

Consolidated Financial Results for the Fiscal Year Ended June 30, 2021

[Japanese GAAP]

August 5, 2021

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Scheduled date of Annual General Meeting of Shareholders: September 24, 2021

Scheduled date of payment of dividend: September 27, 2021

Scheduled date of filing of Annual Securities Report: September 27, 2021

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: Yes (for institutional investors and analysts)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2021 (July 1, 2020 to June 30, 2021)

(1) Consolidated results of operations (Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Jun. 30, 2021	20,955	(4.8)	2,321	(6.6)	2,080	(5.4)	1,281	(14.9)
Fiscal year ended Jun. 30, 2020	22,018	9.6	2,484	15.7	2,198	14.9	1,506	15.0

Note: Comprehensive income (millions of yen) Fiscal year ended Jun. 30, 2021: 1,325 (down 12.7%)

Fiscal year ended Jun. 30, 2020: 1,517 (up 15.8%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Jun. 30, 2021	40.85	-	11.0	6.0	11.1
Fiscal year ended Jun. 30, 2020	52.66	52.64	15.3	6.8	11.3

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Jun. 30, 2021: -

Fiscal year ended Jun. 30, 2020: -

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jun. 30, 2021	35,175	13,591	34.2	383.66
As of Jun. 30, 2020	33,999	12,807	33.2	359.81

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2021: 12,036 As of Jun. 30, 2020: 11,288

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Jun. 30, 2021	(1,434)	(391)	121	7,193
Fiscal year ended Jun. 30, 2020	1,143	(836)	3,296	8,898

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividends on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Jun. 30, 2020	-	10.00	-	10.00	20.00	627	38.0	5.8
Fiscal year ended Jun. 30, 2021	-	7.00	-	10.00	17.00	533	41.6	4.6
Fiscal year ending Jun. 30, 2022 (forecasts)	-	8.00	-	9.00	17.00		41.0	

3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2022 (July 1, 2021 to June 30, 2022)

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	23,000	9.8	2,200	(4.4)	1,950	(6.3)	1,300	1.4	41.44

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

Newly added: - Excluded: -

(2) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(3) Number of shares outstanding (common shares)

1) Number of outstanding shares as of the end of the period (including treasury shares)

As of Jun. 30, 2021: 31,374,100 shares As of Jun. 30, 2020: 31,374,100 shares

2) Number of treasury shares as of the end of the period

As of Jun. 30, 2021: 62 shares As of Jun. 30, 2020: 62 shares

3) Average number of outstanding shares during the period

Fiscal year ended Jun. 30, 2021: 31,374,038 shares Fiscal year ended Jun. 30, 2020: 28,601,382 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2021 (July 1, 2020 to June 30, 2021)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Jun. 30, 2021	20,240	(5.6)	2,305	(7.7)	2,032	(8.1)	1,292	(15.4)
Fiscal year ended Jun. 30, 2020	21,438	9.3	2,497	17.4	2,212	16.8	1,527	17.8

	Net income per share		Diluted net income per share	
	Yen		Yen	
Fiscal year ended Jun. 30, 2021	41.20		-	
Fiscal year ended Jun. 30, 2020	53.41		53.40	

(2) Non-consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jun. 30, 2021	34,361	11,918	34.7	379.87
As of Jun. 30, 2020	33,200	11,166	33.6	355.68

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2021: 11,918 As of Jun. 30, 2020: 11,158

* The current consolidated financial results are not subject to the audit by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts, and other special items

Cautionary statement with respect to forecasts

- Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to the Urbanet Group's management at the time these materials were prepared. Actual results may differ significantly from these forecasts for a number of reasons. Information that we think may be useful for forecast assumptions is shown in "1. Overview of Results of Operations, (4) Outlook" on page 4 of the attachments.

How to view supplementary information at the financial results meeting

- Materials to be distributed at the meeting will be disclosed on the Timely Disclosure network (TDnet) and available on the Urbanet website at the same time as this financial summary.

From the perspective of preventing the spread of the COVID-19 infection, we plan to stream a financial results video for institutional investors and analysts on the Company's website on Friday, August 6, 2021, instead of holding the financial results meeting.

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1. Overview of Results of Operations

(1) Overview of Results of Operations for the Current Fiscal Year

During the fiscal year ended June 30, 2021 (hereinafter “the current fiscal year”), the Urbanet Group companies (hereinafter “the Urbanet Group” or “the Group”) reported net sales of 20,955 million yen (down 4.8% year-on-year), operating profit of 2,321 million yen (down 6.6% year-on-year), ordinary profit of 2,080 million yen (down 5.4% year-on-year), and profit attributable to owners of parent of 1,281 million yen (down 14.9% year-on-year). All figures were higher than the forecasts at the beginning of fiscal year.

Our achievement above is primarily attributable to successful operations in the Real Estate Business. Specifically, we applied our unique business model of developing and selling whole one-room apartment buildings for investors whose locations are within Tokyo’s 23 wards and in areas 10 minutes’ walk from a train station, with a strict focus on manufacturing styles distinctive to each project, even under the COVID-19 pandemic. The other reasons for this achievement include our prudent and selective approach to purchasing properties, detailed control of construction process, as well as our efforts to improve profit margin by clarifying sales strategy to match each property, while strengthening the trustful relationship with our clients throughout their purchase process.

The impact of the COVID-19 pandemic on our business results for the current fiscal year is as follows.

Regarding the Real Estate Business, we consider the buying environment for sites remained to be harsh, with high land prices of central Tokyo persisting, despite little influence of COVID-19 infections. Against the backdrop of the real estate price hike over the last several years, we saw some financial institutions’ lending policy tightened for real estate development business. However, the Group maintains good relationship with all the financial institutions with which we do business, allowing us to procure funds without any problem.

Regarding the construction process, we remained free from adverse impact of the pandemic due to our end-to-end process control aiming at completion of property development without delay, while requesting the outsourced general contractors to continue implementing infection prevention measures at the construction sites.

Regarding the selling process, again we saw little impact of the infection, recognizing revenue of all the properties to be sold with contracts already signed with sales companies and funds and REITs. Meanwhile, financial institutions are reviewing their criteria for credit check of end customers of one-room apartment buildings for investors, given the deteriorating real economy. As this will affect us indirectly, we will keep close eyes on the progress as well as reinforce the relationship with sales companies with a large number of customers in good standing.

Regarding the Hotel Business, we were heavily impacted as anticipated. The Group developed and owned hotel in front of Kamata Station in Tokyo and completed its construction in June 2020 with a plan to start operations in the following month. The opening was then postponed to October due to the spread of COVID-19 infections and in response to the national government’s and the Tokyo Metropolitan Government’s declarations and requests. While there is a gap between the plan developed at the beginning of the construction and the actual figures in terms of room occupancy rate and unit value among others, we have been striving to minimize deficits, making efforts to improve profitability by implementing various measures. As a result, we largely achieved the business plan developed at the time of opening with the impact of infections taken into consideration.

The performance by each business segment is explained below.

The Urbanet Group had operated its business with a single business segment, the Real Estate Business, which is engaged mainly in the development, purchase and sale of condominiums for investors and consumers, until the previous fiscal year. From the current fiscal year, the Group has changed to the segment structure with two segments: the Real Estate Business and the Hotel Business as we started operating our own hotel on October 14, 2020. Therefore, we have not compared or analyzed the sales with the previous year, except for sales by category in the Real Estate Business.

(Real Estate Business)

Net sales in the Real Estate Business were 20,930 million yen and segment profit was 3,409 million yen.

Total amount of sales from the real estate development sales category was 20,257 million yen (down 4.2% year-on-year) with revenues from sale of 683 units in a total of 15 one-room apartment buildings for investors and resale of one tract of land. At the beginning of the current fiscal year, 674 units in a total of 14 one-room apartment buildings were scheduled for sale. However, nine units from the property scheduled to be completed construction in the fiscal year ending June 30, 2022 were recognized as sale in the current fiscal year. Net sales in the real estate purchase and sales category were 199 million yen (down 50.7% year-on-year) with revenues from purchase and resale of five units of pre-owned condominiums. Net sales in the others real estate business category were 473 million yen (up 2.7% year-on-year) with revenues from real estate brokerage and real estate leasing among others.

(Hotel Business)

Net sales in the Hotel Business were 24 million yen and segment loss was 113 million yen mainly with room fee revenues from Hotel Asyl Tokyo Kamata.

(2) Overview of Financial Position for the Current Fiscal Year**Assets, liabilities and net assets**

Total assets, total liabilities and net assets on a consolidated basis amounted to 35,175 million yen (an increase of 1,175 million yen over the end of the previous fiscal year), 21,583 million yen (an increase of 391 million yen), and 13,591 million yen (an increase of 784 million yen), respectively.

The increase in total assets was mainly due to an increase of 2,459 million yen in inventories as a result of proactive purchases of land during the third quarter even in a very competitive land purchase environment, as well as an increase of 132 million yen in property, plant and equipment mainly due to purchases of company-owned income properties, while there was a decrease in cash and deposits of 1,704 million yen.

The increase in total liabilities was mainly due to an increase of 3,492 million yen in non-current liabilities due to an increase of 3,482 million yen in long-term borrowings for purchase of land. Current liabilities decreased 3,101 million yen resulting from a decrease of 2,556 million yen in the current portion of long-term borrowings due to completed construction projects and a decrease of 520 million yen in income taxes payable.

The increase in net assets was mainly due to profit attributable to owners of parent of 1,281 million yen, while there was a decrease of 533 million yen due to dividend payments.

(3) Overview of Cash Flows for the Current Fiscal Year

Cash and cash equivalents (hereinafter “net cash”) at the end of the current fiscal year amounted to 7,193 million yen, a decrease of 1,704 million yen over the end of the previous fiscal year. This was mainly due to negative cash flows from operating and investing activities, which were partially offset by positive cash flows from financing activities.

Cash flows from operating activities

Net cash used in operating activities for the current fiscal year totaled 1,434 million yen (compared with net cash provided of 1,143 million yen in the previous fiscal year). This was mainly due to increases in inventories and income taxes paid, while profit attributable to owners of parent was recorded.

Cash flows from investing activities

Net cash used in investing activities for the current fiscal year totaled 391 million yen (compared with net cash used of 836 million yen in the previous fiscal year). This was mainly due to the purchase of property, plant and equipment as disclosed on April 16, 2021.

Cash flows from financing activities

Net cash provided by financing activities for the current fiscal year totaled 121 million yen (compared with net cash provided of 3,296 million yen in the previous fiscal year). This was mainly because of proceeds from long-term borrowings to complete the procurement of land for development on our own, which was partially offset by the repayments of long-term borrowings due to completed construction projects and the payment of dividends

Reference: Trends in cash flow indicators

	FY6/17	FY6/18	FY6/19	FY6/20	FY6/21
Equity ratio (%)	29.3	26.1	27.4	33.2	34.2
Market value-based equity ratio (%)	44.9	32.1	28.7	26.9	27.5
Interest-bearing debt to cash flow ratio (year)	(Note 6)	(Note 6)	8.9	16.2	(Note 6)
Interest coverage ratio (time)	(Note 6)	(Note 6)	11.2	6.1	(Note 6)

Notes: 1. The above indicators are calculated based on the following formula.

Equity ratio: Shareholders' equity / Total assets

Market value-based equity ratio: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payments

- All the indicators are calculated using financial reporting figures on a consolidated basis.
- Market capitalization is calculated by multiplying the closing share price at the end of the period by the total number of shares outstanding, excluding treasury shares, at the end of the period.
- Cash flows are calculated using the figures for operating cash flows in the consolidated statement of cash flows.
- Interest-bearing debt includes all debts on the consolidated balance sheet that incur interest. Interest payments are calculated using the figures for interests paid in the consolidated statement of cash flows.
- Interest-bearing debt to cash flow ratio and interest coverage ratio are not presented because operating cash flows were negative.

(4) Outlook

Regarding the Real Estate Business for the fiscal year ending June 30, 2022, we have difficulty forecasting the real estate market environment due to uncertainty on when the COVID-19 crisis will end. Even so, there will be no change for our policy that the axis of our business is developing and selling whole one-room apartment buildings for investors in central Tokyo. In the future, however, seeking to achieve sustained growth in the post-COVID-19 era, we will consider planning larger projects and development in places outside Tokyo, utilizing our unique business model and stable financial ground.

Our consolidated earnings forecast for the fiscal year ending June 30, 2022 includes net sales of 23,000 million yen (up 9.8% year-on-year), operating profit of 2,220 million yen (down 4.4% year-on-year), ordinary profit of 1,950 million yen (down 6.3% year-on-year) and profit attributable to owners of parent of 1,300 million yen (up 1.4% year-on-year).

The decrease in operating profit and ordinary profit is attributable mainly to the situation where we had to expedite the selecting process of sales companies to prepare for the expected prolongation of the COVID-19 pandemic, and also to the fact that a portion of the properties scheduled for sale in the fiscal year ending June 30, 2022 was recognized in the fiscal year ended on June 30, 2021. Another cause for the decrease is a decline of gross profit margin due to the rising costs of land and construction over the past several years. For the fiscal year ending June 30, 2022, the Group is planning to sell 727 units (compared with 683 units for the fiscal year ended June 30, 2021) of one-room apartment buildings for investors and some tracts of land. Of the 727 units, 568 units have been effectively sold with contracts already signed and 159 units under negotiation for closing. Additionally, profit attributable to owners of parent is expected to increase year on year because we will not recognize any impairment loss as extraordinary losses, which we did in the fiscal year ended in June 30, 2021.

Regarding the Hotel Business, we have made our business plan rather conservatively because Hotel Asyl Tokyo Kamata, opened in October 2020, is expected to remain strongly influenced by the COVID-19 crisis at the moment.

We expect, however, the business environment will improve according to factors including greater vaccination coverage and changes in economic trends.

	(Millions of yen)	
	FY6/21 (Results)	FY6/22 (Forecast)
Net sales	20,955	23,000
Operating profit	2,321	2,220
Ordinary profit	2,080	1,950
Profit attributable to owners of parent	1,281	1,300
Number of units of one-room apartments for investors sold or to be sold	683 units	727 units

(5) Profit Allocation Policy and Dividend Payment Plan for the Current and Next Fiscal Years

While we are keenly aware of the need to maintain sufficient retained earnings and liquidity to ensure financial soundness, we also bear in mind that the shareholder return is an increasingly important management issue. Since our stock was listed, we have consistently placed priority on paying a dividend based on the results of operations according to our corporate policy.

In the basic dividend policy, the Group initially stated that it would pay dividends of 40% of the amount of profit attributable to owners of parent excluding the effect of deferred income taxes.

We have decided that the year-end dividend for the current fiscal year is 10 yen per share as separately announced today in the “Notice of payment of dividends (year-end dividends) from surplus (Japanese version only).” Since 7 yen per share has already been paid as interim dividends, the full-year dividend will amount to 17 yen per share.

For the dividends for the fiscal year ending June 30, 2022, we plan to pay a full-year dividend of 17 yen per share, consisting of an interim dividend of 8 yen per share and a year-end dividend of 9 yen per share based on the outlook and the above-mentioned dividend policy.

2. Basic Approach to the Selection of Accounting Standards

The Urbanet Group will continue to prepare consolidated financial statements using generally accepted accounting principles in Japan for the time being. Currently, all business activities are conducted in Japan and shareholders, creditors and business partners in Japan account for most stakeholders. Furthermore, there is no plan to procure funds from overseas.

We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

3. Consolidated Financial Statements and Notes**(1) Consolidated Balance Sheet**

	(Thousands of yen)	
	FY6/20	FY6/21
	(As of Jun. 30, 2020)	(As of Jun. 30, 2021)
Assets		
Current assets		
Cash and deposits	8,908,267	7,203,312
Investments in leases	27,276	29,397
Real estate for sale	2,351,958	2,225,450
Real estate for sale in process	16,063,441	18,686,211
Supplies	36,673	191
Advance payments to suppliers	29,920	129,167
Prepaid expenses	22,441	27,134
Other	239,572	454,407
Total current assets	27,679,551	28,755,271
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,209,260	3,250,130
Accumulated depreciation	(467,221)	(590,491)
Buildings and structures, net	2,742,038	2,659,639
Tools, furniture and fixtures	8,915	10,301
Accumulated depreciation	(5,096)	(6,386)
Tools, furniture and fixtures, net	3,819	3,914
Land	2,948,901	3,163,197
Leased assets	63,706	70,014
Accumulated depreciation	(33,284)	(38,691)
Leased assets, net	30,421	31,322
Total property, plant and equipment	5,725,180	5,858,073
Intangible assets		
Software	1,083	4,140
Total intangible assets	1,083	4,140
Investments and other assets		
Investments in capital	960	960
Long-term prepaid expenses	2,387	542
Deferred tax assets	76,015	28,514
Investments in leases	280,698	250,610
Leasehold and guarantee deposits	59,573	57,287
Other	174,160	219,857
Total investments and other assets	593,794	557,772
Total non-current assets	6,320,059	6,419,986
Total assets	33,999,610	35,175,257

	(Thousands of yen)	
	FY6/20	FY6/21
	(As of Jun. 30, 2020)	(As of Jun. 30, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	1,190,812	1,400,124
Short-term borrowings	655,020	400,000
Current portion of long-term borrowings	9,231,216	6,674,560
Lease obligations	13,582	15,246
Accounts payable-other	120,319	57,651
Accrued expenses	19,440	16,616
Income taxes payable	520,848	-
Accrued consumption taxes	4,637	-
Advances received	669,460	752,637
Deposits received	35,397	46,690
Other	18,776	14,893
Total current liabilities	12,479,512	9,378,419
Non-current liabilities		
Long-term borrowings	8,607,344	12,089,464
Lease obligations	22,764	21,231
Retirement benefit liability	50,712	57,038
Other	31,875	37,701
Total non-current liabilities	8,712,696	12,205,434
Total liabilities	21,192,208	21,583,854
Net assets		
Shareholders' equity		
Share capital	2,693,701	2,693,701
Capital surplus	2,191,829	2,191,829
Retained earnings	6,403,224	7,151,425
Treasury shares	(17)	(17)
Total shareholders' equity	11,288,737	12,036,938
Share acquisition rights	7,700	-
Non-controlling interests	1,510,964	1,554,464
Total net assets	12,807,401	13,591,403
Total liabilities and net assets	33,999,610	35,175,257

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

(Thousands of yen)

	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)
Net sales	22,018,582	20,955,404
Cost of sales	18,184,984	17,154,864
Gross profit	3,833,597	3,800,539
Selling, general and administrative expenses		
Salaries and allowances	323,398	336,848
Remuneration for directors (and other officers)	206,550	204,000
Bonuses	138,664	140,215
Retirement benefit expenses	30,672	11,354
Legal welfare expenses	72,500	73,915
Advertising expenses	14,051	19,806
Promotion expenses	2,838	2,485
Travel and transportation expenses	21,507	19,695
Supplies expenses	7,656	25,213
Rent expenses on land and buildings	68,125	70,103
Insurance expenses	22,817	23,879
Taxes and dues	129,135	167,425
Commission expenses	107,148	181,953
Fee expenses	29,695	41,604
Outsourcing expenses	31,285	31,131
Depreciation	23,918	17,958
Other	118,906	111,198
Total selling, general and administrative expenses	1,348,873	1,478,791
Operating profit	2,484,724	2,321,748
Non-operating income		
Interest income	51	69
Dividend income	183	9
Reversal of provision for shareholder benefit program	7,735	-
Miscellaneous income	1,932	4,788
Total non-operating income	9,902	4,866
Non-operating expenses		
Interest expenses	187,009	158,550
Share issuance costs	28,648	-
Commission expenses	71,284	72,389
Miscellaneous losses	8,921	1,896
Other	-	13,088
Total non-operating expenses	295,863	245,925
Ordinary profit	2,198,762	2,080,689
Extraordinary income		
Gain on reversal of share acquisition rights	-	7,700
Total extraordinary income	-	7,700
Extraordinary losses		
Impairment losses	-	116,677
Other	-	202
Total extraordinary losses	-	116,879
Profit before income taxes	2,198,762	1,971,509
Income taxes-current	679,503	598,948
Income taxes-deferred	2,225	47,501
Total income taxes	681,728	646,449
Profit	1,517,034	1,325,060
Profit attributable to non-controlling interests	10,964	43,500
Profit attributable to owners of parent	1,506,070	1,281,560

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)
Profit	1,517,034	1,325,060
Other comprehensive income	-	-
Comprehensive income	1,517,034	1,325,060
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,506,070	1,281,560
Comprehensive income attributable to non-controlling interests	10,964	43,500

(3) Consolidated Statement of Changes in Net Assets

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,685,249	1,183,376	5,487,632	(17)	8,356,240
Changes during period					
Issuance of new shares	1,008,452	1,008,452			2,016,905
Dividends of surplus			(590,478)		(590,478)
Profit attributable to owners of parent			1,506,070		1,506,070
Net changes in items other than shareholders' equity					
Total changes during period	1,008,452	1,008,452	915,591	-	2,932,496
Balance at end of period	2,693,701	2,191,829	6,403,224	(17)	11,288,737

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	7,700	-	8,363,940
Changes during period			
Issuance of new shares			2,016,905
Dividends of surplus			(590,478)
Profit attributable to owners of parent			1,506,070
Net changes in items other than shareholders' equity	-	1,510,964	1,510,964
Total changes during period	-	1,510,964	4,443,461
Balance at end of period	7,700	1,510,964	12,807,401

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,693,701	2,191,829	6,403,224	(17)	11,288,737
Changes during period					
Issuance of new shares					-
Dividends of surplus			(533,358)		(533,358)
Profit attributable to owners of parent			1,281,560		1,281,560
Net changes in items other than shareholders' equity					
Total changes during period	-	-	748,201	-	748,201
Balance at end of period	2,693,701	2,191,829	7,151,425	(17)	12,036,938

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	7,700	1,510,964	12,807,401
Changes during period			
Issuance of new shares			-
Dividends of surplus			(533,358)
Profit attributable to owners of parent			1,281,560
Net changes in items other than shareholders' equity	(7,700)	43,500	35,800
Total changes during period	(7,700)	43,500	784,001
Balance at end of period	-	1,554,464	13,591,403

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY6/20	FY6/21
	(Jul. 1, 2019 – Jun. 30, 2020)	(Jul. 1, 2020 – Jun. 30, 2021)
Cash flows from operating activities		
Profit before income taxes	2,198,762	1,971,509
Depreciation	112,549	139,622
Share issuance costs	28,648	-
Increase (decrease) in provision for shareholder benefit program	(37,893)	-
Increase (decrease) in retirement benefit liability	2,112	6,326
Interest and dividend income	(234)	(78)
Interest expenses	187,009	158,550
Impairment losses	-	116,677
Decrease (increase) in investments in leases	26,896	27,967
Decrease (increase) in inventories	809,997	(2,459,780)
Increase (decrease) in accrued consumption taxes	4,637	(4,637)
Increase (decrease) in trade payables	(855,674)	209,312
Increase (decrease) in advances received	(489,536)	83,177
Other, net	105,247	(183,075)
Subtotal	2,092,522	65,571
Interest and dividends received	234	78
Interest paid	(187,577)	(162,047)
Income taxes refund (paid)	(761,922)	(1,337,689)
Net cash provided by (used in) operating activities	1,143,257	(1,434,086)
Cash flows from investing activities		
Purchase of securities	(1,000,000)	-
Proceeds from sale of securities	1,000,000	-
Purchase of property, plant and equipment	(835,420)	(391,103)
Purchase of intangible assets	-	(472)
Other, net	(750)	(400)
Net cash provided by (used in) investing activities	(836,170)	(391,975)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(68,508)	(255,020)
Proceeds from long-term borrowings	8,146,140	11,154,000
Repayments of long-term borrowings	(7,660,445)	(10,228,536)
Proceeds from issuance of shares	1,998,303	-
Repayments of lease obligations	(20,564)	(16,574)
Dividends paid	(588,755)	(532,762)
Proceeds from share issuance to non-controlling shareholders	1,489,953	-
Net cash provided by (used in) financing activities	3,296,124	121,106
Net increase (decrease) in cash and cash equivalents	3,603,211	(1,704,955)
Cash and cash equivalents at beginning of period	5,295,056	8,898,267
Cash and cash equivalents at end of period	8,898,267	7,193,312

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Segment and Other Information

Segment information

1. Overview of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Board of Directors is performed to decide the allocation of management resources and to assess performance.

The Urbanet Group has two reportable segments: the Real Estate Business and the Hotel Business. The Real Estate Business operates businesses related to real estate development and sales, real estate purchase and sales, real estate brokerage and real estate leasing. The Hotel Business operates businesses related to hotel operations.

The Urbanet Group had operated its business with a single business segment, the Real Estate Business, until the previous fiscal year. From FY6/21, the Group has changed to the segment structure with two segments: the Real Estate Business and the Hotel Business as we started operating our own hotel on October 14, 2020.

We do not disclose the segment information for FY6/20, which was prepared under the new segment structure for FY6/21, because the Hotel Business operations started in FY6/21.

2. Methods for determining net sales, profit or loss, assets, liabilities and other items for each reportable segment

Accounting methods for reportable segments are mostly the same as those adopted for preparing the consolidated financial statements.

Reportable segment profit is based on operating profit.

3. Information related to net sales, profit or loss, assets, liabilities and other items for each reportable segment

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

Information is omitted since the Urbanet Group has only a single business segment, the real estate business, which is engaged mainly in the development, purchase and sale of condominiums for investors and consumers.

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

(Thousands of yen)

	Reportable segment		Total	Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Real Estate	Hotel			
Net sales					
External sales	20,930,875	24,528	20,955,404	-	20,955,404
Inter-segment sales and transfers	-	-	-	-	-
Total	20,930,875	24,528	20,955,404	-	20,955,404
Segment profit (loss)	3,409,708	(113,126)	3,296,582	(974,834)	2,321,748
Segment assets	25,719,757	1,433,591	27,153,348	8,021,909	35,175,257
Other items					
Depreciation	87,358	34,304	121,663	17,958	139,622
Increase in property, plant and equipment and intangible assets	371,120	1,994	373,115	19,169	392,284

Notes: 1. Adjustment details are as follows:

- (1) The negative 974,834 thousand yen adjustment to segment profit (loss) is corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.
 - (2) 8,021,909 thousand yen adjustment to segment assets is corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly consist of cash and deposits held by Urbanet Corporation., Ltd. (hereinafter “Urbanet”) that are not attributable to any of the reportable segments.
2. Segment profit (loss) is adjusted to be consistent with operating profit shown on the consolidated statement of income.

Information related to impairment losses on non-current assets for each reportable segment

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

Not applicable.

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

(Thousands of yen)

	Reportable segment		Corporate/ elimination	Total
	Real Estate	Hotel		
Impairment losses	116,677	-	-	116,677

Per-share Information

(Yen)

	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)
Net assets per share	359.81	383.66
Net income per share	52.66	40.85
Diluted net income per share	52.64	-

Notes: 1. Diluted net income per share is not presented since Urbanet had no outstanding dilutive securities.

2. The following is a reconciliation of net income per share and diluted net income per share.

(Thousands of yen, unless otherwise stated)

	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)
Net income per share		
Profit attributable to owners of parent	1,506,070	1,281,560
Amount not attributable to common shareholders	-	-
Profit attributable to common shareholders of parent	1,506,070	1,281,560
Average number of shares of common stock during the period (share)	28,601,382	31,374,038
Diluted net income per share		
Adjustment to profit attributable to owners of parent	-	-
Increase in the number of shares of common stock (share)	7,228	-
[of which, the number of share acquisition rights (share)]	[7,228]	[-]
Summary of potentially dilutive shares not included in the calculation of diluted net income per share due to their anti-dilutive effect	-	-

Material Subsequent Events

Not applicable.

4. Others

(1) Changes in Board Members

The following changes in the board members to be effective on September 24, 2021 have been determined at the Board of Directors' meeting held on August 5, 2021. The changes are expected to be authorized subject to approval at the 24th Annual General Meeting of Shareholders and the subsequent Board of Directors' meeting, both scheduled on September 24, 2021.

1. Candidates for director appointment

Director (Reappointment)	Shinji Hattori (Current President and Representative Director)
Director (Reappointment)	Atsushi Tanaka (Current Director and Executive Vice President)
Director (Reappointment)	Wataru Akai (Current Director, Senior Executive Officer, General Manager of Administration Division)
Director (Reappointment)	Takashi Kajikawa (Current Director, Executive Officer, General Manager of Planning Construction Department, Business Division)
Director (Reappointment)	Yoshizumi Kimura (Current Director, Executive Officer, General Manager of External Affairs Department, Business Division)
Director (Reappointment)	Shinichiro Nakajima (Current Outside Director, Independent Director)
Director (Reappointment)	Tetsushi Shinoda (Current Outside Director, Independent Director)
Director (New appointment)	Sayaka Yamaguchi

Note: Ms. Sayaka Yamaguchi is an Outside Director as defined in Article 2, Item 15 of the Companies Act, and is an Independent Director as defined in Rule 436-2 of the Securities Listing Regulations established by the Tokyo Stock Exchange.

Biography of a candidate for director appointment

Sayaka Yamaguchi	(Date of birth: August 12, 1980)
Apr. 2003	Joined Chuo Aoyama Audit Corporation (Currently PricewaterhouseCoopers Aarata LLC)
May 2006	Registered as a certified public accountant
Aug. 2013	Registered as a tax accountant
Aug. 2013	Opened Certified Public Accountant Sayaka Yamaguchi Office (Present post)
Sep. 2015	Established Tax Partners Tax Corporation, Partner (Present post)
Jun. 2018	Outside Director, Taisei Lamick Co., Ltd. (Present post)

2. Retiring directors

Miki Seko (Current Outside Director, Independent Director)

3. Changes in Audit & Supervisory Board Members

There will be no change as all three incumbent Audit & Supervisory Board Members are still serving their terms of office.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.