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MEMBERSHIP

August 3, 2023

Consolidated Financial Results for the Fiscal Year Ended June 30, 2023 (Under Japanese GAAP)

Company name: URBANET CORPORATION Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 3242
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 Scheduled date of annual general meeting of shareholders: September 28, 2023
 Scheduled date to commence dividend payments: September 29, 2023
 Scheduled date to file annual securities report: September 29, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of 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 fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2023	20,264	3.4	2,429	9.3	2,139	7.8	1,447	10.1
June 30, 2022	19,606	(6.4)	2,222	(4.3)	1,985	(4.6)	1,314	2.6

Note: Comprehensive income For the fiscal year ended June 30, 2023: ¥1,490 million [9.8%]
 For the fiscal year ended June 30, 2022: ¥1,357 million [2.5%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
June 30, 2023	46.33	–	11.0	5.2	12.0
June 30, 2022	41.89	–	10.6	5.4	11.3

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended June 30, 2023: ¥– million
 For the fiscal year ended June 30, 2022: ¥– million

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2023	44,237	15,192	30.6	437.54
June 30, 2022	38,090	14,393	33.6	407.83

Reference: Equity
 As of June 30, 2023: ¥13,551 million
 As of June 30, 2022: ¥12,795 million

(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 period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
June 30, 2023	(2,836)	(953)	4,435	9,131
June 30, 2022	490	(398)	1,199	8,485

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended June 30, 2022	Yen –	Yen 8.00	Yen –	Yen 9.00	Yen 17.00	Millions of yen 533	% 40.6	% 4.3
Fiscal year ended June 30, 2023	–	9.00	–	10.00	19.00	596	41.0	4.5
Fiscal year ending June 30, 2024 (Forecast)	–	10.00	–	10.00	20.00		41.3	

Note: The second quarter-end dividend per share for the fiscal year ended 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, 2024 (from July 1, 2023 to June 30, 2024)

(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, 2024	25,000	23.4	2,500	2.9	2,250	5.2	1,500	3.6	48.43

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) 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

(3) Number of issued shares (common shares)

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

As of June 30, 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 June 30, 2023	402,462 shares
As of June 30, 2022	62 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended June 30, 2023	31,237,650 shares
Fiscal year ended June 30, 2022	31,374,038 shares

Note: The number of treasury shares as of June 30, 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 fiscal year ended June 30, 2023.

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2023	19,938	4.3	2,465	12.1	2,138	10.9	1,489	12.9
June 30, 2022	19,124	(5.5)	2,200	(4.6)	1,928	(5.1)	1,319	2.1

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
June 30, 2023	47.69	–
June 30, 2022	42.05	–

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2023	43,265	13,479	31.2	435.23
June 30, 2022	37,319	12,681	34.0	404.20

Reference: Equity

As of June 30, 2023: ¥13,479 million
As of June 30, 2022: ¥12,681 million

* Financial results reports are exempt from audit 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. The assumptions underlying the earnings forecasts and notes on their use are described in “1. Overview of Results of Operations, (4) Outlook” on page 4 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, August 4, 2023: Financial results briefing for institutional investors and analysts

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1. Overview of Results of Operations

(1) Overview of Results of Operations for the Fiscal Year Under Review

For the fiscal year under review, the Urbanet Group companies (hereinafter, “the Urbanet Group” or “the Group”) reported net sales of 20,264 million yen (up 3.4% year on year), operating profit of 2,429 million yen (up 9.3% year on year), ordinary profit of 2,139 million yen (up 7.8% year on year), and profit attributable to owners of parent of 1,447 million yen (up 10.1% year on year), all figures that exceeded the consolidated earnings forecast disclosed at the beginning of the fiscal year under review.

This was mainly due to the fact that the gross profit margin rose to 19.9% in the Real Estate Business as a result of the Group’s efforts to diversify customers and execute an in-depth sales strategy for each project, in addition to the Group’s unique business model of development and sale of buildings with one-room condominiums for investment within a 10-minute walk from a train station in Tokyo’s 23 wards, and with a strong focus on manufacturing styles.

The impact of the COVID-19 pandemic on our financial results for the fiscal year under review is as follows.

In the Real Estate Business, the Group considers the purchasing environment of land for sites will continue to be increasingly severe, with high land prices of central Tokyo persisting, despite little influence of COVID-19 infection in terms of acquisition of land for sites. Despite uncertainties such as overheated real estate markets and rising interest rates overseas, the Group has maintained good relationships with the financial institutions we do business with, and thus has no difficulty in raising funds for the purchase of land for sites.

In the construction process, no significant delay has occurred upon completion of construction caused by the spread of the infection, etc. at construction sites and the impact of the infection has been declining. However, the Group has currently suffered from rising construction costs, etc. due to the soaring prices on construction materials and the increased labor costs and expects this to continue. In cooperation with construction companies, the Company will work to control rising construction costs by placing construction orders at an earlier timing and taking other measures.

In the selling process, the Group saw little impact from the pandemic, as inquiries from funds and REITs continued, on the backdrop of relatively favorable domestic economic conditions. Meanwhile, the Company will continue to closely monitor the progress of financial institutions with respect to end-customers of one-room condominiums for investment as this will affect it indirectly.

In the Hotel Business, the Group has long been affected by the spread of the infection, but its profitability has been gradually improving since around December 2022. In this way, the current performance has greatly improved, backed by the reclassification of COVID-19 as Category 5 in May 2023 and a sharp increase in inbound business, etc. The Group continues to make efforts to maximize profitability through information gathering and analysis of the surrounding market for room occupancy rate and unit value, etc.

The performance by each business segment is explained below.

(Real Estate Business)

Net sales in the Real Estate Business were 20,112 million yen (up 2.9% year on year), and segment profit was 3,522 million yen (up 8.3% year on year).

Among these, the total amount of sales from the real estate development and sales was 19,578 million yen (up 4.2% year on year) with revenues from the sale of 584 units in a total of 11 one-room condominiums for investment and sale of one tract of land for sites. In terms of the number of both buildings and units, sales were generally in line with the consolidated earnings forecast disclosed at the beginning of the fiscal year under review. This was mainly due to the fact that the Company’s development properties have been highly evaluated in the real estate market, including in the one-room condominium industry, and that the Company was able to make timely and appropriate sales based on a sales strategy for each property by utilizing its unique network. The total amount of sales from real estate purchase and sales was 37 million yen (down 82.8% year on year) with revenues from the purchase and resale of a pre-owned condominium (one unit). In the other real estate business, net sales were 496 million yen (down 6.8% year on year) due to real estate brokerage and real estate leasing.

(Hotel Business)

In the Hotel Business, net sales were 152 million yen (up 124.0% year on year) and segment loss was 22 million yen (compared with a segment loss of 60 million yen in the previous fiscal year) due to room charges and other factors at Hotel Asyl Tokyo Kamata.

(2) Overview of Financial Position for the Fiscal Year Under Review

Analysis of Financial Position

Regarding the financial position at the end of the fiscal year under review compared to the end of the previous fiscal year, total assets increased 6,147 million yen to 44,237 million yen, liabilities increased 5,347 million yen to 29,044 million yen, and net assets increased 799 million yen to 15,192 million yen.

The increase in total assets was mainly due to increases in inventories of 5,353 million yen and cash and deposits of 645 million yen, as a result of taking various actions including the effective use of properties, as well as proactive efforts to acquire land for sites despite the severe purchasing environment.

The increase in liabilities was mainly due to an increase in current liabilities of 225 million yen as a result of increases in advances received of 726 million yen and current portion of long-term borrowings of 448 million yen, while accounts payable - trade decreased by 938 million yen, and in addition, an increase in non-current liabilities of 5,121 million yen due to an increase in long-term borrowings of 488 million yen for the acquisition of land for sites.

The increase in net assets was mainly due to the recording of profit attributable to owners of parent of 1,447 million yen, despite a decrease of 564 million yen due to the payment of dividends.

(3) Analysis of Cash Flows for the Fiscal Year Under Review

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the fiscal year under review increased by 645 million yen compared to the end of the previous fiscal year to 9,131 million yen, due to an increase in funds in financing activities, despite a decrease in funds in operating and investing activities.

Cash flows from operating activities

Net cash used in operating activities amounted to 2,836 million yen (compared with net cash provided of 490 million yen in the previous fiscal year). This was mainly due to an increase in inventories for proactive purchase of land for development, while profit before income taxes was recorded.

Cash flows from investing activities

Net cash used in investing activities amounted to 953 million yen (compared with net cash used of 398 million yen in 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 4,435 million yen (compared with net cash provided of 1,199 million yen in the previous fiscal year). This was mainly due to an increase in long-term borrowings for the acquisition of land for its own development, 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.

Reference: Trends in cash flow indicators

	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Equity-to-asset ratio (%)	27.4	33.2	34.2	33.6	30.6
Market value-based equity-to-asset ratio (%)	28.7	26.9	27.5	24.7	23.0
Interest-bearing debt to cash flow ratio (year)	8.9	16.2	(Note 6)	42.7	(Note 6)
Interest coverage ratio (time)	11.2	6.1	(Note 6)	2.8	(Note 6)

Notes: 1. The above indicators are calculated based on the following formulas.

Equity-to-asset ratio: $\text{Equity} / \text{Total assets}$

Market value-based equity-to-asset ratio: $\text{Market capitalization} / \text{Total assets}$

Interest-bearing debt to cash flow ratio: $\text{Interest-bearing debt} / \text{Cash flows}$

Interest coverage ratio: $\text{Cash flows} / \text{Interest payments}$

2. All the indicators are calculated using financial reporting figures on a consolidated basis.

3. Market capitalization is calculated by multiplying the closing share price at the end of the period by the total number of issued shares at the end of the period (excluding treasury shares).
4. Cash flows are calculated using the figures for operating cash flows in the consolidated statement of cash flows.
5. Interest-bearing debt includes all debts on the consolidated balance sheet that incur interest. Interest payments are calculated using the figures for interest paid in the consolidated statement of cash flows.
6. Interest-bearing debt to cash flow ratio and interest coverage ratio are not presented because operating cash flows were negative.

(4) Outlook

The Group's consolidated earnings forecast for the fiscal year ending June 30, 2024 includes net sales of 25,000 million yen (up 23.4% year on year), operating profit of 2,500 million yen (up 2.9% year on year), ordinary profit of 2,250 million yen (up 5.2% year on year) and profit attributable to owners of parent of 1,500 million yen (up 3.6% year on year).

For the fiscal year ending June 30, 2024, the Group is planning to sell 651 units of one-room condominiums for investment and resell some tracts of land. Of these, all units have been effectively sold with contracts already signed.

(Millions of yen)

	Fiscal year ended June 30, 2023 (Results)	Fiscal year ending June 30, 2024 (Forecast)
Net sales	20,264	25,000
Operating profit	2,429	2,500
Ordinary profit	2,139	2,250
Profit attributable to owners of parent	1,447	1,500

Number of units of one-room condominiums for investment sold or to be sold	584 units	651 units
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(5) Profit Allocation Policy and Dividend Payment Plan for the Fiscal Year Under Review and Next Fiscal Year

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 dividends 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 fiscal year ended June 30, 2023 is 10 yen per share, an increase of 1 yen from the forecast, as separately announced today in the "Notice of Payment of Dividends (Year-end Dividends) from Surplus (Japanese version only)." Since 9 yen per share has already been paid as an interim dividend (including a commemorative dividend of 1 yen per share), the full-year dividend will amount to 19 yen per share.

For the dividends for the fiscal year ending June 30, 2024, we plan to pay a full-year dividend of 20 yen per share (including an interim dividend of 10 yen per share) based on the outlook and the above-mentioned dividend policy.

2. Basic Approach to the Selection of Accounting Standards

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. The Urbanet Group will continue to prepare consolidated financial statements using generally accepted accounting principles in Japan for the time being.

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 Significant Notes Thereto

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	8,495,387	9,141,018
Investments in leases	31,672	34,380
Real estate for sale	2,288,944	85,101
Real estate for sale in process	20,424,146	27,979,965
Work in process	–	2,312
Supplies	1,364	942
Advance payments to suppliers	82,500	36,080
Prepaid expenses	33,818	39,263
Other	114,871	92,199
Total current assets	31,472,704	37,411,263
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,447,284	3,446,733
Accumulated depreciation	(716,731)	(840,408)
Buildings and structures, net	2,730,552	2,606,324
Tools, furniture and fixtures	10,243	12,269
Accumulated depreciation	(7,097)	(9,415)
Tools, furniture and fixtures, net	3,145	2,853
Land	3,239,970	3,201,359
Leased assets	74,729	64,365
Accumulated depreciation	(51,958)	(38,294)
Leased assets, net	22,771	26,071
Construction in progress	–	16,720
Total property, plant and equipment	5,996,440	5,853,329
Intangible assets		
Software	3,140	2,765
Total intangible assets	3,140	2,765
Investments and other assets		
Investments in capital	960	960
Long-term prepaid expenses	9,005	29,950
Deferred tax assets	83,847	122,300
Investments in leases	218,317	185,422
Leasehold and guarantee deposits	55,257	105,862
Other	250,962	525,792
Total investments and other assets	618,349	970,288
Total non-current assets	6,617,930	6,826,383
Total assets	38,090,634	44,237,646

(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	1,555,260	616,338
Short-term borrowings	278,000	312,400
Current portion of long-term borrowings	7,203,408	7,651,408
Lease liabilities	15,076	10,839
Accounts payable - other	45,131	81,090
Accrued expenses	13,751	22,808
Income taxes payable	421,152	427,186
Accrued consumption taxes	108,547	–
Advances received	425,671	1,151,902
Deposits received	35,799	55,344
Other	20,265	18,646
Total current liabilities	10,122,064	10,347,965
Non-current liabilities		
Long-term borrowings	13,463,324	18,271,910
Lease liabilities	12,725	27,237
Provision for share awards for directors (and other officers)	–	28,594
Retirement benefit liability	62,106	59,405
Deferred tax liabilities	–	267,830
Other	37,134	41,799
Total non-current liabilities	13,575,290	18,696,777
Total liabilities	23,697,354	29,044,743
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	8,792,432
Treasury shares	(17)	(126,494)
Total shareholders' equity	12,795,315	13,551,468
Non-controlling interests	1,597,964	1,641,434
Total net assets	14,393,279	15,192,903
Total liabilities and net assets	38,090,634	44,237,646

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

(Thousands of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Net sales	19,606,726	20,264,845
Cost of sales	16,063,574	16,225,801
Gross profit	3,543,151	4,039,043
Selling, general and administrative expenses		
Salaries and allowances	311,514	337,407
Remuneration for directors (and other officers)	198,300	206,600
Bonuses	102,937	163,045
Provision for share awards for directors (and other officers)	–	28,594
Retirement benefit expenses	9,571	43,623
Legal welfare expenses	67,417	79,941
Advertising expenses	11,968	21,236
Promotion expenses	3,784	8,356
Travel and transportation expenses	20,814	25,153
Supplies expenses	7,539	14,553
Rent expenses on land and buildings	69,517	69,339
Insurance expenses	37,246	24,344
Taxes and dues	199,967	171,421
Commission expenses	69,492	118,027
Fee expenses	43,986	46,271
Outsourcing expenses	35,296	53,661
Depreciation	17,476	23,092
Other	113,734	174,465
Total selling, general and administrative expenses	1,320,565	1,609,134
Operating profit	2,222,586	2,429,909
Non-operating income		
Interest income	65	63
Dividend income	9	8
Commission income	1,818	–
Other	5,484	7,662
Total non-operating income	7,377	7,734
Non-operating expenses		
Interest expenses	174,346	216,643
Commission expenses	68,945	81,143
Other	985	149
Total non-operating expenses	244,277	297,936
Ordinary profit	1,985,686	2,139,706
Extraordinary income		
Gain on sale of golf club 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	1,985,799	2,180,190
Income taxes - current	687,204	729,409
Income taxes - deferred	(59,215)	(40,051)
Total income taxes	627,988	689,357
Profit	1,357,811	1,490,832
Profit attributable to non-controlling interests	43,500	43,470
Profit attributable to owners of parent	1,314,311	1,447,362

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Profit	1,357,811	1,490,832
Other comprehensive income	–	–
Comprehensive income	1,357,811	1,490,832
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,314,311	1,447,362
Comprehensive income attributable to non-controlling interests	43,500	43,470

(3) Consolidated Statement of Changes in Equity**For the fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)**

(Thousands of yen)

	Shareholders' equity					Non-controlling interests	Total net assets
	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	1,554,464	13,591,403
Cumulative effects of changes in accounting policies			8,797		8,797		8,797
Restated balance	2,693,701	2,191,829	7,160,223	(17)	12,045,736	1,554,464	13,600,200
Changes during period							
Dividends of surplus			(564,732)		(564,732)		(564,732)
Profit attributable to owners of parent			1,314,311		1,314,311		1,314,311
Net changes in items other than shareholders' equity						43,500	43,500
Total changes during period	–	–	749,578	–	749,578	43,500	793,078
Balance at end of period	2,693,701	2,191,829	7,909,801	(17)	12,795,315	1,597,964	14,393,279

For the fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

(Thousands of yen)

	Shareholders' equity					Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Balance at beginning of period	2,693,701	2,191,829	7,909,801	(17)	12,795,315	1,597,964	14,393,279
Changes during period							
Dividends of surplus			(564,732)		(564,732)		(564,732)
Profit attributable to owners of parent			1,447,362		1,447,362		1,447,362
Purchase of treasury shares				(126,476)	(126,476)		(126,476)
Net changes in items other than shareholders' equity						43,470	43,470
Total changes during period	–	–	882,630	(126,476)	756,153	43,470	799,623
Balance at end of period	2,693,701	2,191,829	8,792,432	(126,494)	13,551,468	1,641,434	15,192,903

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,985,799	2,180,190
Depreciation	145,459	145,797
Increase (decrease) in provision for share awards for directors (and other officers)	–	28,594
Increase (decrease) in retirement benefit liability	5,068	(2,701)
Interest and dividend income	(74)	(71)
Interest expenses	174,346	216,643
Surrender value of insurance policies	–	(45,754)
Decrease (increase) in investments in leases	30,017	30,186
Decrease (increase) in inventories	(1,691,266)	(4,257,306)
Increase (decrease) in trade payables	155,135	(938,921)
Increase (decrease) in advances received	(326,966)	726,231
Increase (decrease) in accrued consumption taxes	108,547	(108,547)
Other, net	4,229	133,416
Subtotal	590,295	(1,892,240)
Interest and dividends received	74	73
Interest paid	(176,650)	(218,986)
Income taxes refund (paid)	77,225	(724,902)
Net cash provided by (used in) operating activities	490,945	(2,836,056)
Cash flows from investing activities		
Purchase of property, plant and equipment	(390,372)	(27,446)
Purchase of intangible assets	(3,102)	(750)
Proceeds from cancellation of insurance funds	–	81,378
Payments of leasehold and guarantee deposits	–	(45,942)
Decrease (increase) in investments and other assets	–	(328,230)
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	(398,360)	(953,880)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(122,000)	(112,664)
Proceeds from long-term borrowings	9,413,000	12,866,000
Repayments of long-term borrowings	(7,510,292)	(7,609,414)
Purchase of treasury shares	–	(126,476)
Repayments of lease liabilities	(15,833)	(17,828)
Dividends paid	(565,383)	(564,047)
Net cash provided by (used in) financing activities	1,199,490	4,435,568
Net increase (decrease) in cash and cash equivalents	1,292,075	645,631
Cash and cash equivalents at beginning of period	7,193,312	8,485,387
Cash and cash equivalents at end of period	8,485,387	9,131,018

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Segment Information, Etc.

Segment Information

1. Overview of reportable segments

The Group's reportable segments are components of the Group 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

Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)

(Thousands of yen)

	Reportable segments		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:

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.

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 the Company that are not attributable to any of the reportable segments.

2. Segment profit (loss) is consistent with operating profit shown on the consolidated financial statements.

Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

(Thousands of yen)

	Reportable segments		Total	Adjustment (Note) 1	Amounts shown on consolidated financial statements (Note) 2
	Real Estate	Hotel			
Net sales					
External sales	20,112,382	152,463	20,264,845	–	20,264,845
Inter-segment sales and transfers	–	–	–	–	–
Total	20,112,382	152,463	20,264,845	–	20,264,845
Segment profit (loss)	3,522,148	(22,562)	3,499,586	(1,069,677)	2,429,909
Segment assets	33,085,471	1,371,053	34,456,524	9,781,122	44,237,646
Other items					
Depreciation	88,632	37,233	125,865	19,932	145,797
Increase in property, plant and equipment and intangible assets	–	–	–	45,903	45,903

Notes: 1. Adjustment details are as follows:

The negative 1,069,677 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.

9,781,122 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 the Company that are not attributable to any of the reportable segments.

2. Segment profit (loss) is consistent with operating profit shown on the consolidated financial statements.

Per Share Information

(Yen)

	Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)
Net assets per share	407.83	437.54
Basic earnings per share	41.89	46.33

- Notes: 1. Diluted earnings per share is not presented since the Company had no outstanding potential shares.
2. The number of common shares as of the end of the fiscal year under review used to calculate net assets per share as well as the average number of common shares during the fiscal year used to calculate basic earnings per share are calculated by deducting the portion of shares held under own name, and deducting the shares of the Company held as trust assets for the stock compensation plan for directors of the Company (excluding outside directors) (shares as of the end of the fiscal year under review: 402,400 shares; average number of shares during the fiscal year: 136,388 shares).
3. The following is a reconciliation of basic earnings per share.

(Thousands of yen, unless otherwise stated)

	Fiscal year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)
Basic earnings per share		
Profit attributable to owners of parent	1,314,311	1,447,362
Amount not attributable to common shareholders	–	–
Profit attributable to common shareholders of parent	1,314,311	1,447,362
Average number of shares outstanding of common stock during the period (share)	31,374,038	31,237,650

Material Subsequent Events

Not applicable.

4. Others

(1) Changes in Board Members

The following changes in the board members to be effective on September 28, 2023 have been determined (reappointment of all current eight Directors) at the Board of Directors' meeting held on August 3, 2023. The changes are expected to be authorized subject to approval at the 26th Annual General Meeting of Shareholders and the subsequent Board of Directors' meeting, both scheduled on September 28, 2023.

1. Candidates for director appointment

Director (Reappointment)	Shinji Hattori (Current Chairman and CEO, Representative Director)
Director (Reappointment)	Atsushi Tanaka (Current President and Representative Director)
Director (Reappointment)	Wataru Akai (Current Managing Director and Senior Executive Officer, General Manager of Administration Division)
Director (Reappointment)	Akifumi Ino (Current Director, Senior Executive Officer, General Manager of Business Division)
Director (Reappointment)	Yoshizumi Kimura (Current Director, Executive Officer, Deputy 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. Changes in Audit & Supervisory Board Members

All three of the Audit & Supervisory Board Members are currently serving their terms, and thus there is no change.