

URBANET CORPORATION (3242)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY06/2019		20,084	2,148	1,913	1,310	52.09	18.00	332.15
FY06/2020		22,018	2,484	2,198	1,506	52.66	20.00	359.81
FY06/2021CoE		20,000	2,050	1,770	1,100	35.06	15.00	-
FY06/2020	YoY	9.6%	15.7%	14.9%	15.0%	-	-	-
FY06/2021CoE	YoY	(9.2%)	(17.5%)	(19.5%)	(27.0%)	-	-	-
Consolidated Quarter (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY06/2020		4,357	494	431	300	-	-	-
Q2 FY06/2020		3,899	253	159	106	-	-	-
Q3 FY06/2020		2,890	322	248	168	-	-	-
Q4 FY06/2020		10,871	1,414	1,358	931	-	-	-
Q1 FY06/2021		2,996	257	192	120	-	-	-
Q1 FY06/2021	YoY	(31.2%)	(48.0%)	(55.5%)	(59.9%)	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (27 November 2020)

Up to Snuff


On 12 November 2020, URBANET CORPORATION, running operations mainly of development and sale of investment-oriented studio apartments on a per-building basis, released its Q1 FY06/2021 results. It has been revealed that the Company is seeing performance in line with assumptions of initial FY06/2021 Company forecasts. At the same time, the Company has begun to pursue growth potential in a new domain with the opening of Hotel Asyl Tokyo Kamata on 14 October. In Q1, the number of units sold for investment-oriented studio apartments came in at no more than 85 (three buildings) versus 162 (four buildings) during the same period of the previous year, having declined substantially and thus sales as a whole for the Company. More importantly, however, all those trends have been assumed in initial Company forecasts, going for the number of units sold to see upward trends for Q2 and Q3 due to concentration of completion and delivery for properties and thus sales as a whole for the Company. Meanwhile, there are no signs of a major decline in land prices in the central Tokyo even amid Corona (COVID-19) related chaos and it has remained so difficult to purchase land for in-house development of properties. Still, the Company, holding proprietary knowhow, is steadily purchasing land for in-house development with an expected rate of returns more than a certain level. All those issues have a lot to do with the Company's performance in a midterm perspective. Meanwhile, the Company shows its stance of working toward shareholder returns through steadily paying dividend for the future.

For information: [URBANET CORPORATION \(3242\) A Stepwise Growth \(18 September 2020\)](#)

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2.0 Company Profile

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

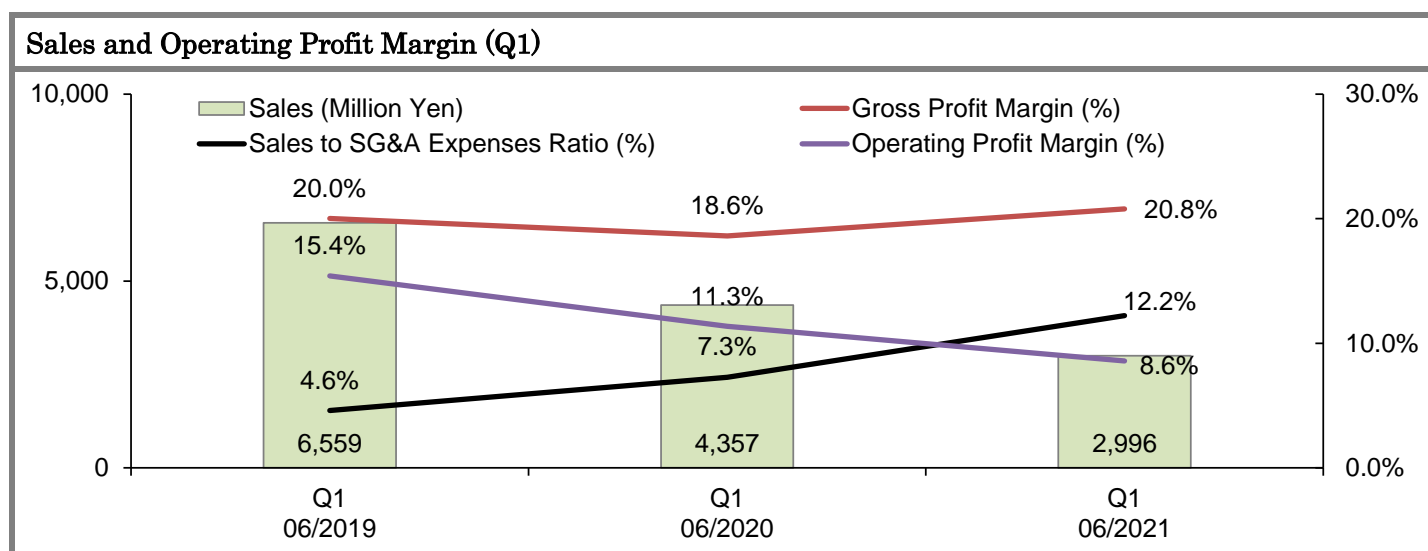
Company Name	URBANET CORPORATION Co., Ltd. Company Website (Japanese only) IR Information Share Price (Japanese)	
Established	7 July 1997	
Listing	28 March 2007: Tokyo Stock Exchange JASDAQ Standard (ticker: 3242)	
Capital	¥2,693m (as of the end of September 2020)	
No. of Shares	31,374,100 shares, including 62 treasury shares (as of the end of September 2020)	
Main Features	<ul style="list-style-type: none"> ● Developer of condominiums and apartments with a limited downside risk for earnings due to limited headcount or limited fixed costs ● Focus on grand design (outer design and/or basic design) and land acquisitions ● Taking advantage of outsourcing for execution design, construction, etc. 	
Business Segment	I . Real Estate Business (mainly development of investment-oriented apartments and condominiums as well as stocking and selling)	
Top Management	President and Representative Director: Shinji Hattori	
Shareholders	Hattori Co. 17.90%, , Goda Kohmuten 1.87%, SBI Securities 1.51%, Morgan Stanley MUFG Securities 1.41% (as of the end of September 2020)	
Head Office	Chiyoda-ku, Tokyo, JAPAN	
No. of Employees	Collective 64, comprising 8 of directors, 3 of auditors, 44 of employees, one of contract employee and 8 in subsidiary (as of the end of September 2020)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 FY06/2021 Results

In Q1 FY06/2021, sales came in at ¥2,996m (down 31.2% YoY), operating profit ¥257m (down 48.0%), recurring profit ¥192m (down 55.5%) and profit attributable to owners of parent ¥120m (down 59.9%), while operating profit margin 8.6% (down 2.8% points). Meanwhile, gross profit came in at ¥623m (down 23.2%) and SG&A expenses ¥366m (up 15.6%), implying gross profit margin of 20.8% (up 2.2% points) and sales to SG&A expenses ratio of 12.2% (up 4.9% points).



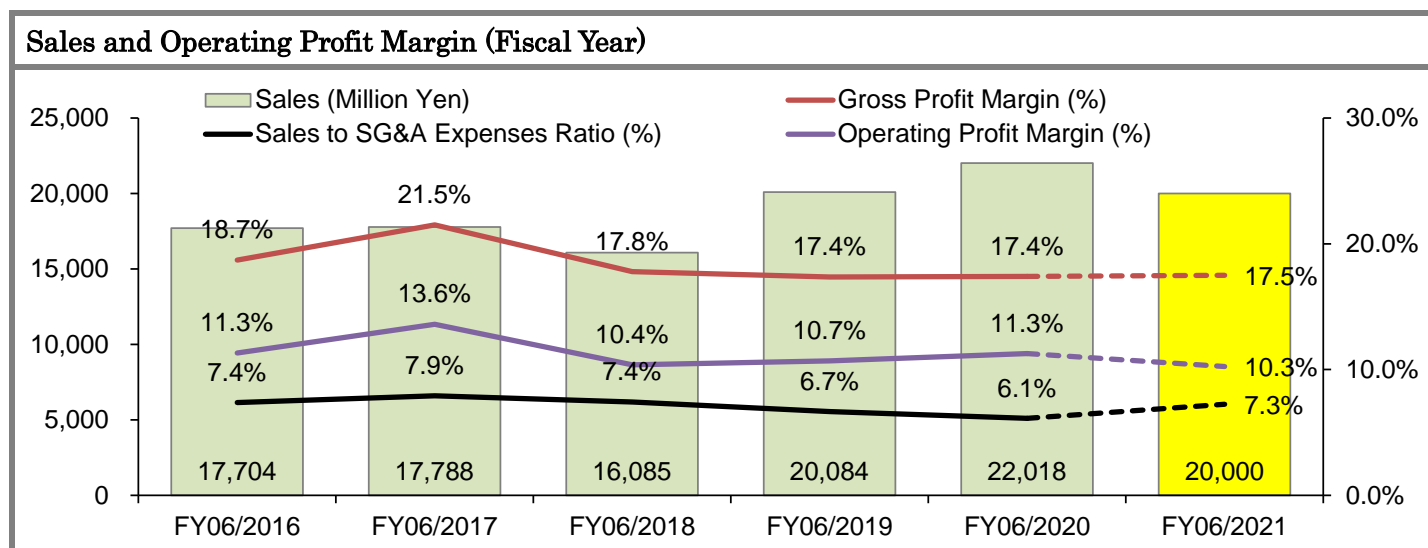
Source: Company Data, WRJ Calculation

Real Estate Development and Sale saw sales of ¥2,688m (down 35.7%) and accounted for 89.7% of total, suggesting that sales and earnings as a whole for the Company hinge on those of this division where it runs operations for real estate business mainly of development and sale of investment-oriented studio apartments on a per-building basis, sticking to ones located within 10 minutes' walk of train stations in the 23 wards of Tokyo. In Q1, the number of units sold was rather limited temporarily due mainly to the impacts of the timing for properties to be completed, but gross profit margin has achieved a high level as the Company saw sales of properties carrying high gross profit margin. Meanwhile, the background for the rise in SG&A expenses was that the Company saw increased brokerage commissions related to the acquisitions of land for in-house development of properties.

When the Company announced FY06/2020 results, it was disclosed that no less than 674 units (14 buildings) of investment-oriented studio apartments were scheduled to be sold for FY06/2021 as well as that it had already concluded contracts to acquire land for in-house development of properties to be sold thereafter, equating to 840 units. Meanwhile, the Company has disclosed that the number of units for the latter stood at 972 as of the end of October 2020, implying that it has newly concluded contracts to acquire land for in-house development of properties to be sold, equating to 132 units, during a four-month period through July 2020 to October.

FY06/2021 Company Forecasts

FY06/2021 initial Company forecasts, announced on 6 August 2020, have remained unchanged, going for prospective sales of ¥20,000m (down 9.2% YoY), operating profit of ¥2,050m (down 17.5%), recurring profit of ¥1,770m (down 19.5%) and profit attributable to owners of parent of ¥1,100m (down 27.0%), while operating profit margin of 10.3% (down 1.0% point). At the same time, Company forecasts for prospective annual dividend have also remained unchanged, going for ¥15.00 per share, implying payout ratio of 42.8%.



Source: Company Data, WRJ Calculation

With respect to properties that are scheduled to be sold in assumptions of initial Company forecasts, sales contracts have been generally concluded to date. For 114 units (two buildings) already completed, the status has remained to be concluded, but will be concluded short term and sales are to be booked in line with delivery of properties, according to the Company. It is the case that a selection of buyer has been going on in light of economic rationality, while the Company suggests that it is currently on the verge of concluding sales contracts for them with a condition more favorable than originally planned.

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.
	06/2020	06/2020	06/2020	06/2020	06/2021	06/2021	06/2021	06/2021		
Sales	4,357	8,256	11,147	22,018	2,996	-	-	-	-	(1,360)
Cost of Sales	3,546	6,842	9,116	18,184	2,373	-	-	-	-	(1,172)
Gross Profit	811	1,414	2,030	3,833	623	-	-	-	-	(188)
SG&A Expenses	316	666	960	1,348	366	-	-	-	-	+49
Operating Profit	494	747	1,070	2,484	257	-	-	-	-	(237)
Non Operating Balance	(62)	(156)	(230)	(285)	(64)	-	-	-	-	(2)
Recurring Profit	431	591	839	2,198	192	-	-	-	-	(239)
Extraordinary Balance	-	-	-	-	-	-	-	-	-	-
Profit before Income Taxes	431	591	839	2,198	192	-	-	-	-	(239)
Total Income Taxes	131	184	264	681	60	-	-	-	-	(70)
NP Belonging to Non-Controlling SHs	-	-	-	10	10	-	-	-	-	+10
Profit Attributable to Owners of Parent	300	406	575	1,506	120	-	-	-	-	(180)
Sales YoY	(33.6%)	(28.0%)	(38.5%)	+9.6%	(31.2%)	-	-	-	-	-
Operating Profit YoY	(51.1%)	(47.0%)	(53.4%)	+15.7%	(48.0%)	-	-	-	-	-
Recurring Profit YoY	(55.1%)	(54.8%)	(60.3%)	+14.9%	(55.5%)	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	(55.2%)	(55.2%)	(60.8%)	+15.0%	(59.9%)	-	-	-	-	-
Gross Profit Margin	18.6%	17.1%	18.2%	17.4%	20.8%	-	-	-	-	+2.2%
Sales to SG&A Expenses Ratio	7.3%	8.1%	8.6%	6.1%	12.2%	-	-	-	-	+4.9%
Operating Profit Margin	11.3%	9.1%	9.6%	11.3%	8.6%	-	-	-	-	(2.8%)
Recurring Profit Margin	9.9%	7.2%	7.5%	10.0%	6.4%	-	-	-	-	(3.5%)
Profit Attributable to Owners of Parent Margin	6.9%	4.9%	5.2%	6.8%	4.0%	-	-	-	-	(2.9%)
Total Income Taxes/Profit before Income Taxes	30.4%	31.2%	31.5%	31.0%	31.6%	-	-	-	-	+1.2%
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.
	06/2020	06/2020	06/2020	06/2020	06/2021	06/2021	06/2021	06/2021		
Sales	4,357	3,899	2,890	10,871	2,996	-	-	-	-	(1,360)
Cost of Sales	3,546	3,296	2,274	9,068	2,373	-	-	-	-	(1,172)
Gross Profit	811	603	616	1,802	623	-	-	-	-	(188)
SG&A Expenses	316	350	293	388	366	-	-	-	-	+49
Operating Profit	494	253	322	1,414	257	-	-	-	-	(237)
Non Operating Balance	(62)	(93)	(73)	(55)	(64)	-	-	-	-	(2)
Recurring Profit	431	159	248	1,358	192	-	-	-	-	(239)
Extraordinary Balance	-	-	-	-	-	-	-	-	-	-
Profit before Income Taxes	431	159	248	1,358	192	-	-	-	-	(239)
Total Income Taxes	131	53	80	416	60	-	-	-	-	(70)
NP Belonging to Non-Controlling SHs	-	-	-	10	10	-	-	-	-	+10
Profit Attributable to Owners of Parent	300	106	168	931	120	-	-	-	-	(180)
Sales YoY	(33.6%)	(20.6%)	(56.5%)	+455.0%	(31.2%)	-	-	-	-	-
Operating Profit YoY	(51.1%)	(36.8%)	(63.5%)	-	(48.0%)	-	-	-	-	-
Recurring Profit YoY	(55.1%)	(53.8%)	(69.2%)	-	(55.5%)	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	(55.2%)	(55.1%)	(69.9%)	-	(59.9%)	-	-	-	-	-
Gross Profit Margin	18.6%	15.5%	21.3%	16.6%	20.8%	-	-	-	-	+2.2%
Sales to SG&A Expenses Ratio	7.3%	9.0%	10.2%	3.6%	12.2%	-	-	-	-	+4.9%
Operating Profit Margin	11.3%	6.5%	11.2%	13.0%	8.6%	-	-	-	-	(2.8%)
Recurring Profit Margin	9.9%	4.1%	8.6%	12.5%	6.4%	-	-	-	-	(3.5%)
Profit Attributable to Owners of Parent Margin	6.9%	2.7%	5.8%	8.6%	4.0%	-	-	-	-	(2.9%)
Total Income Taxes/Profit before Income Taxes	30.4%	33.3%	32.3%	30.7%	31.6%	-	-	-	-	+1.2%

Source: Company Data, WRJ Calculation

Sales by Business (Cumulative/Quarterly)

Sales by Business Category (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	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.
	06/2020	06/2020	06/2020	06/2020	06/2021	06/2021	06/2021	06/2021	06/2021	
Real Estate Development and Sale	4,180	7,973	10,739	21,152	2,688	-	-	-	-	(1,492)
Real Estate Purchase and Sale	70	70	70	405	199	-	-	-	-	+129
Other	106	212	337	460	108	-	-	-	-	+2
Sales	4,357	8,256	11,147	22,018	2,996	-	-	-	-	(1,360)
Real Estate Development and Sale	(35.0%)	(28.7%)	(39.0%)	+9.1%	(35.7%)	-	-	-	-	-
Real Estate Purchase and Sale	+122.4%	(8.0%)	(61.3%)	+61.8%	+183.6%	-	-	-	-	-
Other	+11.7%	(1.7%)	+2.7%	+4.6%	+2.0%	-	-	-	-	-
Sales (YoY)	(33.6%)	(28.0%)	(38.5%)	+9.6%	(31.2%)	-	-	-	-	-
Real Estate Development and Sale	95.9%	96.6%	96.3%	96.1%	89.7%	-	-	-	-	-
Real Estate Purchase and Sale	1.6%	0.8%	0.6%	1.8%	6.6%	-	-	-	-	-
Other	2.4%	2.6%	3.0%	2.1%	3.6%	-	-	-	-	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	-	-

Sales by Business Category (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
	06/2020	06/2020	06/2020	06/2020	06/2021	06/2021	06/2021	06/2021	06/2021	
Real Estate Development and Sale	4,180	3,793	2,766	10,413	2,688	-	-	-	-	(1,492)
Real Estate Purchase and Sale	70	-	-	335	199	-	-	-	-	+129
Other	106	106	125	123	108	-	-	-	-	+2
Sales	4,357	3,899	2,890	10,871	2,996	-	-	-	-	(1,360)
Real Estate Development and Sale	(35.0%)	(20.1%)	(57.0%)	+485.7%	(35.7%)	-	-	-	-	-
Real Estate Purchase and Sale	+122.4%	-	-	+385.5%	+183.6%	-	-	-	-	-
Other	+11.7%	(12.4%)	+11.6%	+9.8%	+2.0%	-	-	-	-	-
Sales (YoY)	(33.6%)	(20.6%)	(56.5%)	+455.0%	(31.2%)	-	-	-	-	-
Real Estate Development and Sale	95.9%	97.3%	95.7%	95.8%	89.7%	-	-	-	-	-
Real Estate Purchase and Sale	1.6%	0.0%	0.0%	3.1%	6.6%	-	-	-	-	-
Other	2.4%	2.7%	4.3%	1.1%	3.6%	-	-	-	-	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	-	-

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	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
	06/2020	06/2020	06/2020	06/2020	06/2021	06/2021	06/2021	06/2021	06/2021	
Cash and Deposit	5,753	7,250	8,536	8,908	8,003	-	-	-	-	+2,250
Real Estate for Sale	255	997	6,669	2,351	2,506	-	-	-	-	+2,250
Real Estate for Sale in Process	17,887	18,256	16,161	16,063	16,685	-	-	-	-	(1,201)
Other	189	275	405	355	341	-	-	-	-	+152
Current Assets	24,085	26,779	31,773	27,679	27,537	-	-	-	-	+3,452
Tangible Assets	4,960	5,009	5,119	5,725	5,710	-	-	-	-	+749
Intangible Assets	2	2	1	1	1	-	-	-	-	(1)
Investments and Other Assets	569	564	560	593	583	-	-	-	-	+14
Fixed Assets	5,533	5,576	5,681	6,320	6,295	-	-	-	-	+762
Total Assets	29,618	32,356	37,455	33,999	33,833	-	-	-	-	+4,214
Accounts Payables, etc.	305	1,040	3,155	1,190	1,468	-	-	-	-	+1,163
Short-term Borrowings	890	719	1,196	655	900	-	-	-	-	+10
Current Portion of Long-term Loans Payable	10,678	8,857	11,297	9,231	9,214	-	-	-	-	(1,463)
Other	1,502	1,051	985	1,402	833	-	-	-	-	(668)
Current Liabilities	13,375	11,668	16,636	12,479	12,417	-	-	-	-	(958)
Long-term Borrowings	7,740	10,067	8,847	8,607	8,675	-	-	-	-	+934
Other	114	109	106	105	115	-	-	-	-	+1
Fixed Liabilities	7,854	10,176	8,953	8,712	8,790	-	-	-	-	+935
Total Liabilities	21,230	21,845	25,590	21,192	21,208	-	-	-	-	(22)
Shareholders' Equity	8,379	10,503	10,357	11,288	11,095	-	-	-	-	+2,715
Other	7	7	1,507	1,518	1,529	-	-	-	-	+1,521
Net Assets	8,387	10,510	11,865	12,807	12,625	-	-	-	-	+4,237
Total Liabilities and Net Assets	29,618	32,356	37,455	33,999	33,833	-	-	-	-	+4,214
Equity Capital	8,379	10,503	10,357	11,288	11,095	-	-	-	-	+2,716
Interest Bearing Debt	19,309	19,644	21,342	18,493	18,790	-	-	-	-	(518)
Net Debt	13,556	12,393	12,805	9,585	10,787	-	-	-	-	(2,769)
Equity Ratio	28.3%	32.5%	27.7%	33.2%	32.8%	-	-	-	-	-
Net Debt Equity Ratio	161.8%	118.0%	123.6%	84.9%	97.2%	-	-	-	-	-
ROE (12 months)	11.6%	8.7%	4.4%	15.3%	13.6%	-	-	-	-	-
ROA (12 months)	4.9%	3.9%	1.9%	6.8%	6.2%	-	-	-	-	-
Quick Ratio	43%	62%	51%	71%	64%	-	-	-	-	-
Current Ratio	180%	229%	191%	222%	222%	-	-	-	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative/Quarterly)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		
	06/2020	06/2020	06/2020	06/2020	06/2021	06/2021	06/2021	06/2021	06/2021	
Operating Cash Flow	(537)	(1,242)	(2,754)	1,143	(927)	-	-	-	-	(389)
Investing Cash Flow	(21)	(97)	(235)	(836)	(20)	-	-	-	-	+0
Operating Cash Flow and Investing Cash Flow	(559)	(1,339)	(2,989)	307	(948)	-	-	-	-	(389)
Financing Cash Flow	1,007	3,284	6,220	3,296	43	-	-	-	-	(963)
Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	Net Chg.
	06/2020	06/2020	06/2020	06/2020	06/2021	06/2021	06/2021	06/2021	06/2021	Net Chg.
Operating Cash Flow	(537)	(704)	(1,512)	3,897	(927)	-	-	-	-	(389)
Investing Cash Flow	(21)	(75)	(138)	(601)	(20)	-	-	-	-	+0
Operating Cash Flow and Investing Cash Flow	(559)	(779)	(1,650)	3,296	(948)	-	-	-	-	(389)
Financing Cash Flow	1,007	2,277	2,935	(2,924)	43	-	-	-	-	(963)

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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