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MEMBERSHIP

November 9, 2022

Consolidated Financial Results for the Three Months Ended September 30, 2022 (Under Japanese GAAP)

Company name: URBANET CORPORATION Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 3242
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 Scheduled date to file quarterly securities report: November 9, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended September 30, 2022 (from July 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate 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								
September 30, 2022	149	(95.1)	(272)	–	(359)	–	(229)	–
September 30, 2021	3,084	2.9	156	(39.0)	113	(41.1)	66	(44.9)

Note: Comprehensive income For the three months ended September 30, 2022: ¥(218) million [–%]
 For the three months ended September 30, 2021: ¥77 million [(41.1)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
September 30, 2022	(7.31)	–
September 30, 2021	2.12	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2022	40,789	13,892	30.1
June 30, 2022	38,090	14,393	33.6

Reference: Equity As of September 30, 2022 ¥12,283 million
 As of June 30, 2022: ¥12,795 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2022	–	8.00	–	9.00	17.00
Fiscal year ending June 30, 2023	–				
Fiscal year ending June 30, 2023 (Forecast)		9.00	–	9.00	18.00

Note: Revisions to the forecast of cash dividends most recently announced: None

The second quarter-end dividend per share for the fiscal year ending June 30, 2023 (forecast) comprises an ordinary dividend of 8.00 yen and a commemorative dividend of 1.00 yen.

3. Consolidated earnings forecasts for the fiscal year ending June 30, 2023 (from July 1, 2022 to June 30, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending June 30, 2023	20,000	2.0	2,300	3.5	2,050	3.2	1,350	2.7	43.03

Note: Revisions to the consolidated earnings forecasts most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2022:	31,374,100 shares
As of June 30, 2022:	31,374,100 shares

- (ii) Number of treasury shares at the end of the period

As of September 30, 2022:	62 shares
As of June 30, 2022:	62 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended September 30, 2022	31,374,038 shares
Three months ended September 30, 2021	31,374,038 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Caution concerning forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in this document are based on information currently available to the Urbanet Group and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to various factors. For the assumptions underlying the earnings forecasts and notes on their use, please refer to “1. Qualitative Information on the Quarterly Financial Results for the Period under Review (3) Explanation Concerning the Forecast of Consolidated Financial Results and Other Forward-looking Information” on page 3 of the Attached Material.

(Means of access to contents of supplementary material on financial results and financial results briefing)

Materials on financial results will be disclosed on the Timely Disclosure network (TDnet) and available on the Group’s website at the same time as this financial summary.

We plan to hold the following financial results briefing for investors.

Videos recorded at this event are to be posted promptly on the Group’s website following the briefing.

Wednesday, November 9, 2022: Financial results briefing for institutional investors and analysts

Attached Material

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1. Qualitative Information on the Quarterly Financial Results for the Period under Review

(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 149 million yen (compared with 3,084 million yen in the same period of the previous fiscal year), operating loss of 272 million yen (compared with operating income of 156 million yen in the same period of the previous fiscal year), ordinary loss of 359 million yen (compared with ordinary profit of 113 million yen in the same period of the previous fiscal year), and net loss attributable to owners of parent of 229 million yen (compared with net profit attributable to owners of the parent of 66 million yen in the same period of the previous fiscal year).

The year-on-year decrease in both sales and profits was mainly due to the fact that the recording of sales for projects scheduled for the current fiscal year is weighted toward the third quarter of the current fiscal year and beyond. In addition, one project that was scheduled to post sales in the first quarter of the current fiscal year was delayed to the second quarter of the fiscal year, resulting in a large negative impact on both net sales and profit. However, each project that was scheduled to post sales in the current fiscal year is generally progressing as planned. The group’s core business is the development and sale of one-room condominiums for investment, and the timing, amount, and profit ratio of sales upon completion of construction vary greatly from project to project and from year to year, causing quarterly sales and profits to fluctuate significantly each year. In the current fiscal year, the completion and delivery of projects are concentrated in the third quarter of the fiscal year or later than usual, resulting in large fluctuations year-on-year.

The performance by each business segment is explained below.

(Real Estate Business)

Net sales in the Real Estate Business were 124 million yen (compared with 3,071 million yen in the same period of the previous fiscal year), and segment loss was 14 million yen (compared with segment profit of 397 million yen in the same period of the previous fiscal year).

Among these, real estate development and sales recorded no sales (compared with 2,854 million yen in the same period of the previous fiscal year) as there were no sales of one-room condominiums for investment, and real estate purchase and sales also saw no purchase and resale of pre-owned condominiums or pre-owned detached houses (compared with 62 million yen in the same period of the previous fiscal year). In the other real estate business, sales were 124 million yen (down 18.9% from the same period of the previous fiscal year) due to real estate brokerage and real estate leasing.

(Hotel business)

In the hotel business, net sales were 24 million yen (up 83.0% year-on-year) and segment loss was 12 million yen (compared with a segment loss of 15 million yen in the same period of the previous fiscal year) due to room charges and other factors at Hotel Asyl Tokyo Kamata.

(2) Explanation of Financial Condition

(i) Analysis of Financial Position

As for the financial position at the end of the first quarter of the current fiscal year under review, compared to the end of the previous fiscal year, total assets increased 2,698 million yen to 40,789 million yen, liabilities increased 3,199 million yen to 26,896 million yen, and net assets decreased 500 million yen to 13,892 million yen.

The increase in total assets was mainly due to an increase in inventories of 5,158 million yen as a result of efforts to acquire land for sites despite the severe purchasing environment, while cash and deposits decreased by 2,478 million yen.

The increase in liabilities was mainly due to an increase in short-term loans payable related to dividends and tax payments, etc., as well as an increase in long-term loans payable of 2,801 million yen (including current portion of long-term loans payable) for the purchase of land for sites.

The decrease in net assets was mainly due to the net loss attributable to owners of parent, in addition to a decrease due to payment of year-end dividends.

(ii) Analysis of Cash Flows

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the first quarter of the current fiscal year under review decreased by 2,478 million yen compared to the end of the previous fiscal year to 6,006 million yen, due to a decrease in funds in operating activities, while funds increased in investing and financing activities.

Cash flows from operating activities

Net cash used in operating activities amounted to 5,667 million yen (compared with a decrease of 474 million yen in the same period of the previous fiscal year). This was mainly due to an increase in inventories.

Cash flows from investing activities

Net cash provided by investing activities amounted to 25 million yen (compared with a decrease of 8 million yen in the same period of the previous fiscal year). This was mainly due to the fact that proceeds from cancellation of insurance funds exceeded expenditures for the acquisition of property, plant and equipment.

Cash flows from financing activities

Net cash provided by financing activities amounted to 3,162 million yen (compared with an increase of 14 million yen in the same period of the previous fiscal year). This was mainly due to the fact that the Company was able to procure all long-term borrowings for the acquisition of land for its own development, while funds decreased due to the repayment of long-term borrowings in connection with the completion of construction and the payment of dividends.

(3) Explanation Concerning the Forecast of Consolidated Financial Results and Other Forward-looking Information

The Group’s financial results for the first quarter of the current fiscal year were as follows: net sales of 149 million yen, operating loss of 272 million yen, ordinary loss of 359 million yen, and net loss attributable to owners of parent was 229 million yen. As a result, the progress rate of net sales and each profit item is extremely low compared with the consolidated earnings forecast for the current fiscal year (ending June 30, 2023), which was disclosed in the “Consolidated Financial Results for the Fiscal Year Ended June 30, 2022.” This is mainly due to the fact that the business model in the group is the development and sale (wholesale) of one-room condominiums for investment, and the timing, amount, and size of land purchase vary from project to project, and therefore the timing, amount, and profit margin associated with completion vary from project to project and from year to year, resulting in large fluctuations in quarterly sales and profit margins. In particular, for the current fiscal year, we are planning to sell 586 units, including one-room condominiums for investment, of which 452 units are scheduled to record sales in the third quarter or later, and the lower rate of progress is mainly due to the higher concentration of units in the third quarter or later than in previous years.

Accordingly, we have decided to leave unchanged the full-year consolidated earnings forecast for the current fiscal year disclosed on August 4, 2022, as progress has been made generally in line with our initial plan.

We will pay close attention to uncertainties such as the re-spread of the COVID-19 and the impact of supply chain disruptions on construction schedules and sales, etc., and will promptly disclose revised consolidated earnings forecasts if necessary.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of June 30, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	8,495,387	6,016,709
Real estate for sale	2,288,944	2,301,827
Real estate for sale in process	20,424,146	25,568,116
Work in process	–	1,758
Other	264,226	194,060
Total current assets	31,472,704	34,082,472
Non-current assets		
Property, plant and equipment	5,996,440	5,989,037
Intangible assets	3,140	2,890
Investments and other assets	618,349	714,739
Total non-current assets	6,617,930	6,706,668
Total assets	38,090,634	40,789,140
Liabilities		
Current liabilities		
Accounts payable - trade	1,555,260	1,461,611
Short-term borrowings	278,000	879,000
Current portion of long-term borrowings	7,203,408	7,856,408
Lease liabilities	15,076	12,574
Income taxes payable	421,152	14,773
Provision for bonuses	–	28,377
Other	649,167	916,935
Total current liabilities	10,122,064	11,169,681
Non-current liabilities		
Long-term borrowings	13,463,324	15,611,472
Lease liabilities	12,725	11,034
Retirement benefit liability	62,106	67,613
Other	37,134	36,888
Total non-current liabilities	13,575,290	15,727,007
Total liabilities	23,697,354	26,896,688
Net assets		
Shareholders' equity		
Share capital	2,693,701	2,693,701
Capital surplus	2,191,829	2,191,829
Retained earnings	7,909,801	7,398,009
Treasury shares	(17)	(17)
Total shareholders' equity	12,795,315	12,283,522
Non-controlling interests	1,597,964	1,608,928
Total net assets	14,393,279	13,892,451
Total liabilities and net assets	38,090,634	40,789,140

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

(Thousands of yen)

	Three months ended September 30, 2021	Three months ended September 30, 2022
Net sales	3,084,517	149,662
Cost of sales	2,619,294	80,727
Gross profit	465,222	68,934
Selling, general and administrative expenses	308,529	341,634
Operating profit (loss)	156,692	(272,699)
Non-operating income		
Interest income	24	24
Commission income	1,818	–
Other	1,056	901
Total non-operating income	2,899	926
Non-operating expenses		
Interest expenses	41,422	45,158
Commission expenses	4,241	42,813
Other	624	–
Total non-operating expenses	46,288	87,971
Ordinary profit (loss)	113,303	(359,745)
Extraordinary income		
Gain on sale of golf membership	113	–
Surrender value of insurance policies	–	45,754
Total extraordinary income	113	45,754
Profit (loss) before income taxes	113,417	(313,990)
Income taxes - current	48,217	5,639
Income taxes - deferred	(12,124)	(101,168)
Total income taxes	36,092	(95,528)
Profit (loss)	77,324	(218,461)
Profit attributable to non-controlling interests	10,964	10,964
Profit (loss) attributable to owners of parent	66,360	(229,425)

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

(Thousands of yen)

	Three months ended September 30, 2021	Three months ended September 30, 2022
Profit (loss)	77,324	(218,461)
Other comprehensive income	—	—
Comprehensive income	77,324	(218,461)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	66,360	(229,425)
Comprehensive income attributable to non-controlling interests	10,964	10,964

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	Three months ended September 30, 2021	Three months ended September 30, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	113,417	(313,990)
Depreciation	35,457	35,098
Increase (decrease) in provision for bonuses	27,994	28,377
Increase (decrease) in retirement benefit liability	2,386	5,507
Interest and dividend income	(24)	(24)
Interest expenses	41,422	45,158
Surrender value of insurance policies	–	(45,754)
Decrease (increase) in investments in leases	7,145	7,693
Decrease (increase) in inventories	(1,003,463)	(5,158,149)
Increase (decrease) in trade payables	701,900	(93,648)
Increase (decrease) in advances received	(233,234)	355,403
Increase (decrease) in accrued consumption taxes	4,849	(107,049)
Other, net	(128,834)	3,822
Subtotal	(430,983)	(5,237,556)
Interest and dividends received	25	26
Interest paid	(42,083)	(46,145)
Income taxes paid	(1,148)	(383,610)
Net cash provided by (used in) operating activities	(474,190)	(5,667,286)
Cash flows from investing activities		
Purchase of property, plant and equipment	(925)	(27,446)
Purchase of intangible assets	(3,102)	–
Proceeds from cancellation of insurance funds	–	81,378
Decrease (increase) in investments and other assets	–	(28,230)
Other, net	(4,886)	–
Net cash provided by (used in) investing activities	(8,914)	25,702
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(90,000)	601,000
Proceeds from long-term borrowings	1,526,000	4,455,000
Repayments of long-term borrowings	(1,166,140)	(1,653,852)
Repayments of lease liabilities	(3,794)	(4,193)
Dividends paid	(251,458)	(235,048)
Net cash provided by (used in) financing activities	14,606	3,162,906
Net increase (decrease) in cash and cash equivalents	(468,497)	(2,478,677)
Cash and cash equivalents at beginning of period	7,193,312	8,485,387
Cash and cash equivalents at end of period	6,724,814	6,006,709

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment Information, Etc.

Segment Information

I Three months ended September 30, 2021 (July 1, 2021 September 30, 2021)

Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segments		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 consistent with operating profit shown on the quarterly consolidated statement of income.

II Three months ended September 30, 2022 (July 1, 2022 September 30, 2022)

Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segments		Total	Adjustment (Note) 1	Amounts shown on quarterly consolidated statement of income (Note) 2
	Real Estate	Hotel			
Net sales					
External sales	124,987	24,675	149,662	–	149,662
Inter-segment sales and transfers	–	–	–	–	–
Total	124,987	24,675	149,662	–	149,662
Segment loss	(14,022)	(12,867)	(26,889)	(245,809)	(272,699)

Notes: 1. The negative 245,809 thousand yen adjustment to segment 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 loss is consistent with operating loss shown on the quarterly consolidated statement of income.