syndicated loan

| | |
|---|---|
| Type of contract | Syndicated term loan |
| Loan amount | JPY2.0bn |
| Signing date | December 24, 2024 (planned) |
| Loan disbursement date | December 27, 2024 (planned) |
| Maturity date | December 27, 2029 (planned) |

According to the company, the agreement will not change its full-year earnings forecast for FY06/25. The company stated it would promptly announce any matters requiring further disclosure should they arise.

# Other information

## History

| | | |
|---|---|---|
| 1997 | Jul | Established URBANET Inc. (now URBANET Corporation) to engage in civil engineering and architectural design, as well as real estate buying, selling, leasing, and brokerage |
| 2000 | Dec | Launched the condominium development and sales business |
| 2002 | Feb | Launched the real estate leasing business |
| | Mar | Changed company name to URBANET Corporation |
| | Jun | Launched the detached house development and sales business |
| 2007 | Mar | Listed on JASDAQ Securities Exchange |
| 2008 | Oct | Established sales department and launched pre-owned condominium purchase and resale business |
| 2010 | Apr | Listed on Osaka Securities Exchange (JASDAQ Market) following the merger of the JASDAQ Securities Exchange and the Osaka Securities Exchange |
| | Oct | Listed on Osaka Securities Exchange JASDAQ (Standard) following integration of the Hercules, JASDAQ, and NEO markets |
| 2013 | Jul | Listed on JASDAQ (Standard) of the Tokyo Stock Exchange after its merger with the Osaka Securities Exchange |
| 2015 | Mar | Established consolidated subsidiary URBANET LIVING Co., Ltd. |
| 2017 | Jul | Launched the hotel business |
| 2020 | Oct | Opened Hotel Asyl Tokyo Kamata in Ota-ku, Tokyo |
| 2022 | Apr | Moved to the Standard Market from JASDAQ (Standard) of the Tokyo Stock Exchange due to market restructuring |
| 2024 | Feb | Acquired all shares of K-nine Co., Ltd., making it a consolidated subsidiary |

Source: Shared Research based on company materials

### URBANET BASIC MISSION

| | | |
|---|---|---|
| B | BRIDGE | We will act as a bridge between companies, between people, between information, and between present and future. |
| A | ACTION | We will take positive action, imagining success without fear of failure. |
| S | SKILL | We will work with precision and speed and always make self-improvements for the best results. |
| I | IDEAL | We will do our utmost to create an aesthetic and sophisticated "ideal home" with innovative ideas. |
| C | COMMUNICATION | We will treat each other with sincerity and humility, communicate fully, and build solid relationships of trust. |

Source: Shared Research based on company materials

## Corporate governance and top management

### Corporate governance

With a focus on developing next-generation talent, URBANET implemented a series of personnel changes in July 2021, including organizational restructuring and the promotion of young employees to key positions to streamline operations and enhance functionality. Since FY06/20, the company has also held management training sessions four times a year.

Marking its 25th anniversary in July 2022, URBANET transitioned to a new management structure, including a change in top management, in September of the same year. Mr. Hattori assumed the roles of chairman, CEO, and representative director, while Mr. Tanaka was appointed president and representative director. The new dual representative director system is designed to reinforce the management framework, enabling the company to respond quickly to challenges such as tougher land acquisition conditions and rising interest rates, while delegating authority to revitalize operations.

| Organization form and capital structure | |
|---|---|
| Form of organization | Company with auditors |
| Controlling shareholder | None |
| **Directors** | |
| Number of directors under Articles of Incorporation | 10 |
| Directors' term of office under Articles of Incorporation | 1 year |
| Number of directors | 9 |
| Number of independent outside directors | 3 |
| **Audit & Supervisory Board** | |
| Number of members of the Audit & Supervisory Board under Articles of Incorporation | 4 |
| Number of outside members of the Audit & Supervisory Board | 3 |
| **Other** | |
| Number of independent outside officers (directors and members of the Audit & Supervisory Board) | 3 |
| Measures to provide incentives to directors | Performance-based compensation system |
| Participation in electronic voting platform | Yes |
| Other initiatives to enhance voting rights of investors | None |
| Providing convocation notice in English | None |
| Disclosure of directors' compensation | None |
| Disclosure of executive officers' compensation | - |
| Policy on determining amount of compensation and calculation methodology | Yes |
| Takeover defenses | None |

Source: Shared Research based on company materials (as of September 2025)

## Top management

### Shinji Hattori, chairman and CEO; first-class architect (born June 29, 1950)

| | |
|---|---|
| Apr 1974 | Joined Hokuto Kensetsu Co., Ltd. |
| Aug 1976 | Joined Kaku Architects Office |
| Sep 1978 | Established Kaku Architects Office, representative |
| Feb 1981 | Joined Meisei Kensetsu Co. (now X-ARC Urban Architects Inc.) as senior managing director |
| Jul 1997 | Established URBANET Inc. (now URBANET Corporation), CEO |
| Sep 2006 | President and representative director |
| Sep 2022 | Chairman and CEO (current position) |

### Atsushi Tanaka, president and representative director (born April 28, 1969)

| | |
|---|---|
| Jan 1989 | Joined Seibu Fudosan Co., Ltd. |
| Jan 1990 | Joined Marumasu Co. |
| Sep 1994 | Joined Hishiwa House Co. |
| Jan 1997 | Joined KSC Co. |
| Mar 1998 | Joined URBANET Inc. (now URBANET Corporation) |
| Jan 2003 | Director, head of urban development |
| Jul 2007 | Director and executive officer, head of urban development |
| Jul 2009 | Director and managing executive officer, head of urban development division and urban development department |
| Jul 2011 | Director and managing executive officer, head of urban development division and urban development department, head of development sales |
| Jul 2012 | Director and managing executive officer, head of urban development division |
| Sep 2018 | Managing director and managing executive officer, head of urban development division |
| Oct 2019 | Vice president, director, senior executive officer, head of operations |
| Jul 2021 | Vice president and director |
| Sep 2022 | President and representative director (current position) |

# Major shareholders

| Top 10 shareholders | Shares held | Shareholding ratio |
|---|---|---|
| Hattori Inc. | 4,944,100 | 13.90% |
| Milestone Capital Management | 601,900 | 1.69% |
| Custody Bank of Japan, Ltd. (Trust account) | 588,500 | 1.65% |
| Goda Koumuten Co., Ltd. | 588,000 | 1.65% |
| Hironobu Hattori | 384,000 | 1.08% |
| Shinji Hattori | 350,000 | 0.98% |
| Shuji Okuda | 321,300 | 0.90% |
| Meiwa Co., Ltd. | 280,000 | 0.79% |
| The Nomura Trust and Banking Co., Ltd. (Investment trust account) | 182,600 | 0.51% |
| Yoshizumi Kimura | 173,300 | 0.49% |
| Total | 8,413,700 | 23.65% |

Source: Shared Research based on company materials (as of June 30, 2025)
Note: Shareholding ratio is calculated excluding 149 shares of treasury stock.

At end-FY06/25, URBANET had 35,574,100 shares outstanding. The top 10 shareholders held 23.65%, while individual shareholders accounted for 76.05%. The free float ratio was 52.13%.

In September 2023, the company issued its 12th series of share acquisition rights to raise funds for sustainable growth and strengthen its financial base, securing proceeds of about JPY2.5bnn in proceeds (net proceeds of about JPY2.5bn). As of end-June 2025, 42,000 rights (4.2mn shares) had been exercised, generating about JPY1.6bn, while 20,000 rights (2.0mn shares) remained unexercised.

## Policy on shareholder returns

| | FY06/16 | FY06/17 | FY06/18 | FY06/19 | FY06/20 | FY06/21 | FY06/22 | FY06/23 | FY06/24 | FY06/25 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. | Cons. |
| Dividend per share | 16.0 | 21.0 | 16.0 | 18.0 | 20.0 | 17.0 | 17.0 | 19.0 | 21.0 | 22.0 |
| Payout ratio | 35.1% | 35.8% | 40.7% | 34.6% | 38.0% | 41.6% | 40.6% | 41.0% | 38.8% | 39.1% |

Source: Shared Research based on company materials

To build a stable management base, URBANET aims to strengthen its financial position by accumulating retained earnings while recognizing profit distribution to shareholders as a key management priority. The company's dividend policy was initially to distribute 35% of net income attributable to owners of the parent after income tax adjustments. In FY06/19, however, it discontinued the shareholder benefit program introduced in FY06/18, as it offered little value for corporate or small shareholders. Returning to basics, and recognizing dividends as the central element of shareholder returns, the company raised the payout ratio from 35% to 40%.

Since FY06/20, its policy has been to distribute 40% of net income attributable to owners of the parent after income tax adjustments. In FY06/23, it paid a dividend of JPY19.0 per share (interim dividend of JPY9.0 and year-end dividend of JPY10.0), for a payout ratio of 41.0%. The interim dividend included a JPY1.0 commemorative dividend to mark the company's 25th anniversary. In FY06/25, the company paid JPY22.0 per share (interim dividend of JPY10.0 and year-end dividend of JPY12.0), for a payout ratio of 39.1%. For FY06/26, it plans to maintain the dividend at JPY22.0 per share, with a projected payout ratio of 40.5%.

## Employees

<table>
<tr><th></th><th>FY06/16</th><th>FY06/17</th><th>FY06/18</th><th>FY06/19</th><th>FY06/20</th><th>FY06/21</th><th>FY06/22</th><th>FY06/23</th><th>FY06/24</th><th>FY06/25</th></tr>
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<tr><td>Urban development division</td><td>22</td><td>22</td><td>24</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Administrative division</td><td>15</td><td>16</td><td>18</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Real Estate</td><td></td><td></td><td></td><td rowspan="2">28</td><td rowspan="2">31</td><td rowspan="2">26</td><td rowspan="2">29</td><td rowspan="2">30</td><td rowspan="2">51</td><td rowspan="2">64</td></tr>
<tr><td>Hotel</td><td></td><td></td><td></td></tr>
<tr><td>Company-wide (shared)</td><td></td><td></td><td></td><td>19</td><td>21</td><td>21</td><td>20</td><td>18</td><td>22</td><td>26</td></tr>
<tr><td>Total</td><td>37</td><td>38</td><td>42</td><td>47</td><td>52</td><td>47</td><td>49</td><td>48</td><td>73</td><td>90</td></tr>
</table>

Source: Shared Research based on company materials

At end-FY06/25, URBANET had 90 employees on a consolidated basis, up 17 YoY. The company celebrated its 25th anniversary in July 2022 and relocated its headquarters in July 2024 to expand its organization and workforce for further growth. The new office has twice the space of the previous one, and the company plans to further increase headcount.

K-nine has been reinforcing its construction workforce, with headcount rising by seven since becoming a subsidiary of URBANET. In April 2025, four new graduates joined—two in sales and two in design. At end-FY06/25, URBANET had 90 employees on a consolidated basis and an average of seven contract or part-time employees during the year. On a non-consolidated basis, the company had 54 employees (+12 YoY), with an average age of 41.6 years and an average tenure of six years and six months.

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