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MEMBERSHIP
May 11, 2023

Consolidated Financial Results for the Nine Months Ended March 31, 2023 (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: May 11, 2023
 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 nine months ended March 31, 2023 (from July 1, 2022 to March 31, 2023)

(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	%
Nine months ended								
March 31, 2023	11,698	(20.6)	868	(32.5)	638	(43.3)	406	(44.9)
March 31, 2022	14,737	(15.3)	1,285	(43.4)	1,124	(46.4)	736	(43.6)

Note: Comprehensive income For the nine months ended March 31, 2023: 438 million yen [(43.0)%]
 For the nine months ended March 31, 2022: 769 million yen [(42.6)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
March 31, 2023	12.96	–
March 31, 2022	23.48	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
March 31, 2023	46,125	14,140	27.1
June 30, 2022	38,090	14,393	33.6

Reference: Equity As of March 31, 2023 12,510 million yen
 As of June 30, 2022: 12,795 million yen

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	–	9.00	–		
Fiscal year ending June 30, 2023 (Forecast)				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 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 March 31, 2023:	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 March 31, 2023:	402,462 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)

Nine months ended March 31, 2023	31,325,997 shares
Nine months ended March 31, 2022	31,374,038 shares

Note: The number of treasury shares as of March 31, 2023, includes the Company's shares held in the trust account used as a result of the introduction of a trust-based stock compensation plan for directors (excluding outside directors) of the Company, and the Company's shares held in the trust account are included in the treasury shares excluded from the calculation of the average number of shares outstanding during the nine months ended March 31, 2023.

* 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.

Friday, May 12, 2023: 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 11,698 million yen (down 20.6% from the same period of the previous fiscal year), operating profit of 868 million yen (down 32.5% from the same period of the previous fiscal year), ordinary profit of 638 million yen (down 43.3% from the same period of the previous fiscal year), and profit attributable to owners of parent of 406 million yen (down 44.9% from 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 fourth quarter of the current fiscal year. During the current fiscal year, the Group plans to sell 586 units in a total of 11 buildings. During the period under review, the Group sold 330 units in a total of nine buildings and one tract of land for sites, and it plans to sell the remainder during the fourth quarter of the current fiscal year. The Group’s core business is the development and sale of buildings with 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 delivery of projects is concentrated in the fourth quarter of the fiscal year, and most sales for high-margin projects are recorded in the same quarter, resulting in large fluctuations year-on-year, but net sales and profits are both generally progressing in line with initial plans.

The performance by each business segment is explained below.

(Real Estate Business)

Net sales in the Real Estate Business were 11,595 million yen (down 21.1% from the same period of the previous fiscal year), and segment profit was 1,657 million yen (down 18.2% from the same period of the previous fiscal year).

Among these, the total amount of sales from the real estate development and sales was 11,182 million yen (down 21.4% from the same period of the previous fiscal year) with revenues from the sale of 330 units in a total of nine one-room condominiums for investment and sale of one tract of land for sites. The total amount of sales from real estate purchase and sales was 37 million yen (down 39.8% from the same period of the previous fiscal year) with revenues from the purchase and resale of a pre-owned condominium (one unit). In the other real estate business, sales were 376 million yen (down 7.6% 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 102 million yen (up 122.4% from the same period of the previous fiscal year) and segment loss was 14 million yen (compared with a segment loss of 39 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 third quarter of the current fiscal year under review, compared to the end of the previous fiscal year, total assets increased 8,034 million yen to 46,125 million yen, liabilities increased 8,287 million yen to 31,984 million yen, and net assets decreased 252 million yen to 14,140 million yen.

The increase in total assets was mainly due to increases in real estate for sale of 2,865 million yen and real estate for sale in process of 6,902 million yen, as a result of strict process controls as well as proactive efforts to selectively acquire land for sites for conveniently-located properties of central Tokyo for which prices continue to increase, while cash and deposits decreased by 2,212 million yen.

The increase in liabilities was mainly due to an increase in accounts payable - trade, etc., as well as an increase in long-term borrowings of 6,366 million yen (including current portion of long-term borrowings) for the acquisition of land for sites.

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

(ii) Analysis of Cash Flows

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the third quarter of the current fiscal year under review decreased by 2,212 million yen compared to the end of the previous fiscal year to 6,273 million yen, due to a decrease in funds in operating and investing activities, while funds increased in financing activities.

Cash flows from operating activities

Net cash used in operating activities amounted to 7,429 million yen (compared with net cash provided of 921 million yen in the same period of the previous fiscal year). This was mainly due to increases in inventories and income taxes paid.

Cash flows from investing activities

Net cash used in investing activities amounted to 807 million yen (compared with net cash used of 398 million yen in the same period of the previous fiscal year). This was mainly due to purchase of shares of subsidiaries acquired for the purpose of real estate development.

Cash flows from financing activities

Net cash provided by financing activities amounted to 6,025 million yen (compared with net cash provided of 363 million yen in the same period of the previous fiscal year). This was mainly due to proceeds from the long-term borrowings for the acquisition of land for its own development in the Real Estate Business, which outweighed the decrease in funds 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 nine months of the current fiscal year were as follows: net sales of 11,698 million yen, operating profit of 868 million yen, ordinary profit of 638 million yen, and profit attributable to owners of parent was 406 million yen. As a result, the progress rate of net sales and each profit item is 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” on August 4, 2022. This is mainly due to the fact that the business model in the group is the development and sale (wholesale) of buildings with 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 in 11 buildings, including one-room condominiums for investment, of which 330 units in a total of nine buildings and one tract of land for sites were sold for the period under review, while sales for the remaining units are scheduled to be recorded in the fourth quarter, with a concentration of high-margin projects to be delivered in the same quarter, which is the main factor for the lower rate of progress.

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.

Although sales contracts have been completed for all the projects scheduled for the current fiscal year, we will pay close attention to uncertainties such as the occurrence of unexpected additional construction, the impact of the supply status of construction materials and soaring prices on construction schedules and costs, as well as the impact of the future financial environment, etc., on sales, 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 March 31, 2023
Assets		
Current assets		
Cash and deposits	8,495,387	6,283,235
Real estate for sale	2,288,944	5,154,713
Real estate for sale in process	20,424,146	27,326,606
Work in process	–	2,312
Other	264,226	665,486
Total current assets	31,472,704	39,432,355
Non-current assets		
Property, plant and equipment	5,996,440	5,891,272
Intangible assets	3,140	3,053
Investments and other assets	618,349	798,664
Total non-current assets	6,617,930	6,692,990
Total assets	38,090,634	46,125,345
Liabilities		
Current liabilities		
Accounts payable - trade	1,555,260	2,844,445
Short-term borrowings	278,000	740,000
Current portion of long-term borrowings	7,203,408	9,595,408
Lease liabilities	15,076	12,743
Income taxes payable	421,152	2,209
Provision for bonuses	–	32,190
Other	649,167	907,531
Total current liabilities	10,122,064	14,134,527
Non-current liabilities		
Long-term borrowings	13,463,324	17,437,762
Lease liabilities	12,725	29,833
Provision for bonuses for directors (and other officers)	–	3,392
Provision for share awards for directors (and other officers)	–	7,950
Retirement benefit liability	62,106	56,448
Other	37,134	314,617
Total non-current liabilities	13,575,290	17,850,003
Total liabilities	23,697,354	31,984,530
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	7,751,159
Treasury shares	(17)	(126,494)
Total shareholders' equity	12,795,315	12,510,196
Non-controlling interests	1,597,964	1,630,618
Total net assets	14,393,279	14,140,815
Total liabilities and net assets	38,090,634	46,125,345

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

(Thousands of yen)

	Nine months ended March 31, 2022	Nine months ended March 31, 2023
Net sales	14,737,551	11,698,375
Cost of sales	12,506,364	9,678,464
Gross profit	2,231,187	2,019,910
Selling, general and administrative expenses	945,356	1,151,589
Operating profit	1,285,830	868,320
Non-operating income		
Interest income	65	63
Commission income	1,818	–
Other	5,156	3,429
Total non-operating income	7,040	3,492
Non-operating expenses		
Interest expenses	127,504	157,181
Commission expenses	39,965	76,248
Other	634	122
Total non-operating expenses	168,103	233,552
Ordinary profit	1,124,767	638,260
Extraordinary income		
Gain on sale of golf membership	113	–
Surrender value of insurance policies	–	45,754
Total extraordinary income	113	45,754
Extraordinary losses		
Loss on valuation of golf club membership	–	5,270
Total extraordinary losses	–	5,270
Profit before income taxes	1,124,881	678,744
Income taxes - current	401,375	225,807
Income taxes - deferred	(45,690)	14,192
Total income taxes	355,684	239,999
Profit	769,196	438,744
Profit attributable to non-controlling interests	32,654	32,654
Profit attributable to owners of parent	736,542	406,090

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

(Thousands of yen)

	Nine months ended March 31, 2022	Nine months ended March 31, 2023
Profit	769,196	438,744
Other comprehensive income	—	—
Comprehensive income	769,196	438,744
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	736,542	406,090
Comprehensive income attributable to non-controlling interests	32,654	32,654

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	Nine months ended March 31, 2022	Nine months ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	1,124,881	678,744
Depreciation	108,700	107,567
Increase (decrease) in provision for bonuses	28,377	32,190
Increase (decrease) in provision for bonuses for directors (and other officers)	–	3,392
Increase (decrease) in provision for share awards for directors (and other officers)	–	7,950
Increase (decrease) in retirement benefit liability	2,622	(5,658)
Interest and dividend income	(65)	(63)
Interest expenses	127,504	157,181
Surrender value of insurance policies	–	(45,754)
Decrease (increase) in investments in leases	22,445	22,704
Decrease (increase) in inventories	(449,415)	(8,673,337)
Increase (decrease) in trade payables	366,462	1,289,185
Increase (decrease) in advances received	(349,024)	300,885
Increase (decrease) in accrued consumption taxes	2,108	(108,547)
Other, net	(15,091)	(310,966)
Subtotal	969,504	(6,544,526)
Interest and dividends received	66	64
Interest paid	(129,773)	(160,054)
Income taxes refund (paid)	81,366	(724,902)
Net cash provided by (used in) operating activities	921,163	(7,429,418)
Cash flows from investing activities		
Purchase of property, plant and equipment	(390,132)	(27,446)
Purchase of intangible assets	(3,102)	(750)
Proceeds from cancellation of insurance funds	–	81,378
Decrease (increase) in investments and other assets	–	(228,230)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(632,890)
Other, net	(4,886)	–
Net cash provided by (used in) investing activities	(398,121)	(807,937)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	170,000	314,935
Proceeds from long-term borrowings	6,549,000	11,312,000
Repayments of long-term borrowings	(5,824,090)	(4,945,562)
Purchase of treasury shares	–	(126,476)
Repayments of lease liabilities	(11,773)	(13,329)
Dividends paid	(519,717)	(516,362)
Net cash provided by (used in) financing activities	363,418	6,025,204
Net increase (decrease) in cash and cash equivalents	886,461	(2,212,151)
Cash and cash equivalents at beginning of period	7,193,312	8,485,387
Cash and cash equivalents at end of period	8,079,773	6,273,235

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Additional Information

Stock compensation plan for directors

Pursuant to a resolution at the 25th Annual General Meeting of Shareholders held on September 28, 2022, the Company has introduced a trust-based stock compensation plan (hereinafter the "Plan") for directors (excluding outside directors; hereinafter, the same applies) of the Company from the third quarter of the current fiscal year, in order to enhance the motivation of directors to contribute to enhancing corporate value, by further clarifying the link between the share value of the Company and directors' compensation, and ensuring that directors share with shareholders both the merits and the risks of fluctuation in the price of shares by being exposed to the risk of declines in the share price, as well as enjoying the merits of an increase in the share price.

(i) Outline of transactions

The Plan is a stock compensation plan under which a trust established using money contributed by the Company (hereinafter the "Trust") shall acquire the Company's shares, and a number of the Company's shares equivalent to the number of points granted to directors in accordance with the Share Delivery Regulations established by the Board of Directors of the Company and an amount of money equivalent to the market value of the Company's shares (hereinafter the "Company's Shares, etc.") shall be paid to directors through the Trust.

The Directors shall receive the Company's Shares, etc. upon their retirement, in principle.

(ii) Company's shares remaining in trust

The Company's shares remaining in trust is recorded as treasury shares in the part of net assets at the book value in trust (excluding the amount as ancillary expenses). The book value and number of shares of the relevant treasury shares are 126,476 thousand yen and 402,400 shares as of March 31, 2023.

Segment Information, Etc.

Segment Information

I Nine months ended March 31, 2022 (July 1, 2021-March 31, 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	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 consistent with operating profit shown on the quarterly consolidated statement of income.

II Nine months ended March 31, 2023 (July 1, 2022-March 31, 2023)

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	11,595,873	102,501	11,698,375	–	11,698,375
Inter-segment sales and transfers	–	–	–	–	–
Total	11,595,873	102,501	11,698,375	–	11,698,375
Segment profit (loss)	1,657,106	(14,888)	1,642,218	(773,897)	868,320

Notes: 1. The negative 773,897 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.