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URBANET Corporation

Company Name

URBANET Corporation

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Common structure across all coverage: All companies we cover follow the same table of contents, enabling consistent and comprehensive analysis.

This report is rewritten every quarter based on direct interviews with the company. The latest version is available on the report page on our website.

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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 townhouses and other properties. The company primarily sells properties on a whole-building basis. In addition to its traditional wholesale sales to condominium sales companies, it is expanding direct sales to major institutional investors and funds. Extensive outsourcing enables the company to operate efficiently while limiting risk. Its properties feature timeless monochrome exteriors designed to blend into the surrounding streetscape, original bathroom layouts, ample storage, and entrance halls featuring three-dimensional artwork. These features help sustain high rents and occupancy rates.

In the Real Estate business, URBANET is promoting the development of mixed-use condominiums designed for DINKs and families with children, in addition to its traditional investment-use studio apartments. Accordingly, starting from end-FY06/24, the company began referring to the apartments it develops as urban rental apartments rather than investment-use studio apartments.

In FY06/26, the Real Estate business accounted for 99.4% of the company's total sales of JPY39.4bn (+16.1% YoY). The business consists of three subsegments: Real Estate Development and Sales (96.5% of total sales), which develops urban rental apartments; Real Estate Purchase and Sales (1.4%), which purchases and resells pre-owned condominiums; and Other Real Estate business (1.5%), which handles real estate brokerage and leasing. K-nine Co., Ltd., which became a consolidated subsidiary in Q3 FY06/24, primarily develops and sells detached houses and townhouses to end users and also undertakes building construction. Its results are included in the Real Estate Development and Sales subsegment. URBANET also entered the Hotel business in FY06/18 (0.6% of total sales). Its self-developed Hotel Asyl Tokyo Kamata, which opened in October 2020, was affected by the COVID-19 pandemic for an extended period but turned profitable in FY06/24.

Established in July 1997 by Chairman and CEO Shinji Hattori, a first-class architect, URBANET is a condominium developer with roots in architectural design and real estate consulting. The company handles the overall design of urban rental apartments and acquires the development sites, while outsourcing detailed architectural design to design firms and construction work to general contractors. Each year, it screens hundreds of potential sites and prepares design plans based on floor-area ratios to assess their suitability for urban rental apartment development. Because URBANET handles in-house the planning work that developers typically commission to design firms, it can quickly assess project profitability and make acquisition decisions. In FY06/26, the company completed acquisitions of development sites for 20 projects, based on transactions settled during the year.

URBANET primarily sells entire buildings to condominium sales companies (B2B), thereby limiting sales risk. The urban rental apartment buildings it develops typically contain 40–50 units. URBANET sells them at about JPY30mn per unit (Shared Research estimate), after which condominium sales companies market the individual units to investors and other buyers at around JPY35mn each. In recent years, URBANET has increasingly sold entire buildings directly to corporations, funds, and asset management companies established by individual investors in Japan and overseas. The company also develops condominiums, detached houses, and apartment buildings. Subsidiary URBANET LIVING, which provides brokerage and property management services, handles condominium sales to individuals, while K-nine primarily develops and sells detached houses and townhouses.

URBANET focuses on development and makes extensive use of outsourcing, enabling it to operate efficiently with a small workforce while keeping fixed costs low. By primarily selling entire buildings to condominium sales companies, the company limits its exposure to the development phase. Under its contracts, URBANET receives payment for all units in an urban rental apartment building within four months of completing the building and delivering it to a condominium sales company. The company receives payment each time the condominium sales company sells a unit to an investor. At the end of the four-month period, the condominium sales company pays the remaining balance in full for any unsold units, meaning that no accounts receivable remain outstanding.

Tenants are the end users of urban rental apartments. URBANET principally develops properties in 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 23 wards are among the last areas in Japan where population inflows are likely to continue. According to the Statistics Bureau of the Ministry of Internal Affairs and Communications, net population inflows into the 23 wards are projected to continue through 2040 even as Japan's overall population declines (discussed in detail later in this report). Second, many people moving into Tokyo—particularly into the 23 wards—are single and therefore represent potential tenants for studio apartments. Third, prospective tenants tend to prefer prime locations near train stations that offer convenient access to work or school. Finally, buyers of urban rental apartments are investors rather than residents, allowing the company to generate demand as long as the properties offer attractive yields.

According to URBANET, the period from land acquisition (transfer of title) through sale has lengthened from around two years previously to about three years at present, partly due to work-style reforms at general contractors. In principle, the company finances the entire cost of land acquisitions with bank loans. In many cases, it has already identified a buyer when it acquires a site. Payments to general contractors are divided into three stages: 10% at the start of construction, 10% when the structural frame is completed, and the remaining 80% in line with settlement for individual units. Condominium sales companies to which URBANET sells entire buildings include Meiwa Co., Ltd. (unlisted) and ASSETLEAD Inc. (unlisted). Goda Koumuten Co., Ltd. (unlisted; headquartered in Takamatsu, Kagawa Prefecture), which is also one of URBANET's shareholders, constructs a substantial number of the properties developed by the company.

Sales of urban rental apartments are determined by the number of buildings sold and the average price per building, while sales from the resale of pre-owned condominiums are determined by the number of units sold and the average price per unit. Sales also include brokerage fees from other businesses, rental income from income-generating properties, and hotel accommodation fees. In FY06/26, cost of sales increased 14.8% YoY, while the cost of sales ratio declined 0.9pp YoY to 80.1%. The company has contained the impact of rising construction material prices and other cost increases by placing construction orders at an early stage. SG&A expenses rose 24.1% YoY, driven mainly by a 17.9% increase in personnel expenses, which accounted for 27.6% of total SG&A expenses. Sales growth limited the increase in the SG&A ratio to 0.6pp YoY, bringing it to 9.4%.

URBANET's main competitors include FJ Next Holdings Co., Ltd. (TSE Prime: 8935), Dear Life Co., Ltd. (TSE Prime: 3245), and Good Com Asset Co., Ltd. (TSE Prime: 3475). Compared with competitors and industry peers, URBANET's profitability (ROE of 11.6% in FY06/26) and efficiency (ROA of 4.4%) were below the 10-company averages of 17.0% and 9.7%, respectively. However, sales and operating profit per employee were significantly higher than the 10-company averages of JPY213.4mn and JPY23.1mn, reaching JPY375.2mn and JPY39.5mn, respectively, in FY06/26 (see "Industry peers and competitors").

Earnings trends

In FY06/26, URBANET reported sales of JPY39.4bn (+16.1% YoY), operating profit of JPY4.1bn (+19.1% YoY), recurring profit of JPY3.1bn (+12.5% YoY), and net income attributable to owners of the parent of JPY2.1bn (+15.1% YoY). Results exceeded the upwardly revised forecast announced on July 23, 2026. The company sold 12 urban rental apartment buildings with 541 units (12 buildings with 607 units in FY06/25), 52 detached houses, townhouses, and other units (43 units, including apartments), and 15 land parcels (nine parcels). In addition to solid performance in its mainstay business, K-nine, which became a consolidated subsidiary through an M&A transaction in Q3 FY06/24, delivered stronger-than-expected earnings. As a result, sales and all profit categories reached record highs, and the company achieved the operating profit target under its medium-term business plan one year ahead of schedule. Reflecting earnings that exceeded the initial forecast, URBANET raised its year-end dividend by JPY2.0 per share from its most recent forecast, bringing the annual dividend to JPY24.0 per share and the payout ratio to 41.3%.

For FY06/27, the company raised its full-year earnings forecast from its initial projections to sales of JPY43.5bn (+10.4% YoY), operating profit of JPY4.2bn (+1.3% YoY), recurring profit of JPY3.2bn (+0.5% YoY), and net income attributable to owners of the parent of JPY2.2bn (+1.0% YoY). It plans to sell 13 urban rental apartment and other buildings with 618 units (+77 YoY), 35 detached houses, townhouses, and other units (unchanged YoY), seven apartment buildings (+5 YoY), and land for resale. Of the 618 urban rental apartment and other units, URBANET has already signed sales contracts for 576 units. The company plans to pay an annual dividend of JPY24.0 per share, unchanged from FY06/26, comprising an interim dividend of JPY12.0 and a year-end dividend of JPY12.0, for a projected payout ratio of 41.2%.

URBANET announced its medium-term business plan through FY06/28 alongside the release of its Q3 FY06/25 earnings results. In preparation for its next stage of growth, the company formulated the plan based on a management approach focused on share price and the cost of capital. It aims to generate ROE above the theoretical cost of equity calculated

using the capital asset pricing model (CAPM), further improve its P/B ratio, and reach a market capitalization of JPY20.0bn at an early stage. At end-FY06/26, its market capitalization had nearly reached this target. Having achieved its operating profit target one year ahead of schedule in FY06/26, the company raised its FY06/27 targets from sales of JPY42.5bn and operating profit of JPY4.1bn to sales of JPY43.5bn (+10.4% YoY) and operating profit of JPY4.2bn (+1.3% YoY). It left its FY06/28 targets unchanged at sales of JPY50.0bn (+14.9% YoY) and operating profit of JPY4.6bn (+9.3% YoY). However, URBANET plans to review its medium-term business plan, including its business portfolio and capital policy, around February 2027.

Strengths and weaknesses

Shared Research believes URBANET has the following three core strengths:

- Ability to differentiate itself through distinctive design and planning
- Focus on development areas within Tokyo's 23 wards, which have population growth potential
- Flexible development framework that enables the company to select the optimal use based on each location's characteristics

Meanwhile, Shared Research sees the following three weaknesses:

- Reliance on highly skilled human capital and individual expertise
- Growth dependent on securing land amid intense competition
- Earnings models in new business areas that remain in the validation phase

Key financial data

Income statement	FY06/17	FY06/18	FY06/19	FY06/20	FY06/21	FY06/22	FY06/23	FY06/24	FY06/25	FY06/26	FY06/27
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Company forecast
Sales	17,789	16,085	20,084	22,019	20,955	19,607	20,265	27,966	33,934	39,395	43,500
YoY	0.5%	-9.6%	24.9%	9.6%	-4.8%	-6.4%	3.4%	38.0%	21.3%	16.1%	10.4%
Gross profit	3,827	2,863	3,489	3,834	3,801	3,543	4,039	4,631	6,463	7,848	
YoY	15.5%	-25.2%	21.9%	9.9%	-0.9%	-6.8%	14.0%	14.7%	39.6%	21.4%	
Gross profit margin	21.5%	17.8%	17.4%	17.4%	18.1%	18.1%	19.9%	16.6%	19.0%	19.9%	
Operating profit	2,419	1,668	2,148	2,485	2,322	2,223	2,430	2,726	3,481	4,148	4,200
YoY	20.6%	-31.0%	28.7%	15.7%	-6.6%	-4.3%	9.3%	12.2%	27.7%	19.1%	1.3%
Operating profit margin	13.6%	10.4%	10.7%	11.3%	11.1%	11.3%	12.0%	9.7%	10.3%	10.5%	9.7%
Recurring profit	2,159	1,441	1,914	2,199	2,081	1,986	2,140	2,427	2,788	3,136	3,150
YoY	25.5%	-33.3%	32.8%	14.9%	-5.4%	-4.6%	7.8%	13.4%	14.9%	12.5%	0.5%
Recurring profit margin	12.1%	9.0%	9.5%	10.0%	9.9%	10.1%	10.6%	8.7%	8.2%	8.0%	7.2%
Net income	1,466	989	1,310	1,506	1,282	1,314	1,447	1,701	1,851	2,130	2,150
YoY	28.6%	-32.5%	32.5%	15.0%	-14.9%	2.6%	10.1%	17.5%	8.8%	15.1%	1.0%
Net margin	8.2%	6.1%	6.5%	6.8%	6.1%	6.7%	7.1%	6.1%	5.5%	5.4%	4.9%
Per-share data (split-adjusted; JPY)											
Shares issued (year-end; '000)	25,092	25,144	25,158	31,374	31,374	31,374	31,374	32,774	35,574	37,574	
EPS (JPY)	58.6	39.4	52.1	52.7	40.9	41.9	46.3	54.2	56.3	58.2	58.2
EPS (fully diluted; JPY)	58.5	39.3	52.1	52.6	-	-	-	54.0	56.2	58.1	
Dividend per share (JPY)	21.0	16.0	18.0	20.0	17.0	17.0	19.0	21.0	22.0	24.0	24.0
Book value per share (JPY)	276	296	332	360	384	408	438	468	496	528	
Balance sheet (JPYmn)											
Cash and cash equivalents	4,113	4,231	5,305	8,908	7,203	8,495	9,141	8,531	11,423	11,598	
Total current assets	19,660	23,062	24,873	27,680	28,755	31,473	37,411	39,381	53,748	68,634	
Property, plant and equipment	3,622	4,903	4,996	5,725	5,858	5,996	5,853	6,810	7,736	9,318	
Investments and other assets	277	560	595	594	558	618	970	775	825	800	
Intangible assets	2	3	3	1	4	3	3	7	14	298	
Total assets	23,560	28,528	30,467	34,000	35,175	38,091	44,238	46,973	62,323	79,051	
Short-term debt	7,529	8,378	9,623	9,900	7,090	7,496	7,975	11,752	11,823	9,237	
Total current liabilities	9,195	10,844	13,509	12,480	9,378	10,122	10,348	13,809	14,670	13,161	
Long-term debt	7,355	10,131	8,510	8,630	12,111	13,476	18,299	17,457	29,877	45,596	
Total non-current liabilities	7,444	10,234	8,594	8,713	12,205	13,575	18,697	18,100	30,304	46,393	
Total liabilities	16,639	21,077	22,103	21,192	21,584	23,697	29,045	31,908	44,975	59,555	
Shareholders' equity	6,914	7,443	8,356	11,289	12,037	12,795	13,551	15,062	17,347	19,496	
Total net assets	6,921	7,451	8,364	12,807	13,591	14,393	15,193	15,064	17,348	19,496	
Total liabilities and net assets	23,560	28,528	30,467	34,000	35,175	38,091	44,238	46,973	62,322	79,051	
Total interest-bearing debt	14,884	18,508	18,133	18,530	19,201	20,973	26,274	29,209	41,700	54,834	
Cash flow statement (JPYmn)											
Cash flows from operating activities	-1,747	-1,601	2,043	1,143	-1,434	491	-2,836	2,978	-7,279	-9,691	
Cash flows from investing activities	-400	-1,388	-167	-836	-392	-398	-954	-82	-2,602	-3,232	
Cash flows from financing activities	3,737	3,107	-802	3,296	121	1,199	4,436	-3,518	12,770	13,112	
Financial ratios											
ROA (RP-based)	10.2%	5.5%	6.5%	6.8%	6.0%	5.4%	5.2%	5.3%	5.1%	4.4%	
ROE	23.0%	13.8%	16.6%	15.3%	11.0%	10.6%	11.0%	11.9%	11.4%	11.6%	
Equity ratio	29.3%	26.1%	27.4%	33.2%	34.2%	33.6%	30.6%	32.1%	27.8%	24.7%	
Total asset turnover	83.7%	61.8%	68.1%	68.3%	60.6%	53.5%	49.2%	61.3%	62.1%	55.7%	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Recent updates

URBANET begins apartment-style hotel development in Akasaka, Tokyo

2026-09-14

URBANET Corporation announced it has begun development of an apartment-style hotel in Akasaka, Minato-ku, Tokyo.

Located a one-minute walk from Tameike-sanno Station on the Tokyo Metro Ginza and Namboku lines, the hotel will have 50 guest rooms and is scheduled for completion in 2028. The rooms will be 23–58sqm in size and are designed to accommodate a broad range of guests, from solo business travelers to families and groups, as well as those planning extended stays. URBANET aims to capture demand for medium- to long-term stays from both leisure and business travelers, particularly inbound visitors. The hotel's design theme is Akasaka Chic, which presents a contemporary interpretation of Akasaka's history, culture, and distinctive aesthetic. In addition to the hotel's prime location, the company plans to place emphasis on its design and use of space.

URBANET will lead the development under a collaborative model that draws on the expertise of specialists in hotel operations, design, and real estate investment and asset management. Section L Inc. (unlisted) will operate the hotel. URBANET has commissioned UDS Ltd. (unlisted), which plans, designs, builds, and operates hotels and retail facilities, to design the property. The company plans to sell the property to Kenedix, Inc. (unlisted), one of Japan's leading asset management companies.

URBANET has been pursuing hotel development projects since announcing the Hatchobori II project in May 2025. In addition to Hotel Asyl Tokyo Kamata, which is already in operation, the company plans to develop hotels in Niseko Hirafu, Hokkaido, and Dejima, Nagasaki Prefecture. URBANET views the Akasaka project as an example of a new hotel development model involving collaboration with specialist firms in hotel operations, design, and real estate investment and asset management.

URBANET begins first-round advance sales for timeshare villas in Kyu-Karuizawa

2026-07-28

URBANET Corporation announced it has begun the first round of advance sales for the tentatively named Kyu-Karuizawa project, a timeshare villa development under way in Karuizawa, Nagano Prefecture.

On July 17, 2026, the company began holding private information sessions for the project and launched the first advance offering of 20 ownership interests.

Under its medium-term business plan, URBANET is pursuing the project as part of its real estate solutions business for high-net-worth individuals in Japan and overseas. The company plans to construct two private villas with distinct designs on a development site it acquired in Kyu-Karuizawa, one of Japan's premier luxury vacation-home areas. The site has an area of over 2,300sqm. Guided by the concept "Reserve & Recharge. A forest villa where you can reconnect with yourself," the company aims to provide accommodations that blend harmoniously with the natural environment.

Architect and designer Taiju Yamashita of Taiju Yamashita Design and Architecture, whose projects include Yokohama Timber Wharf, Villa ASO, and Hibiya Central Building, is responsible for the design. Yamashita has received recognition in Japan and overseas, and one of his projects was named a winner at the ICONIC AWARDS 2025.

The development will comprise two villas: Villa Lumière, with a total floor area of about 257sqm, three bedrooms, and a capacity for up to eight guests; and Villa Calme, with a total floor area of about 179sqm, two bedrooms, and a capacity for up to six guests. Both villas will feature terraces and saunas and will accommodate guests traveling with pets.

The project uses a timeshare ownership structure. Each shared ownership interest will entitle the holder to a total of 12 nights' use per year, with access to both villas. When the two villas are used simultaneously, they can accommodate up to 14 guests. The company also envisions corporations using the villas as employee-benefit accommodations and potentially realizing financial advantages through depreciation. A property management company familiar with the Karuizawa area will be responsible for maintaining and managing the facilities.

Property overview

Location	107-1 and 107-5, Nishitakase, Oaza Karuizawa, Karuizawa, Kitasaku-gun, Nagano Prefecture
Access	Approximately 2.4km from Karuizawa Station on the JR Hokuriku Shinkansen line, or about seven minutes by car
Site area	2,385.61sqm (Villa Lumière: 1,380.54sqm; Villa Calme: 1,005.07sqm; including road setback areas)
Structure	Single-story wood-frame structures, with some steel framing
Ownership after purchase	Ownership through a shared interest
Total ownership interests	60 ownership interests for two villas
Scheduled start of use	November 2027

Source: Shared Research based on company materials

URBANET raises full-year FY06/26 earnings forecast

2026-07-23

URBANET Corporation raised its full-year consolidated earnings forecast for FY06/26, initially announced on August 7, 2025.

- Sales: JPY39.0bn (+14.9% YoY; JPY37.0bn in the previous forecast)
- Operating profit: JPY4.1bn (+17.8% YoY; JPY3.6bn)
- Recurring profit: JPY3.1bn (+11.2% YoY; JPY2.9bn)
- Net income attributable to owners of the parent: JPY2.1bn (+13.5% YoY; JPY1.9bn)
- EPS: JPY57.34 (JPY56.26 in FY06/25; JPY54.31)

The company raised its full-year earnings forecast because it now expects sales and profits at each level to exceed its previous projections for the following reasons.

1. In its core Real Estate Development and Sales business, the company recorded sales from high-margin projects.
2. K-nine Co., Ltd., a consolidated subsidiary, has performed strongly since the beginning of FY06/26, with sales continuing to grow steadily.

Trends and outlook

Quarterly trends and results

Cumulative	FY06/25				FY06/26				FY06/26	
(JPYmn)	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	% of forecast	Company forecast
Sales	1,786	7,965	11,792	33,934	14,235	22,305	25,614	39,395	101.0%	39,000
YoY	-61.2%	-30.3%	-32.5%	21.3%	697.1%	180.0%	117.2%	16.1%		14.9%
Cost of sales	1,271	6,459	9,558	27,471	10,702	17,219	19,732	31,547		
YoY	-67.8%	-34.1%	-34.6%	17.7%	741.8%	166.6%	106.4%	14.8%		
Cost ratio	71.2%	81.1%	81.1%	81.0%	75.2%	77.2%	77.0%	80.1%		
Gross profit	514	1,506	2,233	6,463	3,533	5,085	5,883	7,848		
YoY	-21.3%	-7.0%	-21.7%	39.6%	586.7%	237.6%	163.4%	21.4%		
Gross profit margin	28.8%	18.9%	18.9%	19.0%	24.8%	22.8%	23.0%	19.9%		
SG&A expenses	645	1,406	2,185	2,982	886	1,827	2,567	3,701		
YoY	68.0%	77.7%	79.0%	56.5%	37.4%	30.0%	17.5%	24.1%		
SG&A ratio	36.1%	17.7%	18.5%	8.8%	6.2%	8.2%	10.0%	9.4%		
Operating profit	-130	101	49	3,481	2,647	3,258	3,315	4,148	101.2%	4,100
YoY	-	-87.9%	-97.0%	27.7%	-	-	-	19.1%		17.8%
Margin	-	1.3%	0.4%	10.3%	18.6%	14.6%	12.9%	10.5%		10.5%
Recurring profit	-262	-232	-450	2,788	2,421	2,842	2,588	3,136	101.2%	3,100
YoY	-	-	-	14.9%	-	-	-	12.5%		11.2%
Margin	-	-	-	8.2%	17.0%	12.7%	10.1%	8.0%		7.9%
Net income	-200	-211	-379	1,851	1,653	1,907	1,691	2,130	101.4%	2,100
YoY	-	-	-	8.8%	-	-	-	15.1%		13.5%
Margin	-	-	-	5.5%	11.6%	8.6%	6.6%	5.4%		5.4%
Quarterly (three months)	FY06/25				FY06/26					
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	1,786	6,179	3,826	22,142	14,235	8,070	3,310	13,781		
YoY	-61.2%	-9.4%	-36.7%	110.9%	697.1%	30.6%	-13.5%	-37.8%		
Cost of sales	1,271	5,188	3,100	17,912	10,702	6,517	2,513	11,815		
YoY	-67.8%	-11.4%	-35.6%	105.4%	741.8%	25.6%	-18.9%	-34.0%		
Cost ratio	71.2%	83.9%	81.0%	80.9%	75.2%	80.8%	75.9%	85.7%		
Gross profit	514	992	727	4,230	3,533	1,552	797	1,966		
YoY	-21.3%	2.7%	-41.1%	137.9%	586.7%	56.5%	9.7%	-53.5%		
Margin	28.8%	16.1%	19.0%	19.1%	24.8%	19.2%	24.1%	14.3%		
SG&A expenses	645	761	779	797	886	941	740	1,133		
YoY	68.0%	86.9%	81.3%	16.5%	37.4%	23.7%	-5.0%	42.2%		
SG&A ratio	36.1%	12.3%	20.4%	3.6%	6.2%	11.7%	22.4%	8.2%		
Operating profit	-130	231	-52	3,433	2,647	611	57	832		
YoY	-	-58.6%	-	213.9%	-	164.7%	-	-75.8%		
Margin	-	3.7%	-	15.5%	18.6%	7.6%	1.7%	6.0%		
Recurring profit	-262	30	-218	3,238	2,421	421	-254	547		
YoY	-	-94.1%	-	227.7%	-	-	-	-83.1%		
Margin	-	0.5%	-	14.6%	17.0%	5.2%	-	4.0%		
Net income	-200	-11	-168	2,229	1,653	254	-217	439		
YoY	-	-	-	223.2%	-	-	-	-80.3%		
Margin	-	-	-	10.1%	11.6%	1.1%	-	3.2%		

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	FY06/25				FY06/26			
(JPYmn)	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4
Sales	1,786	7,965	11,792	33,934	14,235	22,305	25,614	39,395
YoY	-61.2%	-30.3%	-32.5%	21.3%	697.1%	180.0%	117.2%	16.1%
Real Estate	1,729	7,846	11,614	33,695	14,181	22,185	25,436	39,157
YoY	-62.0%	-30.7%	-32.9%	21.4%	720.3%	182.8%	119.0%	16.2%
% of total	96.8%	98.5%	98.5%	99.3%	99.6%	99.5%	99.3%	99.4%
Real Estate Development and Sales	1,571	6,698	10,303	32,155	13,608	21,453	24,446	38,025
YoY	-64.6%	-39.3%	-39.1%	18.6%	766.2%	220.3%	137.3%	18.3%
% of total	88.0%	84.1%	87.4%	94.8%	95.6%	96.2%	95.4%	96.5%
Real Estate Purchase and Sales	0	727	727	727	417	417	537	537
YoY	-	-	-	-	-	-42.6%	-26.1%	-26.1%
% of total	-	9.1%	6.2%	2.1%	2.9%	1.9%	2.1%	1.4%
Other	157	419	582	811	155	314	452	595
YoY	38.9%	87.1%	71.2%	38.6%	-1.3%	-25.1%	-22.3%	-26.6%
% of total	8.8%	5.3%	4.9%	2.4%	1.1%	1.4%	1.8%	1.5%

Hotel	57	120	177	238	54	119	178	237
YoY	11.3%	10.6%	7.1%	9.2%	-5.4%	-0.3%	0.6%	-0.4%
% of total	3.2%	1.5%	1.5%	0.7%	0.4%	0.5%	0.7%	0.6%
Operating profit	-130	101	49	3,481	2,647	3,258	3,315	4,148
YoY	-	-87.9%	-97.0%	27.7%	-	-	-	19.1%
Margin	-	1.3%	0.4%	10.3%	18.7%	14.6%	12.9%	10.5%
Real Estate	217	865	1,255	5,020	2,988	4,102	4,526	5,909
YoY	-59.7%	-37.6%	-48.8%	29.6%	-	374.2%	260.6%	17.7%
Margin	12.6%	11.0%	10.8%	14.9%	21.1%	18.5%	17.8%	15.1%
Hotel	14	30	45	46	10	26	37	39
YoY	59.0%	53.2%	35.3%	46.8%	-24.3%	-15.1%	-17.1%	-14.5%
Margin	23.9%	25.3%	25.3%	19.2%	19.1%	21.5%	20.8%	16.5%
Adjustments (company-wide expenses)	-362	-795	-1,251	-1,584	-352	-869	-1,248	-1,801
Quarterly (three months)	FY06/25				FY06/26			
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	1,786	6,179	3,826	22,142	14,235	8,070	3,310	13,781
YoY	-61.2%	-9.4%	-36.7%	110.9%	697.1%	30.6%	-13.5%	-37.8%
Real Estate	1,729	6,117	3,769	22,081	14,181	8,005	3,250	13,722
YoY	-62.4%	-9.6%	-37.1%	111.4%	720.3%	30.9%	-13.8%	-37.9%
% of total	96.8%	99.0%	98.5%	99.7%	99.6%	99.2%	98.2%	99.6%
Real Estate Development and Sales	1,571	5,127	3,605	21,852	13,608	7,845	2,993	13,579
YoY	-64.6%	-22.4%	-38.6%	114.2%	766.2%	53.0%	-17.0%	-37.9%
% of total	88.0%	83.0%	94.2%	98.7%	95.6%	97.2%	90.4%	98.5%
Real Estate Purchase and Sales	0	727	0	0	417	0	120	0
YoY	-	-	-	-	-	-	-	-
% of total	-	11.8%	-	-	2.9%	-	3.6%	-
Other	157	262	163	229	155	159	138	143
YoY	38.9%	136.0%	40.5%	-6.5%	-1.3%	-39.3%	-15.3%	-37.6%
% of total	8.8%	4.2%	4.3%	1.0%	1.1%	2.0%	4.2%	1.0%
Hotel	57	62	115	124	54	65	113	124
YoY	11.3%	10.0%	5.6%	12.8%	-5.4%	4.3%	-1.4%	0.6%
% of total	3.2%	1.0%	3.0%	0.6%	0.4%	0.8%	3.4%	0.9%
Operating profit	-130	231	-52	3,433	2,647	611	57	832
YoY	-	-58.6%	-	213.9%	-	164.7%	-	-75.8%
Margin	-	3.7%	-	15.5%	18.6%	7.6%	1.7%	6.0%
Real Estate	217	648	390	3,764	2,988	1,114	425	1,383
YoY	-59.7%	-23.4%	-63.4%	164.5%	-	72.0%	8.8%	-63.3%
Margin	12.6%	10.6%	10.4%	17.0%	21.1%	13.9%	13.1%	10.1%
Hotel	14	17	15	1	10	15	11	2
YoY	59.0%	48.8%	8.8%	-	-24.3%	-7.6%	-21.1%	109.6%
Margin	23.9%	26.6%	12.7%	0.8%	19.1%	23.5%	10.1%	1.6%
Adjustments (company-wide expenses)	-362	-433	-457	-333	-352	-517	-379	-553

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.

Full-year FY06/26 results (out August 6, 2026)

Earnings summary

Full-year FY06/26 results (July 2025–June 2026)

- Sales: JPY39.4bn (+16.1% YoY)
- Operating profit: JPY4.1bn (+19.1% YoY)
- Recurring profit: JPY3.1bn (+12.5% YoY)
- Net income attributable to owners of the parent: JPY2.1bn (+15.1% YoY)

Sales reached 101.0% of the upwardly revised full-year forecast announced on July 23, 2026, while operating profit reached 101.2%, recurring profit 101.2%, and net income attributable to owners of the parent 101.4%. Compared with the initial forecast, sales reached 106.3%, operating profit 114.5%, recurring profit 110.0%, and net income attributable to owners of the parent 112.1%.

URBANET achieved sales and profit growth for the fourth consecutive fiscal year, with sales and all profit categories reaching record highs. The company also achieved its FY06/27 operating profit target of JPY4.1bn under the medium-term business plan one year ahead of schedule. Reflecting its strong performance, URBANET raised its year-end dividend by JPY2.0 per share from its most recent forecast to JPY13.0 per share, bringing the annual dividend to JPY24.0 per share.

Earnings overview

Sales of urban rental apartments proceeded largely as planned, with URBANET steadily recognizing sales mainly from whole-building transactions with funds. At subsidiary K-nine, sales remained strong across all product categories, and the number of units sold increased substantially YoY. In the Hotel business, the company maintained solid occupancy and sales throughout the year, supported by growing inbound tourism and domestic demand.

The main drivers of sales growth were solid performance in the core Real Estate Development and Sales business and stronger-than-expected growth at K-nine, which became a consolidated subsidiary in Q3 FY06/24. In the Real Estate Development and Sales business, the company completed projects and delivered them as planned despite delays in materials procurement due to geopolitical risks. In addition to urban rental apartments, sales of detached houses, townhouses, apartment buildings, and other properties increased, bringing the total to 593 units, along with 15 land parcels.

A project sold in Q1 made a substantial contribution to profit. When revising its earnings forecast in July 2026, the company cited the recognition of sales from high-margin projects and strong performance at K-nine as reasons for the upward revision. However, in Q4 FY06/26 (April–June 2026), URBANET completed several low-margin land resale transactions as it prioritized asset turnover and cash flow. As a result, GPM was 14.3% (-4.8pp YoY) in Q4 and 19.9% (+0.9pp YoY) for the full year.

Land acquisitions

In FY06/26, URBANET acquired sites for 20 projects, exceeding its initial plan of 14–15 projects. Although persistently high land prices and rising interest rates have created uncertainty over the profit margins of newly acquired sites, the company has secured the sites needed to support its development plans. URBANET previously focused on sites in central Tokyo within a 10-minute walk of a train station. However, as it diversifies its development portfolio beyond urban rental apartments to include senior housing, corporate housing, and hotels, it is also acquiring sites farther from central Tokyo, including in Funabashi and Kawasaki. The company is pursuing hotel development in regional markets as well and aims to generate around 10% of sales from resort-related businesses over the longer term.

Greater borrowing capacity has enabled K-nine to acquire more flag-shaped lots (rear lots connected to the road by a narrow access strip) and other well-located sites in central Tokyo. It is expanding its business by increasing sales of entire apartment buildings in addition to detached houses and townhouses. URBANET and K-nine have established a system for allocating site opportunities between the two companies according to each property's characteristics. For example, if K-nine determines that a site is better suited to an urban rental apartment building or hotel, it passes the information to URBANET. Conversely, URBANET refers opportunities suited to K-nine's businesses to the subsidiary. The group also operates an incentive program that rewards employees whose referrals lead to transactions, helping ensure that each site is allocated to the most suitable development use within the group.

Performance by segment

Real Estate business

In FY06/26, the Real Estate business (Real Estate Development and Sales, Real Estate Purchase and Sales, and Other Real Estate businesses) generated sales of JPY39.2bn (+16.2% YoY) and segment profit of JPY5.9bn (+17.7% YoY).

Cumulative (JPYmn)		FY06/25				FY06/26			
		Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4
Real Estate (sales)		1,729	7,846	11,614	33,695	14,181	22,185	25,436	39,157
YoY		-62.0%	-30.7%	-32.9%	21.4%	720.3%	182.8%	119.0%	16.2%
Real Estate Development and Sales		1,571	6,698	10,303	32,155	13,608	21,453	24,446	38,025
YoY		-64.6%	-39.3%	-39.1%	18.6%	766.2%	220.3%	137.3%	18.3%
Urban rental apartments		0	2,005	3,502	24,430	10,512	15,592	16,780	25,407
YoY		-	-81.7%	-79.2%	-3.3%	-	677.7%	379.2%	4.0%
Detached houses		231	361	620	901	230	802	1,137	1,701
YoY		-	-	-	-	-0.4%	122.2%	83.4%	88.8%
Apartments		-	314	314	314	-	379	732	732
YoY		-	-	-	-	-	20.7%	133.1%	133.1%
Townhouses		517	926	1,234	1,469	469	1,323	1,395	1,475
YoY		-	-	-	-	-9.3%	42.9%	13.0%	0.4%
Land sales		772	2,631	4,055	4,460	2,354	3,040	4,076	8,354
YoY		853.1%	-	-	-	204.9%	15.5%	0.5%	87.3%
Contract construction		49	457	575	579	42	314	323	351
YoY		-	-	-	-	-14.3%	-31.3%	-43.8%	-39.4%
Real Estate Purchase and Sales (purchase and resale)		0	727	727	727	417	417	537	537
YoY		-	-	-	-	-	-42.6%	-26.1%	-26.1%
Real estate leasing and brokerage, etc.		157	419	582	811	155	314	452	595
YoY		38.9%	87.1%	71.2%	38.6%	-1.3%	-25.1%	-22.3%	-26.6%
Number of buildings, units, and transactions									
Urban rental apartments	(building s)	0	1	1	12	4	6	7	12
	units	0	50	97	607	229	310	337	541
Detached houses		4	6	9	11	3	7	11	17
Apartments		0	11	11	11	0	8	17	17
Townhouses		5	10	14	21	6	16	17	18
Land sales		2	5	7	9	4	6	10	15
Average price (JPYmn)									
Urban rental apartments	(building s)	-	2,005.0	3,502.0	2,035.8	2,628.0	2,598.7	2,397.1	2,117.3
	units	-	40.1	36.1	40.2	45.9	50.3	49.8	47.0
Detached houses		57.8	60.2	68.9	81.9	76.7	114.6	103.4	100.1
Apartments		-	28.5	28.5	28.5	-	47.4	43.1	43.1
Townhouses		-	92.6	88.1	70.0	78.2	82.7	82.1	81.9
Land sales		386.0	526.2	579.3	495.6	588.5	506.7	407.6	556.9

Source: Shared Research based on company materials

Notes:

- Figures may differ from company materials due to differences in rounding methods.
- In Q3 FY06/26, K-nine renamed its terraced multi-unit housing development category from terraced houses to townhouses.

Real Estate Development and Sales

In FY06/26, sales in the Real Estate Development and Sales business totaled JPY38.0bn (+18.3% YoY). Sales comprised 12 urban rental apartment buildings with 541 units (12 buildings with 607 units in FY06/25), two apartment buildings with 17 units (one building with 11 units), 35 detached houses, townhouses, and other units (32 units), and 13 land parcels (nine parcels). The business also recorded JPY351mn (-39.4% YoY) in construction contracting sales.

Starting in Q3 FY06/26, K-nine changed the name used for its terraced multi-unit housing developments from terraced houses to townhouses. Supported by enhanced land acquisition capabilities, K-nine increased its sales volume and generated sales of JPY8.7bn (+42.9% YoY), exceeding its initial target of JPY7.6bn by JPY1.1bn. The subsidiary leveraged its in-house construction capabilities to achieve higher-than-expected asset turnover and profit margins in its FOLS series townhouse and whole-building apartment sales. As a result, operating profit reached JPY993mn (+42.6% YoY). URBANET recognized JPY318mn in goodwill from the acquisition of K-nine and amortized JPY39mn in FY06/26, resulting in a post-amortization profit contribution of JPY954mn.

The increase in land resales in FY06/26 reflected longer construction periods. Due partly to work-style reforms at general contractors, condominium construction periods have lengthened from around two years to about three years, slowing the turnover of development projects. URBANET has therefore sought to accelerate asset turnover by reselling some sites at an early stage.

The company sold two buildings to condominium sales companies that have been its partners since its establishment, while most of the remaining properties were sold to major institutional investors and funds. As its projects have increased in size, its customer base has expanded to include new buyers such as major Japanese asset management companies. URBANET believes demand for large properties remains firm, supported by buyers' needs to rebalance their portfolios

and acquire assets. The company is also participating as an investor in one hotel project proposed by a business partner as a joint development opportunity. It may continue to consider similar opportunities to earn returns through investment without undertaking development itself, comparing the prospective yields with those of other asset management options.

Performance in Real Estate Development and Sales

	FY06/25		FY06/26		Changes (JPYmn)	Main factors
	Number of units or parcels	Sales (JPYmn)	Number of units or parcels	Sales (JPYmn)		
Urban rental apartments	607	24,430	541	25,407	977	Sold 12 buildings with 541 units
Detached houses	11	901	17	1,701	800	Spec-built houses developed by K-nine
Apartments	11	314	17	732	418	K-nine sold two apartment buildings with 17 units
Townhouses	21	1,469	18	1,475	6	K-nine's mainstay product; unit selling prices rose, thanks to prime locations in central Tokyo
Land sales	9	4,460	15	8,354	3,894	Thirteen value-added land sales following rights coordination, site preparation, and other improvements, plus two other transactions
Contract construction	-	579	-	351	-228	K-nine's construction business; FY06/26 included construction orders from the parent company
Total		32,155		38,025	5,870	

Source: Shared Research based on company materials

Notes:

1. Figures may differ from company materials due to differences in rounding methods.

2. Starting in Q3 FY06/26, K-nine changed the name used for its terraced multi-unit housing developments from terraced houses to townhouses.

Urban rental apartments recognized as sales in Q4



Source: Company materials

Left: Asyl Court Hamamatsucho: Minato-ku, Tokyo; reinforced-concrete structure; 10 stories above ground; 27 units; completed April 2026

Right: Voga Corte Higashi-Fuchu Asyl Court: Fuchu, Tokyo; reinforced-concrete structure; nine stories above ground; 54 units; completed June 2026

Townhouse recognized as sales in Q4 (K-nine)



Source: Company materials

FOLS TERRACE Ikebukuro: steel-frame structure; three stories above ground; five units; completed April 2026

Detached houses and apartment buildings recognized as sales in Q4 (K-nine)



Source: Company materials

From left:

FOLS Chitosedai (detached houses): Setagaya-ku, Tokyo; 2LDK+2S or 3LDK+S; six units; completed April 2026

FOLS Saginuma (detached house): Kawasaki, Kanagawa Prefecture; 4LDK plus attic storage; completed April 2026

FOLS Setagaya (detached house): Setagaya-ku, Tokyo; 3LDK+S; completed April 2026

FOLS CLASS Takadanobaba (apartment building): Shinjuku-ku, Tokyo; 1DK, 1LDK, and 2LDK; six units; completed April 2026

FOLS CLASS Sangenjaya 1-chome (apartment building): Setagaya-ku, Tokyo; 1LDK; eight units; completed June 2026

Real Estate Purchase and Sales

In FY06/26, URBANET sold one pre-owned rental apartment building and two pre-owned condominium units in the Real Estate Purchase and Sales business (one transaction in FY06/25), generating sales of JPY537mn (-26.1% YoY). The decline reflected the high comparison base created by a large purchase-and-resale property project in FY06/25.

Other Real Estate business (including leasing and brokerage)

In FY06/26, the Other Real Estate business posted sales of JPY595mn (-26.6% YoY), mainly from real estate brokerage and leasing operations. The decline reflected a decrease in the number of properties held for leasing after some rental properties were reclassified as real estate for sale in FY06/25.

Hotel business

In FY06/26, the Hotel business generated sales of JPY237mn (-0.4% YoY), mainly from accommodation fees at Hotel Asyl Tokyo Kamata. Segment profit declined to JPY39mn (-14.5% YoY), reflecting higher commissions on bookings from customers in Japan. Despite a decline in guests from China, the company maintained sales largely on par with FY06/25. The full-year occupancy rate was 86.9%, while the average daily rate (ADR), excluding tax, remained high at JPY14,388. Domestic guests accounted for 65.4% of the total and overseas guests for 34.6%. Among overseas guests, the largest numbers came from China, the US, and Taiwan. Although China accounted for the largest number of overseas guests for the full year, the number of Chinese guests has declined since travel restrictions were introduced. Meanwhile, the number of guests from Indonesia, Malaysia, Singapore, and other countries has increased.

Domestic demand has recently increased, supporting solid occupancy. However, the large share of bookings made through online booking sites has resulted in higher commission expenses and weighed on profitability. Although there is room to raise room rates, improving the sales channel mix remains a challenge.

Development of other asset types

For assets other than urban rental apartments, such as hotels and senior housing, URBANET generally pursues joint development with external partners, including design firms and facility operators. URBANET delivered Charm Suite Chitose-Karasuyama, a senior housing facility, and recognized the related sales in FY06/26. The project posted a relatively low GPM of around 12%. URBANET jointly developed the project with Daiwa House Industry Co., Ltd. (TSE Prime: 1925). Through the project, it established a development framework involving the operator, Charm Care Corporation (TSE Prime: 6062). The site was unsuitable for an urban rental apartment building due to its location—an eight-minute walk from the nearest station—and prevailing rent levels. URBANET instead developed the site as a senior housing facility and generated a profit from the project. Anticipating further growth in demand, the company is considering developing a second facility.

In developments targeting high-net-worth individuals, URBANET began selling fractional ownership interests in its first timeshare villa project in Kyu-Karuizawa in July 2026. Completion is scheduled for end-September 2027. In addition to its Niseko Hirafu project, the company has launched the Nagasaki Dejima project, which involves the development of a hotel

with around 130 rooms on a prime site a few minutes from Nagasaki Station. The company intends to focus exclusively on prime sites with reliable demand.

Hotel and senior housing development projects

Hotel development	Hatchobori II project: Sales contract signed; delivery scheduled for end-October 2026, with sales recognition scheduled for FY06/27 Akasaka project: Sales contract signed; delivery scheduled for end-June 2028, with sales recognition scheduled for FY06/28 One residential hotel building in the planning stage
Senior housing development	Completed Charm Suite Chitose-Karasuyama, its first senior housing facility Considering development of a second facility in anticipation of further growth in demand

Source: Shared Research based on company materials

Assets, liabilities, and net assets

At end-FY06/26, total assets increased JPY16.7bn from end-FY06/25 to JPY79.1bn, mainly due to a JPY14.7bn rise in inventories. URBANET continued to acquire sites for apartment development in prime Tokyo locations and purchased sites for corporate housing and hotel development in central Tokyo, while K-nine actively acquired sites for detached houses, townhouses, and apartment buildings. Property, plant and equipment also increased JPY1.6bn, mainly due to purchases of income-generating properties and other assets. The company had previously indicated it would limit total assets to around JPY70.0bn. However, land acquisitions progressed faster than anticipated in Q4, and the average size of each acquisition increased.

Inventories totaled JPY56.2bn, up JPY14.7bn from end-FY06/25. K-nine's inventories included JPY2.4bn of real estate for sale and JPY7.5bn of real estate for sale in process. Sites for urban rental apartment development accounted for most of the increase. However, URBANET is also diversifying its asset portfolio and has acquired a site in the Dejima area of Nagasaki for the development of a hotel with around 130 rooms. The company has already identified the pipeline needed to achieve the JPY50.0bn sales target under its medium-term business plan. When reviewing the plan in February 2027, the company may revise its targets to reflect the possibility of achieving them ahead of schedule.

Interest-bearing debt also increased as land acquisitions expanded. At end-FY06/26, total liabilities rose JPY14.6bn from end-FY06/25 to JPY59.6bn. The increase primarily reflected a JPY12.5bn rise in long-term borrowings, including the current portion, to finance land acquisitions, as well as a JPY1.6bn increase in accounts payable. Interest-bearing debt increased JPY13.1bn from end-FY06/25, and the equity ratio declined from 27.8% to 24.7%. Nevertheless, ROE remained high at 11.6%, exceeding the company's estimated cost of equity of 8.0–8.5%. Although URBANET has not established explicit financial targets, it regards an equity ratio of around 30% as a benchmark and aims to maintain the ratio in the high-20% range. In light of recent market conditions, the company currently estimates its cost of equity at around 9%.

Financial institutions' lending stance toward URBANET has remained largely unchanged. The company maintains sound relationships primarily with major regional banks and has steadily expanded its financing capacity in line with business growth. Although it currently faces no difficulties in raising funds, the company has broadened its network of banking relationships and is strengthening its management of construction costs and cash flow.

Total net assets increased JPY2.1bn from end-FY06/25 to JPY19.5bn. Share capital and capital surplus increased JPY896mn due to the exercise of share acquisition rights. Retained earnings increased JPY1.3bn, as net income attributable to owners of the parent of JPY2.1bn more than offset dividend payments of JPY840mn. The equity ratio declined to 24.7% from 27.8% at end-FY06/25.

Human capital investment and stronger organizational capabilities

The number of consolidated employees reached 105 at end-FY06/26, including contract and part-time employees, exceeding 100 for the first time. The increase reflected the consolidation of K-nine and expanded recruitment across the group, including the hiring of new graduates.

The most significant outcome of the company's human capital investment has been the substantial strengthening of its land acquisition capabilities and organizational structure. While companies across the industry face difficulties recruiting construction specialists, URBANET has expanded its land acquisition team. Notably, all three new graduates who joined the company in April 2026 were assigned to land acquisition roles. The company has also built an organizational structure

capable of sourcing information on a diverse range of projects, including not only prime sites in central Tokyo but also large suburban projects, corporate housing and dormitories, healthcare facilities, and regional hotels. URBANET is also taking steps to improve employee retention by establishing an internal awards program and expanding employee allowances. The company has obtained Gold certification under the Health Company Declaration program administered by the Tokyo Federation of Health Insurance Societies.

Full-year company forecast

(JPYmn)	FY06/25			FY06/26			FY06/27
	1H results	2H results	FY results	1H results	2H results	FY results	FY forecast
Sales	7,965	25,969	33,934	22,305	17,090	39,395	43,500
YoY	-30.3%	57.0%	21.3%	180.0%	-34.2%	16.1%	10.4%
Cost of sales	6,459	21,012	27,471	17,219	14,328	31,547	
YoY	-34.1%	55.3%	17.7%	166.6%	-31.8%	14.8%	
Gross profit	1,506	4,957	6,463	5,085	2,763	7,848	
YoY	-7.0%	64.6%	39.6%	237.6%	-44.3%	21.4%	
Gross profit margin	18.9%	19.1%	19.0%	22.8%	16.2%	19.9%	
SG&A expenses	1,406	1,576	2,982	1,827	1,874	3,701	
YoY	77.7%	41.5%	56.5%	30.0%	18.9%	24.1%	
SG&A ratio	17.7%	6.1%	8.8%	8.2%	11.0%	9.4%	
Operating profit	101	3,381	3,481	3,258	890	4,148	4,200
YoY	-87.9%	78.2%	27.7%	-	-73.7%	19.1%	1.3%
Operating profit margin	1.3%	13.0%	10.3%	14.6%	5.2%	10.5%	9.7%
Recurring profit	-232	3,020	2,788	2,842	293	3,136	3,150
YoY	-	76.9%	14.9%	-	-90.3%	12.5%	0.5%
Recurring profit margin	-	11.6%	8.2%	12.7%	1.7%	8.0%	7.2%
Net income	-211	2,061	1,851	1,907	222	2,130	2,150
YoY	-	73.1%	8.8%	-	-89.2%	15.1%	1.0%
Net margin	-	7.9%	5.5%	8.6%	1.3%	5.4%	4.9%

Source: Shared Research based on company materials

Full-year FY06/27 consolidated earnings forecast (August 6, 2026)

- Sales: JPY43.5bn (+10.4% YoY)
- Operating profit: JPY4.2bn (+1.3% YoY)
- Recurring profit: JPY3.2bn (+0.5% YoY)
- Net income attributable to owners of the parent: JPY2.2bn (+1.0% YoY)
- EPS: JPY58.24 (JPY58.15 in FY06/26)

For FY06/27, URBANET forecasts sales of JPY43.5bn (+10.4% YoY), operating profit of JPY4.2bn (+1.3% YoY), recurring profit of JPY3.2bn (+0.5% YoY), and net income attributable to owners of the parent of JPY2.2bn (+1.0% YoY).

Assumptions underlying the initial forecast

For FY06/27, URBANET forecasts double-digit sales growth but only modest profit growth. This projection primarily reflects its conservative assumptions for interest expenses and borrowing-related fees in anticipation of increased borrowings to fund expanded property acquisitions. Although the company has recently faced neither difficulties sourcing construction materials nor sharp price increases, its forecast assumes that inflation will push construction material prices higher.

In the Real Estate business, the company plans to sell 13 urban rental apartment and other buildings totaling 618 units (+77 YoY), 35 detached houses, townhouses, and other units (unchanged YoY), seven apartment buildings (+5 YoY), and land for resale. URBANET has already signed sales contracts covering 576 of the 618 urban rental apartment and other units. The company forecasts sales of JPY10.0bn at K-nine.

Even amid rising interest rates, Japanese funds and REITs have shown no significant decline in acquisition demand to date. URBANET plans to sell four projects in bulk in FY06/27, as well as a large property to a fund in Q3.

In the Hotel business, domestic demand has recently increased, supporting solid occupancy. However, the large share of bookings made through online booking sites has resulted in higher commission expenses and weighed on profitability. Although there is room to raise room rates, improving the sales channel mix remains a challenge.

In FY06/26, URBANET achieved the operating profit target set for FY06/27 under its medium-term business plan one year ahead of schedule. The company has left its FY06/28 targets unchanged at sales of JPY50.0bn (+14.9% YoY) and

operating profit of JPY4.6bn (+9.3% YoY). However, it plans to review the medium-term business plan, including its business portfolio and capital policy, around February 2027.

Shareholder returns

As a general policy, URBANET targets a payout ratio of 40% based on net income attributable to owners of the parent, excluding the impact of deferred income taxes. For FY06/27, the company plans to pay an annual dividend of JPY24.0 per share, unchanged from FY06/26, comprising an interim dividend of JPY12.0 and a year-end dividend of JPY12.0. The projected payout ratio is 41.2%. The company also continues its shareholder benefit program, which was introduced with an initial record date of December 31, 2024. Shareholders holding at least 500 shares receive QUO cards worth a total of JPY5,000 per year, while those holding at least 1,000 shares receive QUO cards worth a total of JPY10,000 per year.

Differences between initial forecasts and actual results

Initial forecast vs. results (JPYmn)	FY06/17	FY06/18	FY06/19	FY06/20	FY06/21	FY06/22	FY06/23	FY06/24	FY06/25	FY06/26
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales (initial forecast)	18,000	16,000	17,550	21,380	20,000	23,000	20,000	25,000	32,000	37,044
Sales (results)	17,789	16,085	20,084	22,019	20,955	19,607	20,265	27,966	33,934	39,395
Differences between initial forecast and actual results	-1.2%	0.5%	14.4%	3.0%	4.8%	-14.8%	1.3%	11.9%	6.0%	6.3%
Operating profit (initial forecast)	2,300	1,500	1,750	2,380	2,050	2,220	2,300	2,500	2,800	3,623
Operating profit (results)	2,419	1,668	2,148	2,485	2,322	2,223	2,430	2,726	3,481	4,148
Differences between initial forecast and actual results	5.2%	11.2%	22.7%	4.4%	13.3%	0.1%	5.6%	9.1%	24.3%	14.5%
Recurring profit (initial forecast)	1,900	1,250	1,510	2,090	1,770	1,950	2,050	2,250	2,450	2,850
Recurring profit (results)	2,159	1,441	1,914	2,199	2,081	1,986	2,140	2,427	2,788	3,136
Differences between initial forecast and actual results	13.6%	15.3%	26.7%	5.2%	17.6%	1.8%	4.4%	7.9%	13.8%	10.0%
Net income (initial forecast)	1,270	850	1,030	1,450	1,100	1,300	1,350	1,500	1,730	1,900
Net income (results)	1,466	989	1,310	1,506	1,282	1,314	1,447	1,701	1,851	2,130
Differences between initial forecast and actual results	15.4%	16.4%	27.2%	3.9%	16.5%	1.1%	7.2%	13.4%	7.0%	12.1%

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, GPM exceeded the target 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 investment-use studio apartments 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 K-nine, 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 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 initial projection, stronger-than-expected earnings from K-nine, which became a consolidated subsidiary through an M&A transaction in Q3 FY06/24, and solid performance in the Hotel business.

In FY06/26, URBANET raised its full-year earnings forecast on July 23, 2026, reflecting the recognition of sales from high-margin projects in its core Real Estate Development and Sales business and stronger-than-expected performance at K-nine. Full-year sales and profit exceeded the revised forecast, and the company achieved the operating profit target under its medium-term business plan one year ahead of schedule.

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 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	FY06/25	FY06/26	FY06/26	FY06/26	FY06/27	FY06/27	FY06/28	5-year
	Results	Results	Forecast	Results	Initial forecast	Forecast	Results	Initial forecast	Forecast	Initial forecast	CAGR
Sales	20,265	27,966	32,000	33,934	37,044	39,000	39,395	42,529	43,500	50,000	19.8%
YoY	3.4%	38.0%	14.4%	21.3%	15.8%	14.9%	16.1%	14.8%	10.4%	14.9%	
Operating profit	2,430	2,726	2,800	3,481	3,623	4,100	4,148	4,078	4,200	4,590	13.6%
YoY	9.3%	12.2%	2.7%	27.7%	29.4%	17.8%	19.2%	12.6%	1.3%	9.3%	
Operating profit margin	12.0%	9.7%	8.8%	10.3%	9.8%	10.5%	10.5%	9.6%	9.7%	9.2%	
Equity ratio	30.6%	32.1%	32.4%	27.8%			24.7%			31.8%	
Debt-to-equity ratio	1.94	1.94	1.93	2.19			2.62			1.99	
ROE	11.0%	11.9%	10.8%	11.4%			11.6%			12.0% or higher	
Assumed shareholder cost	7.4%	8.2%	8.0%				8.0 - 8.5%		Around 9%	7.0%	

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 townhouses (referred to as terraced houses until Q3 FY06/26), 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
- Develop and sell townhouses (referred to as terraced houses until Q3 FY06/26) and detached houses
- 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 P/B ratio for FY06/25 stands at 1.04x, surpassing the 1.0x threshold and showing an improving trend. To further raise its P/B ratio, 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 apartments 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 condominium developer with roots in architectural design and consulting. Building on its origins as a design firm, URBANET has also created its own brands of condominiums and hotels.

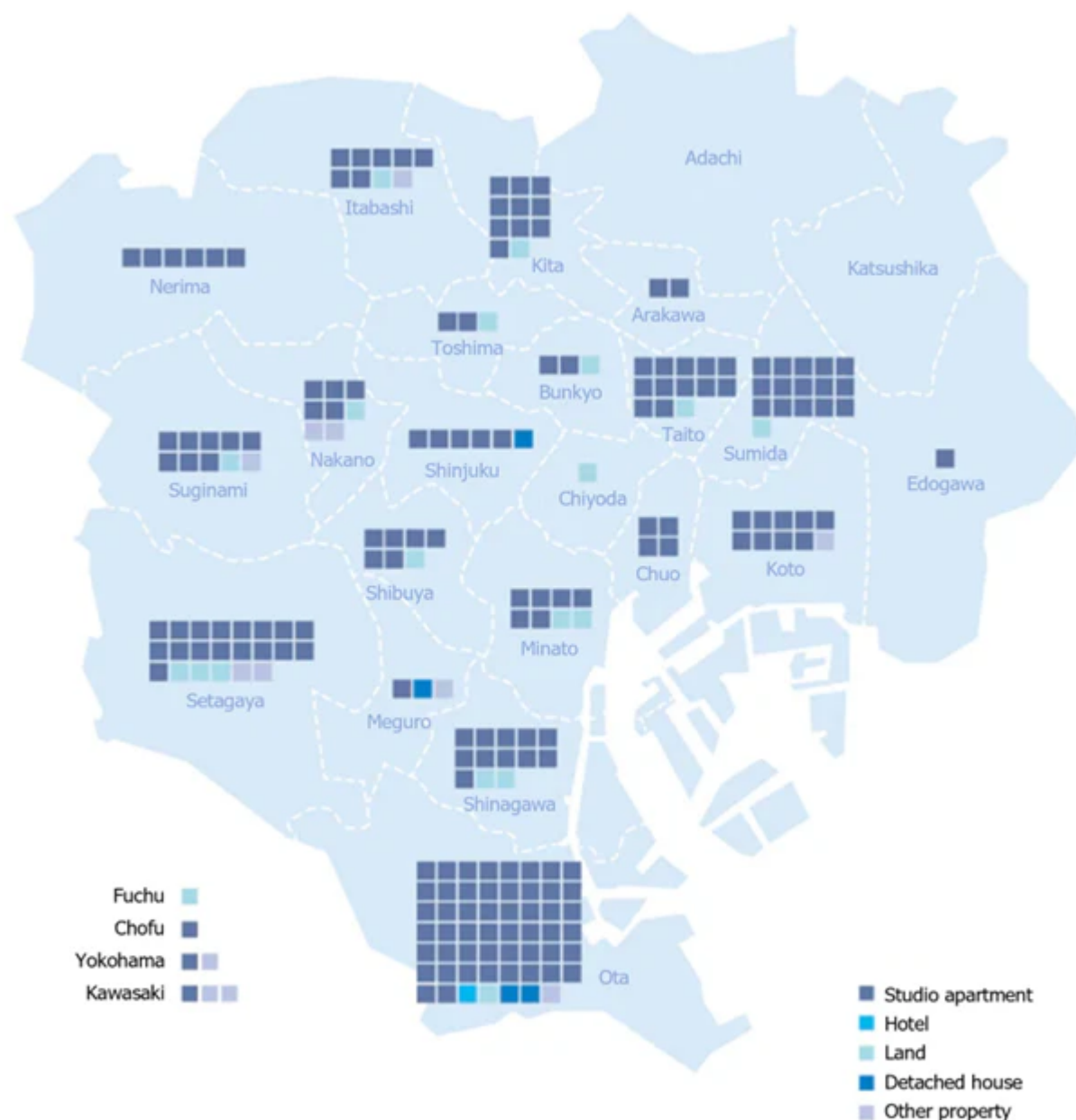
The company focuses on land within Tokyo's 23 wards located within a 10-minute walk of a train station, developing about 10–15 investment-use apartment buildings each year with an average unit size of 25sqm. By primarily selling entire buildings rather than individual units and making extensive use of 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 investment-use studio apartments.

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.

K-nine, which became a consolidated subsidiary in Q3 FY06/24, primarily develops and sells detached houses and townhouses to end users and also undertakes building construction. Its results are included in the Real Estate Development and Sales subsegment.

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 apartment buildings, 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 on development and makes extensive use of outsourcing, enabling it to operate efficiently with a small workforce while keeping fixed costs low. By primarily selling entire buildings to condominium sales companies, it limits its exposure to the development phase. Under its contracts, URBANET receives payment for all units in an urban rental apartment building within four months of completing the building and delivering it to a condominium sales company. The company receives payment each time the condominium sales company sells a unit to an investor. At the end of the four-month period, the condominium sales company pays the remaining balance in full for any unsold units, meaning that no accounts receivable remain outstanding.

According to URBANET, the period from land acquisition (transfer of title) through sale averages around two to two and a half years. In principle, the company finances the entire cost of land acquisitions with bank loans. Payments to general contractors are divided into three stages: 10% at the start of construction, 10% when the structural frame is completed, and the remaining 80% in line with settlement for individual units. Condominium sales companies to which URBANET sells entire buildings include Meiwa and ASSETLEAD. Goda Koumuten, which is also one of URBANET's shareholders, constructs more than half of the properties developed by the company.

Key features of the company's business model

- ▶ URBANET concentrates its management resources on the overall design and development of urban rental apartments, while outsourcing detailed architectural design and construction.
- ▶ The company primarily sells completed buildings to condominium sales companies, thereby avoiding the risk of unsold units. The condominium sales companies subsequently sell individual units to investors.

Given these characteristics, URBANET bears primarily development risk, making its business relatively resilient to economic downturns. The business model has low fixed costs and high profitability and can respond flexibly to market fluctuations. Sales per employee stood at JPY375.2mn in FY06/26, based on 105 consolidated employees, while operating profit per employee was JPY39.5mn, significantly exceeding the levels of competitors (see "Industry peers and competitors"). Historically, the company has operated with a lean, highly skilled workforce. After celebrating its 25th anniversary in July 2022, it relocated its headquarters in July 2024 to prepare for the organizational and workforce expansion required for further growth. 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 100 or more 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 structure; 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 (Zenkukyo)'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 from 2030 onward 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 Greater 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 Greater 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 2016 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 (Zenkukyo)'s 14th Excellent Business Awards. Makes Hikawadai Asyl Court is Greater 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 certified investment-use apartments are now being built.

URBANET's ZEH-M certified properties reduce primary energy consumption at least 20% relative to the baseline through highly insulated designs, including Low-E double-glazed windows and enhanced insulation of the building envelope, together with high-efficiency equipment such as Eco-Jozu water heaters and LED lighting. To date, the company has completed four condominium buildings certified as ZEH-M Oriented and plans to complete its fifth, the Jujo II project, in January 2027.

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 more than 20m 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

Creating synergies with group companies

Through its subsidiary URBANET LIVING, established in March 2015 to operate its B2C businesses, URBANET is working to expand direct sales to end users of the condominium units, detached houses, and apartments it develops, while also expanding its leasing and property management operations.

URBANET has expanded its existing businesses, strengthened its recurring-revenue businesses, and entered new business areas through M&A. These efforts form part of the company's broader strategy to achieve sustainable growth and enhance corporate value. The company is considering M&A opportunities in complementary businesses that offer synergies with its existing operations. In February 2024, URBANET acquired shares in K-nine, which has strengths in the sale of detached houses and townhouses, and made it a consolidated subsidiary in Q3 FY06/24. Becoming part of a listed corporate group enhanced K-nine's credibility and access to bank financing, enabling it to acquire a larger number of highly profitable development sites. K-nine's sales grew to JPY8.7bn (+42.9% YoY) in FY06/26, making it a key driver of the group's growth.

Business segments

In FY06/26, the Real Estate business accounted for 99.4% of URBANET's total sales of JPY39.4bn (+16.1% YoY). The Real Estate business consists of three subsegments: Real Estate Development and Sales (96.5% of total sales), which

develops urban rental apartments; Real Estate Purchase and Sales (1.4%), which purchases and resells pre-owned condominiums; and Other Real Estate business (1.5%), which handles real estate brokerage and leasing. K-nine, which became a consolidated subsidiary in Q3 FY06/24, primarily develops and sells detached houses and townhouses to end users. In recent years, it has also expanded its sales of entire apartment buildings. Its results are included in the Real Estate Development and Sales subsegment. URBANET entered the Hotel business in FY06/18, which became a reportable segment in FY06/21. The company therefore has two reportable segments: the Real Estate business and the Hotel business. In FY06/26, the Hotel business accounted for 0.6% of total sales and recorded an OPM of 16.5%.

- Real Estate Development and Sales (96.5% of sales): Develops and sells urban rental apartments; develops and sells condominiums, detached houses, and apartment buildings; 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 (1.4% of sales): Purchases and resells pre-owned family condominiums and other properties developed by third parties.
- Other Real Estate business (1.5% of sales): Provides real estate leasing and brokerage services.

Real Estate business

In FY06/26, the Real Estate business accounted for 99.4% of URBANET's total sales of JPY39.4bn (+16.1% YoY). The business generated sales of JPY39.2bn (+16.2% YoY) and operating profit of JPY5.9bn (+17.7% YoY). It consists of three subsegments: Real Estate Development and Sales (96.5% of total sales), which develops urban rental apartments; Real Estate Purchase and Sales (1.4%), which purchases and resells pre-owned condominiums; and Other Real Estate business (1.5%), which handles real estate brokerage and leasing. K-nine, which became a consolidated subsidiary in Q3 FY06/24, primarily develops and sells detached houses and townhouses to end users and also undertakes building construction. Its results are included in the Real Estate Development and Sales subsegment.

		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.
Real Estate (sales)		17,789	16,085	20,084	22,019	20,931	19,539	20,112	27,748	33,695	39,157
	YoY	0.5%	-9.6%	24.9%	9.6%	-4.9%	-6.7%	2.9%	38.0%	21.4%	16.2%
Real Estate Development and Sales		17,198	15,448	19,392	21,152	20,257	18,789	19,578	27,115	32,155	38,025
	YoY	9.2%	-10.2%	25.5%	9.1%	-4.2%	-7.2%	4.2%	38.5%	18.6%	18.3%
	% of total	96.7%	96.0%	96.6%	96.1%	96.8%	96.2%	97.3%	97.7%	95.4%	97.1%
Combined total of apartments for investment and condominiums	(buildings)	12	12	14	14	15	11	11	11	12	12
	(units)	587	540	650	712	683	658	584	712	607	541
Detached houses, terraced houses, and apartment buildings	(units)	12	16	21					23	43	52
Land		1	1	3	1	1	1	1	5	9	15
Real Estate Purchase and Sales		239	217	250	405	199	217	37	46	727	537
	YoY	-86.5%	-9.2%	15.2%	62.0%	-50.9%	9.0%	-82.9%	24.3%	1480.4%	-26.1%
	% of total	1.3%	1.3%	1.2%	1.8%	1.0%	1.1%	0.2%	0.2%	2.2%	1.4%
Resale of pre-owned condos	(units)	5	4	7	14	5	6	1	1	1	2
Other (brokerage and leasing)		351	419	440	460	473	532	496	585	811	595
	YoY	104.1%	19.4%	5.0%	4.5%	2.8%	12.5%	-6.8%	17.9%	38.6%	-26.6%
	% of total	2.0%	2.6%	2.2%	2.1%	2.3%	2.7%	2.5%	2.1%	2.4%	1.5%

Source: Shared Research based on company materials

Note: Starting in Q3 FY06/26, K-nine changed the name used for its terraced multi-unit housing developments from terraced houses to townhouses.

Real Estate Development and Sales

In FY06/26, sales in the Real Estate Development and Sales business totaled JPY38.0bn (+18.3% YoY).

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



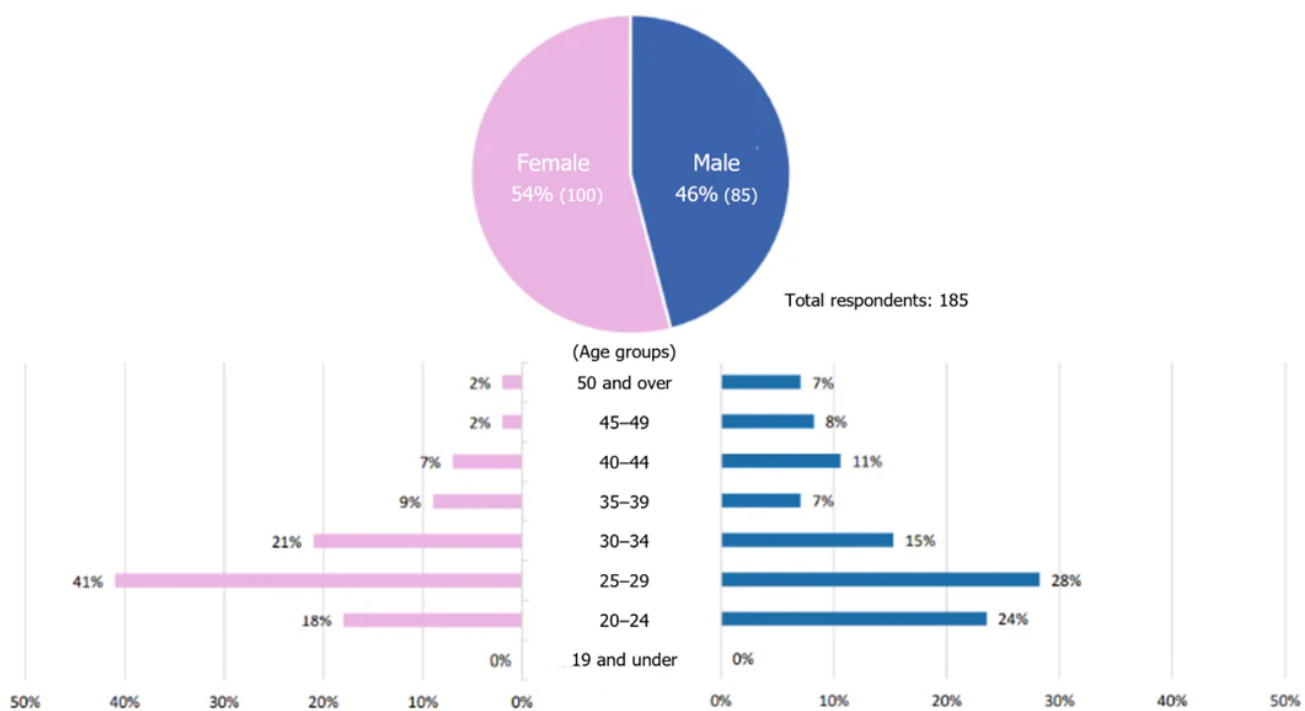
Source: Company website

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 at least six pairs of shoes; one in two women reported owning at least 10 pairs. 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 at least 800 tissue boxes.

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

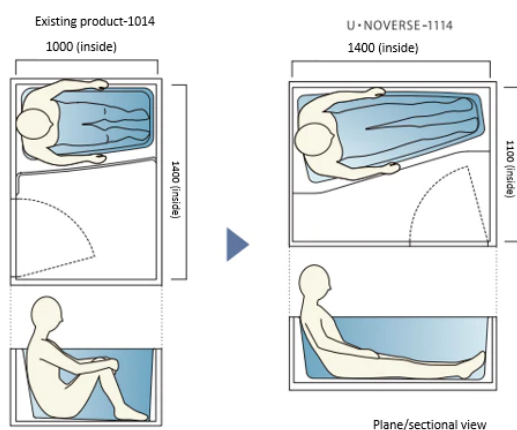


Source: Company website

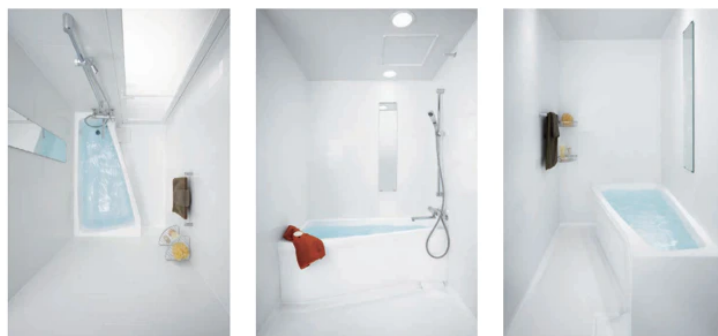
5. Attention to comfort

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



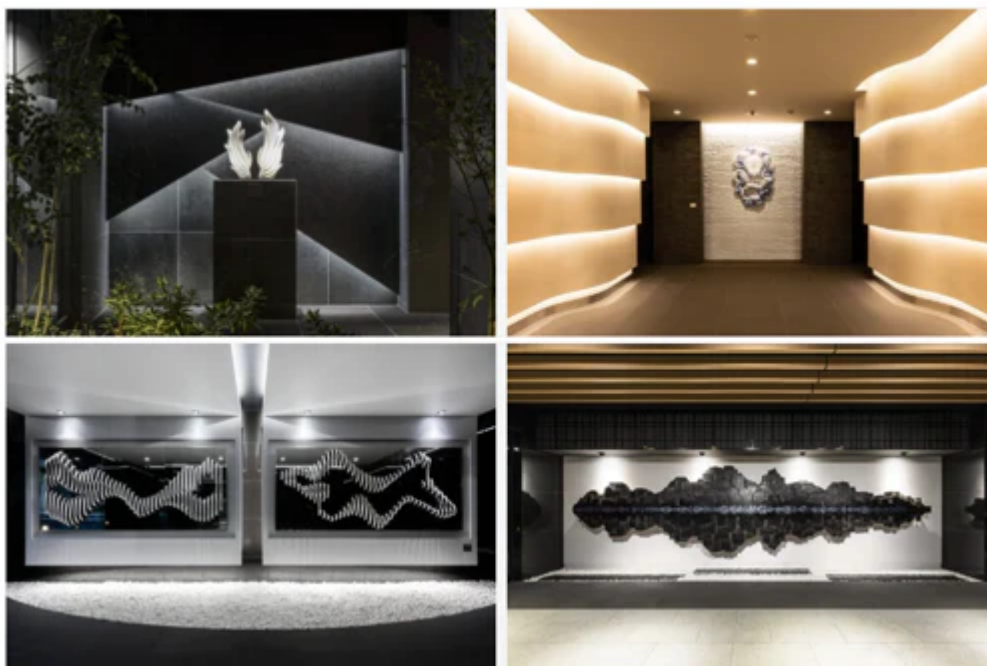
Source: Company website



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.

Entrance halls resembling small art galleries



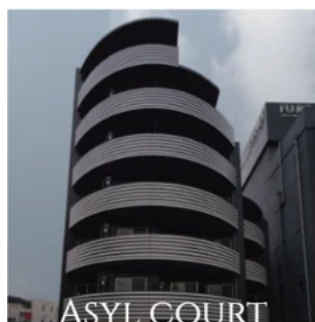
Source: Company website

URBANET brand: Asyl

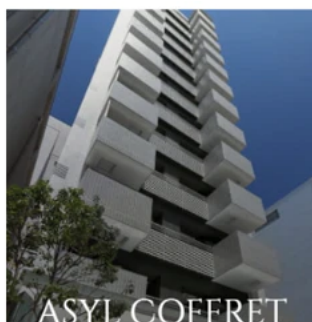
- Asyl Court: Investment-use studio apartments, emphasizing design and efficient living space
- Asyl Coffret: Compact condominiums for sale, targeting DINKs and singles
- Grand Asyl: Family condominiums
- Musicians Villa: Studio apartments with enhanced soundproofing

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



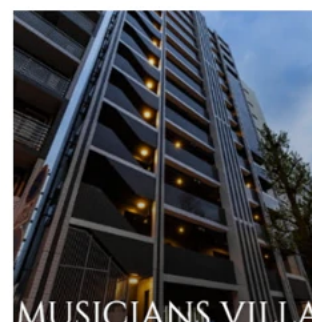
Studio apartment for investment
Asyl Court



Compact condo
Asyl Coffret >



Family condo
Grand Asyl >



Soundproof condo
Musicians' villa >

Source: Company website

Consolidation of K-nine

In February 2024, URBANET acquired all of K-nine's common shares and made it a consolidated subsidiary in Q3 FY06/24. K-nine primarily sells detached houses and townhouses to end users in southwestern Tokyo and northern Kanagawa Prefecture and also undertakes building construction. The acquisition has enabled URBANET to expand its core development area into Yokohama and Kawasaki, secure construction capabilities and additional land acquisition personnel, and strengthen its B2C operations. The company intends to drive further growth by leveraging group synergies to expand its geographic reach and business scope, acquire management resources, and share information across the group, thereby enhancing corporate value and achieving sustainable growth.

Expected 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)	Development and sale of detached houses, townhouses, and other properties to end users (B2C)
Acquiring management resources	Handles overall building design; outsources construction	Has an in-house building construction division
Sharing information in the group	Land lots for development	

Source: Shared Research based on company materials

Note: Starting in Q3 FY06/26, K-nine changed the name used for its terraced multi-unit housing developments from terraced houses to townhouses.

Since becoming a consolidated subsidiary in Q3 FY06/24, K-nine has developed detached houses, townhouses (formerly referred to as terraced houses), and other properties and sold them at appropriate prices in the southwestern part of Tokyo's 23 wards and in Kawasaki and Yokohama, Kanagawa Prefecture. Becoming part of a listed corporate group has strengthened K-nine's credit profile and access to financing from financial institutions, enabling it to acquire high-margin development sites. URBANET believes K-nine will drive the group's growth. K-nine's GPM is comparable to that of the parent company.

K-nine's FY06/26 performance

In FY06/26, K-nine's sales volume increased, supported by its stronger land acquisition capabilities. Sales totaled JPY8.7bn (+42.9% YoY), exceeding the initial forecast of JPY7.6bn by JPY1.1bn, while operating profit reached JPY993mn (+42.6% YoY). URBANET recorded JPY318mn in goodwill from the acquisition of K-nine and amortized JPY39mn in FY06/26, resulting in a post-amortization profit contribution of JPY954mn.

According to URBANET, a major factor behind K-nine's growth was the increase in the subsidiary's borrowing capacity for land acquisitions, which enabled it to acquire more development sites. Average selling prices also rose. K-nine maintains profitability by selectively acquiring well-located sites, leveraging its in-house construction capabilities, and selling the completed properties at higher prices. In particular, its townhouses generate a GPM of around 30%, supported by in-house construction. The subsidiary is also expanding sales of apartment buildings in areas such as Jiyugaoka in Meguro-ku and Asagaya in Suginami-ku, Tokyo.

Meanwhile, funding requirements have increased alongside business expansion. At end-June 2026, K-nine held inventories totaling JPY9.9bn, comprising JPY2.4bn in real estate for sale and JPY7.5bn in real estate for sale in process. Interest-bearing debt reached JPY13.0bn. URBANET recognizes that K-nine's growing inventories and borrowings are increasing the subsidiary's impact on the group's overall performance.

K-nine offers a range of products, including detached houses, townhouses, and apartment buildings, and currently maintains a balanced mix across these categories. Apartment buildings offer particularly high sales efficiency because they are sold as entire buildings, and the company believes their share of its business could increase over the long term. For FY06/27, K-nine forecasts sales of JPY10.0bn (+14.9% YoY).

Properties developed by K-nine



Source: Company materials



Real Estate Purchase and Sales: Purchase and resale

In FY06/26, sales in the Real Estate Purchase and Sales business totaled JPY537mn (-26.1% YoY).

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

In FY06/26, sales in the Other Real Estate business totaled JPY595mn (-26.6% YoY).

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

In FY06/26, the Hotel business was partly affected by travel restrictions imposed by the Chinese government. Sales totaled JPY237mn (-0.4% YoY), while operating profit declined to JPY39mn (-14.5% YoY).

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 FY06/26.

Turned profitable in FY06/24 as domestic travel demand recovered and inbound tourism surged

The Hotel business was affected by the COVID-19 pandemic for an extended period, but earnings began to improve gradually around December 2022. The recovery accelerated following the reclassification of COVID-19 as a Class 5 infectious disease in May 2023 and the sharp rise in inbound tourists, enabling the business to turn profitable in FY06/24. The occupancy rate was around 65% and the average daily rate (ADR) was JPY7,929 excluding tax in July 2022. In FY06/26, the full-year occupancy rate remained high at 86.9%, while ADR reached JPY14,388.

Hotel Asyl Tokyo Kamata



Source: Company website

Development of apartment-style hotels

In addition to its existing Hotel business, URBANET has been developing apartment-style hotels since 2025. These hotels primarily target inbound tourists seeking medium- to long-term accommodation, as well as families and groups traveling together. The company pursues joint development with external specialists, including hotel design firms and operators, focusing mainly on highly accessible locations in central Tokyo.

A key feature of this approach is that URBANET secures a buyer before proceeding with development, holding discussions with prospective investors from the land acquisition stage. The company works with design firms and operators to formulate business plans, including the operating framework, and then sells the completed properties to funds and other investors. This approach reduces the risks associated with owning and operating hotels itself while enabling URBANET to draw on its specialist partners' expertise in hotel operations.

URBANET acquired a development site in Hatchobori, Chuo-ku, Tokyo, in May 2025. In September 2025, it also acquired a site in Akasaka, Minato-ku, Tokyo, a one-minute walk from Tameike-sanno Station on the Tokyo Metro, where it plans to develop a 51-room apartment-style hotel. Although these projects offer lower profit margins than urban rental apartments, the company can leverage the expertise of specialist partners rather than developing hotel design and operating capabilities in-house. By adding a different asset type to its development portfolio, URBANET aims to establish a business mix less dependent on its core urban rental apartments.

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 JPY4.3tn (+19.7% 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 FY2025, the total value of real estate transactions in Japan reached JPY6.2tn (+33.6% YoY), surpassing the pre-global financial crisis peak of JPY5.3tn recorded in FY2007. The number of transactions totaled 697, while the average value per transaction rose 24.5% YoY to JPY8.9bn, the highest level in 20 years (source: Mizuho Trust & Banking, *Real Estate Topics*, July 2026).

Real estate transaction value and average value per transaction in Japan

(JPYbn, FY)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1H (Apr–Sep)	1,551	1,821	1,760	1,724	2,050	1,954	1,788	1,357	1,548	2,303
YoY	-25.8%	17.4%	-3.4%	-2.0%	18.9%	-4.7%	-8.5%	-24.1%	14.1%	48.8%
2H (Oct–Mar)	2,557	3,155	1,850	2,760	1,578	2,388	2,764	2,495	3,086	3,888
YoY	27.9%	23.4%	-41.4%	49.2%	-42.8%	51.3%	15.7%	-9.7%	23.7%	26.0%
Total	4,108	4,976	3,610	4,484	3,628	4,342	4,552	3,851	4,633	6,191
YoY	0.5%	21.1%	-27.4%	24.2%	-19.1%	19.7%	4.8%	-15.4%	20.3%	33.6%
Average value per transaction	3.7	4.5	4.2	5.4	5.5	5.6	6.4	5.4	7.2	8.9
YoY	-9.4%	22.1%	-6.2%	28.2%	2.2%	2.0%	14.3%	-15.6%	32.4%	24.5%

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

Real estate prices in Japan have continued to rise, supported by the low-interest-rate environment created by the monetary easing introduced under Abenomics in 2013. Recent shortages of construction materials and labor, together with the yen's depreciation, have also driven construction costs sharply higher.

As cap rates* have continued to decline, a cycle of property transactions among J-REITs, real estate companies, foreign companies, and other real estate market participants has become firmly established. Strong investment appetite from domestic and overseas investors attracted by yield spreads*² amid low interest rates has also supported the market. In addition, expectations that the Takaichi administration's "responsible and proactive fiscal policy" will promote strategic investment in growth and crisis-management fields while maintaining an accommodative monetary stance have contributed to the market's resilience.

According to the Ministry of Land, Infrastructure, Transport and Tourism's FY2024 Survey of Real Estate Securitization, the Japanese real estate fund market expanded to JPY66.6tn (+11.4% YoY) at end-March 2025. Data from the Association for Real Estate Securitization (ARES) and other sources also showed that J-REIT market capitalization reached JPY17.4tn (+21.7% YoY) at end-December 2025, while total assets, measured as the aggregate acquisition price of properties held, rose to JPY24.1tn (+3.1% 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 investment-use studio apartments

Supported by very low interest rates and purchases by investors seeking rental income (asset management), the supply of investment-use studio apartments in Greater Tokyo rose to 9,210 units in 2007. Supply subsequently declined due to rising land prices and the 2008 global financial crisis, falling to 4,583 units in 2010. It began recovering in 2011 and reached 7,816 units in 2018. Supply fell YoY to 5,977 units in 2019 but recovered to the 6,000-unit level in 2020 and remained at that level in 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, up 1.5 units YoY.

Meanwhile, prices of studio apartments in Greater Tokyo have trended upward, reflecting rising land prices since 2013 and persistently high construction material and other input costs. In 2021, the average price temporarily declined to JPY31.32mn per unit (-1.4% YoY), while the average price per square meter fell to JPY1.16mn (-2.7% YoY). In 2022, the average price rose to JPY32.84mn per unit (+4.9% YoY), while the average price per square meter increased to JPY1.21mn (+3.8% YoY). In 2023, the average price remained largely flat at JPY32.59mn per unit (-0.8% YoY), while the average price per square meter rose to JPY1.24mn (+2.9% YoY).

Amid continued increases in construction costs and intensifying competition for development sites, the supply of investment-use studio apartments in Greater Tokyo declined further in 2024 to 101 projects totaling 4,241 units (-11.6% YoY). Prices, however, rose sharply. The average price reached JPY35.99mn per unit (+10.4% YoY), while the average price per square meter increased to JPY1.33mn (+7.2% YoY). The institute expects intense competition for sites in Tokyo's 23 wards to increase the share of supply in surrounding areas, including Yokohama and Kawasaki in Kanagawa Prefecture.

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Number of newly built condominium units sold	35,772	35,898	37,132	31,238	27,228	33,636	29,569	26,873	23,003	21,962
YoY	-11.6%	0.4%	3.4%	-15.9%	-12.8%	23.5%	-12.1%	-9.1%	-14.4%	-4.5%
Number of pre-owned condominium units contracted	37,189	37,329	37,217	38,109	35,825	39,812	35,429	35,987	37,222	49,114
YoY	6.9%	0.4%	-0.3%	2.4%	-6.0%	11.1%	-11.0%	1.6%	3.4%	31.9%
Price of newly built condominium units (JPYmn)	55.54	59.31	58.86	59.80	60.83	62.60	62.88	81.01	78.20	91.82
YoY	1.5%	6.8%	-0.8%	1.6%	1.7%	2.9%	0.4%	28.8%	-3.5%	17.4%
Price of pre-owned condominium units (JPYmn)	30.48	31.95	33.33	34.42	35.99	38.69	42.76	45.75	48.90	52.00
YoY	5.4%	4.8%	4.3%	3.3%	4.6%	7.5%	10.5%	7.0%	6.9%	6.3%

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 for sale

According to the Real Estate Economic Institute Co., Ltd., the average price of a new condominium in Greater Tokyo reached a record high of JPY91.82mn per unit (+17.4% YoY) in 2025 (January–December 2025). In Tokyo's 23 wards, the average price also reached a record high of JPY136.13mn (+21.8% YoY). Meanwhile, the number of units launched in Greater Tokyo declined for the fourth consecutive year to 21,962 (-4.5% YoY), the lowest level since the survey began in 1973. Although rising construction and land acquisition costs continued to push selling prices to record highs, the contract rate fell 3.0pp YoY to 63.9%, remaining below 70% for the second consecutive year. The market showed signs of polarization and adjustment as buyers became increasingly cautious about high prices.

Investment-use studio apartments

Selling prices of well-located properties near train stations in central Tokyo continue to rise, while yields have trended downward. Even so, sales of investment-use studio apartments 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-use apartments

In Greater Tokyo, the supply of investment-use apartments increased from the late 1990s through the mid-2000s, supported by ultra-low interest rates and demand from investors seeking rental income. The geographic scope of supply expanded, and the number of units supplied peaked at 9,210 in 2007. However, supply declined to 7,006 units in 2008 amid rising land prices and the global financial crisis and fell further to 4,583 units in 2010. In 2016, supply exceeded 7,000 units for the first time in eight years, reaching 7,028 units. In the following years, annual supply generally remained around 6,000 units, except in 2018, when it reached 7,816 units. It subsequently declined from 4,796 units in 2023 to 4,241 units in 2024 (-11.6% YoY) and 3,850 units in 2025 (-9.2% YoY), one of the lowest levels on record.

Based on the number of units supplied and the average price per unit, the Greater Tokyo market for investment-use apartments is estimated at JPY145.5bn in 2025 (-4.7% YoY), reflecting constrained supply. The average price per unit rose to JPY37.80mn (+5.0% YoY), while the average price per square meter increased to JPY1.41mn (+5.3% YoY), continuing the upward trend. With competition for development sites remaining extremely intense in central Tokyo, supply is increasingly shifting to the Joto and Johoku areas* and major cities in surrounding prefectures, including Yokohama and Kawasaki in Kanagawa Prefecture and cities in Saitama Prefecture.

*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-use apartments in Greater Tokyo

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Market size (JPYmn)	195,941	171,833	241,358	187,140	198,818	188,797	195,759	156,302	152,634	145,530
YoY	18.0%	-12.3%	40.5%	-22.5%	6.2%	-5.0%	3.7%	-20.2%	-2.3%	-4.7%
Units supplied	7,028	6,074	7,816	5,977	6,260	6,028	5,961	4,796	4,241	3,850
YoY	16.1%	-13.6%	28.7%	-23.5%	4.7%	-3.7%	-1.1%	-19.5%	-11.6%	-9.2%
Average price per unit (JPY'000)	27,880	28,290	30,880	31,310	31,760	31,320	32,840	32,590	35,990	37,800
YoY	1.7%	1.5%	9.2%	1.4%	1.4%	-1.4%	4.9%	-0.8%	10.4%	5.0%
Price per sqm (JPY'000)	1,120	1,111	1,150	1,183	1,202	1,169	1,214	1,249	1,339	1,410
YoY	5.8%	-0.8%	3.5%	2.9%	1.6%	-2.7%	3.8%	2.9%	7.2%	5.3%
Buildings supplied	143	122	161	132	140	130	131	105	101	94
YoY	19.2%	-14.7%	32.0%	-18.0%	6.1%	-7.1%	0.8%	-19.8%	-3.8%	-6.9%

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

Investment yields continue to decline

Following the Bank of Japan's introduction of its negative interest rate policy in March 2016, declining returns on financial products increased the relative appeal of studio apartments as tangible investments. Even after the Bank of Japan ended the policy in 2024 and began raising its policy rate, investment yields remained historically low, mainly because higher construction costs and other factors continued to push up real estate prices. According to data from the Japan Real Estate Institute, transaction yields (gross yields*) for investment-use studio apartments less than five years old and located within a 10-minute walk of the nearest station in Tokyo's Jonan area—Minato, Shinagawa, Meguro, and Setagaya wards—declined from 4.4% in April 2016 to 3.4% in April 2026. Investors' expected yields (cap rates) also fell from 4.7% to 3.6% over the same period and remain near record lows.

*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-use 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 investment-use studio apartments in Tokyo

	Apr 2016	Oct 2016	Apr 2017	Oct 2017	Apr 2018	Oct 2018	Apr 2019	Oct 2019	Apr 2020	Oct 2020	Apr 2021	Oct 2021
Expected yield (Jonan)	4.7%	4.6%	4.5%	4.5%	4.5%	4.4%	4.3%	4.3%	4.3%	4.2%	4.2%	4.0%
Expected yield (Joto)	4.9%	4.8%	4.8%	4.7%	4.6%	4.5%	4.5%	4.5%	4.5%	4.4%	4.4%	4.3%
Transaction yield (Jonan)	4.4%	4.3%	4.3%	4.2%	4.1%	4.0%	4.0%	4.0%	4.0%	3.9%	3.8%	3.8%
Transaction yield (Joto)	4.6%	4.6%	4.5%	4.4%	4.3%	4.2%	4.2%	4.2%	4.2%	4.1%	4.0%	3.9%
	Apr 2022	Oct 2022	Apr 2023	Oct 2023	Apr 2024	Oct 2024	Apr 2025	Oct 2025	Apr 2026			
Expected yield (Jonan)	4.0%	3.9%	3.8%	3.8%	3.8%	3.8%	3.7%	3.6%	3.5%			
Expected yield (Joto)	4.1%	4.1%	4.0%	4.0%	3.9%	3.9%	3.9%	3.9%	3.9%			
Transaction yield (Jonan)	3.7%	3.6%	3.5%	3.5%	3.5%	3.4%	3.4%	3.4%	3.4%			
Transaction yield (Joto)	3.9%	3.8%	3.7%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%			

Source: Shared Research based on Japan Real Estate Institute data

Note: Investment-use studio apartments, 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

According to the Statistics Bureau of the Ministry of Internal Affairs and Communications' *Report on Internal Migration in Japan*, Tokyo's 23 wards—where URBANET primarily develops urban rental apartments—recorded net population inflows for 23 consecutive years from 1997 through 2020. Single-person households accounted for the majority of these inflows, representing a continually expanding pool of potential tenants for the company's urban rental apartments.

The spread of remote work during the COVID-19 pandemic caused net population inflows into Tokyo's 23 wards to decline from 64,176 in 2019 to 13,034 in 2020. In 2021, the wards recorded a net outflow of 14,828. However, they returned to a net inflow of 21,420 in 2022, which increased further to 58,804 in 2024. Net inflows into Tokyo's 23 wards totaled 39,197 in 2025. Although this figure represented a decline from the previous year, partly due to rising housing costs, population inflows remained firm, particularly among younger age groups. Across Greater Tokyo—Tokyo Metropolis and Kanagawa, Saitama, and Chiba prefectures—net population inflows totaled 126,515 in 2023, 135,843 in 2024, and 123,534 in 2025. These figures indicate the structural concentration of Japan's population in Greater Tokyo remains intact.

Net inflows into Tokyo's 23 wards

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	50,386	53,183	44,319	49,713	69,958	76,786	77,267	67,842	37,391	33,098	35,435	49,655	61,281
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Net inflows to Tokyo's 23 wards	63,976	68,917	58,207	61,158	60,909	64,176	13,034	-14,828	21,420	53,899	58,804	39,197	

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

According to projections published in March 2024 by the Statistics Division of the Tokyo Metropolitan Government's Bureau of General Affairs, Tokyo's total population will peak at 14,265,000 in 2030. Even after the population begins to decline, the number of general households is projected to continue increasing, driven by growth in single-person and couple-only households. The number is projected to peak at 7,683,000 in 2035 before gradually declining to 7,606,000 in 2045. The number of general households in Tokyo's 23 wards, where URBANET primarily develops urban rental

apartments, is also projected to continue increasing, alongside growth in the proportion of single-person households and households headed by older people. Specifically, the number of general households in the 23 wards is projected to rise from 4,794,000 in 2015 to 5,638,000 in 2045. The proportion of single-person households is projected to increase from 50.2% in 2020 to 53.2% in 2040 and 53.9% in 2045. The proportion of households headed by people aged 65 or older is projected to rise from 33.7% in 2020 to 38.1% in 2040 and 42.6% in 2045.

Separately, Basic Resident Registration data compiled by the Statistics Division of the Tokyo Metropolitan Government's Bureau of General Affairs showed that, as of January 1, 2026, Tokyo had a population of approximately 14,078,000 (+0.5% YoY) and 7,749,000 registered households (+0.9% YoY). Tokyo's 23 wards accounted for roughly 9,813,000 residents (+0.7% YoY) and 5,607,000 registered households (+1.4% YoY). The average number of people per household was 1.82 in Tokyo (unchanged from a year earlier) and 1.75 in the 23 wards (down from 1.76), continuing the trend toward smaller households. Single-person households are particularly prevalent in central wards such as Minato, Shibuya, and Shinjuku, and many wards average only 1.5–1.6 people per household. These figures show that the trends toward more households and smaller average household sizes remain pronounced.

Population and number of households in Tokyo

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Population of Tokyo ('000)	13,530	13,637	13,741	13,835	13,844	13,795	13,842	13,912	14,003	14,078
YoY	0.9%	0.8%	0.8%	0.7%	0.1%	-0.4%	0.3%	0.5%	0.7%	0.5%
Number of households in Tokyo ('000)	6,994	7,097	7,198	7,299	7,341	7,354	7,451	7,563	7,682	7,749
YoY	1.5%	1.5%	1.4%	1.4%	0.6%	0.2%	1.3%	1.5%	1.6%	0.9%
Number of people per household	1.93	1.92	1.91	1.90	1.89	1.88	1.86	1.84	1.82	1.82
Population of Tokyo's 23 wards ('000)	9,303	9,397	9,487	9,571	9,573	9,523	9,569	9,643	9,731	9,813
YoY	1.1%	1.0%	1.0%	0.9%	0.0%	-0.5%	0.5%	0.8%	0.9%	0.8%
Number of households in Tokyo's 23 wards ('000)	4,997	5,077	5,157	5,236	5,258	5,255	5,333	5,429	5,529	5,607
YoY	1.7%	1.6%	1.6%	1.5%	0.4%	-0.1%	1.5%	1.8%	1.8%	1.4%
Number of people per household	1.86	1.85	1.84	1.83	1.82	1.81	1.79	1.78	1.76	1.75

Source: Shared Research based on the Basic Resident Registration data compiled by the Statistics Division of the Tokyo Metropolitan Government's Bureau of General Affairs

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	2.56	2.73	2.85	2.94	3.00
Nuclear family households	1.86	1.94	2.05	2.15	2.33	2.39	2.42	2.43	2.43
Other general households	0.26	0.26	0.26	0.22	0.22	0.22	0.21	0.21	0.21
Total	3.76	4.02	4.53	4.79	5.11	5.34	5.49	5.58	5.64
Ratio of single-person households (%)	43.6%	45.4%	49.1%	50.6%	50.2%	51.1%	52.0%	52.7%	53.2%

Source: Shared Research based on data from the Statistics Division of the Tokyo Metropolitan Government's Bureau of General Affairs (published March 2024)

Age composition of general households in Tokyo

	2015	2020	2025E	2030E	2035E	2040E
15–24	5.5%	5.2%	5.0%	4.8%	4.6%	4.5%
25–34	15.7%	14.1%	13.8%	13.2%	12.8%	12.5%
35–44	18.6%	16.5%	14.8%	14.2%	13.8%	13.5%
45–54	17.5%	19.1%	18.5%	16.8%	15.8%	15.2%
55–64	13.5%	13.8%	15.9%	17.8%	17.5%	16.2%
65+	29.1%	31.3%	32.0%	33.2%	35.5%	38.1%

Source: Shared Research based on data from the Statistics Division of the Tokyo Metropolitan Government's Bureau of General Affairs (published March 2024)

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 industry peers and competitors, URBANET's profitability (ROE of 11.6% in FY06/26) and efficiency (ROA of 4.4%) were below the 10-company averages of 17.0% and 9.7%, respectively. However, sales and operating profit per employee were significantly higher than the 10-company averages of JPY213.4mn and JPY23.1mn, reaching JPY375.2mn and JPY39.5mn, respectively, in FY06/26.

Comparison with industry peers

Ticker	Company	Fiscal year	Sales	Operating profit	Operating profit margin	Recurring profit	Recurring profit margin	ROE	ROA	Equity ratio
			(JPYmn)	(JPYmn)		(JPYmn)				
3242	URBANET Corporation	FY06/26	39,395	4,148	10.5%	3,136	8.0%	11.6%	4.4%	24.7%
2981	Landix	FY03/26	23,528	3,001	12.8%	2,779	11.8%	20.3%	11.8%	39.1%
3245	Dear Life	FY09/25	78,505	7,726	9.8%	7,831	10.0%	20.2%	16.6%	59.3%
3469	Dualtap	FY06/26	5,522	190	3.4%	107	1.9%	2.0%	1.8%	39.4%
3475	Good Com Asset	FY10/25	54,581	2,935	5.4%	2,586	4.7%	10.7%	6.0%	30.7%
3486	Global Link Management	FY12/25	69,262	7,436	10.7%	6,739	9.7%	34.8%	16.0%	31.3%
3489	FaithNetwork	FY03/26	32,916	5,632	17.1%	5,165	15.7%	32.4%	16.0%	35.8%
5535	Migalo Holdings	FY03/26	57,532	3,061	5.3%	2,347	4.1%	10.9%	4.2%	26.3%
8877	Eslead	FY03/26	116,920	18,502	15.8%	16,395	14.0%	14.4%	6.6%	30.4%
8935	FJ Next Holdings	FY03/26	142,374	14,402	10.1%	14,356	10.1%	13.0%	13.1%	71.2%
	Average		62,054	6,703	10.1%	6,144	9.0%	17.0%	9.7%	38.8%

Source: Shared Research based on data from each company

(JPYmn)	URBANET Corporation (3242)					Dear Life (3245)				
	FY06/22	FY06/23	FY06/24	FY06/25	FY06/26	FY09/21	FY09/22	FY09/23	FY09/24	FY09/25
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	19,607	20,265	27,966	33,934	39,395	26,367	51,905	43,503	46,880	78,505
Cost of sales	16,064	16,226	23,335	27,471	31,547	21,006	43,186	34,943	39,785	67,716
Gross profit	3,543	4,039	4,631	6,463	7,848	5,360	8,718	8,559	7,095	10,788
SG&A expenses	1,321	1,609	1,905	2,982	3,701	1,344	2,982	2,472	2,475	3,062
Operating profit	2,223	2,430	2,726	3,481	4,148	4,016	5,736	6,087	4,619	7,726
Recurring profit	1,986	2,140	2,427	2,788	3,136	4,114	5,666	6,181	4,656	7,831
Net income	1,314	1,447	1,701	1,851	2,130	2,686	4,199	4,304	3,170	5,320
ROE	10.6%	11.0%	11.9%	11.4%	11.6%	18.5%	23.3%	19.3%	13.1%	20.2%
ROA (RP-based)	5.4%	5.2%	5.3%	5.1%	4.4%	15.6%	17.7%	15.8%	10.5%	16.6%
Gross profit margin	18.1%	19.9%	16.6%	19.0%	19.9%	20.3%	16.8%	19.7%	15.1%	13.7%
Operating profit margin	11.3%	12.0%	9.7%	10.3%	10.5%	15.2%	11.1%	14.0%	9.9%	9.8%
Property, plant and equipment	5,996	5,853	6,810	7,736	9,318	78	226	185	195	157
Net assets	14,393	15,193	15,064	17,348	19,496	15,611	21,259	24,162	25,075	28,492
Total assets	38,091	44,238	46,973	62,323	79,051	27,738	36,457	41,714	47,063	47,376
Equity ratio	33.6%	30.6%	32.1%	27.8%	24.7%	54.8%	57.2%	57.0%	52.5%	59.3%
Real estate for sale	2,289	85	1,496	2,070	4,936	4,550	8,004	11,400	14,139	12,184
Real estate for sale in process	20,424	27,980	28,721	39,361	51,236	5,365	5,081	4,954	10,644	4,616
Inventory turnover (times/year)	0.9	0.8	1.0	0.9	0.8	2.6	4.5	3.0	2.3	3.8
Total asset turnover (times/year)	0.5	0.5	0.6	0.6	0.6	1.0	1.6	1.1	1.1	1.7
Cash flows (CFs) from operating activities	491	-2,836	2,978	-7,009	-9,691	1,752	5,045	1,365	-5,932	14,138
CFs from investing activities	-398	-954	-82	-2,872	-3,232	278	-1,104	346	141	41
CFs from financing activities	1,199	4,436	-3,518	12,770	13,112	-369	1,019	529	2,581	-5,726
Cash and deposits	8,495	9,141	8,531	11,423	11,588	14,541	19,707	21,882	18,653	27,104
Interest-bearing debt	20,973	26,274	29,209	41,730	54,834	9,815	11,851	13,864	18,850	15,166
Net debt	12,478	17,133	20,678	30,307	43,246	-4,726	-7,856	-8,018	197	-11,938
Number of employees	52	53	82	97	105	479	563	645	643	639
Sales per employee (JPYmn)	377.1	382.4	341.0	349.8	375.2	55.0	92.2	67.4	72.9	122.9
Operating profit per employee (JPYmn)	42.8	45.8	33.2	35.9	39.5	8.4	10.2	9.4	7.2	12.1
(JPYmn)	Good Com Asset (3475)					FJ Next Holdings (8935)				
	FY10/21	FY10/22	FY10/23	FY10/24	FY10/25	FY03/22	FY03/23	FY03/24	FY03/25	FY03/26
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons. (IFRS)	Cons. (IFRS)	Cons. (IFRS)	Cons. (IFRS)	Cons. (IFRS)
Sales	34,217	40,049	22,190	59,754	54,582	82,258	84,688	100,405	112,429	142,374
Cost of sales	28,107	32,443	16,622	50,860	46,703	62,518	65,840	80,231	91,785	115,507
Gross profit	6,109	7,606	5,568	8,894	7,879	19,739	18,848	20,174	20,644	26,866
SG&A expenses	2,672	2,994	3,427	3,442	4,943	10,644	10,597	10,742	11,155	12,464
Operating profit	3,437	4,612	2,141	5,452	2,935	9,095	8,250	9,431	9,488	14,402
Recurring profit	3,165	4,342	1,788	4,938	2,586	9,080	8,219	9,434	9,459	14,356
Net income	1,962	2,858	1,030	3,320	1,521	6,338	5,621	6,453	6,483	10,010
ROE	22.3%	27.6%	8.9%	26.0%	10.7%	11.2%	9.2%	9.8%	9.2%	13.0%
ROA (RP-based)	13.7%	19.3%	4.6%	10.6%	6.0%	10.9%	9.6%	10.2%	9.4%	13.1%
Gross profit margin	17.9%	19.0%	25.1%	14.9%	14.4%	24.0%	22.3%	20.1%	18.4%	18.9%
Operating profit margin	10.0%	11.5%	9.6%	9.1%	5.4%	11.1%	9.7%	9.4%	8.4%	10.1%
Net assets	9,209	11,472	11,608	13,937	14,182	58,917	63,022	68,031	72,922	81,127
Total assets	20,446	24,452	53,497	39,460	46,289	82,659	88,938	95,281	105,477	113,869

Property, plant and equipment	81	71	70	70	83	10,910	11,089	10,987	10,973	13,011
Equity ratio	45.0%	46.9%	21.7%	35.3%	30.7%	71.3%	70.9%	71.4%	69.1%	71.2%
Real estate for sale	8,629	10,239	36,406	16,060	16,730	11,262	11,130	12,491	16,414	25,431
Real estate for sale in process	1,731	253	5,168	8,038	12,793	19,025	26,489	28,159	43,324	39,281
Inventory turnover (times/year)	2.5	3.8	0.9	1.8	2.0	2.3	2.5	2.6	2.2	2.3
Total asset turnover (times/year)	1.5	1.8	0.6	1.3	1.3	1.2	1.0	1.1	1.1	1.3
Cash flows (CFs) from operating activities	9,700	3,483	-33,171	25,862	-1,103	22,215	-4,534	4,671	-13,880	7,103
CFs from investing activities	-91	-256	-54	-701	-2,554	7	1,933	-5,036	4,906	-3,452
CFs from financing activities	-8,235	456	29,446	-21,560	1,532	-9,675	-738	-2,289	3,841	-5,378
Cash and deposits	7,974	11,677	8,061	11,662	9,543	35,593	32,254	34,600	24,468	25,740
Interest-bearing debt	8,995	10,068	40,381	19,828	27,798	12,642	13,473	12,753	19,063	18,628
Net debt	1,021	-1,609	32,320	8,166	18,255	-22,951	-18,781	-21,847	-5,405	-7,112
Number of employees	149	167	186	186	245	558	564	557	584	600
Sales per employee (JPYmn)	229.6	239.8	119.3	321.3	222.8	147.4	150.2	180.3	192.5	237.3
Operating profit per employee (JPYmn)	23.1	27.6	11.5	29.3	12.0	16.3	14.6	16.9	16.2	24.0

Source: Shared Research based on relevant companies

Strengths and weaknesses

Strengths

Ability to differentiate itself 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 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, calm 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 commitment to craftsmanship. 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 the 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.

Flexible development framework that enables the company to select the optimal use based on each location's characteristics

URBANET's competitive advantage lies in its flexibility to convert and develop acquired land for the use that can potentially generate the highest investment returns, depending on the site's characteristics and market conditions.

In addition to its core business of developing urban rental apartments near train stations in Tokyo's 23 wards, the company has recently expanded into senior housing, apartment-style hotels, and resort developments. With K-nine becoming a consolidated subsidiary in Q3 FY06/24, URBANET can now develop townhouses targeting end users and handle smaller sites in the Jonan and Josai areas that would have been difficult for URBANET to commercialize on a standalone basis. The addition of K-nine has given the company a framework for selecting the optimal asset type based on site characteristics and demand trends, complementing its traditional urban rental apartment development. For example, when a site is unsuitable for urban rental apartments due to constraints such as shape or size, the company can monetize it by developing townhouses. It also makes flexible investment decisions, such as selling land before development when it receives offers from buyers that exceed its assumed profit levels.

One example is the senior housing facility in Setagaya-ku, Tokyo, which opened in March 2026. URBANET initially acquired the site with plans to develop an urban rental apartment building. However, after weighing factors such as distance from the nearest station, nearby rent levels, and government subsidy programs, the company determined that developing the site as senior housing would generate higher profitability and changed the planned use. In this way, rather than fitting acquired land into a uniform product format, URBANET reviews the optimal use based on site characteristics and market conditions to maximize return on invested capital.

Weaknesses

Reliance on highly skilled human capital and individual expertise

URBANET's competitiveness depends on highly skilled human capital, including its land acquisition capabilities in central Tokyo, design and planning capabilities, and development expertise in determining the optimal use for each location. In particular, for station-adjacent sites in Tokyo's 23 wards, the company must comprehensively assess factors such as land shape, the surrounding environment, future rental demand, and demand from investor buyers. It is difficult to continuously secure attractive projects through simple price competition alone. These capabilities depend heavily on experience and personal networks and are not easy to standardize in a short period.

URBANET has achieved high profitability with a small, highly capable team, but its land acquisition and development management functions rely heavily on personnel with specialized expertise. Although the company is increasing headcount as its business expands, its strengths in identifying prime central Tokyo sites, handling rights adjustments, and planning products are rooted in individual expertise and cannot be learned quickly. As a result, securing and training personnel with sophisticated judgment, as well as passing on expertise, will take time, and the pace of business expansion is likely to be constrained by the speed at which the organization can build capabilities. Shared Research believes the difficulty of balancing high profitability with organizational expansion is an inherent weakness of the company's business model.

Growth dependent on securing land amid intense competition

URBANET's business is heavily weighted toward a transaction-based revenue model, in which the company acquires development land, builds and sells properties, and recognizes gains on sale in a single transaction. Growth potential therefore depends heavily on whether it can continue to secure quality land. Although the range of uses has expanded to include urban rental apartments, senior housing, and hotels, the prerequisite remains the acquisition of attractive sites.

The company places particularly strong emphasis on sites near train stations and gives high priority to location when acquiring land. According to the company, competition to acquire sites in central Tokyo remains intense, and it often loses bids to competitors. Although some operators have begun to exit the market amid rising interest rates, the company expects competition for prime central Tokyo sites to remain severe.

URBANET is expanding land sourcing, supported by the continued active lending stance of its main financial institutions, which reflects its long transaction history with banks and lack of delayed repayments. However, land supply itself is limited. To achieve the JPY50.0bn sales target set out in its medium-term business plan through FY06/28, the company will need both funding capacity and the ability to continuously secure high-quality development land. Shared Research

believes the company's reliance on successful land sourcing, an external factor with high uncertainty, represents a structural weakness in earnings sustainability.

Earnings models in new business areas that remain in the validation phase

URBANET is leveraging its land acquisition capabilities and planning and development expertise accumulated through urban rental apartment development to expand into senior housing, apartment-style hotels, and resort developments in Karuizawa and Niseko. Through these initiatives, it aims to capture medium- to long-term growth opportunities based on demographic changes and demand from inbound tourists, and to expand earnings opportunities that the traditional rental apartment business alone could not easily capture.

At the same time, these new areas are not businesses in which URBANET has accumulated many years of development and sales track records, as it has with urban rental apartments. The first senior housing project has only just opened, and full-scale earnings contributions from apartment-style hotel projects are still ahead. In addition, the Karuizawa and Niseko projects have long development periods and target a narrower customer base, such as high-net-worth individuals in Japan, international buyers, and specific funds. Changes in the external environment, including economic conditions, exchange rates, and geopolitical risks, could therefore cause unexpected shifts in final sale prices or exit strategies. Verifying business profitability will likely take time.

At present, it is still too early to assess how much these new businesses will contribute to groupwide profit growth, or how stable their earnings will be against fluctuations in the economy and tourism demand. A timing shift in completion or a swing in profit margin for one large project could have a major impact on groupwide earnings. While the shift toward higher-value-added assets offers medium- to long-term growth potential, it could also increase earnings volatility. Shared Research believes it will be necessary to monitor the track record URBANET builds over the next several years.

Financial statements

Historical earnings

Cumulative Q3 FY06/26 results (out May 14, 2026)

Earnings summary

Cumulative Q3 FY06/26 results (July 2025–March 2026)

- Sales: JPY25.6bn (+117.2% YoY)
- Operating profit: JPY3.3bn (profit of JPY49mn in cumulative Q3 FY06/25)
- Recurring profit: JPY2.6bn (loss of JPY450mn)
- Net income attributable to owners of the parent: JPY1.7bn (loss of JPY379mn)

In cumulative Q3, progress toward the full-year FY06/26 targets was 69.1% for sales, 91.5% for operating profit, 90.8% for recurring profit, and 89.0% for net income attributable to owners of the parent. According to URBANET, progress through Q3 exceeded its expectations, supported particularly by earnings contributions from consolidated subsidiary K-nine.

Reasons for increases in sales and profit

In cumulative Q3, project completions and sales recognition remained firm. In FY06/25, sales recognition for urban rental apartments was weighted toward Q4, resulting in a low comparison base through cumulative Q3. As a result, both sales and profit increased sharply YoY in cumulative Q3. Strong performance by subsidiary K-nine from the start of FY06/26 also contributed to the increases in sales and profit.

GPM improved to 23.0% (+4.1pp YoY), mainly because sales of townhouses to end users in central Tokyo, developed by K-nine, generated higher-than-expected profit margins. URBANET noted many projects sold out quickly without discounts, while profits were also lifted by transactions not included in the initial plan, such as opportunistic land resales. Progress at the parent company on a non-consolidated basis was also largely in line with projections.

Meanwhile, uncertainty remained around construction costs. URBANET is monitoring procurement trends for naphtha-related construction materials amid the impact of tensions in the Middle East and is prioritizing securing materials. At present, direct impact on FY06/26 earnings, such as longer construction periods or delivery delays, remains limited, but the company believes pricing and supply conditions could have some impact from FY06/27 onward.

Land acquisitions

URBANET plans to acquire sites for 14–15 projects in FY06/26. As of end-Q3, it had already acquired sites for 14 projects on a settlement basis, indicating steady progress. The company is now taking a more selective approach to investment. While continuing to focus on Tokyo's 23 wards, it views the Jonan and Josai areas as particularly attractive due to strong rental demand and advantages in securing tenants, and plans to prioritize acquisitions in these areas. According to URBANET, bidding for central Tokyo sites remains highly competitive, and the company often fails to win bids. However, with rising interest rates potentially weakening the funding capacity of some competitors, the market environment is beginning to show gradual signs of change.

In land sourcing, URBANET is shifting toward a more flexible development approach that enables it to select the optimal asset type based on each site's characteristics, local rent levels, and market needs. Its development asset types are diversifying beyond traditional urban rental apartments to include healthcare facilities, apartment-style hotels, and private lodging facilities. This asset diversity has enabled the company to broaden the range of sites it can pursue in central Tokyo, where competition for land remains intense.

Performance by segment

Real Estate business

- Sales: JPY25.4bn (+119.0% YoY)

- Segment profit: JPY4.5bn (+260.6% YoY)
- Segment profit margin: 17.8% (+7.0pp YoY)

In cumulative Q3 FY06/26, the Real Estate business (Real Estate Development and Sales, Real Estate Purchase and Sales, and Other Real Estate businesses) posted sales of JPY25.4bn (+119.0% YoY) and segment profit of JPY4.5bn (+260.6% YoY).

Real Estate Development and Sales

In cumulative Q3, sales in the Real Estate Development and Sales business totaled JPY24.4bn (+137.3% YoY). Sales comprised seven urban rental apartment buildings with 337 units (three buildings with 97 units in cumulative Q3 FY06/25), two rental apartment buildings with 17 units (one building with 11 units), 28 detached houses and townhouses (23 units), and nine land parcels (seven parcels). In urban rental apartment development, acquisition demand from domestic institutional investors, funds, and REITs has remained firm despite rising interest rates. Sales progressed as planned, and in Q3, the company sold the Kasai II project to a domestic fund.

At end-Q3, K-nine's sales reached JPY7.0bn, representing 92% of its full-year target of JPY7.6bn. Operating profit was JPY1.0bn, exceeding the initial target of JPY800mn. The company attributed this high profitability to the following three factors:

- Strong local presence and sourcing capabilities in the Jonan and Josai areas, including Setagaya-ku, Meguro-ku, and Shinagawa-ku
- Elimination of intermediary margins through in-house design and construction
- Lower land acquisition costs through the use of niche site shapes, such as flagpole-shaped lots

In Q3 FY06/26, K-nine renamed its terraced multi-unit housing development category from terraced houses to townhouses. K-nine's Family Onlyone Life Story (FOLS) TERRACE is capturing demand from buyers seeking alternatives to newly built condominiums in central Tokyo, where prices have risen sharply. By offering condominium-grade equipment, such as standard built-in dishwashers, and refined design while keeping total prices in the JPY80–99mn range, the company has captured demand from first-time homebuyers. A property in the Shinagawa area sold out just five days after sales began, and K-nine has continued to sell at high profit margins without discounts.

K-nine's strong performance also reflects high asset turnover. Even for land acquired for development, K-nine can act flexibly and lock in profits by selling sites when it receives offers that exceed its assumed profit levels. At end-Q3, K-nine had inventories of about JPY8.9bn and interest-bearing debt of about JPY12.8bn, and was driving groupwide earnings with high asset efficiency.

URBANET is also moving to bring construction functions in-house through K-nine. For Asyl Court Gotokuji, K-nine's first construction project for URBANET, the company confirmed some cost benefits and established a foundation for future projects. It aims to construct around two to three apartment buildings per year, each with roughly 40–50 units. However, given the ongoing labor shortage in the construction industry, the company plans to hold off on expanding orders from external customers for the time being. It plans to prioritize group projects and build construction expertise. Sales of JPY323mn (-43.8% YoY) from K-nine's construction contracting are also included in Real Estate Development and Sales. The decline reflected a shift in K-nine's construction capacity toward orders from the parent company beginning in FY06/26.

Performance in Real Estate Development and Sales

	Cumulative Q3 FY06/25		Cumulative Q3 FY06/26		Changes (JPYmn)	Main factors
	Number of units or parcels	Sales (JPYmn)	Number of units or parcels	Sales (JPYmn)		
Urban rental apartments	97	3,502	337	16,780	13,278	Sold seven buildings with 337 units
Detached houses	9	620	11	1,137	517	Spec-built houses developed by K-nine
Apartments	11	314	17	732	418	Sold two buildings with 17 units by K-nine
Townhouses	14	1,234	17	1,395	161	K-nine's flagship product
Land sales	7	4,055	10	4,076	21	Nine value-added land sales through rights adjustments, site preparation, and other measures; one other sale
Contract construction	-	575	-	323	-252	K-nine's construction business; decline reflected the start of construction orders from the parent company in FY06/26
Total		10,303		24,446	14,143	

Source: Shared Research based on company materials

Note: Figures may differ from company materials due to differences in rounding methods.

Properties recognized as sales in Q3



Source: Company materials

From left: Kasai II project (urban rental apartment): Edogawa-ku, Tokyo; reinforced-concrete structure; seven stories; 27 units; completed January 2026

FOLS TERRACE Minami-Shinagawa (townhouses): Shinagawa-ku, Tokyo; steel-frame structure; three stories; five units; completed February 2026

FOLS Setagaya 1-chome (spec-built house): Setagaya-ku, Tokyo; wooden post-and-beam construction; three stories; completed November 2025

FOLS CLASS Komagome-Nishigahara (apartment): Kita-ku, Tokyo; steel-frame structure; four stories; 12 units; completed March 2026

FOLS CLASS Higashi-Kamata (apartment): Ota-ku, Tokyo; steel-frame structure; four stories; 12 units; completed March 2026

Real Estate Purchase and Sales

In cumulative Q3, URBANET sold three renovated properties in the Real Estate Purchase and Sales business (one in cumulative Q3 FY06/25), generating sales of JPY537mn (-26.1% YoY). The YoY sales decline reflected the contribution of a large purchase-and-resale property project in FY06/25.

Other Real Estate business (including leasing and brokerage)

In cumulative Q3, the Other Real Estate business posted sales of JPY452mn (-22.3% YoY), reflecting earnings from real estate brokerage and leasing operations. The YoY sales decline reflected the impact of the reclassification of some rental properties as real estate for sale in FY06/25.

Hotel business

In cumulative Q3, the Hotel business generated sales of JPY178mn (+0.6% YoY), mainly from room charges at Hotel Asyl Tokyo Kamata. Segment profit fell 17.1% YoY to JPY37mn, reflecting renovation and other expenses. According to URBANET, the average occupancy rate in cumulative Q3 was 92%, and the average daily rate (ADR) was JPY15,040, with both occupancy and ADR remaining solid. In Q3 (January–March 2026), international guests accounted for 23–38% of total guests, with the US (mainly Hawaii), Indonesia, and Taiwan ranking as the top source countries and regions.

For the apartment-style hotel in Akasaka, URBANET is making progress in obtaining building confirmation and plans to soon move to awarding the construction contract to a general contractor. The company believes it can maintain the initially assumed profit margin of around 10% as it moves toward completion and sale in 2028.

For the timeshare vacation home business in Karuizawa, the company is now gathering feedback from prospective high-net-worth customers, verifying pricing, and preparing to launch full-scale sales activities for a prime location in Kyu-Karuizawa.

For the Niseko project, URBANET plans to develop a winter sports base targeting international visitors. However, given current leasing demand for the existing employee dormitory on the site, which allows the company to continue generating income, it has decided to delay the start of demolition by one winter. As a result, the company expects the overall completion timeline to be pushed back slightly from 2028 to around 2029.

First healthcare property project

URBANET's first healthcare asset, Charm Suite Chitose-Karasuyama, opened in March 2026, with handover and sales recognition scheduled for Q4 FY06/26 (April–June 2026). The property is a high-quality healthcare facility designed and built by Daiwa House Industry Co., Ltd. (TSE Prime: 1925), which has extensive experience in senior care facilities, and operated by Charm Care Corporation (TSE Prime: 6062), a leading company in the nursing care industry.

Although the profit margin on this project is not notably higher than that of the company's mainstay Asyl Court series, its strategic value lies in broadening URBANET's land-use options. In addition to traditional urban rental apartments, the

company is building a framework that enables it to select the optimal use for each site, including hotels, apartment-style hotels, senior housing, and potentially private lodging facilities in the future.

URBANET initially considered developing this site as a rental apartment building. However, after weighing factors such as its eight-minute walk from the nearest station, nearby rent levels, and various Tokyo Metropolitan Government subsidy programs for senior housing, the company determined that developing the site for healthcare use would generate higher profitability. The property also matches the characteristics of Setagaya-ku, an area with many affluent and upper-middle-income residents, balancing social significance with economic rationality. Looking ahead, URBANET has begun considering a second senior housing project. Rather than limiting itself to the approach used for this project, the company plans to flexibly expand its healthcare pipeline based on location characteristics and buyer needs.

Charm Suite Chitose-Karasuyama



Source: Company materials

Note: Located in Setagaya-ku, Tokyo; steel-frame structure with partial reinforced concrete; three stories above ground and one below; 63 rooms; opened March 1, 2026

Assets, liabilities, and net assets

At end-Q3 FY06/26, total assets rose JPY15.6bn from end-FY06/25 to JPY77.9bn. The increase mainly reflected a JPY5.0bn increase in real estate for sale and a JPY10.3bn increase in real estate for sale in process, as the company steadily acquired land in prime locations in central Tokyo. Total assets currently exceed the company's previous guideline of JPY70.0bn, reflecting proactive land acquisitions aimed at achieving the medium-term business plan sales target of JPY50.0bn, as well as longer construction periods. However, large property sales to funds and other buyers are concentrated in May–June 2026, so the company expects total assets to decline to some extent toward the fiscal year-end. The company sees an appropriate medium- to long-term asset level at around JPY50.0–60.0bn and plans to manage assets while balancing investment for growth.

At end-Q3 FY06/26, liabilities rose JPY13.8bn from end-FY06/25 to JPY58.8bn. The increase mainly reflected a JPY2.5bn increase in short-term borrowings and a JPY10.7bn increase in long-term borrowings, including the portion due within one year, associated with land purchases. Despite facing an uncertain external environment, including rising interest rates and difficulties procuring construction materials, the company has built long-standing relationships with financial institutions and has no history of delayed repayments, so its main lenders continue to take an active lending stance. Because the company uses a diverse mix of borrowing formats, including loans linked to the short-term prime rate and fixed-rate loans, the impact of rising market interest rates has remained gradual.

Having experienced the abrupt shift in the financing environment during the 2008 global financial crisis, URBANET has diversified its funding sources beyond city banks to include regional banks, credit unions, leasing companies, and the loan-type crowdfunding platform Funds (fifth round, JPY300mn). Although crowdfunding carries higher funding costs, including interest and fees, the company positions it as a supplementary funding source that can be used flexibly as working capital. It also helps the company maintain ample cash and deposits that can be deployed flexibly, as payments to general contractors have tended to be required earlier out of consideration for subcontractors. In addition, the company expects a secondary marketing effect: by allowing small investments starting from JPY10,000, it can raise awareness of its business among individual investors and cultivate future customers for products targeting high-net-worth individuals.

Net assets increased JPY1.7bn from end-FY06/25 to JPY19.1bn. The increase reflected net income attributable to owners of the parent in cumulative Q3, as well as higher share capital and capital surplus resulting from the exercise of share acquisition rights. These factors more than offset dividend payments. The equity ratio was 24.5%, down from 27.8% at end-FY06/25.

Outlook as of the Q3 results announcement

Construction work on each project is progressing largely on schedule, and the recognition of sales and profit is generally in line with initial projections. However, the company will continue to closely monitor the impact of building material supply conditions and price increases on construction work, including factors such as heightened tensions in the Middle East. It plans to promptly disclose any earnings forecast revisions as necessary.

According to URBANET, large project sales are concentrated in Q4. If all projects are sold as scheduled, sales could exceed the company's projections. However, recognition timing could shift depending on construction progress and settlement timing, so the company is maintaining a cautious outlook.

URBANET sees a clear path toward achieving its profit targets, and projects scheduled for FY06/27 are also becoming increasingly visible. The company is evolving from a central Tokyo rental apartment developer into a high-value-added asset developer handling a broader range of projects, including hotels, apartment-style hotels, healthcare facilities, and vacation homes for high-net-worth individuals. It has already largely secured the land sourcing pipeline needed to achieve its medium-term business plan, and Shared Research believes earnings visibility for FY06/26 and FY06/27 is high.

1H FY06/26 results (out February 5, 2026)

Earnings summary

1H FY06/26 results (July–December 2025)

- Sales: JPY22.3bn (+180.0% YoY)
- Operating profit: JPY3.3bn (profit of JPY101mn in 1H FY06/25)
- Recurring profit: JPY2.8bn (loss of JPY232mn)
- Net income attributable to owners of the parent: JPY1.9bn (loss of JPY211mn)

Progress toward URBANET's full-year FY06/26 forecast in 1H was 60.2% for sales, 89.9% for operating profit, 99.7% for recurring profit, and 100.4% for net income attributable to owners of the parent. The company noted overall performance was largely in line with its expectations, while earnings at its subsidiary K-nine were running ahead of projections.

Reasons for increases in sales and profit

In 1H, sales and profit rose sharply YoY. Project completions proceeded steadily, and URBANET recorded stable sales from these projects. In FY06/25, sales from urban rental apartments were concentrated in Q4, which also lifted 1H earnings YoY in FY06/26. Subsidiary K-nine also maintained strong performance. URBANET recorded sales from highly profitable properties in Q1, pushing progress toward the full-year profit forecast at each level to a high level, but the company had already factored this trend into its initial forecast.

GPM was 22.8% (+3.9pp YoY), but it fell 5.6pp QoQ in Q2 (October–December 2025) versus Q1. The QoQ decline reflected a shift in the property mix, as high-margin projects in Shibuya-ku, Shinagawa-ku, and Kita-ku were concentrated in Q1. Higher construction materials costs due to the weaker yen and elevated personnel expenses have persisted, and construction lead times have tended to lengthen as enforcement of a mandatory two-day weekend rule has tightened. The company is working to curb cost increases by locking in prices and securing materials through earlier contractor selection. As prices for both newly built and pre-owned condominiums continue to rise, rents for properties near train stations in central Tokyo have also increased. With higher rents pushing down yields, property selling prices have risen as well, helping offset some of the higher costs. Nevertheless, construction cost inflation has outpaced these price increases, squeezing margins in the near term.

SG&A expenses increased 30.0% YoY, while the SG&A ratio was 8.2% (-9.5pp YoY). As in Q1, the increase in SG&A was mainly driven by personnel expenses, which rose about 20% YoY on higher headcount and wage increases, and by higher brokerage fees on property sales as sales volume expanded. Operating profit rose sharply. Although higher

interest and commission expenses lifted non-operating expenses 26.9% YoY, the company returned to profitability at both the recurring profit and net income levels, reversing losses in 1H FY06/25.

Land acquisitions

In 1H, URBANET acquired land in the Kyu-Karuizawa area of Nagano Prefecture as a site for its real estate development business targeting high-net-worth individuals in Japan and overseas (timeshare vacation homes). The company also acquired sites for seven other projects. It plans to acquire land for 14–15 projects in FY06/26, and progress has been steady. As of end-Q2, it had secured development inventory equivalent to about 1,650 units, excluding properties scheduled for delivery by end-FY06/26.

While land prices in central Tokyo remain elevated, the company acquired eight sites in 1H, in line with its target. Recently, fewer properties have been handed over as vacant land after the existing buildings were demolished. Instead, the company has increasingly acquired properties with tenants still in place and then handled eviction negotiations in-house, which typically takes over six months to one year.

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

Project	Location	Land area	Scheduled completion
Kyu-Karuizawa Atagoyama project (tentative)	The town of Karuizawa, Kitasaku-gun, Nagano Prefecture	2,384sqm (registered land area)	-

Source: Shared Research based on company materials

Performance by segment

Real Estate business

- Sales: JPY22.2bn (+182.8% YoY)
- Segment profit: JPY4.1bn (+374.2% YoY)
- Segment profit margin: 18.5% (+7.5pp YoY)

In 1H FY06/26, the Real Estate business (Real Estate Development and Sales, Real Estate Purchase and Sales, and Other Real Estate businesses) posted sales of JPY22.2bn (+182.8% YoY) and segment profit of JPY4.1bn (+374.2% YoY).

Real Estate Development and Sales

In 1H FY06/26, sales in the Real Estate Development and Sales business totaled JPY21.5bn (+220.3% YoY). Sales comprised six urban rental apartment buildings with 310 units (one building with 50 units in 1H FY06/25), 31 units of detached and terraced houses, including one apartment building with eight units (27 units in 1H FY06/25), and six land parcels (five in 1H FY06/25). Sales of urban rental apartment buildings progressed as expected, and the company sold two buildings completed in Q2 to Japanese funds at fair prices.

Sales comprised seven detached houses, 16 terraced houses, one rental apartment building, six land parcels, contract construction work, and two purchase-and-resale projects. The company also recorded JPY314mn (-25.1% YoY) in sales from contract construction work—such as construction for the company's own projects and orders from group companies—which it includes in the Real Estate Development and Sales business results.

Sales of terraced houses, K-nine's core product, were strong, with the subsidiary selling a record number of units in 1H. In 1H FY06/26, K-nine posted sales of JPY4.6bn and operating profit of JPY600mn. As condominium prices in central Tokyo continue to surge, K-nine's terraced houses—priced at JPY80–90mn—have attracted strong demand from dual-income couples and other households. Supported by improved funding capacity after joining the URBANET group, K-nine has increased low-cost land acquisitions by using flagpole-shaped lots, maintained high profit margins through in-house construction, and sustained rapid turnover, typically selling out within two to three months after completion. Shared Research believes K-nine's operating profit in 1H exceeded its target by about 10%. Meanwhile, as construction volume for in-group properties has increased, construction contracts from external customers have declined.

Performance in Real Estate Development and Sales

	1H FY06/25		1H FY06/26		Changes (JPYmn)	Main factors
	Number of units or parcels	Sales (JPYmn)	Number of units or parcels	Sales (JPYmn)		
Urban rental apartments	50	2,005	310	15,592	13,587	Sold six buildings (310 units)
Detached houses	6	361	7	802	441	Spec-built houses developed by K-nine
Apartments	11	314	8	379	65	Sold one building (eight units) by K-nine
Terraced houses	10	926	16	1,323	397	K-nine's flagship product
Land sales	5	2,631	6	3,040	409	Land value-added sales (including rights adjustments and site preparation) remained solid
Contract construction	-	457	-	314	-143	K-nine's construction business
Total		6,697		21,453	14,756	

Source: Shared Research based on company materials

Note: Figures may differ from company materials due to differences in rounding methods.

Properties recognized as sales in Q2



Source: Company materials

Left: Asyl Court Toritsudaigaku: Meguro-ku, Tokyo; reinforced-concrete structure; three stories above ground and one below; 45 units; completed October 2025

Right: Asyl Court Oji: Kita-ku, Tokyo; reinforced-concrete structure; 10 stories; 36 units; completed November 2025

Properties recognized as sales in Q2 (K-nine)



Source: Company materials

Left: Lim Terrace Tsurumaki The Class (terraced houses): Setagaya-ku, Tokyo; four units; completed October 2025

Center left: Fols Midorigaoka (spec-built houses): Meguro-ku, Tokyo; two 4LDK homes (four-bedroom homes with a living/dining/kitchen area); completed October 2025

Center right: Fols Kinuta (spec-built houses): Setagaya-ku, Tokyo; three 4LDK homes; completed October 2025

Right: Fols Class Asagaya (apartment building): Sugunami-ku, Tokyo; reinforced-concrete structure; three stories; nine units; completed November 2025

K-nine's brand

Brand name	Property type	Key features
Fols	Detached houses	Planning that maximizes a site's potential from both real estate and construction perspectives; product selection and cost advantages driven by its in-house construction capabilities; ZEH-level specifications
Fols Class	Apartment buildings	To maximize rental management potential, K-nine emphasizes optimal proposals tailored to the owner's objectives and site conditions, without being constrained by any specific construction method.

Source: Shared Research based on company materials

Real Estate Purchase and Sales

In 1H FY06/26, URBANET sold two renovated properties in the Real Estate Purchase and Sales business (one in 1H FY06/25), generating sales of JPY417mn (-42.6% YoY).

Other Real Estate business (including leasing and brokerage)

In 1H FY06/26, the company posted sales of JPY314mn (-25.1% YoY) in the Other Real Estate business, reflecting earnings from real estate brokerage and leasing operations.

Hotel business

- Sales: JPY119mn (-0.3% YoY)
- Segment profit: JPY26mn (-15.1% YoY)
- Segment profit margin: 21.5% (-3.8pp YoY)

In 1H FY06/26, the Hotel business generated sales of JPY119mn (-0.3% YoY), mainly from room charges at Hotel Asyl Tokyo Kamata. While inbound demand from China temporarily weakened in Q1 due to misinformation on social media, guests from South Korea, the US, Indonesia, and other countries offset the impact. The company noted the average occupancy rate in 1H was about 90.0% and the average daily rate (ADR) was about JPY15,000, with both metrics remaining solid.

With the property now five years old, URBANET carried out its first scheduled repairs to maintain asset value, which cost roughly JPY10–20mn. As a result, segment profit came to JPY26mn (-15.1% YoY).

The buyer for the apartment-style hotel in Akasaka has been finalized, and the company plans to sign the sale and purchase agreement once it receives building confirmation in FY06/26. It expects to recognize sales in FY06/28, when the building is scheduled to be completed, with an expected profit margin of about 10%.

New business: Kyu-Karuizawa Atagoyama project

URBANET acquired land in the Kyu-Karuizawa area of Nagano Prefecture as a site for its real estate development business targeting high-net-worth individuals in Japan and overseas (timeshare vacation homes). Karuizawa is one of Japan's leading luxury resort areas, and demand for accommodation among high-net-worth travelers has increased notably. Tourism demand in Karuizawa has been recovering since hitting bottom in FY2020 during the COVID-19 pandemic, and about 8,005,000 tourists visited in FY2024. Leveraging the area's unique characteristics—including restrictions that prohibit new hotel construction—the company plans to sell ownership interests in high-end vacation homes in a timeshare format. By selling the rights before construction is completed, the company expects a shorter investment payback period.

In contrast to the Kyu-Karuizawa project, the Niseko project in Hokkaido involves developing a hotel for overseas ski visitors, so the target customers and concept differ. For the Niseko hotel, URBANET plans to sell the entire building to buyers in Japan, including operators and investment funds. Through these two projects, the company aims to cultivate a new resort market focused on high-net-worth customers and high average room rates that does not compete with conventional business hotels, and to develop it into a new earnings pillar to help achieve its medium-term business plan targets.

Assets, liabilities, and net assets

At end-Q2 FY06/26, total assets rose JPY7.0bn from end-FY06/25 to JPY69.3bn. URBANET intends to keep total assets around JPY70.0bn, but they have expanded due to purchase-and-resale properties and large projects. The increase mainly reflected a JPY5.6bn rise in real estate for sale in process, as the company steadily acquired land in prime locations in central Tokyo. The company expects inventories to continue rising for about a year, driven by strong property

acquisition activity, an increase in large projects, and longer development lead times for resort properties such as those in Karuizawa and Niseko. Within inventories, K-nine's holdings comprised 92.2% of real estate for sale and 17.4% of real estate for sale in process.

At end-Q2 FY06/26, liabilities rose JPY4.7bn from end-FY06/25 to JPY49.6bn, mainly due to a JPY3.8bn increase in long-term borrowings (including the portion due within one year) associated with land acquisitions. The company has negotiated an expansion of its committed credit lines from JPY32.0bn to JPY50.0bn. Financial institutions remain supportive, and the company has no concerns about funding. As of end-Q2, 25.7% of interest-bearing debt was attributable to K-nine's borrowings.

Net assets increased JPY2.3bn from end-FY06/25 to JPY19.7bn. The increase reflected net income attributable to owners of the parent in 1H, as well as higher share capital and capital surplus resulting from the exercise of share acquisition rights, which more than offset dividend payments. The equity ratio was 28.4% (27.8% at end-FY06/25), below the company's 30% guideline. However, the company treats the 30% equity ratio as a reference point and is prioritizing maintaining cash on hand.

Outlook as of the Q2 results announcement

Progress toward the full-year FY06/26 forecast in 1H was 60.2% for sales, 89.9% for operating profit, 99.7% for recurring profit, and 100.4% for net income attributable to owners of the parent. Although progress for each profit line was high, partly due to the contribution from high-margin properties recorded in Q1, URBANET had already factored this trend into its initial projections. As of the Q2 earnings announcement, the company maintained its full-year forecast.

The company left its earnings projections unchanged because five of the six buildings scheduled for completion in 2H are concentrated in Q4 (June), and uncertainties remain, including the timing and approach to land resales. The company sees a low risk of delays in 2H. However, it believes it is still too early to factor in upside from 1H and is therefore taking a conservative stance.

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 Q1FY06/25 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 Q1FY06/26, the Real Estate business (Real Estate Development and Sales, Real Estate Purchase and Sales, and Other Real Estate businesses) posted sales of JPY14.2bn (+720.3% YoY) and segment profit of JPY3.0bn (JPY217mn in Q1FY06/25).

Real Estate Development and Sales

In Q1FY06/26, 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 Q1FY06/25), 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 contract 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)	Main factors
	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
Contract 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 recognized as sales in Q1



Source: Company materials

Left: Hirai project; Edogawa-ku, Tokyo; reinforced-concrete structure; six stories; 56 units; completed August 2025

Center: Asyl Court Shoto; Shibuya-ku, Tokyo; reinforced-concrete structure; 12 stories; 51 units; completed August 2025

Right: Asyl Court Mishuku Terrace; Setagaya-ku, Tokyo; reinforced-concrete structure; five stories above ground with one below; 58 units; completed July 2025

Properties recognized as sales in Q1 (K-nine)



Source: Company materials

Left: Lim Terrace Sengenjaya 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 Q1FY06/26, the company sold two renovated properties in the Real Estate Purchase and Sales subsegment, generating sales of JPY417mn. There were no sales in Q1FY06/25.

Other Real Estate business (including leasing and brokerage)

In Q1FY06/26, 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 Q1FY06/26, 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-Q1FY06/26, 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-Q1FY06/26, 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 share 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 share 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

Outlook as of the Q1 results announcement

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.

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 (acquired in Q3 FY06/24), 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 or more 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 businesses) 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 contract 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		Changes (JPYmn)	Main factors
	Number of units or parcels	Sales (JPYmn)	Number of units or parcels	Sales (JPYmn)		
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
Contract construction	-	80	-	579	499	Sold by K-nine
Total		27,115		32,155	5,040	

Source: Shared Research based on company materials

Properties recognized as sales in Q4 (1 of 2)



Source: Company materials

Left: Kasai project; Edogawa-ku, Tokyo; reinforced-concrete structure; nine stories; 84 units; completed April 2025

Center: Asyl Court Ikejiri-Ohashi; Meguro-ku, Tokyo; reinforced-concrete structure; five stories above ground with one below; 41 units; completed May 2025

Right: Asyl Court Nerima-Nakamurabashi; Nerima-ku, Tokyo; reinforced-concrete structure; four stories; 103 units; completed June 2025

Properties recognized as sales in Q4 (2 of 2)



Source: Company materials

From left: Minami-Shinagawa project; Shinagawa-ku, Tokyo; reinforced-concrete structure; 16 stories; 51 units; completed April 2025

Asyl Court Machiya; Arakawa-ku, Tokyo; reinforced-concrete structure; 15 stories; 48 units; completed May 2025

Asyl Court Monzen-Nakacho; Koto-ku, Tokyo; reinforced-concrete structure; nine stories; 24 units; completed May 2025

Asyl Court Korakuen; Bunkyo-ku, Tokyo; reinforced-concrete structure; four stories above ground with one below; 34 units; completed June 2025

Properties recognized 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 property, plant and equipment 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 share 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).

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 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.

Income statement

Income statement (JPYmn)	FY06/17	FY06/18	FY06/19	FY06/20	FY06/21	FY06/22	FY06/23	FY06/24	FY06/25	FY06/26
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	17,789	16,085	20,084	22,019	20,955	19,607	20,265	27,966	33,934	39,395
YoY	0.5%	-9.6%	24.9%	9.6%	-4.8%	-6.4%	3.4%	38.0%	21.3%	16.1%
Cost of sales	13,962	13,223	16,595	18,185	17,155	16,064	16,226	23,335	27,471	31,547
YoY	-3.0%	-5.3%	25.5%	9.6%	-5.7%	-6.4%	1.0%	43.8%	17.7%	14.8%
Gross profit	3,827	2,863	3,489	3,834	3,801	3,543	4,039	4,631	6,463	7,848
YoY	15.5%	-25.2%	21.9%	9.9%	-0.9%	-6.8%	14.0%	14.7%	39.6%	21.4%
Gross profit margin	21.5%	17.8%	17.4%	17.4%	18.1%	18.1%	19.9%	16.6%	19.0%	19.9%
SG&A expenses	1,408	1,194	1,341	1,349	1,479	1,321	1,609	1,905	2,982	3,701
YoY	7.6%	-15.2%	12.3%	0.6%	9.6%	-10.7%	21.9%	18.4%	56.5%	24.1%
SG&A ratio	7.9%	7.4%	6.7%	6.1%	7.1%	6.7%	7.9%	6.8%	8.8%	9.4%
Operating profit	2,419	1,668	2,148	2,485	2,322	2,223	2,430	2,726	3,481	4,148
YoY	20.6%	-31.0%	28.7%	15.7%	-6.6%	-4.3%	9.3%	12.2%	27.7%	19.1%
Operating profit margin	13.6%	10.4%	10.7%	11.3%	11.1%	11.3%	12.0%	9.7%	10.3%	10.5%
Non-operating income	2	6	5	10	5	7	8	35	10	19
Non-operating expenses	263	233	239	296	246	244	298	334	704	1,031
Recurring profit	2,159	1,441	1,914	2,199	2,081	1,986	2,140	2,427	2,788	3,136
YoY	25.5%	-33.3%	32.8%	14.9%	-5.4%	-4.6%	7.8%	13.4%	14.9%	12.5%
Recurring profit margin	12.1%	9.0%	9.5%	10.0%	9.9%	10.1%	10.6%	8.7%	8.2%	8.0%
Extraordinary gains	-	-	-	-	8	0	46	107	-	20
Extraordinary losses	-	-	-	-	117	-	5	-	-	26
Income taxes	693	452	604	682	646	628	689	800	937	1,000
Net income attributable to non-controlling interests	-	-	-	11	44	44	43	33	-	-
Net income attributable to owners of the parent	1,466	989	1,310	1,506	1,282	1,314	1,447	1,701	1,851	2,130
YoY	28.6%	-32.5%	32.5%	15.0%	-14.9%	2.6%	10.1%	17.5%	8.8%	15.1%
Net margin	8.2%	6.1%	6.5%	6.8%	6.1%	6.7%	7.1%	6.1%	5.5%	5.4%

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/ <i>tsubo</i>)	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%
Wood frame	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 an increase in the share of sales to funds and REITs to 63% 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% of the total, 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).

In FY06/26, URBANET sold 12 urban rental apartment buildings with 541 units. Two buildings were sold to condominium sales companies, while the remaining 10 were sold primarily to major funds and operating companies. The company achieved sales and profit growth for the fourth consecutive fiscal year, with all profit categories reaching record highs. Sales growth reflected urban rental apartment sales proceeding as planned and higher sales at K-nine. Supported by stronger land acquisition capabilities, K-nine generated sales of JPY8.7bn, exceeding its initial forecast of JPY7.6bn by JPY1.1bn. Operating profit reached JPY993mn, increasing the subsidiary's contribution to group earnings. Meanwhile, although OPM improved to 10.5% from 10.3% in FY06/25, quarterly profitability fluctuated substantially depending on the project mix. In Q4, several low-margin land sales reduced GPM to 14.3%. The sale of a property reclassified from rental property to real estate for sale also contributed substantially to higher-than-anticipated full-year profit.

Balance sheet

Balance sheet (JPYmn)	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.	FY06/26 Cons.
Assets										
Cash and deposits	4,113	4,231	5,305	8,908	7,203	8,495	9,141	8,531	11,423	11,598
Notes and accounts receivable							15	19	17	19
Lease investment assets		23	25	27	29	32	34	37	40	43
Real estate for sale	96	2,618	3,762	2,352	2,225	2,289	85	1,496	2,070	4,936
Real estate for sale in process	15,364	16,006	15,500	16,063	18,686	20,424	27,980	28,721	39,361	51,236
Work in process and others	-	-	-	-	0		2	-	-	-
Supplies				37		1	1	3	3	5
Advance payments to suppliers	-	25	161	30	129	83	36	488	469	389
Prepaid expenses	25	27	35	22	27	34	39	66	83	73
Other	61	131	84	240	454	115	77	20	281	335
Total current assets	19,660	23,062	24,873	27,680	28,755	31,473	37,411	39,381	53,748	68,634
Buildings and structures	1,964	2,091	1,996	2,742	2,660	2,731	2,606	2,532	2,031	2,599
Machinery, equipment, and vehicles	3	2	1	4	4	3	3	4	6	14

Lease assets	46	40	48	30	31	23	26	30	101	73
Land	1,609	2,770	2,770	2,949	3,163	3,240	3,201	4,208	5,292	6,550
Construction in progress	-	-	181	-	-	-	17	36	28	78
Other	-	-	-	-	-	-	-	1	8	6
Total property, plant and equipment	3,622	4,903	4,996	5,725	5,858	5,996	5,853	6,810	7,736	9,318
Other	0	0	-	-	-	-	-	-	-	0
Goodwill										278
Software	2	3	3	1	1	3	3	7	14	20
Total intangible assets	2	3	3	1	4	3	3	7	14	298
Investment securities	-	-	-	-	-	-	-	-	-	-
Investments in capital	1	1	1	1	1	1	1	2	3	3
Lease and guarantee deposits	63	59	61	60	57	55	106	236	195	182
Long-term prepaid expenses	2	6	4	2	1	9	30	42	34	28
Long-term deposits	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	80	39	79	76	29	84	122	178	224	203
Lease investment assets	-	335	310	281	251	218	185	148	107	64
Other	131	120	141	174	220	251	526	169	261	320
Investments and other assets	277	560	595	594	558	618	970	775	825	800
Total non-current assets	3,900	5,466	5,595	6,320	6,420	6,618	6,826	7,592	8,575	10,416
Total assets	23,560	28,528	30,467	34,000	35,175	38,091	44,238	46,973	62,323	79,051
Liabilities										
Notes and accounts payable	417	1,638	2,046	1,191	1,400	1,555	616	719	984	2,561
Short-term debt	7,529	8,378	9,623	9,900	7,090	7,496	7,975	11,752	11,823	9,237
Accounts payable—other	95	52	104	120	58	45	81	155	240	262
Accrued expenses	17	21	25	19	17	14	23	63	49	55
Income taxes payable	460	71	470	521	-	421	427	557	862	393
Accrued consumption taxes	13	3	-	5	-	109	-	25	0	16
Advances received	631	634	1,159	669	753	426	1,152	398	497	370
Deposits	25	34	31	35	47	36	55	63	58	86
Provision for shareholder benefit program									77	89
Allowance for compensation for completed construction								11	13	16
Other	7	13	51	19	15	20	19	64	67	76
Total current liabilities	9,195	10,844	13,509	12,480	9,378	10,122	10,348	13,809	14,670	13,161
Long-term debt	7,355	10,131	8,510	8,630	12,111	13,476	18,299	17,457	29,877	45,596
Provision for share awards for directors (and other officers)							29	70	100	155
Provision for retirement benefits for directors (and other officers)								14	30	47
Retirement benefit liability	38	44	49	51	57	62	59	65	73	83
Deferred tax liabilities							268	303	-	349
Other	15	59	36	32	38	37	42	191	225	164
Total non-current liabilities	7,444	10,234	8,594	8,713	12,205	13,575	18,697	18,100	30,304	46,393
Total liabilities	16,639	21,077	22,103	21,192	21,584	23,697	29,045	31,908	44,975	59,555
Net assets										
Shareholders' equity	6,914	7,443	8,356	11,289	12,037	12,795	13,551	15,062	17,348	19,496
Treasury stock	0	0	0	-0	-0	-0	-126	-210	-206	-243
Total net assets	6,921	7,451	8,364	12,807	13,591	14,393	15,193	15,064	17,348	19,496
Total liabilities and net assets	23,560	28,528	30,467	34,000	35,175	38,091	44,238	46,973	62,322	79,051
Working capital	15,042	16,986	17,216	17,225	19,512	21,158	27,466	29,517	40,464	53,630
Total interest-bearing debt	14,884	18,508	18,133	18,530	19,201	20,973	26,274	29,209	41,700	54,834
Net debt	10,770	14,277	12,828	9,622	11,997	12,477	17,133	20,678	30,277	43,236

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. Pproperty, plant and equipment 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, property, plant and equipment represented 14.9% of total assets. The ratio rose to 16.8% by end-FY06/20, when the hotel developed by the company was completed. By end-FY06/25, however, it had declined to 12.4%, reflecting increases of JPY2.9bn in cash and deposits and JPY11.2bn in inventories. In FY06/26, URBANET reclassified some rental properties as real estate for sale, reducing the ratio of property, plant and equipment to total assets to 11.8%. The company expects the expansion of K-nine's business to further increase real estate for sale and reduce the proportion of total assets represented by property, plant and equipment.

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.

At end-June 2026, total assets increased JPY16.7bn from end-FY06/25 to JPY79.1bn, mainly due to growth in inventories. Real estate for sale and real estate for sale in process totaled JPY56.2bn, up JPY14.7bn from end-FY06/25. The increase reflected continued acquisitions of condominium development sites in prime Tokyo locations, as well as site purchases for corporate housing and hotel development in central Tokyo. Individual acquisitions have also increased in size, with URBANET acquiring properties valued at around JPY10.0bn on a non-consolidated basis. K-nine also continued to actively acquire sites for detached houses, townhouses, and apartment buildings.

Consequently, interest-bearing debt increased JPY13.1bn from end-FY06/25 to JPY54.9bn, while the equity ratio declined 3.1pp from 27.8% to 24.7%. Although URBANET regards an equity ratio of around 30% as a benchmark, it intends to use borrowings to acquire attractive sites and is currently focused on maintaining the ratio in the high-20% range. The D/E ratio, calculated as interest-bearing debt divided by shareholders' equity, rose from 2.19 at end-FY06/25 to 2.62 at end-FY06/26, while the net D/E ratio was about 1.95. Inventories of JPY56.2bn at end-June 2026 remained within the company's appropriate range of JPY50.0–60.0bn and were sufficient to support its FY06/27 sales forecast.

Cash flow statement

Cash flow statement (JPYmn)	FY06/17	FY06/18	FY06/19	FY06/20	FY06/21	FY06/22	FY06/23	FY06/24	FY06/25	FY06/26
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Cash flows from operating activities (1)	-1,747	-1,601	2,043	1,143	-1,434	491	-2,836	2,978	-7,279	-9,691
Cash flows from investing activities (2)	-400	-1,388	-167	-836	-392	-398	-954	-82	-2,602	-3,232
Free cash flow (1+2)	-2,147	-2,989	1,876	307	-1,826	93	-3,790	2,897	-9,881	-12,923
Cash flows from financing activities	3,737	3,107	-802	3,296	121	1,199	4,436	-3,518	12,770	13,112

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-generating 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 property, plant and equipment.

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.

In FY06/26, net cash used in operating activities was JPY9.7bn, and net cash used in investing activities was JPY3.2bn, while net cash provided by financing activities was JPY13.1bn. The operating cash outflow mainly reflected an increase in

inventories due to property acquisitions to support future growth. Investing cash flow also included expenditures for property acquisitions, including hotels. URBANET financed these cash outflows mainly through bank borrowings and maintained cash and deposits of JPY11.6bn at end-FY06/26.

The negative operating cash flow does not indicate a deterioration in earnings capacity. Rather, it primarily reflects the company's real estate development business model, under which it acquires properties before selling them, as well as the accumulation of inventories to support future sales growth. However, if operating cash flow remains negative for an extended period, inventory turnover, debt levels, and exposure to rising interest rates will warrant monitoring.

News and topics

URBANET raises funds through URBANET Sustainability Fund No. 5

2026-03-10

URBANET Corporation announced it had raised JPY300mn through URBANET Sustainability Fund No. 5 for working capital.

The company raised JPY300mn through URBANET Sustainability Fund No. 5 on Funds, a loan-based crowdfunding platform operated by Funds, Inc. (unlisted).

Funds is a fixed-return asset management platform that allows individual investors to invest online in loans to listed companies starting from as little as JPY1. This offering marked URBANET's fifth sustainability-related fundraising initiative through Funds, and it reached its target amount on February 26, 2026, the first day of the offering.

Overview of the fund

Fund name	URBANET Sustainability Fund No. 5
Use of funds	General corporate purposes related to real estate development, property sales, and other operations, including sustainability initiatives
Offering amount	JPY300mn
Scheduled investment period	About 11 months
Scheduled yield	2.70% per annum (before tax)

Source: Shared Research based on company materials

URBANET announces Kyu-Karuizawa Atagoyama project

2025-12-08

URBANET Corporation announced that it has acquired land in the Kyu-Karuizawa area of Nagano Prefecture for its real estate development business, targeting high-net-worth individuals in Japan and overseas.

This acquisition is part of URBANET's medium-term business plan, CHALLENGE 2028: Creating valuable spaces, and forms a component of its real estate solutions business for affluent clients both domestically and internationally. It is the company's second project, following the Niseko Hirafu project in Hokkaido.

Demand for high-value-added lodging facilities and related spaces among affluent individuals continues to rise each year. In Karuizawa—one of Japan's leading luxury resort areas—accommodation demand from high-net-worth individuals has increased notably, and the area is attracting strong interest from domestic and international investors. The property is located in a section of the Kyu-Karuizawa villa district where the area's history and natural landscape remain well-preserved, while offering convenient access to Kyu-Karuizawa Ginza Street. The company plans to develop a new style of villa ownership—a timeshare villa—in Karuizawa, which offers excellent access from metropolitan areas and is gaining attention as a summer resort.

The company aims to enhance its brand value through the development of this project while exploring business initiatives that address increasingly sophisticated accommodation needs. It also plans to pursue expansion with a view to the global market. Going forward, URBANET intends to steadily advance its growth strategy in line with its medium-term business plan and remain committed to creating valuable spaces.

Project overview

Project name	Kyu-Karuizawa Atagoyama project (tentative)
Location	Karuizawa, Kitasaku-gun, Nagano Prefecture
Type	Land
Land area	2,384sqm (registered land area)

Source: Shared Research based on company materials

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

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 as part of a fundraising initiative targeting approximately JPY2,547mn in gross proceeds and JPY2,541mn in estimated net proceeds. By September 9, 2025, all 62,000 share acquisition rights, representing 6.2mn shares, had been exercised, completing the fundraising and bringing the total amount raised to about JPY2.5bn.

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, the company's policy has been to distribute 40% of net income attributable to owners of the parent after income tax adjustments. In FY06/23, the company 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%.

URBANET has 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.

Employees

	FY06/17	FY06/18	FY06/19	FY06/20	FY06/21	FY06/22	FY06/23	FY06/24	FY06/25	FY06/26
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Urban development division	22	24								
Administrative division	16	18								
Real Estate Hotel			28	31	26	29	30	51	64	67
Company-wide (shared)			19	21	21	20	18	22	26	31
Total	38	42	47	52	47	49	48	73	90	98

Source: Shared Research based on company materials

URBANET 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.

At end-FY06/26, the company had 98 employees on a consolidated basis and an average of five contract or part-time employees during the year. On a non-consolidated basis, the company had 60 employees (+6 YoY), with an average age of 42.8 years and an average tenure of six years and 10 months.

About Shared Research Inc.

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