

**Consolidated Financial Results for the First Quarter
of the Fiscal Year Ending June 30, 2022
(Three Months Ended September 30, 2021)**

[Japanese GAAP]

November 11, 2021

Company name: URBANET CORPORATION Co., Ltd. Listing: Tokyo Stock Exchange (JASDAQ)
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Scheduled date of filing of Quarterly Report: November 11, 2021

Scheduled date of payment of dividend: -

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 First Quarter of the Fiscal Year Ending June 30, 2022
(July 1, 2021 to September 31, 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	%
Three months ended Sep. 30, 2021	3,084	2.9	156	(39.0)	113	(41.1)	66	(44.9)
Three months ended Sep. 30, 2020	2,996	(31.2)	257	(48.0)	192	(55.5)	120	(59.9)

Note: Comprehensive income (millions of yen) Three months ended Sep. 30, 2021: 77 (down 41.1%)

Three months ended Sep. 30, 2020: 131 (down 56.3%)

	Net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
Three months ended Sep. 30, 2021	2.12	-	-	-
Three months ended Sep. 30, 2020	3.84	-	-	-

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2021	35,736	13,363	33.0
As of Jun. 30, 2021	35,175	13,591	34.2

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2021: 11,798 As of Jun. 30, 2021: 12,036

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2021	-	7.00	-	10.00	17.00
Fiscal year ending Jun. 30, 2022	-	-	-	-	-
Fiscal year ending Jun. 30, 2022 (forecast)	-	8.00	-	9.00	17.00

Note: Revision to the most recently announced dividend forecast: None

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	2,220	(4.4)	1,950	(6.3)	1,300	1.4	41.44

Note: Revisions to the most recently announced earnings forecast: None

*** 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) Application of special accounting methods for presenting quarterly consolidated financial statements: None

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

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

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

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares outstanding (common shares)

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

As of Sep. 30, 2021:	31,374,100 shares	As of Jun. 30, 2021:	31,374,100 shares
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2) Number of treasury shares as of the end of the period

As of Sep. 30, 2021:	62 shares	As of Jun. 30, 2021:	62 shares
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3) Average number of outstanding shares during the period

Three months ended Sep. 30, 2021:	31,374,038 shares	Three months ended Sep. 30, 2020:	31,374,038 shares
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* The current quarterly consolidated financial results are not subject to the quarterly review 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. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements" on page 3 of the attachments for assumptions for forecasts and notes of caution for usage.

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.

The Urbanet Group plans to hold the financial results meeting for investors as follows.

Materials distributed and video recorded at this event are to be posted promptly on the Urbanet website following the meeting.

- Friday, November 12, 2021: Financial results meeting for institutional investors and analysts

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1. Qualitative Information on Quarterly Consolidated Financial Performance

The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other standards are applied from the first quarter of the fiscal year ending June 30, 2022 (hereinafter “the period under review”). This application has no impact on the earnings for the period under review. In addition, retained earnings at the beginning of the fiscal year increased by 8 million yen.

(1) Explanation of Results of Operations

For the period under review, the Urbanet Group companies (hereinafter “the Urbanet Group” or “the Group”) reported net sales of 3,084 million yen (up 2.9% year-on-year), operating profit of 156 million yen (down 39.0% year-on-year), ordinary profit of 113 million yen (down 41.1% year-on-year), and profit attributable to owners of parent of 66 million yen (down 44.9% year-on-year).

The year-on-year increase in net sales and decrease in profits are mainly attributable to high-margin projects delivered in the period under review. As in the previous fiscal year, revenue recognition for projects scheduled for the current fiscal year is skewed to the second quarter or later. This is because quarterly sales and profit margins fluctuate significantly from year to year since the timing of the completion-based revenue recognition, as well as the amount and profit margin, is different for each project and each year in the business of developing and selling whole one-room apartment buildings for investors, which is the main business of the Group.

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. In the second quarter of the previous 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 same quarter of the previous fiscal year, except for sales by category in the Real Estate Business.

(Real Estate Business)

Net sales in the Real Estate Business were 3,071 million yen and segment profit was 397 million yen.

Total amount of sales from the real estate development sales category was 2,854 million yen (up 6.2% year-on-year) with revenues from sale of 80 units in a total of two one-room apartment buildings for investors. Net sales in the real estate purchase and sales category were 62 million yen (down 68.9% year-on-year) with revenues from purchase and resale of one unit of pre-owned condominium and those of one pre-owned house. Net sales in the others real estate business category were 154 million yen (up 41.9% year-on-year) with revenues from real estate brokerage and real estate leasing among others.

(Hotel Business)

Net sales in the Hotel Business were 13 million yen and segment loss was 15 million yen mainly with room fee revenues from Hotel Asyl Tokyo Kamata.

(2) Explanation of Financial Condition

1) Analysis of Financial Position

Total assets, total liabilities and net assets on a consolidated basis amounted to 35,736 million yen (an increase of 561 million yen over the end of the previous fiscal year), 22,372 million yen (an increase of 788 million yen), and 13,363 million yen (a decrease of 227 million yen), respectively.

The increase in total assets was mainly due to an increase of 1,025 million yen in inventories as a result of active land purchasing efforts despite amid the COVID-19 pandemic, while there was a decrease of 468 million yen in cash and deposits.

The increase in total liabilities was mainly due to an increase of 701 million yen in accounts payable-trade, while there was a decrease of 233 million yen in advances received due to the completion and transfer of properties.

The decrease in net assets was mainly due to a decrease from the payment of year-end dividends and other factors, which outweighed an increase in profit attributable to owners of parent.

2) Analysis of Cash Flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the period under review amounted to 6,724 million yen, a decrease of 468 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 period under review totaled 474 million yen (compared with net cash used of 927 million yen in the same period of the previous fiscal year). This was mainly due to an increase in inventories, while there was an increase in trade payables.

Cash flows from investing activities

Net cash used in investing activities for the period under review totaled 8 million yen (compared with net cash used of 20 million yen in the same period of the previous fiscal year). This was mainly due to the purchase of accounting software and other intangible assets.

Cash flows from financing activities

Net cash provided by financing activities for the period under review totaled 14 million yen (compared with net cash provided of 43 million yen in the same period of 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 in the Real Estate Business, which was partially offset by the repayments of long-term borrowings due to sales of properties, and the payment of dividends.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements

The Urbanet Group reported net sales of 3,084 million yen, operating profit of 156 million yen, ordinary profit of 113 million yen and profit attributable to owners of parent of 66 million yen for the period under review. As a result, compared to the consolidated earnings forecast for the current fiscal year (fiscal year ending June 30, 2022) announced on August 5, 2021 in “Consolidated Financial Results for the Fiscal Year Ended June 30, 2021,” the progress rates have remained at a low level: 13.4 % in net sales, 7.1% in operating profit, 5.8% in ordinary profit, and 5.1% in profit attributable to owners of parent. This is due to the significant fluctuations in quarterly sales and profit margin since the business of the Group is the development and whole building sales of one-room apartments for investors and the timing, amount, or scale of land purchase are different for each project as well as the timing, amount, or the profit margin of revenue recognition, which depends on the construction period and the sales destination.

We have decided to maintain the consolidated earnings forecast for the current fiscal year that was announced on August 5, 2021, partly because sales for the current fiscal year are weighted toward the second half and beyond.

We will promptly announce any revisions to the consolidated earnings forecast as necessary by assessing the possibility of a resurgence of the COVID-19 and uncertainties in selling our products and services.

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

(Thousands of yen)

	FY6/21 (As of Jun. 30, 2021)	First quarter of FY6/22 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	7,203,312	6,734,814
Real estate for sale	2,225,450	3,353,091
Real estate for sale in process	18,686,211	18,582,846
Other	640,297	691,682
Total current assets	28,755,271	29,362,434
Non-current assets		
Property, plant and equipment	5,858,073	5,801,662
Intangible assets	4,140	3,890
Investments and other assets	557,772	568,323
Total non-current assets	6,419,986	6,373,876
Total assets	35,175,257	35,736,310
Liabilities		
Current liabilities		
Accounts payable-trade	1,400,124	2,102,025
Short-term borrowings	400,000	310,000
Current portion of long-term borrowings	6,674,560	8,415,560
Lease obligations	15,246	15,291
Provision for bonuses	-	27,994
Other	888,488	679,379
Total current liabilities	9,378,419	11,550,250
Non-current liabilities		
Long-term borrowings	12,089,464	10,708,324
Lease obligations	21,231	17,391
Retirement benefit liability	57,038	59,424
Other	37,701	37,136
Total non-current liabilities	12,205,434	10,822,275
Total liabilities	21,583,854	22,372,525
Net assets		
Shareholders' equity		
Share capital	2,693,701	2,693,701
Capital surplus	2,191,829	2,191,829
Retained earnings	7,151,425	6,912,842
Treasury shares	(17)	(17)
Total shareholders' equity	12,036,938	11,798,356
Non-controlling interests	1,554,464	1,565,428
Total net assets	13,591,403	13,363,785
Total liabilities and net assets	35,175,257	35,736,310

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Three-month Period)**

(Thousands of yen)

	First three months of FY6/20 (Jul. 1, 2020 – Sep. 30, 2020)	First three months of FY6/21 (Jul. 1, 2021 – Sep. 30, 2021)
Net sales	2,996,800	3,084,517
Cost of sales	2,373,620	2,619,294
Gross profit	623,180	465,222
Selling, general and administrative expenses	366,096	308,529
Operating profit	257,083	156,692
Non-operating income		
Interest income	23	24
Commission income	-	1,818
Other	1,623	1,056
Total non-operating income	1,646	2,899
Non-operating expenses		
Interest expenses	44,973	41,422
Commission expenses	11,051	4,241
Other	10,500	624
Total non-operating expenses	66,525	46,288
Ordinary profit	192,205	113,303
Extraordinary income		
Gain on sale of golf membership	-	113
Total extraordinary income	-	113
Profit before income taxes	192,205	113,417
Income taxes-current	48,538	48,217
Income taxes-deferred	12,292	(12,124)
Total income taxes	60,830	36,092
Profit	131,375	77,324
Profit attributable to non-controlling interests	10,964	10,964
Profit attributable to owners of parent	120,410	66,360

Quarterly Consolidated Statement of Comprehensive Income**(For the Three-month Period)**

(Thousands of yen)

	First three months of FY6/20 (Jul. 1, 2020 – Sep. 30, 2020)	First three months of FY6/21 (Jul. 1, 2021 – Sep. 30, 2021)
Profit	131,375	77,324
Other comprehensive income	-	-
Comprehensive income	131,375	77,324
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	120,410	66,360
Comprehensive income attributable to non-controlling interests	10,964	10,964

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First three months of FY6/20 (Jul. 1, 2020 – Sep. 30, 2020)	First three months of FY6/21 (Jul. 1, 2021 – Sep. 30, 2021)
Cash flows from operating activities		
Profit before income taxes	192,205	113,417
Depreciation	31,755	35,457
Increase (decrease) in provision for bonuses	29,812	27,994
Increase (decrease) in retirement benefit liability	2,757	2,386
Interest and dividend income	(23)	(24)
Interest expenses	44,973	41,422
Decrease (increase) in investments in leases	6,628	7,145
Decrease (increase) in inventories	(789,275)	(1,003,463)
Increase (decrease) in trade payables	277,553	701,900
Increase (decrease) in advances received	(117,115)	(233,234)
Increase (decrease) in accrued consumption taxes	1,699	4,849
Other, net	(204,271)	(128,834)
Subtotal	(523,302)	(430,983)
Interest and dividends received	25	25
Interest paid	(46,218)	(42,083)
Income taxes paid	(358,176)	(1,148)
Net cash provided by (used in) operating activities	(927,672)	(474,190)
Cash flows from investing activities		
Purchase of property, plant and equipment	(19,767)	(925)
Purchase of intangible assets	(472)	(3,102)
Other, net	(500)	(4,886)
Net cash provided by (used in) investing activities	(20,739)	(8,914)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	245,700	(90,000)
Proceeds from long-term borrowings	1,533,000	1,526,000
Repayments of long-term borrowings	(1,481,494)	(1,166,140)
Repayments of lease obligations	(3,963)	(3,794)
Dividends paid	(249,327)	(251,458)
Net cash provided by (used in) financing activities	43,914	14,606
Net increase (decrease) in cash and cash equivalents	(904,497)	(468,497)
Cash and cash equivalents at beginning of period	8,898,267	7,193,312
Cash and cash equivalents at end of period	7,993,770	6,724,814

(4) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Accounting Policies**Application of the Accounting Standard for Revenue Recognition**

Urbanet started to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) at the beginning of the period under review. Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in the proviso to Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the period under review, is added to or subtracted from retained earnings at the beginning of the period under review. The new standard is then applied beginning with this amount of retained earnings.

The application of this standard has no impact on the results of operations for the period under review. Retained earnings at the beginning of the fiscal year increased by 8,797 thousand yen.

Segment and Other Information**Segment Information****I. First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)**

Segment 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.

II. First three months of FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)**1. Information related to net sales and profit or loss for each reportable segment**

(Thousands of yen)

	Reportable segment		Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Real Estate	Hotel			
Net sales					
External sales	3,071,030	13,486	3,084,517	-	3,084,517
Inter-segment sales and transfers	-	-	-	-	-
Total	3,071,030	13,486	3,084,517	-	3,084,517
Segment profit (loss)	397,498	(15,610)	381,888	(225,195)	156,692

Notes: 1. The negative 225,195 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. Segment profit (loss) is adjusted to be consistent with operating profit shown on the quarterly consolidated statement of income.

2. Information related to changes in reportable segments, etc.

Previously, the Urbanet Group had operated its business with a single business segment, the Real Estate Business. From the second quarter of 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.

For the segment information for the first three months of FY6/21, which is to be prepared under the new segment structure for the first three months of FY6/22, we do not disclose the segment information on the Hotel Business because it started operations in the second quarter of FY6/21.

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.