

## Consolidated Financial Results for the Fiscal Year Ended June 30, 2022

[Japanese GAAP]

August 4, 2022

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Listing: Tokyo Stock Exchange  
 URL: <https://www.urbanet.jp/>

Scheduled date of Annual General Meeting of Shareholders: September 28, 2022  
 Scheduled date of payment of dividend: September 29, 2022  
 Scheduled date of filing of Annual Securities Report: September 29, 2022  
 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, 2022 (July 1, 2021 to June 30, 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	%
Fiscal year ended Jun. 30, 2022	19,606	(6.4)	2,222	(4.3)	1,985	(4.6)	1,314	2.6
Fiscal year ended Jun. 30, 2021	20,955	(4.8)	2,321	(6.6)	2,080	(5.4)	1,281	(14.9)

Note: Comprehensive income (millions of yen) Fiscal year ended Jun. 30, 2022: 1,357 (up 2.5%)  
 Fiscal year ended Jun. 30, 2021: 1,325 (down 12.7%)

	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, 2022	41.89	-	10.6	5.4	11.3
Fiscal year ended Jun. 30, 2021	40.85	-	11.0	6.0	11.1

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Jun. 30, 2022: -  
 Fiscal year ended Jun. 30, 2021: -

#### (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, 2022	38,090	14,393	33.6	407.83
As of Jun. 30, 2021	35,175	13,591	34.2	383.66

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2022: 12,795 As of Jun. 30, 2021: 12,036

#### (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, 2022	490	(398)	1,199	8,485
Fiscal year ended Jun. 30, 2021	(1,434)	(391)	121	7,193

## 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, 2021	-	7.00	-	10.00	17.00	533	41.6	4.6
Fiscal year ended Jun. 30, 2022	-	8.00	-	9.00	17.00	533	40.6	4.3
Fiscal year ending Jun. 30, 2023 (forecasts)	-	9.00	-	9.00	18.00		41.8	

Note: The 2Q-end dividend per share for the fiscal year ending June 30, 2023 comprises an ordinary dividend of 8.00 yen and a commemorative dividend of 1.00 yen.

## 3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2023 (July 1, 2022 to June 30, 2023)

(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	20,000	2.0	2,300	3.5	2,050	3.2	1,350	2.7	43.03

**\* 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: Yes

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, 2022: 31,374,100 shares As of Jun. 30, 2021: 31,374,100 shares

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

As of Jun. 30, 2022: 62 shares As of Jun. 30, 2021: 62 shares

3) Average number of outstanding shares during the period

Fiscal year ended Jun. 30, 2022: 31,374,038 shares Fiscal year ended Jun. 30, 2021: 31,374,038 shares

**Reference: Summary of Non-consolidated Financial Results**

**1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2022 (July 1, 2021 to June 30, 2022)**

(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, 2022	19,124	(5.5)	2,200	(4.6)	1,928	(5.1)	1,319	2.1
Fiscal year ended Jun. 30, 2021	20,240	(5.6)	2,305	(7.7)	2,032	(8.1)	1,292	(15.4)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Fiscal year ended Jun. 30, 2022	42.05		-	
Fiscal year ended Jun. 30, 2021	41.20		-	

(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, 2022	37,319	12,681	34.0	404.20
As of Jun. 30, 2021	34,361	11,918	34.7	379.87

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2022: 12,681 As of Jun. 30, 2021: 11,918

\* 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.

- We plan to hold the following financial results meeting for investors. Videos recorded at this event are to be posted promptly on the Group's website following the meeting.

Friday, August 5, 2022: Financial results meeting for institutional investors and analysts

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## 1. Overview of Results of Operations

Effective from the current consolidated fiscal year, the Urbanet Group companies (hereinafter “the Urbanet Group” or “the Group”) has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards. For details, please refer to “(5) Notes to Consolidated Financial Statements (Changes in Accounting Policies) (Application of Accounting Standard for Revenue Recognition).”

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

During the fiscal year ended June 30, 2022 (hereinafter “the current fiscal year”), the Group reported net sales of 19,606 million yen (down 6.4% year-on-year), operating profit of 2,222 million yen (down 4.3% year-on-year), ordinary profit of 1,985 million yen (down 4.6% year-on-year), and profit attributable to owners of parent of 1,314 million yen (up 2.6% year-on-year).

As announced in “Notice on Revisions of Full-Year Consolidated Earnings Forecasts (Japanese version only)” on June 16, 2022, the initial sales forecast was revised primarily due to the postponement of some projects that were scheduled to post sales in the fourth quarter to the next fiscal year (ending June 30, 2023), but we were able to achieve the above profit items.

Our achievement above is primarily attributable to successful operations in the Real Estate Business. Specifically, we applied our convinced 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. In addition, the gross profit margin rose to 18.1% as a result of efforts to maximize profits by reducing expenses through rationalization and streamlining, as well as by reviewing sales strategies for properties for sale and resale as needed.

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. Despite uncertainties such as overheated real estate markets and rising interest rates overseas, the Group, not only has maintained good relationships with the financial institutions with which we do business, but also, has begun transactions with several new financial institutions as part of its efforts to diversify its funding sources in order to respond to changes in the financial situation.

Regarding the construction process, we kept requesting the outsourced general contractors to continue implementing infection prevention measures at the construction sites and continued our end-to-end process control aiming at completion of property development without delay. We, on the other hand, have suffered effects of rising prices and shortages of construction materials from overseas due in part to supply chain disruptions. In cooperation with construction companies, we are working to control rising construction costs by placing construction orders at an earlier timing and taking other measures.

Regarding the selling process, again we saw little impact of the infection, as the appetite for investment by foreign investors has not waned, and inquiries from funds and REITs in particular have intensified. Meanwhile, financial institutions are reviewing their criteria for credit check of end customers of one-room apartment buildings for investors in consideration of the deteriorating real economy. As this will affect us indirectly, we will keep close eyes on the progress.

Regarding the Hotel Business, we remained impacted by the infectious disease spread situation. The Group developed and owned hotel in front of Kamata Station in Tokyo and completed its construction in June 2020 and started operations in October of the year. The figures in terms of room occupancy rate and unit value among others are affected daily by the implementation of behavioral restrictions and the infection situation. We are striving to reduce deficits, making efforts to maximize profitability through information gathering and analysis of the surrounding market, and as a result, we largely achieved the business plan developed with the impact of infections taken into consideration.

The performance by each business segment is explained below.

(Real Estate Business)

Net sales in the Real Estate Business were 19,538 million yen (down 6.7% year-on-year) and segment profit was 3,252 million yen (down 4.6% year-on-year).

Total amount of sales from the real estate development sales category was 18,789 million yen (down 7.2% year-on-year) with revenues from sale of 658 units in a total of 11 one-room apartment buildings for investors and resale of one tract of land. At the beginning of the current fiscal year, 727 units in a total of 12 one-room apartment buildings were scheduled for sale. However, 69 units from one property scheduled to be completed construction in the current fiscal year ended June 30, 2022 are scheduled to be recognized as sale in the fiscal year ending June 30, 2023. Net sales in the real estate purchase and sales category were 217 million yen (up 8.6% year-on-year) with revenues from purchase and resale of six units of pre-owned condominiums. Net sales in the others real estate business category were 532 million yen (up 12.4% year-on-year) with revenues from real estate brokerage and real estate leasing among others.

(Hotel Business)

Net sales in the Hotel Business were 68 million yen (up 177.5% year-on-year) and segment loss was 60 million yen (segment loss of 113 million yen in previous fiscal year) 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 38,090 million yen (an increase of 2,915 million yen over the end of the previous fiscal year), 23,697 million yen (an increase of 2,113 million yen), and 14,393 million yen (an increase of 801 million yen), respectively.

The increase in total assets was mainly due to an increase of 1,802 million yen in inventories, as a result of proactive purchases of land including those for large projects in increasingly competitive land purchase environment, as well as an increase of 1,292 million yen in cash and deposits, and an increase of 138 million yen in property, plant and equipment mainly due to purchases of Group-owned income properties, while there was a decrease of 374 million yen primarily in income taxes receivable.

The increase in total liabilities was mainly due to an increase of 743 million yen in current liabilities as a result of increases of 528 million yen in current portion of long-term loans payable and 421 million yen in income taxes payable, respectively, as well as an increase of 1,369 million yen in non-current liabilities due to an increase of 1,373 million yen in long-term borrowings for purchase of land, while there was a decrease of 326 million yen in advances received due to completed large construction projects.

The increase in net assets was mainly due to profit attributable to owners of parent of 1,314 million yen, while there was a decrease of 564 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 8,485 million yen, an increase of 1,292 million yen over the end of the previous fiscal year. This was mainly due to a negative cash flow from investing activities, which was partially offset by positive cash flows from operating and financing activities.

Cash flows from operating activities

Net cash provided by operating activities for the current fiscal year totaled 490 million yen (compared with net cash used of 1,434 million yen in the previous fiscal year). This was mainly due to the booking of income before

income taxes, while there was an increase in inventories.

#### Cash flows from investing activities

Net cash used in investing activities for the current fiscal year totaled 398 million yen (compared with net cash used of 391 million yen in 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 current fiscal year totaled 1,199 million yen (compared with net cash provided of 121 million yen in the previous fiscal year). This was mainly because net cash provided by proceeds from long-term borrowings to complete the procurement of land for development on our own, which exceeded the repayments of long-term borrowings due to completed construction projects and the payment of dividends.

#### Reference: Trends in cash flow indicators

	FY6/18	FY6/19	FY6/20	FY6/21	FY6/22
Equity ratio (%)	26.1	27.4	33.2	34.2	33.6
Market value-based equity ratio (%)	32.1	28.7	26.9	27.5	24.7
Interest-bearing debt to cash flow ratio (year)	(Note 6)	8.9	16.2	(Note 6)	42.7
Interest coverage ratio (time)	(Note 6)	11.2	6.1	(Note 6)	2.8

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

Our consolidated earnings forecast for the fiscal year ending June 30, 2023 includes net sales of 20,000 million yen (up 2.0% year-on-year), operating profit of 2,300 million yen (up 3.5% year-on-year), ordinary profit of 2,050 million yen (up 3.2% year-on-year) and profit attributable to owners of parent of 1,350 million yen (up 2.7% year-on-year).

For the fiscal year ending June 30, 2023, the Group is planning to sell 586 units (compared with 658 units for the fiscal year ended June 30, 2022) of one-room apartment buildings for investors and some tracts of land. Of the 586 units, 495 units have been effectively sold with contracts already signed (including planned sales contracts) and 91 units under negotiation for closing. Higher sales and profits are forecasted regardless of the smaller number of condominium units compared with the previous fiscal year, which is mainly attributable to the following reasons: the number of condominium units decreased, given the sharp rise in land prices in central Tokyo over the past few years that led to the difficulty of purchasing land as well as the cautious purchase of land under the COVID-19 crisis, while as a result of selective purchases of favorable land and a focus on creating high value-added condominiums, the Group received high evaluations from the buyers and was able to maximize profits. This resulted in higher expected sales that exceeded the forecast at the time of land purchase.

Regarding the Hotel Business, it remains strongly influenced by the COVID-19 crisis since its opening in October 2020, but we believe it will be possible to become profitable along with the future revival of domestic tourism demand and inbound travel, in view of its location in front of JR Kamata Station, which is close to Haneda Airport.

	(Millions of yen)	
	FY6/22 (Results)	FY6/23 (Forecast)
Net sales	19,606	20,000
Operating profit	2,222	2,300
Ordinary profit	1,985	2,050
Profit attributable to owners of parent	1,314	1,350

  

Number of units of one-room apartments for investors sold or to be sold	658 units	586 units
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### **(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 9 yen per share as separately announced today in the “Notice of Payment of Dividends (Year-end Dividends) from Surplus (Japanese version only).” Since 8 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, 2023, we plan to pay a full-year dividend of 18 yen per share (including an interim dividend of 9 yen per share), adding a commemorative dividend of 1 yen for the 25th anniversary of the Group’s establishment on top of an ordinary dividend of 17 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)	
	FY6/21 (As of Jun. 30, 2021)	FY6/22 (As of Jun. 30, 2022)
Assets		
Current assets		
Cash and deposits	7,203,312	8,495,387
Investments in leases	29,397	31,672
Real estate for sale	2,225,450	2,288,944
Real estate for sale in process	18,686,211	20,424,146
Supplies	191	1,364
Advance payments to suppliers	129,167	82,500
Prepaid expenses	27,134	33,818
Other	454,407	114,871
Total current assets	28,755,271	31,472,704
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,250,130	3,447,284
Accumulated depreciation	(590,491)	(716,731)
Buildings and structures, net	2,659,639	2,730,552
Tools, furniture and fixtures	10,301	10,243
Accumulated depreciation	(6,386)	(7,097)
Tools, furniture and fixtures, net	3,914	3,145
Land	3,163,197	3,239,970
Leased assets	70,014	74,729
Accumulated depreciation	(38,691)	(51,958)
Leased assets, net	31,322	22,771
Total property, plant and equipment	5,858,073	5,996,440
Intangible assets		
Software	4,140	3,140
Total intangible assets	4,140	3,140
Investments and other assets		
Investments in capital	960	960
Long-term prepaid expenses	542	9,005
Deferred tax assets	28,514	83,847
Investments in leases	250,610	218,317
Leasehold and guarantee deposits	57,287	55,257
Other	219,857	250,962
Total investments and other assets	557,772	618,349
Total non-current assets	6,419,986	6,617,930
Total assets	35,175,257	38,090,634



	(Thousands of yen)	
	FY6/21 (As of Jun. 30, 2021)	FY6/22 (As of Jun. 30, 2022)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	1,400,124	1,555,260
Short-term borrowings	400,000	278,000
Current portion of long-term borrowings	6,674,560	7,203,408
Lease obligations	15,246	15,076
Accounts payable-other	57,651	45,131
Accrued expenses	16,616	13,751
Income taxes payable	-	421,152
Accrued consumption taxes	-	108,547
Advances received	752,637	425,671
Deposits received	46,690	35,799
Other	14,893	20,265
<b>Total current liabilities</b>	<b>9,378,419</b>	<b>10,122,064</b>
<b>Non-current liabilities</b>		
Long-term borrowings	12,089,464	13,463,324
Lease obligations	21,231	12,725
Retirement benefit liability	57,038	62,106
Other	37,701	37,134
<b>Total non-current liabilities</b>	<b>12,205,434</b>	<b>13,575,290</b>
<b>Total liabilities</b>	<b>21,583,854</b>	<b>23,697,354</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	2,693,701	2,693,701
Capital surplus	2,191,829	2,191,829
Retained earnings	7,151,425	7,909,801
Treasury shares	(17)	(17)
<b>Total shareholders' equity</b>	<b>12,036,938</b>	<b>12,795,315</b>
<b>Non-controlling interests</b>	<b>1,554,464</b>	<b>1,597,964</b>
<b>Total net assets</b>	<b>13,591,403</b>	<b>14,393,279</b>
<b>Total liabilities and net assets</b>	<b>35,175,257</b>	<b>38,090,634</b>

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

(Thousands of yen)

	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)
Net sales	20,955,404	19,606,726
Cost of sales	17,154,864	16,063,574
Gross profit	3,800,539	3,543,151
Selling, general and administrative expenses		
Salaries and allowances	336,848	311,514
Remuneration for directors (and other officers)	204,000	198,300
Bonuses	140,215	102,937
Retirement benefit expenses	11,354	9,571
Legal welfare expenses	73,915	67,417
Advertising expenses	19,806	11,968
Promotion expenses	2,485	3,784
Travel and transportation expenses	19,695	20,814
Supplies expenses	25,213	7,539
Rent expenses on land and buildings	70,103	69,517
Insurance expenses	23,879	37,246
Taxes and dues	167,425	199,967
Commission expenses	181,953	69,492
Fee expenses	41,604	43,986
Outsourcing expenses	31,131	35,296
Depreciation	17,958	17,476
Other	111,198	113,734
Total selling, general and administrative expenses	1,478,791	1,320,565
Operating profit	2,321,748	2,222,586
Non-operating income		
Interest income	69	65
Dividend income	9	9
Commission income	-	1,818
Miscellaneous income	4,788	5,484
Total non-operating income	4,866	7,377
Non-operating expenses		
Interest expenses	158,550	174,346
Commission expenses	72,389	68,945
Miscellaneous losses	1,896	985
Other	13,088	-
Total non-operating expenses	245,925	244,277
Ordinary profit	2,080,689	1,985,686
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	-
Other	202	-
Total extraordinary losses	116,879	-
Profit before income taxes	1,971,509	1,985,799
Income taxes-current	598,948	687,204
Income taxes-deferred	47,501	(59,215)
Total income taxes	646,449	627,988
Profit	1,325,060	1,357,811
Profit attributable to non-controlling interests	43,500	43,500
Profit attributable to owners of parent	1,281,560	1,314,311

**Consolidated Statement of Comprehensive Income**

(Thousands of yen)

	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)
Profit	1,325,060	1,357,811
Other comprehensive income	-	-
Comprehensive income	1,325,060	1,357,811
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,281,560	1,314,311
Comprehensive income attributable to non-controlling interests	43,500	43,500

**(3) Consolidated Statement of Changes in Net Assets**

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					
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			
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

FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)

(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	7,151,425	(17)	12,036,938
Cumulative effects of changes in accounting policies			8,797		8,797
Restated balance	2,693,701	2,191,829	7,160,223	(17)	12,045,736
Changes during period					
Dividends of surplus			(564,732)		(564,732)
Profit attributable to owners of parent			1,314,311		1,314,311
Net changes in items other than shareholders' equity					
Total changes during period	-	-	749,578	-	749,578
Balance at end of period	2,693,701	2,191,829	7,909,801	(17)	12,795,315

	Non-controlling interests	Total net assets
Balance at beginning of period	1,554,464	13,591,403
Cumulative effects of changes in accounting policies		8,797
Restated balance	1,554,464	13,600,200
Changes during period		
Dividends of surplus		(564,732)
Profit attributable to owners of parent		1,314,311
Net changes in items other than shareholders' equity	43,500	43,500
Total changes during period	43,500	793,078
Balance at end of period	1,597,964	14,393,279

**(4) Consolidated Statement of Cash Flows**

	(Thousands of yen)	
	FY6/21	FY6/22
	(Jul. 1, 2020 – Jun. 30, 2021)	(Jul. 1, 2021 – Jun. 30, 2022)
Cash flows from operating activities		
Profit before income taxes	1,971,509	1,985,799
Depreciation	139,622	145,459
Increase (decrease) in retirement benefit liability	6,326	5,068
Interest and dividend income	(78)	(74)
Interest expenses	158,550	174,346
Impairment losses	116,677	-
Decrease (increase) in investments in leases	27,967	30,017
Decrease (increase) in inventories	(2,459,780)	(1,691,266)
Increase (decrease) in accrued consumption taxes	(4,637)	108,547
Increase (decrease) in trade payables	209,312	155,135
Increase (decrease) in advances received	83,177	(326,966)
Other, net	(183,075)	4,229
Subtotal	65,571	590,295
Interest and dividends received	78	74
Interest paid	(162,047)	(176,650)
Income taxes refund (paid)	(1,337,689)	77,225
Net cash provided by (used in) operating activities	(1,434,086)	490,945
Cash flows from investing activities		
Purchase of property, plant and equipment	(391,103)	(390,372)
Purchase of intangible assets	(472)	(3,102)
Other, net	(400)	(4,886)
Net cash provided by (used in) investing activities	(391,975)	(398,360)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(255,020)	(122,000)
Proceeds from long-term borrowings	11,154,000	9,413,000
Repayments of long-term borrowings	(10,228,536)	(7,510,292)
Repayments of lease obligations	(16,574)	(15,833)
Dividends paid	(532,762)	(565,383)
Net cash provided by (used in) financing activities	121,106	1,199,490
Net increase (decrease) in cash and cash equivalents	(1,704,955)	1,292,075
Cash and cash equivalents at beginning of period	8,898,267	7,193,312
Cash and cash equivalents at end of period	7,193,312	8,485,387

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

Not applicable.

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

The Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter the “Revenue Recognition Standard”) and other standards from the beginning of the current fiscal year. The Group recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services.

The Group applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the current fiscal year, with the new accounting policies applied from the beginning balance.

As a result of this change, compared with the figures before the application of the Revenue Recognition Standard, etc., “other” of current assets increased by 12,680 thousand yen, deferred tax assets decreased by 3,882 thousand yen, and retained earnings increased by 8,797 thousand yen in the consolidated balance sheet for the current fiscal year. In the consolidated statement of income for the current fiscal year, net sales, operating profit, ordinary profit, and profit before income taxes decreased by 12,680 thousand yen, respectively.

In the consolidated statement of cash flows for the current fiscal year, profit before income taxes decreased by 12,680 thousand yen, and “other, net” in cash flows from operating activities increased by 12,680 thousand yen.

The cumulative impact of this change has been reflected on net assets at the beginning of the current fiscal year. As a result, the beginning balance of retained earnings increased by 8,797 thousand yen in the consolidated statement of changes in net assets.

The impact of this change on per share information in the current fiscal year was not material.

## 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.

#### 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

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

	Reportable segment		Total	Adjustment (Note 1)	(Thousands of yen)
	Real Estate	Hotel			Amounts shown on consolidated financial statements (Note 2)
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 consistent with operating profit shown on the consolidated statement of income.



FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)

(Thousands of yen)

	Reportable segment		Total	Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Real Estate	Hotel			
Net sales					
External sales	19,538,656	68,069	19,606,726	-	19,606,726
Inter-segment sales and transfers	-	-	-	-	-
Total	19,538,656	68,069	19,606,726	-	19,606,726
Segment profit (loss)	3,252,644	(60,909)	3,191,735	(969,149)	2,222,586
Segment assets	27,730,969	1,399,563	29,130,533	8,960,101	38,090,634
Other items					
Depreciation	90,432	37,727	128,159	17,299	145,459
Increase in property, plant and equipment and intangible assets	388,707	500	389,207	4,954	394,161

Notes: 1. Adjustment details are as follows:

- (1) The negative 969,149 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) 8,960,101 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 that are not attributable to any of the reportable segments.
2. Segment profit (loss) is consistent with operating profit shown on the consolidated statement of income.

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

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

(Thousands of yen)

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

FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)

Not applicable.

**Per-share Information**

(Yen)

	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)
Net assets per share	383.66	407.83
Net income per share	40.85	41.89

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.

(Thousands of yen, unless otherwise stated)

	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)
Net income per share		
Profit attributable to owners of parent	1,281,560	1,314,311
Amount not attributable to common shareholders	-	-
Profit attributable to common shareholders of parent	1,281,560	1,314,311
Average number of shares of common stock during the period (share)	31,374,038	31,374,038

**Material Subsequent Events**

(Introduction of a Performance-Based Stock Compensation Plan for Directors)

At a meeting of the Board of Directors held today, the Company resolved to introduce a new performance-based stock compensation plan (hereinafter the “Plan”) for its directors (excluding outside directors) and has decided to submit a proposal for the introduction of the Plan to the 25th Ordinary General Meeting of Shareholders scheduled to be held on September 28, 2022.

For details, please refer to the “Notice of Introduction of a Performance-Based Stock Compensation Plan for Directors (Japanese version only)” released today.

## 4. Others

### (1) Changes in Board Members

#### 1. Changes in Representative Directors

We would like to reiterate that we have informally decided to change our representative directors as described in the “Notice of Change of Representative Directors” dated July 14, 2022. This changes in representative directors are expected to be authorized subject to approval at the 25th Annual General Meeting of Shareholders and the subsequent Board of Directors’ meeting, both scheduled on September 28, 2022.

Chairman and CEO, Representative Director Shinji Hattori (Current President and Representative Director)  
 President and Representative Director Atsushi Tanaka (Current Director and Executive Vice President)

#### 2. Change in other directors

The following changes in the board members to be effective on September 28, 2022 have been determined at the Board of Directors’ meeting held on August 4, 2022. The changes are expected to be authorized subject to approval at the 25th Annual General Meeting of Shareholders and the subsequent Board of Directors’ meeting, both scheduled on September 28, 2022.

#### (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) Yoshizumi Kimura (Current Director, Executive Officer, General Manager of External Affairs Department, Business Division)  
 Director (New appointment) Akifumi Ino (Current Senior Executive Officer, General Manager of Business Division)  
 Director (Reappointment) Shinichiro Nakajima (Current Outside Director, Independent Director)  
 Director (Reappointment) Tetsushi Shinoda (Current Outside Director, Independent Director)  
 Director (Reappointment) Sayaka Yamaguchi (Current Outside Director, Independent Director)

#### (2) Retiring directors

Takashi Kajikawa (Current Director, Executive Officer)

#### (3) Candidates for Audit & Supervisory Board Member appointment

Audit & Supervisory Board Member (Reappointment) Shoichi Shindo (Current Full-time Outside Audit & Supervisory Board Member)  
 Audit & Supervisory Board Member (Reappointment) Hideaki Tokuyama (Current Outside Audit & Supervisory Board Member)  
 Audit & Supervisory Board Member (New appointment) Satoko Ueyama

Note: Ms. Satoko Ueyama is an Outside Audit & Supervisory Board Member as defined in Article 2, Item 16 of the Companies Act.

#### (4) Retiring Audit & Supervisory Board Member

Masahiro Shiikuma (Current Outside Audit & Supervisory Board Member)

#### (5) Candidate for Substitute Audit & Supervisory Board Member appointment

Takashi Tsutsui (New appointment)

*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.*