

**Consolidated Financial Results for the Third Quarter
of the Fiscal Year Ending June 30, 2022
(Nine Months Ended March 31, 2022)**

[Japanese GAAP]

May 12, 2022

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Listing: Tokyo Stock Exchange
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Scheduled date of filing of Quarterly Report: May 12, 2022
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 Third Quarter of the Fiscal Year Ending June 30, 2022
(July 1, 2021 to March 31, 2022)**

(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	%
Nine months ended Mar. 31, 2022	14,737	(15.3)	1,285	(43.4)	1,124	(46.4)	736	(43.6)
Nine months ended Mar. 31, 2021	17,400	56.1	2,273	112.4	2,097	149.8	1,306	127.2

Note: Comprehensive income (millions of yen) Nine months ended Mar. 31, 2022: 769 (down 42.6%)
Nine months ended Mar. 31, 2021: 1,339 (up 132.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Mar. 31, 2022	23.48	-
Nine months ended Mar. 31, 2021	41.65	-

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Mar. 31, 2022	36,430	13,804	33.5
As of Jun. 30, 2021	35,175	13,591	34.2

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2022: 12,217 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	-	8.00	-		
Fiscal year ending Jun. 30, 2022 (forecast)				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 Mar. 31, 2022:	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 Mar. 31, 2022:	62 shares	As of Jun. 30, 2021:	62 shares
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3) Average number of outstanding shares during the period

Nine months ended Mar. 31, 2022:	31,374,038 shares	Nine months ended Mar. 31, 2021:	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, May 13, 2022: 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. As a result, net sales, operating profit, ordinary profit and profit before income taxes for the first nine months of the current fiscal year (hereinafter “the period under review”) each decreased by 12 million yen. 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 14,737 million yen (down 15.3% year-on-year), operating profit of 1,285 million yen (down 43.4% year-on-year), ordinary profit of 1,124 million yen (down 46.4% year-on-year), and profit attributable to owners of parent of 736 million yen (down 43.6% year-on-year).

The year-on-year decrease in net sales and profits are mainly attributable to many high-margin projects as well as other projects that were included in the net sales for the first nine months of the previous fiscal year. It is also because the revenue recognition for the resale projects scheduled for the period under review has been postponed to the fourth quarter. Note that in the business of development and sale of one-room apartments buildings for investors, which is the main business of the Group, 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. Revenue recognition for projects scheduled for the current fiscal year is skewed to the third quarter or later.

The performance by each business segment is explained below.

(Real Estate Business)

Net sales in the Real Estate Business were 14,691 million yen (down 15.5% year-on-year) and segment profit was 2,024 million yen (down 33.8% year-on-year).

Total amount of sales from the real estate development sales category was 14,222 million yen (down 15.5% year-on-year) with revenues from sale of 534 units in a total of nine 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 407 million yen (up 13.2% year-on-year) with revenues from real estate brokerage and real estate leasing among others.

(Hotel Business)

Net sales in the Hotel Business were 46 million yen (up 191.2% year-on-year) and segment loss was 39 million yen (compared with a loss of 86 million yen for the same period of the previous fiscal year) 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 36,430 million yen (an increase of 1,255 million yen over the end of the previous fiscal year), 22,626 million yen (an increase of 1,042 million yen), and 13,804 million yen (an increase of 213 million yen), respectively.

The increase in total assets was mainly due to a decrease of 374 million yen in income taxes receivable, while there were increases of 886 million yen in cash and deposits as a result of the accumulation of profits due to the progressed property sales, 560 million yen in inventories as a result of active land purchasing efforts in a very competitive land purchase environment and 174 million yen in property, plant and equipment mainly due to the purchase of income properties.

The increase in total liabilities was mainly due to a decrease of 349 million yen in advances received due to the completion and transfer of properties, while there were increases of 366 million yen in accounts payable-trade and

894 million yen in borrowings mainly for the land purchases.

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

2) Analysis of Cash Flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the period under review amounted to 8,079 million yen, an increase of 886 million yen over the end of the previous fiscal year. This was mainly due to a decrease in net cash used in investing activities, while there was an increase in net cash provided by operating and financing activities.

Cash flows from operating activities

Net cash provided by operating activities for the period under review totaled 921 million yen (compared with net cash provided of 1,049 million yen in the same period of the previous fiscal year). This was mainly due to the booking of profit before income taxes.

Cash flows from investing activities

Net cash used in investing activities for the period under review totaled 398 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 property, plant and equipment.

Cash flows from financing activities

Net cash provided by financing activities for the period under review totaled 363 million yen (compared with net cash used of 2,220 million yen in the same period of the previous fiscal year). This was mainly because proceeds from the long-term borrowings for the procurement of land for development on our own in the Real Estate Business outweighed the decrease in cash due to the repayments of long-term borrowings resulting from the sale of units and the payment of dividends.

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

The Urbanet Group reported net sales of 14,737 million yen, operating profit of 1,285 million yen, ordinary profit of 1,124 million yen and profit attributable to owners of parent of 736 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: 64.1 % in net sales, 57.9% in operating profit, 57.7% in ordinary profit, and 56.7% in profit attributable to owners of parent. This is because our main business is development and sale (wholesale) of one-room apartments buildings for investors, in which quarterly sales and profit margins significantly fluctuate since the timing, amount, or profit margin of the completion-based revenue recognition are different from project to project and from year to year, as the timing, amount, or scale of land purchase are different for each project, depending on its construction period and the buyer. The low progress rates for the period under review are also attributable to the postponement of a land resale of one property scheduled to be included in the sales in the period under review to the fourth quarter.

We have decided to maintain the consolidated earnings forecast for the current fiscal year that was announced on August 5, 2021, at the time these materials were prepared, partly because sales for the current fiscal year are weighted toward the period under review and beyond.

We will promptly announce any revisions to the consolidated earnings forecast as necessary, paying sufficient attention to the uncertain factors such as the resurgence of COVID-19 and supply chain disruptions that may affect construction periods or sales activities as well as the transfer of resale properties.

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

	(Thousands of yen)	
	FY6/21 (As of Jun. 30, 2021)	Third quarter of FY6/22 (As of Mar. 31, 2022)
Assets		
Current assets		
Cash and deposits	7,203,312	8,089,773
Real estate for sale	2,225,450	2,149,187
Real estate for sale in process	18,686,211	19,322,743
Other	640,297	226,591
Total current assets	28,755,271	29,788,294
Non-current assets		
Property, plant and equipment	5,858,073	6,032,710
Intangible assets	4,140	3,390
Investments and other assets	557,772	606,492
Total non-current assets	6,419,986	6,642,593
Total assets	35,175,257	36,430,888
Liabilities		
Current liabilities		
Accounts payable-trade	1,400,124	1,766,587
Short-term borrowings	400,000	570,000
Current portion of long-term borrowings	6,674,560	4,540,740
Lease obligations	15,246	16,136
Income taxes payable	-	116,788
Provision for bonuses	-	28,377
Other	888,488	527,484
Total current liabilities	9,378,419	7,566,113
Non-current liabilities		
Long-term borrowings	12,089,464	14,948,194
Lease obligations	21,231	15,847
Retirement benefit liability	57,038	59,660
Other	37,701	36,407
Total non-current liabilities	12,205,434	15,060,109
Total liabilities	21,583,854	22,626,223
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	7,332,032
Treasury shares	(17)	(17)
Total shareholders' equity	12,036,938	12,217,545
Non-controlling interests	1,554,464	1,587,119
Total net assets	13,591,403	13,804,664
Total liabilities and net assets	35,175,257	36,430,888

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

	(Thousands of yen)	
	First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)	First nine months of FY6/22 (Jul. 1, 2021 – Mar. 31, 2022)
Net sales	17,400,488	14,737,551
Cost of sales	14,036,496	12,506,364
Gross profit	3,363,991	2,231,187
Selling, general and administrative expenses	1,090,438	945,356
Operating profit	2,273,553	1,285,830
Non-operating income		
Interest income	67	65
Commission income	-	1,818
Other	3,668	5,156
Total non-operating income	3,736	7,040
Non-operating expenses		
Interest expenses	122,340	127,504
Commission expenses	42,235	39,965
Other	14,865	634
Total non-operating expenses	179,441	168,103
Ordinary profit	2,097,847	1,124,767
Extraordinary income		
Gain on reversal of share acquisition rights	7,700	-
Gain on sale of golf membership	-	113
Total extraordinary income	7,700	113
Extraordinary losses		
Impairment losses	116,677	-
Total extraordinary losses	116,677	-
Profit before income taxes	1,988,870	1,124,881
Income taxes-current	608,213	401,375
Income taxes-deferred	41,276	(45,690)
Total income taxes	649,489	355,684
Profit	1,339,381	769,196
Profit attributable to non-controlling interests	32,654	32,654
Profit attributable to owners of parent	1,306,726	736,542

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

(Thousands of yen)

	First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)	First nine months of FY6/22 (Jul. 1, 2021 – Mar. 31, 2022)
Profit	1,339,381	769,196
Other comprehensive income	-	-
Comprehensive income	1,339,381	769,196
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,306,726	736,542
Comprehensive income attributable to non-controlling interests	32,654	32,654

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)	First nine months of FY6/22 (Jul. 1, 2021 – Mar. 31, 2022)
Cash flows from operating activities		
Profit before income taxes	1,988,870	1,124,881
Depreciation	103,356	108,700
Impairment losses	116,677	-
Increase (decrease) in provision for bonuses	29,559	28,377
Increase (decrease) in retirement benefit liability	8,399	2,622
Interest and dividend income	(67)	(65)
Interest expenses	122,340	127,504
Decrease (increase) in investments in leases	20,277	22,445
Decrease (increase) in inventories	294,968	(449,415)
Increase (decrease) in trade payables	16,178	366,462
Increase (decrease) in advances received	77,273	(349,024)
Increase (decrease) in accrued consumption taxes	(4,637)	2,108
Other, net	(261,631)	(15,091)
Subtotal	2,511,564	969,504
Interest and dividends received	68	66
Interest paid	(124,103)	(129,773)
Income taxes refund (paid)	(1,337,687)	81,366
Net cash provided by (used in) operating activities	1,049,843	921,163
Cash flows from investing activities		
Purchase of property, plant and equipment	(19,982)	(390,132)
Purchase of intangible assets	(472)	(3,102)
Other, net	(400)	(4,886)
Net cash provided by (used in) investing activities	(20,854)	(398,121)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	344,980	170,000
Proceeds from long-term borrowings	6,262,000	6,549,000
Repayments of long-term borrowings	(8,326,020)	(5,824,090)
Repayments of lease obligations	(12,467)	(11,773)
Dividends paid	(489,435)	(519,717)
Net cash provided by (used in) financing activities	(2,220,942)	363,418
Net increase (decrease) in cash and cash equivalents	(1,191,954)	886,461
Cash and cash equivalents at beginning of period	8,898,267	7,193,312
Cash and cash equivalents at end of period	7,706,313	8,079,773

(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 first quarter of the current fiscal year. 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 first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

As a result, the application of the new standard resulted in reductions of 12,680 thousand yen in sales, operating profit, ordinary income and profit before income taxes, respectively. There is an increase of 8,797 thousand yen in retained earnings at the beginning of the current fiscal year.

Segment and Other Information

Segment Information

I. First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 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	17,384,660	15,828	17,400,488	-	17,400,488
Inter-segment sales and transfers	-	-	-	-	-
Total	17,384,660	15,828	17,400,488	-	17,400,488
Segment profit (loss)	3,057,006	(86,429)	2,970,577	(697,023)	2,273,553

Notes: 1. The negative 697,023 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 impairment losses on non-current assets or goodwill, etc. for each reportable segment

(Significant impairment losses on non-current assets)

In the Real Estate Business segment, the Group recognized impairment losses on non-current assets (a real estate for leasing). The amount of such impairment losses recognized was 116,677 thousand yen for the period under review.

II. First nine months of FY6/22 (Jul. 1, 2021 – Mar. 31, 2022)

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	14,691,453	46,097	14,737,551	-	14,737,551
Inter-segment sales and transfers	-	-	-	-	-
Total	14,691,453	46,097	14,737,551	-	14,737,551
Segment profit (loss)	2,024,978	(39,860)	1,985,118	(699,287)	1,285,830

Notes: 1. The negative 699,287 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 impairment losses on non-current assets or goodwill, etc. for each reportable segment

(Significant impairment losses on non-current assets)

Not applicable.

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.