

URBANET CORPORATION (3242)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY06/2018		16,085	1,668	1,440	988	39.36	16.00	296.01
FY06/2019		20,084	2,148	1,913	1,310	52.09	18.00	332.15
FY06/2020CoE		21,380	2,380	2,090	1,450	50.70	20.00	-
FY06/2019	YoY	24.9%	28.7%	32.8%	32.5%	-	-	-
FY06/2020CoE	YoY	6.5%	10.8%	9.2%	10.7%	-	-	-
Consolidated Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY06/2019		11,473	1,412	1,306	906	-	-	-
Q3 to Q4 FY06/2019		8,610	735	607	403	-	-	-
Q1 to Q2 FY06/2020		8,256	747	591	406	-	-	-
Q3 to Q4 FY06/2020CoE		13,123	1,632	1,498	1,043	-	-	-
Q1 to Q2 FY06/2020	YoY	(28.0%)	(47.0%)	(54.8%)	(55.2%)	-	-	-
Q3 to Q4 FY06/2020CoE	YoY	52.4%	121.8%	146.8%	158.7%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (21 February 2020)


Diversifying Domains

On 6 February 2020, URBANET CORPORATION, developing studio apartments for investment to sell on a building basis, released its Q1 to Q2 FY06/2020 results. It has been revealed that the Company is to see business performance in line with initial expectations. In Q1 to Q2, sales came down over the same period of the previous year, affected by differences of the timing of completion of properties, while sales in H2 are to be driven by booking of those of properties for which sales contracts have already been all concluded to date, resulting in increased sales and earnings on a full-year basis two years in a row. At the same time, the Company suggests that it is steadily purchasing lands for properties it develops going forward, in spite of severe conditions, likely to lead to favorable business performance in FY06/2021. Thus, the Company will be able to acquire increased funds to return earnings to shareholders for which the Company is actively working on. Meanwhile, the Company newly issued shares (6.2m in the number or ¥2,016m) toward the end of Q2 with objective to develop a hotel for the sake of diversifying its business domains. Given the fact that this is a challenge to enter into hotel market for the Company which has been exclusively involved with residential market, the Company is to study the business and thus does not intend to make money with this hotel. Nonetheless, this could lead to improved long-term growth potentials with the Company. We are to interview with management to discuss all those issues more in-depth and to resume coverage of the Company.

IR Representative: Wataru Akai, Senior Executive Officer (03 6630 3051 / akai.wataru@urbanet.co.jp)

2.0 Company Profile

Developing Studio Apartments for Investment to Sell on a Building Basis

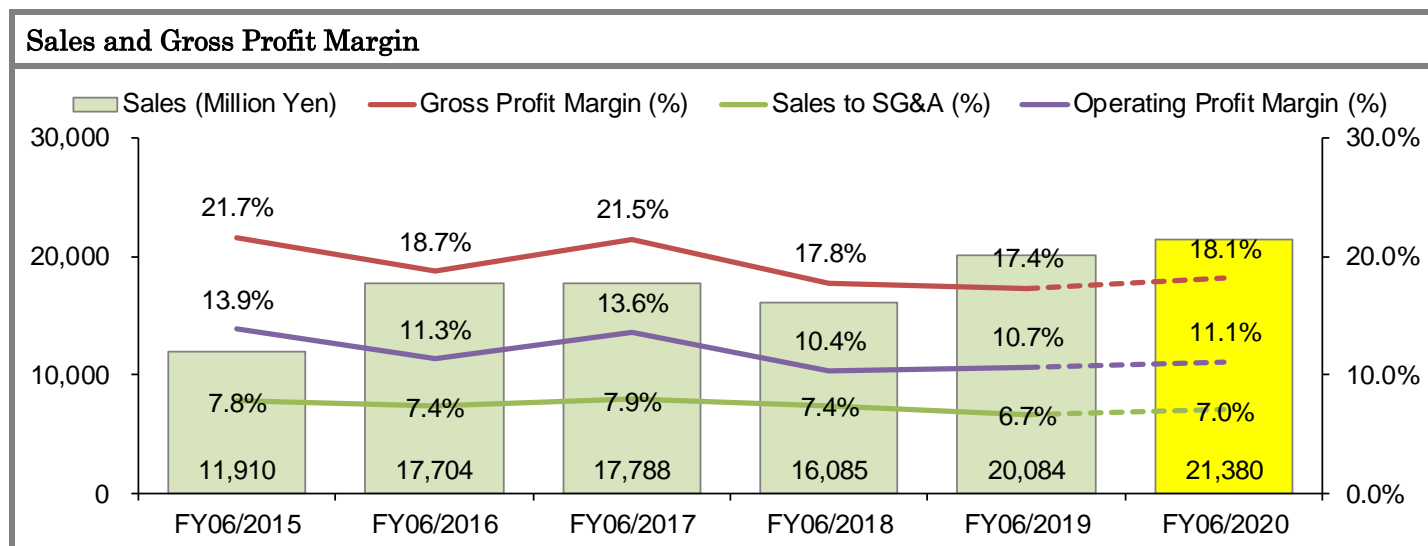
Company Name	URBANET CORPORATION CO., LTD. Company Website (Japanese only) IR Information Share Price (Japanese)	
Established	7 July 1997	
Listing	28 March 2007: Tokyo Stock Exchange JASDAQ Standard (Ticker: 3242)	
Capital	¥2,693m (as of the end of December 2019)	
No. of Shares	31,374,100 shares, including 62 treasury shares (as of the end of December 2019)	
Main Features	<ul style="list-style-type: none"> ● Personnel policy of elite corps to run real estate business, generating limited fixed cost and thus limited risk to suffer from crash of earnings ● Focus on design and procurement of lands, selling to marketers of apartments, funds, etc. on a building basis ● Taking advantage of outsourcing for construction 	
Businesses	I . Real Estate Business, mainly comprising development as well as stocking and selling of apartments for investment and of condominiums	
Top Management	President and CEO: Shinji Hattori	
Shareholders	Hattori Co., Ltd. 17.90%, BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD 4.46%, Goda Kohmuten 1.87% (as of the end of December 2019)	
Headquarters	Chiyoda-ku, Tokyo, JAPAN	
No. of Employees	Consolidated: 48, Parent: 40 (as of the end of December 2019)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q2 FY06/2020 Results

In Q1 to Q2 FY06/2020, sales came in at ¥8,256m (down 28.0% YoY), operating profit ¥747m (down 47.0%), recurring profit ¥591m (down 54.8%) and profit attributable to owners of parent ¥406m (down 55.2%), while operating profit margin 9.1% (down 3.2% points). All those figures suggest that the Company may have provided a surprise rather positive.



Source: Company Data, WRJ Calculation

Sales and earnings as a whole for the Company hinge on those of Real Estate Development and Sale (96.6% of sales) to a large extent, while the Company's mainstay business here is to develop studio apartments for investment, exclusively on locations in Tokyo's 23 wards, where it takes no more than 10-minute walk to get the nearest station, while selling them on a building basis or on a wholesale basis.

In Q1 to Q2, the Company superficially suffered from decreased sales and earnings over the same period of the previous year, which is attributable to differences of the timing for properties to book sales. The fact is that the assumptions of Q1 to Q2 Company forecasts were exceeded by ¥106m (1.3%) in sales and by ¥97m (14.9%) in operating profit. On a full-year basis, FY06/2020 Company forecasts assume 735 units as prospective sales volume of studio apartments for investment, etc. versus 266 units in Q1 to Q2 results, implying a necessity to see sales volume of 469 units in H2, for which the Company has all concluded sales contracts to date.

While outsourcing construction of properties, the Company concentrates own resources for design and procurement of lands with personnel policy of elite corps, while selling the properties to marketers of apartments, funds (real estate investment trusts) and wealthy class on a building basis. In H2, the Company is going for increased sales associated with funds currently carrying gross profit margin relatively higher and thus for prospective gross profit margin of 18.1% (up 0.7% YoY) on a full-year basis.

FY06/2020 Company Forecasts

FY06/2020 initial Company forecasts have remained unchanged, going for prospective sales of ¥21,380m (up 6.5% YoY), operating profit of ¥2,380m (up 10.8%), recurring profit of ¥2,090m (up 9.2%) and profit attributable to owners of parent of ¥1,450m (up 10.7%), while operating profit margin of 11.1% (up 0.4% points).

Meanwhile, at the release of the Q1 to Q2 results on 6 February 2020, the Company has revised down prospective dividend to ¥20 per share (¥10 as of the end of Q2 and ¥10 as of the end of Q4) from ¥24 per share (¥10 as of the end of Q2 and ¥14 as of the end of Q4), given dilution of earnings per share in line with newly issuing shares (6.2m in the number or ¥2,016m) in December 2019. In other words, dividend per share should be diluted to the same extent in that the Company advocates basic dividend philosophy to pay the amounts of fixed ratio against profit attributable to owners of parent after deducting impacts from income taxes adjustment.

Still, even after this revision, the Company is to increase dividend per share by ¥2 over the FY06/2019 results of ¥18 (¥7 as of the end of Q2 and ¥11 as of the end of Q4) per share. The above-mentioned ratio is to be raised up to 40% in FY06/2020 versus 35% in FY06/2019, which is one of the factors to realize the increases of dividend per share in FY06/2020 over the previous year.

4.0 Financial Statements

Income Statement (Cumulative/Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	06/2019	06/2019	06/2019	06/2019	06/2020	06/2020	06/2020	06/2020	06/2020	
Sales	6,559	11,473	18,125	20,084	4,357	8,256	-	-	-	(3,216)
Cost of Sales	5,246	9,426	14,847	16,595	3,546	6,842	-	-	-	(2,584)
Gross Profit	1,312	2,046	3,277	3,488	811	1,414	-	-	-	(631)
SG&A Expenses	301	634	981	1,340	316	666	-	-	-	+32
Operating Profit	1,011	1,411	2,296	2,148	494	747	-	-	-	(664)
Non Operating Balance	(49)	(105)	(180)	(234)	(62)	(156)	-	-	-	(51)
Recurring Profit	961	1,306	2,115	1,913	431	591	-	-	-	(715)
Extraordinary Balance	-	-	-	-	-	-	-	-	-	-
Profit before Income Taxes	961	1,306	2,115	1,913	431	591	-	-	-	(715)
Total Income Taxes	290	399	650	603	131	184	-	-	-	(215)
NP Belonging to Non-Controlling SHs	-	-	-	-	-	-	-	-	-	-
Profit Attributable to Owners of Parent	670	906	1,465	1,310	300	406	-	-	-	(500)
Sales YoY	+48.1%	+29.9%	+36.2%	+24.9%	(33.6%)	(28.0%)	-	-	-	-
Operating Profit YoY	+62.0%	+15.9%	+35.4%	+28.7%	(51.1%)	(47.0%)	-	-	-	-
Recurring Profit YoY	+69.8%	+18.2%	+37.8%	+32.8%	(55.1%)	(54.8%)	-	-	-	-
Profit Attributable to Owners of Parent YoY	+72.0%	+19.6%	+39.8%	+32.5%	(55.2%)	(55.2%)	-	-	-	-
Gross Profit Margin	20.0%	17.8%	18.1%	17.4%	18.6%	17.1%	-	-	-	(0.7%)
Sales to SG&A Expenses Ratio	4.6%	5.5%	5.4%	6.7%	7.3%	8.1%	-	-	-	+2.5%
Operating Profit Margin	15.4%	12.3%	12.7%	10.7%	11.3%	9.1%	-	-	-	(3.2%)
Recurring Profit Margin	14.7%	11.4%	11.7%	9.5%	9.9%	7.2%	-	-	-	(4.2%)
Profit Attributable to Owners of Parent Margin	10.2%	7.9%	8.1%	6.5%	6.9%	4.9%	-	-	-	(3.0%)
Total Income Taxes/Profit before Income Taxes	30.3%	30.6%	30.7%	31.5%	30.4%	31.2%	-	-	-	+0.6%
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	06/2019	06/2019	06/2019	06/2019	06/2020	06/2020	06/2020	06/2020	06/2020	
Sales	6,559	4,913	6,651	1,958	4,357	3,899	-	-	-	(1,014)
Cost of Sales	5,246	4,180	5,420	1,747	3,546	3,296	-	-	-	(884)
Gross Profit	1,312	733	1,230	211	811	603	-	-	-	(130)
SG&A Expenses	301	333	346	359	316	350	-	-	-	+16
Operating Profit	1,011	400	884	(148)	494	253	-	-	-	(147)
Non Operating Balance	(49)	(55)	(74)	(53)	(62)	(93)	-	-	-	(38)
Recurring Profit	961	345	809	(201)	431	159	-	-	-	(185)
Extraordinary Balance	-	-	-	-	-	-	-	-	-	-
Profit before Income Taxes	961	345	809	(201)	431	159	-	-	-	(185)
Total Income Taxes	290	108	250	(46)	131	53	-	-	-	(55)
NP Belonging to Non-Controlling SHs	-	-	-	-	-	-	-	-	-	-
Profit Attributable to Owners of Parent	670	236	558	(155)	300	106	-	-	-	(130)
Sales YoY	+48.1%	+11.6%	+48.7%	(29.5%)	(33.6%)	(20.6%)	-	-	-	-
Operating Profit YoY	+62.0%	(32.6%)	+85.4%	-	(51.1%)	(36.8%)	-	-	-	-
Recurring Profit YoY	+69.8%	(36.0%)	+88.1%	-	(55.1%)	(53.8%)	-	-	-	-
Profit Attributable to Owners of Parent YoY	+72.0%	(35.8%)	+92.5%	-	(55.2%)	(55.1%)	-	-	-	-
Gross Profit Margin	20.0%	14.9%	18.5%	10.8%	18.6%	15.5%	-	-	-	+0.5%
Sales to SG&A Expenses Ratio	4.6%	6.8%	5.2%	18.4%	7.3%	9.0%	-	-	-	+2.2%
Operating Profit Margin	15.4%	8.2%	13.3%	(7.6%)	11.3%	6.5%	-	-	-	(1.7%)
Recurring Profit Margin	14.7%	7.0%	12.2%	(10.3%)	9.9%	4.1%	-	-	-	(2.9%)
Profit Attributable to Owners of Parent Margin	10.2%	4.8%	8.4%	(7.9%)	6.9%	2.7%	-	-	-	(2.1%)
Total Income Taxes/Profit before Income Taxes	30.3%	31.5%	31.0%	-	30.4%	33.3%	-	-	-	+1.9%

Source: Company Data, WRJ Calculation

Sales by Business (Cumulative/Quarterly)

Sales by Business	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	Net Chg.
	06/2019	06/2019	06/2019	06/2019	06/2020	06/2020	06/2020	06/2020	06/2020	
Real Estate Development and Sale	6,432	11,180	17,614	19,392	4,180	7,973	-	-	-	(3,207)
Real Estate Purchase and Sale	31	76	181	250	70	70	-	-	-	(6)
Other	95	216	328	440	106	212	-	-	-	(4)
Sales	6,559	11,473	18,125	20,084	4,357	8,256	-	-	-	(3,216)
Real Estate Development and Sale	+49.9%	+30.8%	+37.4%	+25.5%	(35.0%)	(28.7%)	-	-	-	-
Real Estate Purchase and Sale	(41.4%)	(29.2%)	+6.2%	+15.1%	+122.4%	(8.0%)	-	-	-	-
Other	+12.5%	+20.1%	+3.0%	+5.0%	+11.7%	(1.7%)	-	-	-	-
Sales (YoY)	+48.1%	+29.9%	+36.2%	+24.9%	(33.6%)	(28.0%)	-	-	-	-
Real Estate Development and Sale	98.1%	97.4%	97.2%	96.6%	95.9%	96.6%	-	-	-	-
Real Estate Purchase and Sale	0.5%	0.7%	1.0%	1.2%	1.6%	0.8%	-	-	-	-
Other	1.4%	1.9%	1.8%	2.2%	2.4%	2.6%	-	-	-	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	-

Sales by Business	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
	06/2019	06/2019	06/2019	06/2019	06/2020	06/2020	06/2020	06/2020	06/2020	
Real Estate Development and Sale	6,432	4,748	6,434	1,778	4,180	3,793	-	-	-	(955)
Real Estate Purchase and Sale	31	45	105	69	70	-	-	-	-	(45)
Other	95	121	112	112	106	106	-	-	-	(15)
Sales	6,559	4,913	6,651	1,958	4,357	3,899	-	-	-	(1,014)
Real Estate Development and Sale	+49.9%	+11.6%	+50.6%	(32.4%)	(35.0%)	(20.1%)	-	-	-	-
Real Estate Purchase and Sale	(42.6%)	(16.7%)	+66.7%	+50.0%	+125.8%	-	-	-	-	-
Other	+13.1%	+26.0%	(19.4%)	+12.0%	+11.6%	(12.4%)	-	-	-	-
Sales (YoY)	+48.1%	+11.6%	+48.7%	(29.5%)	(33.6%)	(20.6%)	-	-	-	-
Real Estate Development and Sale	98.1%	96.6%	96.7%	90.8%	95.9%	97.3%	-	-	-	-
Real Estate Purchase and Sale	0.5%	0.9%	1.6%	3.5%	1.6%	0.0%	-	-	-	-
Other	1.4%	2.5%	1.7%	5.7%	2.4%	2.7%	-	-	-	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative/Quarterly)

Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	Net Chg.
	06/2019	06/2019	06/2019	06/2019	06/2020	06/2020	06/2020	06/2020	06/2020	
Operating Cash Flow	1,986	586	2,153	2,043	(537)	(1,242)	-	-	-	(1,828)
Investing Cash Flow	(0)	(8)	(67)	(167)	(21)	(97)	-	-	-	(88)
Operating Cash Flow and Investing Cash Flow	1,986	578	2,086	1,875	(559)	(1,339)	-	-	-	(1,917)
Financing Cash Flow	(2,243)	(378)	(558)	(801)	1,007	3,284	-	-	-	+3,662

Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
	06/2019	06/2019	06/2019	06/2019	06/2020	06/2020	06/2020	06/2020	06/2020	
Operating Cash Flow	1,986	(1,400)	1,567	(110)	(537)	(704)	-	-	-	+696
Investing Cash Flow	(0)	(7)	(58)	(100)	(21)	(75)	-	-	-	(67)
Operating Cash Flow and Investing Cash Flow	1,986	(1,408)	1,508	(210)	(559)	(779)	-	-	-	+628
Financing Cash Flow	(2,243)	1,865	(180)	(243)	1,007	2,277	-	-	-	+411

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 06/2019	Q2 06/2019	Q3 06/2019	Q4 06/2019	Q1 06/2020	Q2 06/2020	Q3 06/2020	Q4 06/2020		
Cash and Deposit	3,973	4,431	5,759	5,305	5,753	7,250	-	-	+2,819	
Real Estate for Sale	3,267	3,483	951	3,762	255	997	-	-	(2,486)	
Real Estate for Sale in Process	13,611	16,197	16,954	15,499	17,887	18,256	-	-	+2,058	
Other	513	284	198	305	189	275	-	-	(9)	
Current Assets	21,366	24,396	23,864	24,872	24,085	26,779	-	-	+2,382	
Tangible Assets	4,902	4,881	4,991	4,996	4,960	5,009	-	-	+128	
Intangible Assets	3	4	3	3	2	2	-	-	(1)	
Investments and Other Assets	576	573	592	595	569	564	-	-	(8)	
Fixed Assets	5,481	5,458	5,587	5,594	5,533	5,576	-	-	+118	
Total Assets	26,848	29,855	29,451	30,467	29,618	32,356	-	-	+2,500	
Accounts Payables, etc.	1,578	2,075	753	2,046	305	1,040	-	-	(1,034)	
Short-term Borrowings	258	114	394	723	890	719	-	-	+605	
Current Portion of Bonds	20	20	-	-	-	-	-	-	(20)	
Current Portion of Long-term Loans Payable	8,082	8,574	9,387	8,879	10,678	8,857	-	-	+282	
Other	860	1,191	1,763	1,859	1,502	1,051	-	-	(140)	
Current Liabilities	10,799	11,975	12,298	13,508	13,375	11,668	-	-	(306)	
Long-term Borrowings	8,012	9,604	8,497	8,473	7,740	10,067	-	-	+462	
Other	141	138	136	120	114	109	-	-	(28)	
Fixed Liabilities	8,153	9,742	8,633	8,594	7,854	10,176	-	-	+433	
Total Liabilities	18,953	21,718	20,932	22,103	21,230	21,845	-	-	+127	
Shareholders' Equity	7,887	8,129	8,511	8,356	8,379	10,503	-	-	+2,373	
Other	7	7	7	7	7	7	-	-	(0)	
Net Assets	7,895	8,137	8,519	8,363	8,387	10,510	-	-	+2,373	
Total Liabilities and Net Assets	26,848	29,855	29,451	30,467	29,618	32,356	-	-	+2,500	
Equity Capital	7,887	8,129	8,511	8,356	8,379	10,503	-	-	+2,374	
Interest Bearing Debt	16,372	18,313	18,278	18,076	19,309	19,644	-	-	+1,330	
Net Debt	12,398	13,882	12,519	12,771	13,556	12,393	-	-	(1,488)	
Equity Ratio	29.4%	27.2%	28.9%	27.4%	28.3%	32.5%	-	-	-	
Net Debt Equity Ratio	157.2%	170.8%	147.1%	152.8%	161.8%	118.0%	-	-	-	
ROE (12 months)	17.0%	14.7%	17.6%	16.6%	11.6%	8.7%	-	-	-	
ROA (12 months)	7.0%	5.9%	7.3%	6.5%	4.9%	3.9%	-	-	-	
Quick Ratio	37%	37%	47%	39%	43%	62%	-	-	-	
Current Ratio	198%	204%	194%	184%	180%	229%	-	-	-	

Source: Company Data, WRJ Calculation

Disclaimer

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

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