

# 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 Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY06/2020		8,256	747	591	406	-	-	-
Q3 to Q4 FY06/2020		13,761	1,736	1,607	1,099	-	-	-
Q1 to Q2 FY06/2021		8,150	1,114	997	673	-	-	-
Q3 to Q4 FY06/2021CoE		11,849	935	772	426	-	-	-
Q1 to Q2 FY06/2021	YoY	(1.3%)	49.1%	68.8%	65.6%	-	-	-
Q3 to Q4 FY06/2021CoE	YoY	(13.9%)	(46.1%)	(52.0%)	(61.2%)	-	-	-

Source: Company Data, WRJ Calculation

## 1.0 Executive Summary (23 March 2021)


### Aggressively Purchasing Lands

URBANET CORPORATION, running real estate business mainly to develop and sell investment-oriented studio apartments on a per-building basis, currently suggests a direction to aggressively purchase lands for the sake of long-term growth. In Q1 to Q2 FY06/2021, it appears that the Company was highly selective in purchasing lands with a prospect that land prices in Tokyo's central zone were to come down as to the immediate future given impacts stemming from COVID-19. As a result, the Company saw decreases in real estate for sale in process, while there have been no signs of a decline in real estate prices in Tokyo's central zone in reality. Meanwhile, demand for investment-oriented studio apartments has remained firm in spite of a trend of decline in cap rate, because of their high stability as income properties. Thus, the Company appears to have become active in purchasing lands to date. At the same time, Hotel Business has started in earnest with the commencement of operations for HOTEL ASYL TOKYO KAMATA on 14 October 2020 and this is expected to gradually contribute to earnings as a whole for the Company from a long-term perspective. At the moment, the occupancy rate is low, inevitably making loss, due to the impacts stemming from COVID-19, but it is the case that the operations of this hotel (developed in-house and self-owned) are of "research and development" in the first place for future business to develop and sell hotels and thus it was originally expected that the operations were to make loss at the beginning.

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## 2.0 Company Profile

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

<b>Company Name</b>	URBANET CORPORATION Co., Ltd. <a href="#">Company Website (Japanese only)</a> <a href="#">IR Information</a> <a href="#">Share Price (Japanese)</a>	
<b>Established</b>	7 July 1997	
<b>Listing</b>	28 March 2007: Tokyo Stock Exchange JASDAQ Standard (ticker: 3242)	
<b>Capital</b>	¥2,693m (as of the end of December 2020)	
<b>No. of Shares</b>	31,374,100 shares, including 62 treasury shares (as of the end of December 2020)	
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Developer of condominiums and apartments with a limited downside risk for earnings due to limited headcount or limited fixed costs</li> <li>● Focus on grand design (outer design and/or basic design) and land purchases</li> <li>● Taking advantage of outsourcing for execution design, construction, etc.</li> </ul>	
<b>Business Segment</b>	I . Real Estate Business II . Hotel Business	
<b>Top Management</b>	President and Representative Director: Shinji Hattori	
<b>Shareholders</b>	Hattori Co. 17.90%, Goda Kohmuten 1.87%, Koji Shioda 1.32%, Hironobu Hattori 1.22%, Morgan Stanley MUFG Securities 1.14% (as of the end of December 2020)	
<b>Head Office</b>	Chiyoda-ku, Tokyo, JAPAN	
<b>No. of Headcount</b>	Collective 65, comprising 8 of directors, three of auditors, 46 of employees, one of contract employee and 7 in subsidiary (as of the end of December 2020)	

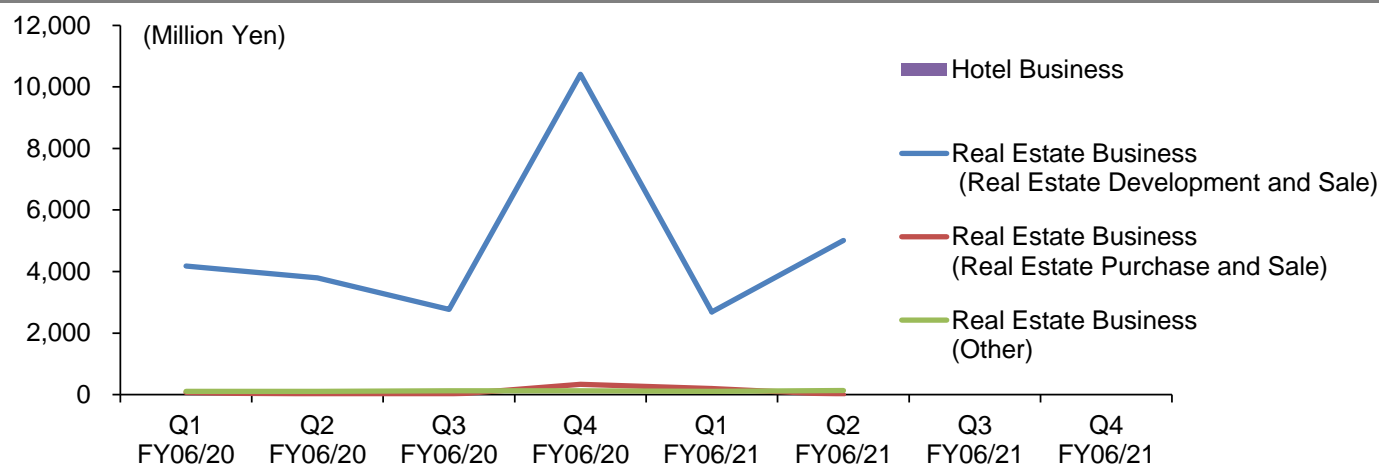
Source: Company Data

## 3.0 Recent Trading & Prospects

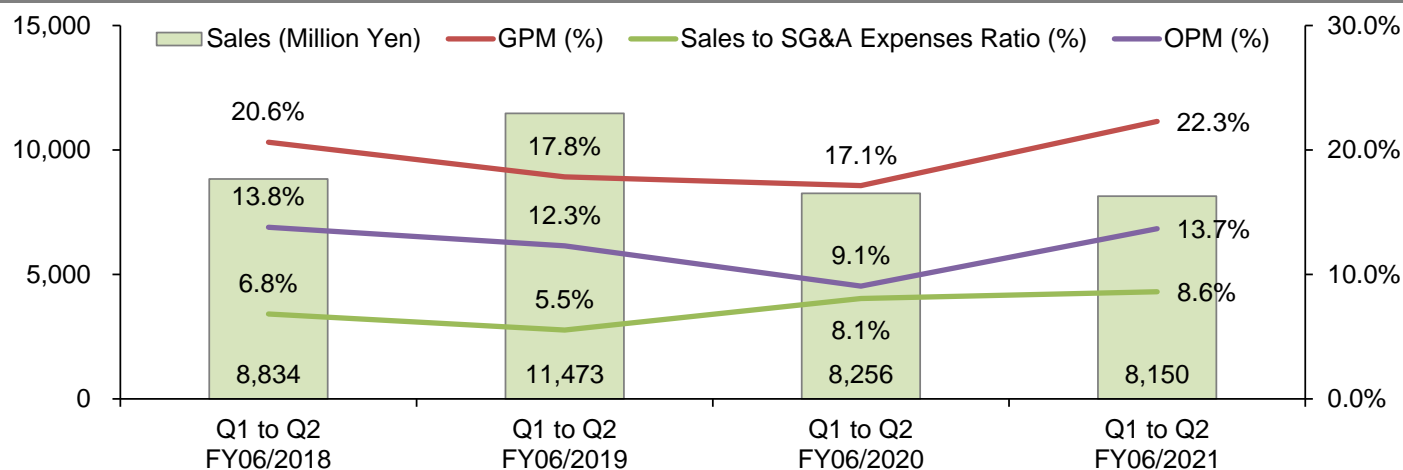
### Q1 to Q2 FY06/2021

In Q1 to Q2 FY06/2021, sales came in at ¥8,150m (down 1.3% YoY), operating profit ¥1,114m (up 49.1%), recurring profit ¥997m (up 68.8%) and profit attributable to owners of parent ¥673m (up 65.6%), while operating profit margin 13.7% (up 4.6% points). Meanwhile, gross profit came in at ¥1,816m (up 28.4%) and SG&A expenses ¥702m (up 5.3%), implying gross profit margin of 22.3% (up 5.2% points) and sales to SG&A expenses ratio of 8.6% (up 0.5% points).

#### Quarterly Sales



#### Sales and Operating Profit Margin for Q1 to Q2



Source: Company Data, WRJ Calculation

By segment, Real Estate Business saw segment sales of ¥8,142m and segment profit of ¥1,651m, having accounted for 99.9% of sales as a whole for the Company and 104.4% of segment profit. Meanwhile, Hotel Business to have been set up in Q2 (October to December) in line with the commencement of operations for HOTEL ASYL TOKYO KAMATA on 14 October 2020 saw segment sales of ¥7m (mainly comprising accommodation charges of the said hotel) and segment profit of minus ¥69m. Meanwhile, the Company saw operating profit of ¥1,114m as above-mentioned after adjustments of ¥467m (mainly SG&A expenses unallocated to each segment) being subtracted from the collective segment profit of the two business segments.

On the Real Estate Business side, Real Estate Development and Sale saw sales of ¥7,702m (down 3.4%), Real Estate Purchase and Sale saw sales of ¥199m (up 183.6%) and Other saw sales of ¥240m (up 13.4%). In other words, the Company is mainly exposed to Real Estate Development and Sale as the key driver for performance as a whole, where it develops and sells investment-oriented studio apartments on a per-building basis with an exclusive focus on locations in Tokyo's 23 wards where it takes less than 10-minute walk to the nearest train stations. In Q1 to Q2, the Company sold collective 244 units (down 7.2%) of 7 buildings for investment-oriented studio apartments and sales stemming from here were booked. Meanwhile, the Company sold 5 units of secondhand condominiums through purchase and resale in Real Estate Purchase and Sale, while having booked sales stemming from real estate brokerages and real estate leasing in Other. To date, the Company has been seeing limited size in sales of Real Estate Purchase and Sale as well as in Other, but it is willing to grow all those operations from a long-term perspective for the sake of steadily expanding its business portfolio.

One of the characteristics of Real Estate Development and Sale, which currently explains a considerable part of performance as a whole for the Company, is that the Company is inclined to see a high volatility for performance on a quarterly basis, which inevitably results in the same trends of performance as a whole for the Company at the same time. For example, the Company saw sales conspicuously concentrated for the actual results in Q4 FY06/2020, which was driven by concentration of delivery upon completion for the properties, i.e., investment-oriented studio apartments developed by the Company. The Company sees sales in Real Estate Development and Sale by selling each property on a per-building basis, while the timing of the sale is dependent on the timing of delivery upon completion. Meanwhile, the number of delivery upon completion has a tendency to vary significantly from quarter to quarter and thus inevitably for sales at the same time. On top of this, gross profit margin tends to vary from property to property to more than a certain extent, according to the Company.

In Q1 to Q2, the Company saw sales marginally decreased as a whole and earnings substantially increased as above-mentioned. In terms of changes in Real Estate Development and Sale over the same period of the previous year, the number of units sold for investment-oriented studio apartments came down, but sale of properties carrying gross profit margin relatively higher increased, having resulted in a major improvement in gross profit margin as a whole for the Company. Meanwhile, FY06/2021 initial Company forecasts (announced on 6 August 2020), assuming sale of 674 units (down 5.3% YoY) for 14 buildings are so likely to be met, according to the Company, given that purchasing contracts have been all concluded to date for the 430 units scheduled to be sold in H2

Investment-oriented studio apartments developed by the Company are sold to vendors or other domains. While vendors are of traders to procure investment-oriented studio apartments from the Company for sale to retail investors, other domains are of REIT (Real Estate Investment Trust), business corporations to purchase to take advantage of as own company housing, haves, etc.

For sale to vendors, so-called “senyu-oroshi” is adopted, representing a scheme exclusively innate in a part of Japan’s real estate industry, where vendors purchase investment-oriented studio apartments developed by the Company on a per-building basis. However, it is assumed here that that the Company complies with payment of compensations on a per-unit basis, stipulating that all the settlement has to be completed within four months after the delivery of property. Vendors run operations to sell to retail investors on a per-unit basis for the property purchased, while the Company sees settlement on a per-unit basis in line with conclusion of each purchasing contract on a per-unit basis between vendors and retail investors, resulting in sales booking for the Company accordingly. Meanwhile, for sale to other domains on a per-building basis, the Company sees settlement in a lump sum at delivery. For example, the status of each property in FY06/2021 is as follows:

<b>The Number of Units Sold and to be Sold for Investment-Oriented Studio Apartments in FY06/2021</b>						
Description of Properties	Sale to	No. of Units	FY06/2020 Sold	FY06/2021 Q1 to Q2 Sold	FY06/2021 H2 to be Sold	
GRAND CONCIERGE MAGOME ASYLCOURT	Vender	60	48	12	-	
STAGE GRANDE CHITOSE-KARASUYAMA ASYLCOURT	Vender	52	13	39	-	
ASYLCOURT SAKURA-JOSUI	Other	34	-	34	-	
ASYLCOURT KIKUKAWA	Other	50	-	50	-	
ASYLCOURT SHIN-KOENJI	Other	64	-	64	-	
MAKES SHIN-NAKANO ASYLCOURT	Vender	74	-	43	31	
VOGA CORTE KUGAHARA ASYLCOURT	Vender	62	-	2	60	
STAGE FIRST KYODO ASYLCOURT	Vender	49	-	-	49	
ARK MARK KAMATA ASYLCOURT	Vender	35	-	-	35	
ASYLCOURT RYOGOKU-HOKUSAIDORI	Other	64	-	-	64	
ASYLCOURT HIGASHI-OI	Other	88	-	-	88	
ARK MARK KYODO ASYLCOURT	Vender	39	-	-	39	
STAGE FIRST TABATA ASYLCOURT	Vender	34	-	-	34	
XEBEC OTORII ASYLCOURT	Vender	30	-	-	30	
<b>Total</b>				<b>244</b>	<b>430</b>	
<b>Total (FY06/2021)</b>					<b>674</b>	

Source: Company Data, WRJ Calculation (one unit of store, included in ASYLCOURT RYOGOKU-HOKUSAIDORI)

As for the actual results of Q1 to Q2, the Company saw settlement on a per-unit basis for four building associated with sale to vendors and settlement in a lump sum for three buildings associated with sale to other domains. With respect to GRAND CONCIERGE MAGOME ASYLCOURT (60 units) and STAGE GRANDE CHITOSE-KARASUYAMA ASYLCOURT (52 units), the Company has completed the rest of settlement on a per-unit basis, i.e., that of being carried over from FY06/2020. For the former, the Company saw settlement on a per-unit basis for 48 units in FY06/2020, which was followed by 12 units in Q1 to Q2, while, respectively, 13 units and 39 units for the latter. In other words, as the period of settlement on a per-unit basis (four months) straddled the end of FY06/2020 for both, the Company saw settlement before and after. Meanwhile, MAKES SHIN-NAKANO ASYLCOURT (74 units) and VOGA CORTE KUGAHARA ASYLCOURT (62 units) were also sold to vendors. For both of them, the period of settlement on a per-unit basis (four months) started after the beginning of FY06/2021 and straddled the end of Q2. For the former, the Company saw settlement on a per-unit basis for 43 units in Q1 to Q2, which is to be followed by 31 units in H2, while two units and 60 units for the latter.

Meanwhile, with respect to ASYLCOURT SAKURA-JOSUI (34 units), ASYLCOURT KIKUKAWA (50 units) and ASYLCOURT SHIN-KOENJI (64 units), which were of sale to other domains, the Company saw settlement in a lump sum on the occasion of delivery upon completion. More importantly, it appears that sale of ASYLCOURT KIKUKAWA (50 units) and ASYLCOURT SHIN-KOENJI (64 units) has driven improvement in gross profit margin as a whole for the Company. According to the disclosure by the Company at the beginning of the fiscal year, the former was scheduled to be completed in August 2020, while the buyer was in negotiations in light of economic rationality. Now it appears that the former was consequently sold with a favorable economic rationality, i.e., having resulted in gross profit margin relatively higher for the former. Meanwhile, this appears to have been true of the latter at the same time, which was also scheduled to be completed in August 2020.

For H2, the Company is to see settlement on a per-unit basis for 7 buildings with respect to sale to vendors and settlement in a lump sum for two buildings with respect to sale to other domains. According to the disclosure by the Company, purchasing contracts had been concluded for all of the properties as of the end of December 2020, while 5 buildings out of 7 buildings to see sales for H2 had been completed. Meanwhile, for STAGE FIRST TABATA ASYLCOURT (34 units) and XEBEC OTORII ASYLCOURT (30 units) to be sold to vendors were scheduled to be completed in February 2021 and thus both of them appear to have been completed to date. At the same time, Company forecasts assume both of them to complete settlement on a per-unit basis by the end of FY06/2021. On top of this, there are a couple of properties scheduled to be delivered upon completion for Q4 (April to June 2021), but Company forecasts do not assume sales stemming from here, based on a conservative perspective related to the impacts stemming from COVID-19. That is to say, it appears that Company forecasts assume delivery upon completion for them will take place after the beginning of FY06/2022.

## HOTEL ASYL TOKYO KAMATA



Location:	7-30-5 Nishi-Kamata, Ota-ku, Tokyo
Access:	Three-minute walk from KAMATA Station on the JR Keihin Tohoku Line, three-minute walk from KAMATA Station on the Tokyu Ikegami / Tamagawa Line
Structure and Scale:	Steel construction / 15 floors above ground
No. of Guest Rooms:	48
Hotel Management:	URBANET LIVING CO., LTD. (own subsidiary)
Completion:	June 2020
Opening:	14 October 2020, after postponement due to the impacts stemming from COVID-19 from the original schedule in August 2020. Given a startup of “Go To (Travel)” campaign bound for Tokyo on 18 September 2020, the operations commenced. However, the campaign has been suspended nationwide since 28 December 2020.

Source: Company Data

On 6 July 2017, the Company announced that it had entered the hotel-related business through acquisitions of 6 existing hotel facilities. They have been leased to the same lessee (a hotel management company) on the same terms as prior to this deal and this business is positioned as holding of income properties for the Company, while the income is booked as sales of real estate leasing in Other on the Real Estate Business side. Then, the Company had an opportunity to procure a favorable location for the site, i.e., three-minute walk from KAMATA Station and/or at the corner of a crossroad near the rotary in front of the station, having had made progress for its development of HOTEL ASYL TOKYO KAMATA as the first hotel developed in-house. Upon the completion of this hotel in June 2020, the Company capitalized ¥1,398m as fixed assets associated with this, comprising expenses on the purchase of the land and those of constructing the building, etc., while depreciation of some ¥40m per year has started upon the commencement of operations on 14 October 2020.

On the Hotel Business side, the ultimate goal is to achieve "diversification of customer base" by means of being involved with development and sale of hotels as it does for investment-oriented studio apartments, but the Company raises the initial objective of implementing “research and development” for future operations of development and sales of hotels for this first one. From the initial stage of development project, it was planned for own subsidiary to be in charge of running the hotel at the beginning, which is expected to provide the Company with knowhows associated with hotels. Since its establishment in July 1997, the Company has specialized in the development of residential properties represented by investment-oriented studio apartments and thus this process is essential prior to actual development and sale of hotels, according to the Company.

## Income Statement (Cumulative/Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	YoY	
(Million Yen)	06/2020	06/2020	06/2020	06/2020	06/2021	06/2021	06/2021	06/2021	Net Chg.	
<b>Sales</b>	<b>4,357</b>	<b>8,256</b>	<b>11,147</b>	<b>22,018</b>	<b>2,996</b>	<b>8,150</b>	-	-		<b>(106)</b>
Cost of Sales	3,546	6,842	9,116	18,184	2,373	6,333	-	-		(508)
Gross Profit	811	1,414	2,030	3,833	623	1,816	-	-		+402
SG&A Expenses	316	666	960	1,348	366	702	-	-		+35
<b>Operating Profit</b>	<b>494</b>	<b>747</b>	<b>1,070</b>	<b>2,484</b>	<b>257</b>	<b>1,114</b>	-	-		<b>+366</b>
Non Operating Balance	(62)	(156)	(230)	(285)	(64)	(116)	-	-		+39
<b>Recurring Profit</b>	<b>431</b>	<b>591</b>	<b>839</b>	<b>2,198</b>	<b>192</b>	<b>997</b>	-	-		<b>+406</b>
Extraordinary Balance	-	-	-	-	-	7	-	-		+7
Profit before Income Taxes	431	591	839	2,198	192	1,005	-	-		+414
Total Income Taxes	131	184	264	681	60	310	-	-		+125
NP Belonging to Non-Controlling SHs	-	-	-	10	10	21	-	-		+21
<b>Profit Attributable to Owners of Parent</b>	<b>300</b>	<b>406</b>	<b>575</b>	<b>1,506</b>	<b>120</b>	<b>673</b>	-	-		<b>+266</b>
Sales YoY	(33.6%)	(28.0%)	(38.5%)	+9.6%	(31.2%)	(1.3%)	-	-		-
Operating Profit YoY	(51.1%)	(47.0%)	(53.4%)	+15.7%	(48.0%)	+49.1%	-	-		-
Recurring Profit YoY	(55.1%)	(54.8%)	(60.3%)	+14.9%	(55.5%)	+68.8%	-	-		-
Profit Attributable to Owners of Parent YoY	(55.2%)	(55.2%)	(60.8%)	+15.0%	(59.9%)	+65.6%	-	-		-
Gross Profit Margin	18.6%	17.1%	18.2%	17.4%	20.8%	22.3%	-	-		+5.2%
Sales to SG&A Expenses Ratio	7.3%	8.1%	8.6%	6.1%	12.2%	8.6%	-	-		+0.5%
Operating Profit Margin	11.3%	9.1%	9.6%	11.3%	8.6%	13.7%	-	-		+4.6%
Recurring Profit Margin	9.9%	7.2%	7.5%	10.0%	6.4%	12.2%	-	-		+5.1%
Profit Attributable to Owners of Parent Margin	6.9%	4.9%	5.2%	6.8%	4.0%	8.3%	-	-		+3.3%
Total Income Taxes/Profit before Income Taxes	30.4%	31.2%	31.5%	31.0%	31.6%	30.8%	-	-		(0.4%)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	
(Million Yen)	06/2020	06/2020	06/2020	06/2020	06/2021	06/2021	06/2021	06/2021	Net Chg.	
<b>Sales</b>	<b>4,357</b>	<b>3,899</b>	<b>2,890</b>	<b>10,871</b>	<b>2,996</b>	<b>5,153</b>	-	-		<b>+1,253</b>
Cost of Sales	3,546	3,296	2,274	9,068	2,373	3,959	-	-		+663
Gross Profit	811	603	616	1,802	623	1,193	-	-		+590
SG&A Expenses	316	350	293	388	366	336	-	-		(13)
<b>Operating Profit</b>	<b>494</b>	<b>253</b>	<b>322</b>	<b>1,414</b>	<b>257</b>	<b>857</b>	-	-		<b>+604</b>
Non Operating Balance	(62)	(93)	(73)	(55)	(64)	(51)	-	-		+41
<b>Recurring Profit</b>	<b>431</b>	<b>159</b>	<b>248</b>	<b>1,358</b>	<b>192</b>	<b>805</b>	-	-		<b>+646</b>
Extraordinary Balance	-	-	-	-	-	7	-	-		+7
Profit before Income Taxes	431	159	248	1,358	192	813	-	-		+653
Total Income Taxes	131	53	80	416	60	249	-	-		+196
NP Belonging to Non-Controlling SHs	-	-	-	10	10	10	-	-		+10
<b>Profit Attributable to Owners of Parent</b>	<b>300</b>	<b>106</b>	<b>168</b>	<b>931</b>	<b>120</b>	<b>553</b>	-	-		<b>+446</b>
Sales YoY	(33.6%)	(20.6%)	(56.5%)	+455.0%	(31.2%)	+32.2%	-	-		-
Operating Profit YoY	(51.1%)	(36.8%)	(63.5%)	-	(48.0%)	+238.6%	-	-		-
Recurring Profit YoY	(55.1%)	(53.8%)	(69.2%)	-	(55.5%)	+405.6%	-	-		-
Profit Attributable to Owners of Parent YoY	(55.2%)	(55.1%)	(69.9%)	-	(59.9%)	+420.8%	-	-		-
Gross Profit Margin	18.6%	15.5%	21.3%	16.6%	20.8%	23.2%	-	-		+7.7%
Sales to SG&A Expenses Ratio	7.3%	9.0%	10.2%	3.6%	12.2%	6.5%	-	-		(2.5%)
Operating Profit Margin	11.3%	6.5%	11.2%	13.0%	8.6%	16.6%	-	-		+10.1%
Recurring Profit Margin	9.9%	4.1%	8.6%	12.5%	6.4%	15.6%	-	-		+11.5%
Profit Attributable to Owners of Parent Margin	6.9%	2.7%	5.8%	8.6%	4.0%	10.7%	-	-		+8.0%
Total Income Taxes/Profit before Income Taxes	30.4%	33.3%	32.3%	30.7%	31.6%	30.6%	-	-		(2.7%)

Source: Company Data, WRJ Calculation



## Segmented Information (Cumulative/Quarterly)

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 06/2020	Q1 to Q2 06/2020	Q1 to Q3 06/2020	Q1 to Q4 06/2020	Q1 06/2021	Q1 to Q2 06/2021	Q1 to Q3 06/2021	Q1 to Q4 06/2021		
Real Estate Business	-	-	-	-	-	8,142	-	-	-	-
Hotel Business	-	-	-	-	-	7	-	-	-	-
<b>Sales</b>	<b>4,357</b>	<b>8,256</b>	<b>11,147</b>	<b>22,018</b>	<b>2,996</b>	<b>8,150</b>	-	-	-	<b>(106)</b>
Real Estate Business	-	-	-	-	-	1,651	-	-	-	-
Hotel Business	-	-	-	-	-	(69)	-	-	-	-
<b>Segment Profit</b>	-	-	-	-	-	<b>1,582</b>	-	-	-	-
Elimination	-	-	-	-	-	(467)	-	-	-	-
<b>Operating Profit</b>	<b>494</b>	<b>747</b>	<b>1,070</b>	<b>2,484</b>	<b>257</b>	<b>1,114</b>	-	-	-	<b>+366</b>
Real Estate Business	-	-	-	-	-	20.3%	-	-	-	-
Hotel Business	-	-	-	-	-	(936.5%)	-	-	-	-
Elimination	-	-	-	-	-	(5.7%)	-	-	-	-
<b>Operating Profit Margin</b>	<b>11.3%</b>	<b>9.1%</b>	<b>9.6%</b>	<b>11.3%</b>	<b>8.6%</b>	<b>13.7%</b>	-	-	-	<b>+4.6%</b>

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 06/2020	Q2 06/2020	Q3 06/2020	Q4 06/2020	Q1 06/2021	Q2 06/2021	Q3 06/2021	Q4 06/2021		
Real Estate Business	-	-	-	-	-	-	-	-	-	-
Hotel Business	-	-	-	-	-	7	-	-	-	-
<b>Sales</b>	<b>4,357</b>	<b>3,899</b>	<b>2,890</b>	<b>10,871</b>	<b>2,996</b>	<b>5,153</b>	-	-	-	<b>+1,253</b>
Real Estate Business	-	-	-	-	-	-	-	-	-	-
Hotel Business	-	-	-	-	-	(69)	-	-	-	-
<b>Segment Profit</b>	-	-	-	-	-	-	-	-	-	-
Elimination	-	-	-	-	-	-	-	-	-	-
<b>Operating Profit</b>	<b>494</b>	<b>253</b>	<b>322</b>	<b>1,414</b>	<b>257</b>	<b>857</b>	-	-	-	<b>+604</b>
Real Estate Business	-	-	-	-	-	-	-	-	-	-
Hotel Business	-	-	-	-	-	(936.5%)	-	-	-	-
Elimination	-	-	-	-	-	-	-	-	-	-
<b>Operating Profit Margin</b>	<b>11.3%</b>	<b>6.5%</b>	<b>11.2%</b>	<b>13.0%</b>	<b>8.6%</b>	<b>16.6%</b>	-	-	-	<b>+10.1%</b>

Source: Company Data, WRJ Calculation

## Sales of Real Estate Business (Cumulative/Quarterly)

Sales of Real Estate Business (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 06/2020	Q1 to Q2 06/2020	Q1 to Q3 06/2020	Q1 to Q4 06/2020	Q1 06/2021	Q1 to Q2 06/2021	Q1 to Q3 06/2021	Q1 to Q4 06/2021		
Real Estate Development and Sale	4,180	7,973	10,739	21,152	2,688	7,702	-	-	-	(271)
Real Estate Purchase and Sale	70	70	70	405	199	199	-	-	-	+129
Other	106	212	337	460	108	240	-	-	-	+28
<b>Sales</b>	<b>4,357</b>	<b>8,256</b>	<b>11,147</b>	<b>22,018</b>	<b>2,996</b>	<b>8,142</b>	-	-	-	<b>(114)</b>
Real Estate Development and Sale	(35.0%)	(28.7%)	(39.0%)	+9.1%	(35.7%)	(3.4%)	-	-	-	-
Real Estate Purchase and Sale	+122.4%	(8.0%)	(61.3%)	+61.8%	+183.6%	+183.6%	-	-	-	-
Other	+11.7%	(1.7%)	+2.7%	+4.6%	+2.0%	+13.4%	-	-	-	-
<b>Sales (YoY)</b>	<b>(33.6%)</b>	<b>(28.0%)</b>	<b>(38.5%)</b>	<b>+9.6%</b>	<b>(31.2%)</b>	<b>(1.4%)</b>	-	-	-	-
Real Estate Development and Sale	95.9%	96.6%	96.3%	96.1%	89.7%	94.6%	-	-	-	-
Real Estate Purchase and Sale	1.6%	0.8%	0.6%	1.8%	6.6%	2.4%	-	-	-	-
Other	2.4%	2.6%	3.0%	2.1%	3.6%	2.9%	-	-	-	-
<b>Sales (Composition Ratio)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-	-	-

Sales of Real Estate Business (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 06/2020	Q2 06/2020	Q3 06/2020	Q4 06/2020	Q1 06/2021	Q2 06/2021	Q3 06/2021	Q4 06/2021		
Real Estate Development and Sale	4,180	3,793	2,766	10,413	2,688	5,014	-	-	-	+1,221
Real Estate Purchase and Sale	70	-	-	335	199	-	-	-	-	0
Other	106	106	125	123	108	132	-	-	-	+26
<b>Sales</b>	<b>4,357</b>	<b>3,899</b>	<b>2,890</b>	<b>10,871</b>	<b>2,996</b>	<b>5,153</b>	-	-	-	<b>+1,253</b>
Real Estate Development and Sale	(35.0%)	(20.1%)	(57.0%)	+485.7%	(35.7%)	+32.2%	-	-	-	-
Real Estate Purchase and Sale	+122.4%	-	-	+385.5%	+183.6%	-	-	-	-	-
Other	+11.7%	(12.4%)	+11.6%	+9.8%	+2.0%	+24.5%	-	-	-	-
<b>Sales (YoY)</b>	<b>(33.6%)</b>	<b>(20.6%)</b>	<b>(56.5%)</b>	<b>+455.0%</b>	<b>(31.2%)</b>	<b>+32.2%</b>	-	-	-	-
Real Estate Development and Sale	95.9%	97.3%	95.7%	95.8%	89.7%	97.3%	-	-	-	-
Real Estate Purchase and Sale	1.6%	0.0%	0.0%	3.1%	6.6%	0.0%	-	-	-	-
Other	2.4%	2.7%	4.3%	1.1%	3.6%	2.6%	-	-	-	-
<b>Sales (Composition Ratio)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-	-	-

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	7,173	-	-	-	(76)
Real Estate for Sale	255	997	6,669	2,351	2,506	8,016	-	-	-	+7,018
Real Estate for Sale in Process	17,887	18,256	16,161	16,063	16,685	13,760	-	-	-	(4,496)
Other	189	275	405	355	341	457	-	-	-	+182
<b>Current Assets</b>	<b>24,085</b>	<b>26,779</b>	<b>31,773</b>	<b>27,679</b>	<b>27,537</b>	<b>29,408</b>	-	-	-	<b>+2,628</b>
Tangible Assets	4,960	5,009	5,119	5,725	5,710	5,674	-	-	-	+664
Intangible Assets	2	2	1	1	1	1	-	-	-	(1)
Investments and Other Assets	569	564	560	593	583	593	-	-	-	+29
<b>Fixed Assets</b>	<b>5,533</b>	<b>5,576</b>	<b>5,681</b>	<b>6,320</b>	<b>6,295</b>	<b>6,269</b>	-	-	-	<b>+692</b>
<b>Total Assets</b>	<b>29,618</b>	<b>32,356</b>	<b>37,455</b>	<b>33,999</b>	<b>33,833</b>	<b>35,677</b>	-	-	-	<b>+3,321</b>
Accounts Payables, etc.	305	1,040	3,155	1,190	1,468	3,638	-	-	-	+2,597
Short-term Borrowings	890	719	1,196	655	900	386	-	-	-	(333)
Current Portion of Long-term Loans Payable	10,678	8,857	11,297	9,231	9,214	8,271	-	-	-	(586)
Other	1,502	1,051	985	1,402	833	1,291	-	-	-	+240
<b>Current Liabilities</b>	<b>13,375</b>	<b>11,668</b>	<b>16,636</b>	<b>12,479</b>	<b>12,417</b>	<b>13,587</b>	-	-	-	<b>+1,918</b>
Long-term Borrowings	7,740	10,067	8,847	8,607	8,675	8,789	-	-	-	(1,277)
Other	114	109	106	105	115	118	-	-	-	+9
<b>Fixed Liabilities</b>	<b>7,854</b>	<b>10,176</b>	<b>8,953</b>	<b>8,712</b>	<b>8,790</b>	<b>8,908</b>	-	-	-	<b>(1,267)</b>
<b>Total Liabilities</b>	<b>21,230</b>	<b>21,845</b>	<b>25,590</b>	<b>21,192</b>	<b>21,208</b>	<b>22,496</b>	-	-	-	<b>+650</b>
<b>Shareholders' Equity</b>	<b>8,379</b>	<b>10,503</b>	<b>10,357</b>	<b>11,288</b>	<b>11,095</b>	<b>11,648</b>	-	-	-	<b>+1,145</b>
Other	7	7	1,507	1,518	1,529	1,532	-	-	-	+1,525
<b>Net Assets</b>	<b>8,387</b>	<b>10,510</b>	<b>11,865</b>	<b>12,807</b>	<b>12,625</b>	<b>13,181</b>	-	-	-	<b>+2,670</b>
<b>Total Liabilities and Net Assets</b>	<b>29,618</b>	<b>32,356</b>	<b>37,455</b>	<b>33,999</b>	<b>33,833</b>	<b>35,677</b>	-	-	-	<b>+3,321</b>
Equity Capital	8,379	10,503	10,357	11,288	11,095	11,648	-	-	-	+1,145
Interest Bearing Debt	19,309	19,644	21,342	18,493	18,790	17,447	-	-	-	(2,196)
Net Debt	13,556	12,393	12,805	9,585	10,787	10,273	-	-	-	(2,120)
Equity Ratio	28.3%	32.5%	27.7%	33.2%	32.8%	32.6%	-	-	-	-
Net Debt Equity Ratio	161.8%	118.0%	123.6%	84.9%	97.2%	88.2%	-	-	-	-
ROE (12 months)	11.6%	8.7%	4.4%	15.3%	13.6%	16.0%	-	-	-	-
ROA (12 months)	4.9%	3.9%	1.9%	6.8%	6.2%	7.7%	-	-	-	-
Quick Ratio	43%	62%	51%	71%	64%	53%	-	-	-	-
Current Ratio	180%	229%	191%	222%	222%	216%	-	-	-	-

Source: Company Data, WRJ Calculation

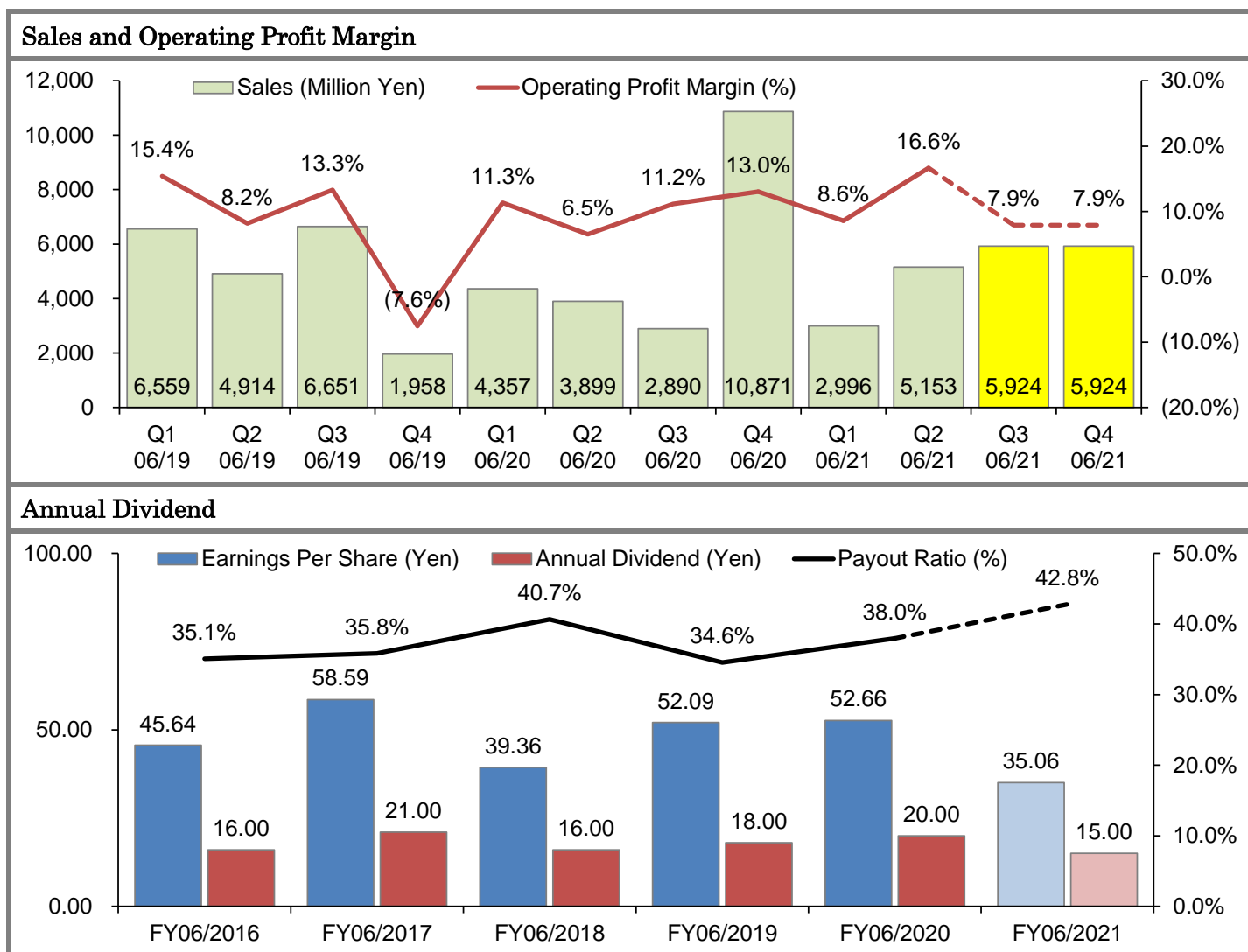
## Cash Flow Statement (Cumulative/Quarterly)

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)	(346)	-	-	-	+895
Investing Cash Flow	(21)	(97)	(235)	(836)	(20)	(20)	-	-	-	+76
<b>Operating Cash Flow and Investing Cash Flow</b>	<b>(559)</b>	<b>(1,339)</b>	<b>(2,989)</b>	<b>307</b>	<b>(948)</b>	<b>(367)</b>	-	-	-	<b>+972</b>
Financing Cash Flow	1,007	3,284	6,220	3,296	43	(1,367)	-	-	-	(4,651)
<b>Cash Flow Statement</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>YoY</b>
	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)	581	-	-	-	+1,285
Investing Cash Flow	(21)	(75)	(138)	(601)	(20)	(0)	-	-	-	+75
<b>Operating Cash Flow and Investing Cash Flow</b>	<b>(559)</b>	<b>(779)</b>	<b>(1,650)</b>	<b>3,296</b>	<b>(948)</b>	<b>581</b>	-	-	-	<b>+1,361</b>
Financing Cash Flow	1,007	2,277	2,935	(2,924)	43	(1,411)	-	-	-	(3,688)

Source: Company Data, WRJ Calculation

### 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 have remained unchanged also for prospective annual dividend, going for ¥15.00 per share, implying payout ratio of 42.8%.



Source: Company Data, WRJ Calculation (Q3 and Q4 FY03/2021: Company forecasts during the same period, pro rata)

Company forecasts assume a decline in the number of units sold for investment-oriented studio apartments and thus sales and earnings as a whole for the Company at the same time. In line with this, earnings per share inevitably come down and the Company, which pays a performance-based dividend, is forced to cut back on dividend per share to a corresponding extent. The basic dividend philosophy of the Company is to pay a certain ratio of profit attributable to owners of parent after deducting the impacts of income taxes adjustment. Considering that the philosophy sets earnings, excluding the impacts of income taxes adjustment which may fluctuate significantly due to temporary factors, as the sources for paying dividend, it should be realized that the Company intends to also maintain a stability in paying dividend to shareholders at the same time. Meanwhile, the Company has raised the above mentioned ratio up to 40% from 35% through FY06/2019 to FY06/2020 on the expenses of suspending shareholder special benefit plan. The raised ratio up to 40% is to persist for FY06/2021 and thereafter, implying the Company is now keen on returning earnings to institutional investors in particular. They have never benefited from shareholder special benefit plan but only retail investors. On the occasion of this change, the Company suggests that it has made some changes in its policy, having mentioned that it is going back-to-basics, i.e., paying dividend is the most appropriate way of returning earnings to shareholders.

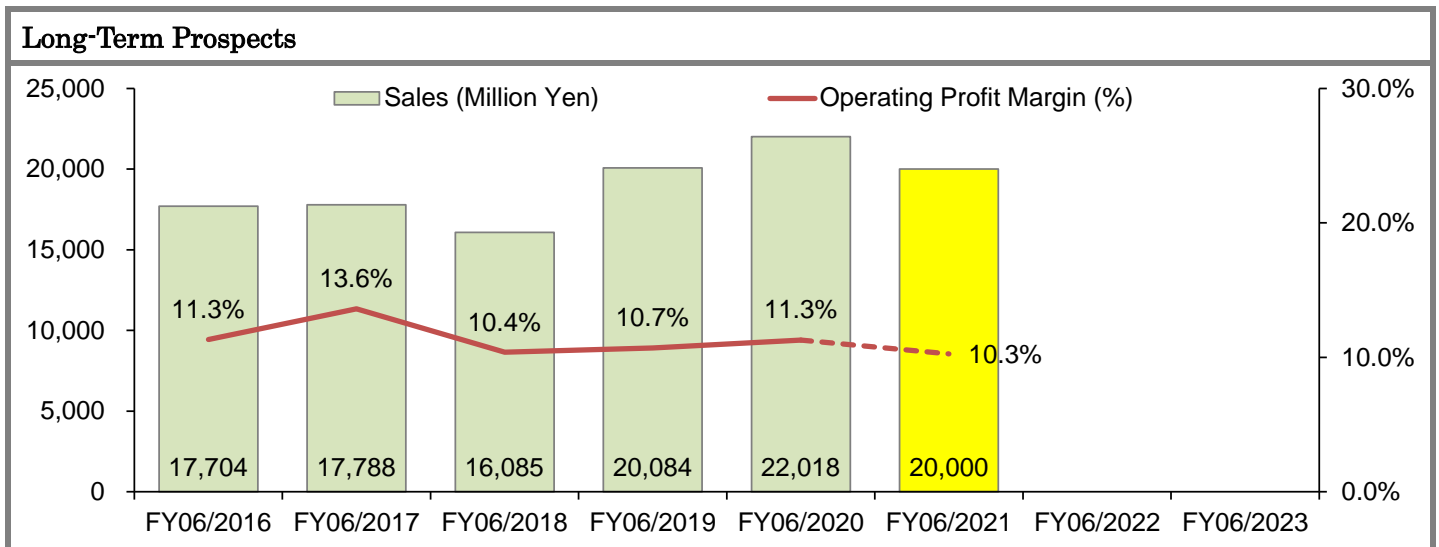
#### FY06/2021 Company Forecasts and Actual Results

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY06/2021CoE	6-Aug-20	Q4 Results	20,000	2,050	1,770	1,100
FY06/2021CoE	12-Nov-20	Q1 Results	20,000	2,050	1,770	1,100
FY06/2021CoE	4-Feb-21	Q2 Results	20,000	2,050	1,770	1,100
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
FY06/2021CoE	6-Aug-20	Q4 Results	20,000	2,050	1,770	1,100
FY06/2021CoE	4-Feb-21	Q2 Results	20,000	2,050	1,770	1,100
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q1 to Q2 FY06/2021CoE	6-Aug-20	Q4 Results	-	-	-	-
Q1 to Q2 FY06/2021CoE	12-Nov-20	Q1 Results	-	-	-	-
Q1 to Q2 FY06/2021Act	4-Feb-21	Q2 Results	8,150	1,114	997	673
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q1 to Q2 FY06/2021CoE	6-Aug-20	Q4 Results	-	-	-	-
Q1 to Q2 FY06/2021Act	4-Feb-21	Q2 Results	8,150	1,114	997	673
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q3 to Q4 FY06/2021CoE	6-Aug-20	Q4 Results	-	-	-	-
Q3 to Q4 FY06/2021CoE	12-Nov-20	Q1 Results	-	-	-	-
Q3 to Q4 FY06/2021CoE	4-Feb-21	Q2 Results	11,850	936	773	427
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q3 to Q4 FY06/2021CoE	6-Aug-20	Q4 Results	-	-	-	-
Q3 to Q4 FY06/2021CoE	4-Feb-21	Q2 Results	11,850	936	773	427
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-

Source: Company Data, WRJ Calculation

### Long-Term Prospects

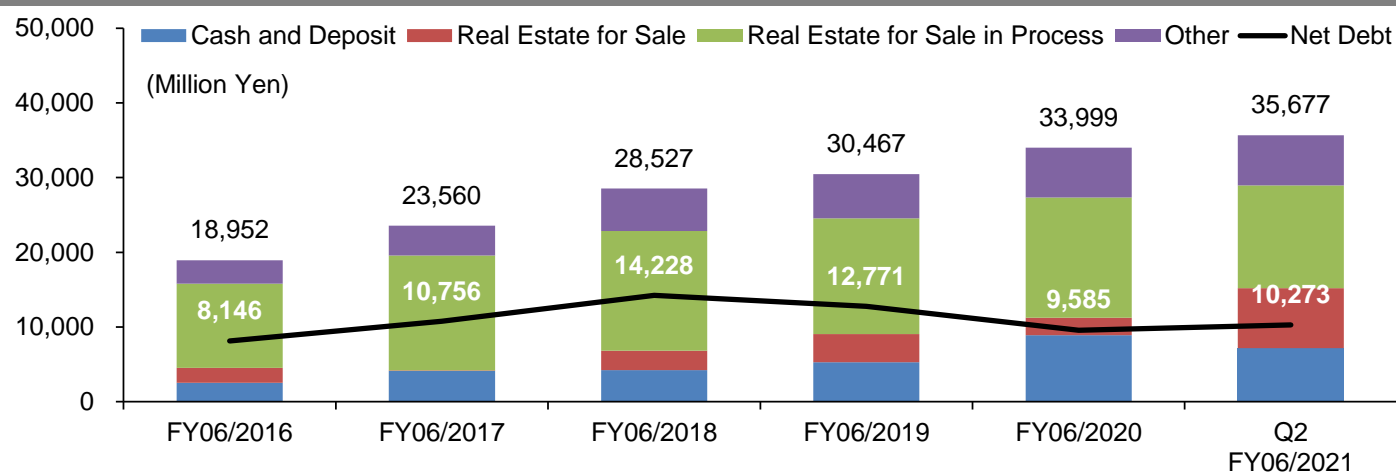
FY06/2021 Company forecasts assume sale of 674 units (down 5.3%) of 14 buildings for investment-oriented studio apartments, while the Company had concluded purchasing contracts of lands for in-house development of investment-oriented studio apartments corresponding to 1,017 units as of the end of December 2020. Although details such as the timing for each property of the latter to be completed have not been disclosed, a direction is suggested that some 670 units will be sold for FY06/2022 and the reminder, i.e., some 347 units for FY06/2023. The time lag from the purchase of lands to sale of properties varies from property to property, but it appears possibility of additional sale of properties for FY06/2022 is rather limited. However, some two and a half years have been left for the period by the end of FY06/2023 and it appears that the current and future status of land purchasing will have an ultimate impact for the number of units sold for FY06/2023.



Source: Company Data, WRJ Calculation

In Q1 to Q2 FY06/2021, it appears that the Company was highly selective in purchasing lands with a prospect that land prices in Tokyo’s central zone were to come down as to the immediate future given impacts stemming from COVID-19. As a result, the Company saw decreases in real estate for sale in process, while there have been no signs of a decline in real estate prices in Tokyo’s central zone in reality. Meanwhile, demand for investment-oriented studio apartments has remained firm in spite of a trend of decline in cap rate, because of their high stability as income properties. Thus, the Company appears to have become aggressive in purchasing lands to date for the sake of long-term growth.

### Changes in Total Assets (Real Estate for Sale and Real Estate for Sale in Process) and Net Debt



Source: Company Data, WRJ Calculation

As of the end of Q2 FY06/2021, total assets stood at ¥35,677m, having risen by 4.9% from the end of FY06/2020 and having comprised cash and deposit of ¥7,173m (down 19.5%), real estate for sale of ¥8,016m (up 240.8%), real estate for sale in process of ¥13,760m (down 14.3%) and other assets of ¥6,727m (up 0.8%). Meanwhile, net debt stood at ¥10,273m (up 7.2%) and net debt equity ratio 88.2% (up 3.3% points), implying almost no change with its dependence on interest-bearing debt. Thus, the Company maintains its financial soundness. The reason behind the sharp rise in real estate for sale is that the Company made steady progress in completing investment-oriented studio apartments in Q1 to Q2. Meanwhile, real estate for sale in process declined due to the above-mentioned reason. However, the Company has suggested a direction to aggressively purchase lands to date. In light of this, it should be the case that real estate for sale in process will start to increase going forward.

Meanwhile, upon the completion of HOTEL ASYL TOKYO KAMATA, the Company capitalized ¥1,398m as fixed assets in FY06/2020, comprising expenses on the purchase of the land and those of constructing the building, etc. Ultimately, the Company appears to be planning to recover invested funds through sale of the property, but it will have to take a considerable amount of time to do so, as the operations for a subsidiary to run the hotel is likely to continue in the foreseeable future. However, more importantly, equity financing in preparation for this had been successful for FY06/2020 and the Company had raised own funds sufficient enough in advance. Specifically, the Company had raised ¥2,016m through public offering, while 100% subsidiary URBANET LIVING CO., LTD. had raised ¥1,500m through issuance of preferred shares. As a consequence of all those issues, the Company saw substantial increases in cash and deposit for FY06/2020 and corresponding decreases in net debt.

## 4.0 Business Model

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

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

#### Investment-Oriented Studio Apartments : ASYLCOURT



Source: Company Data

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

With respect to purchasing lands, the Company has strengths on planning. That is to say, the Company suggests that it has knowhows to complete planning for a specific land purchasing even on the following day at the earliest, including expected rate of return for the Company, as far as information like plot and address on the said land is available (because the regulations on design differ from ward to ward in Tokyo where the Company runs its operations). Meanwhile, the Company's trades in a respect of above-mentioned sense are said to have a tendency to outsource the planning to external architect offices, etc., which often requires a week or so to be completed.

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

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

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

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

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



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

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

## 5.0 Financial Statements

### Income Statement

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

Source: Company Data, WRJ Calculation

### Sales of Real Estate Business

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

Source: Company Data, WRJ Calculation

## Balance Sheet

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

Source: Company Data, WRJ Calculation

## Cash Flow Statement

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

Source: Company Data, WRJ Calculation

## Per Share Data

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

Source: Company Data, WRJ Calculation

## 6.0 Other Information

### Realizing Affluent and Decent Society

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

Meanwhile, the Company raises two recent topics for reference. That is to say, ASYLCOURT TAITO-NEGISHI, which was completed in October 2019, received the Excellent Business Award from the National Association of Housing Industries (general incorporated association), while the Company held the 20th Student Only Stereoscopic Art Competition (AAC: Art meets Architecture Competition). On top of this, as found in "Formulation of the URBANET Disaster Prevention Program: Typhoon Countermeasures ([in Japanese](#))" released on 22 January 2020, the Company is continuing its proactive efforts to realize safety and comfortable “lifestyles”.

ASYLCOURT TAITO-NEGISHI on the Yanagi Street in Negishi, Taito-ku, was awarded the prize because of its superiority in the aspect of both business viability and merchandising being held at the same time. According to the Company, it succeeded in additionally purchasing lands adjacent to the land originally purchased, having expanded the size of the property to some 1.7 times the initial plan. Eventually, this has realized so efficient spending on expenses for constructing the building, etc., having resulted in profitability much higher than initially planned. Meanwhile, the Company has adopted “traditional modern” for the design concept of the building, paying respect to local characteristics of Shitamachi which is believed to have an aspect that has continued since the Edo period. Specifically, the Company has incorporated the patterns of kimono, i.e., Yatarajima and Yataragoshi on the exterior of the building. As a result, the building has come to be highly appreciated as one that harmonizes with the surrounding environment and townscape.

Meanwhile, the Company, which has a conspicuous commitment to living spaces with Arts, has been holding AAC every year, since 2001 or shortly after its establishment, which has an objective of identifying, supporting and nurturing young stereoscopic artists (engravers). The work (scripture) awarded the prize of the utmost excellence in the 20th AAC, whose final review was made on 26 November 2020, has been displayed at the entrance hall of MAKES SHIN-NAKANO ASYLCOURT whose settlement on a per-unit basis has started in Q1 to Q2 FY06/2021. This will be displayed permanently, while the Company has given ¥1m to the winner of the prize.

## Company History

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

### Disclaimer

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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