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MEMBERSHIP

November 8, 2023

Consolidated Financial Results for the Three Months Ended September 30, 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: November 8, 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 three months ended September 30, 2023 (from July 1, 2023 to September 30, 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	%
Three months ended								
September 30, 2023	4,598	–	270	–	212	–	137	–
September 30, 2022	149	(95.1)	(272)	–	(359)	–	(229)	–

Note: Comprehensive income For the three months ended September 30, 2023: 148 million yen [–%]
 For the three months ended September 30, 2022: (218) million yen [–%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
September 30, 2023	4.45	4.45
September 30, 2022	(7.31)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	43,275	15,070	31.0
June 30, 2023	44,237	15,192	30.6

Reference: Equity As of September 30, 2023: 13,413 million yen
 As of June 30, 2023: 13,551 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, 2023	–	9.00	–	10.00	19.00
Fiscal year ending June 30, 2024	–				
Fiscal year ending June 30, 2024 (Forecast)		10.00	–	10.00	20.00

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

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

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, 2023	31,474,100 shares
As of June 30, 2023	31,374,100 shares

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

As of September 30, 2023	402,462 shares
As of June 30, 2023	402,462 shares

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

Three months ended September 30, 2023	30,975,986 shares
Three months ended September 30, 2022	31,374,038 shares

Note: The number of treasury shares as of September 30, 2023 and 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 three months ended September 30, 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.

Wednesday, November 8, 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 4,598 million yen (compared with 149 million yen in the same period of the previous fiscal year), operating profit of 270 million yen (compared with operating loss of 272 million yen in the same period of the previous fiscal year), ordinary profit of 212 million yen (compared with ordinary loss of 359 million yen in the same period of the previous fiscal year), and profit attributable to owners of parent of 137 million yen (compared with loss attributable to owners of the parent of 229 million yen in the same period of the previous fiscal year).

The significant year-on-year increase in both sales and profits was mainly due to the fact that the recording of sales for projects in the previous fiscal year was weighted toward the fourth quarter of the fiscal year. During the current fiscal year, the Group plans to sell 651 units in one-room condominiums for investment, etc. During the period under review, the Group sold 117 units, and it plans to sell the remainder from the second quarter of the current fiscal year onward. 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. At present, 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 4,547 million yen (compared with 124 million yen in the same period of the previous fiscal year), and segment profit was 540 million yen (compared with segment loss of 17 million yen in the same period of the previous fiscal year).

Among these, the total amount of net sales from the real estate development and sales was 4,433 million yen (none recorded in the same period of the previous fiscal year) with revenues from the sale of 117 units in a total of three one-room condominiums for investment and sale of one tract of land for sites. The real estate purchase and sales saw no purchase or resale of pre-owned condominiums and pre-owned detached houses (none recorded in the same period of the previous fiscal year). In the other real estate business, net sales were 113 million yen (down 9.2% 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 51 million yen (up 107.8% from the same period of the previous fiscal year) and segment profit was 8 million yen (compared with a segment loss of 9 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 decreased 962 million yen to 43,275 million yen, liabilities decreased 839 million yen to 28,205 million yen, and net assets decreased 122 million yen to 15,070 million yen.

The decrease in total assets was mainly due to decreases in cash and deposits of 212 million yen and real estate for sale in process of 4,761 million yen, while real estate for sale increased by 3,849 million yen. This was the result of active efforts to procure sites in good locations as part of the Group’s aim to achieve sustainable growth, as well as the fact that projects were safely completed, including major projects, while working with general contractors on issues that occurred during project construction that were difficult to address.

The decrease in liabilities was mainly due to a decrease in long-term borrowings (including the current portion of long-term borrowings) of 1,819 million yen in line with the sale of projects, despite an increase of 1,175 million yen in accounts payable - trade.

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 first quarter of the current fiscal year under review decreased by 212 million yen compared to the end of the previous fiscal year to 8,918 million yen, due to a decrease in funds in financing activities, while funds increased in operating and investing activities.

Cash flows from operating activities

Net cash provided by operating activities amounted to 1,378 million yen (compared with net cash used of 5,667 million yen in the same period of the previous fiscal year). This was mainly due to a decrease in inventories and an increase in trade payables.

Cash flows from investing activities

Net cash provided by investing activities amounted to 36 million yen (compared with net cash provided of 25 million yen in the same period of the previous fiscal year). This was mainly due to proceeds from cancellation of insurance funds.

Cash flows from financing activities

Net cash used in financing activities amounted to 1,627 million yen (compared with net cash provided of 3,162 million yen in the same period of the previous fiscal year). This was mainly due to 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 first quarter of the current fiscal year were as follows: net sales of 4,598 million yen, operating profit of 270 million yen, ordinary profit of 212 million yen, and profit attributable to owners of parent was 137 million yen.

The significant year-on-year increase in both sales and profits was mainly due to the fact that the recording of sales for projects in the previous fiscal year was weighted toward the fourth quarter of the fiscal year. During the current fiscal year, the Group plans to sell 651 units in one-room condominiums for investment, etc. During the period under review, the Group sold 117 units, and it plans to sell the remainder from the second quarter of the current fiscal year onward. 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. At present, net sales and profits are both generally progressing in line with initial plans, and we have thus decided to leave unchanged the full-year consolidated earnings forecast for the current fiscal year disclosed on August 3, 2023.

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, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	9,141,018	8,928,365
Real estate for sale	85,101	3,934,925
Real estate for sale in process	27,979,965	23,218,754
Work in process	2,312	2,312
Other	202,864	472,593
Total current assets	37,411,263	36,556,952
Non-current assets		
Property, plant and equipment	5,853,329	5,821,925
Intangible assets	2,765	2,519
Investments and other assets	970,288	894,037
Total non-current assets	6,826,383	6,718,482
Total assets	44,237,646	43,275,435
Liabilities		
Current liabilities		
Accounts payable - trade	616,338	1,791,888
Short-term borrowings	312,400	731,000
Current portion of long-term borrowings	7,651,408	8,803,568
Lease liabilities	10,839	10,368
Income taxes payable	427,186	46,964
Provision for bonuses	–	25,310
Other	1,329,792	1,066,269
Total current liabilities	10,347,965	12,475,369
Non-current liabilities		
Long-term borrowings	18,271,910	15,299,898
Lease liabilities	27,237	24,636
Provision for share awards for directors (and other officers)	28,594	37,955
Retirement benefit liability	59,405	61,551
Other	309,630	305,837
Total non-current liabilities	18,696,777	15,729,879
Total liabilities	29,044,743	28,205,248
Net assets		
Shareholders' equity		
Share capital	2,693,701	2,712,446
Capital surplus	2,191,829	2,210,574
Retained earnings	8,792,432	8,616,556
Treasury shares	(126,494)	(126,494)
Total shareholders' equity	13,551,468	13,413,083
Share acquisition rights	–	4,735
Non-controlling interests	1,641,434	1,652,368
Total net assets	15,192,903	15,070,187
Total liabilities and net assets	44,237,646	43,275,435

(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, 2022	Three months ended September 30, 2023
Net sales	149,662	4,598,402
Cost of sales	80,727	3,944,349
Gross profit	68,934	654,052
Selling, general and administrative expenses	341,634	383,957
Operating profit (loss)	(272,699)	270,094
Non-operating income		
Interest income	24	27
Dividend income	–	4,025
Other	901	1,735
Total non-operating income	926	5,788
Non-operating expenses		
Interest expenses	45,158	57,766
Commission expenses	42,813	–
Other	–	6,106
Total non-operating expenses	87,971	63,872
Ordinary profit (loss)	(359,745)	212,010
Extraordinary income		
Surrender value of insurance policies	45,754	15,403
Total extraordinary income	45,754	15,403
Profit (loss) before income taxes	(313,990)	227,413
Income taxes - current	5,639	32,758
Income taxes - deferred	(101,168)	45,855
Total income taxes	(95,528)	78,614
Profit (loss)	(218,461)	148,799
Profit attributable to non-controlling interests	10,964	10,934
Profit (loss) attributable to owners of parent	(229,425)	137,864

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

(Thousands of yen)

	Three months ended September 30, 2022	Three months ended September 30, 2023
Profit (loss)	(218,461)	148,799
Other comprehensive income	—	—
Comprehensive income	(218,461)	148,799
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(229,425)	137,864
Comprehensive income attributable to non-controlling interests	10,964	10,934

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	Three months ended September 30, 2022	Three months ended September 30, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	(313,990)	227,413
Depreciation	35,098	32,850
Increase (decrease) in provision for bonuses	28,377	25,310
Increase (decrease) in provision for share awards for directors (and other officers)	–	9,361
Increase (decrease) in retirement benefit liability	5,507	2,146
Interest and dividend income	(24)	(4,053)
Interest expenses	45,158	57,766
Surrender value of insurance policies	(45,754)	(15,403)
Decrease (increase) in investments in leases	7,693	8,343
Decrease (increase) in inventories	(5,158,149)	911,735
Increase (decrease) in trade payables	(93,648)	1,175,549
Increase (decrease) in advances received	355,403	(266,570)
Increase (decrease) in accrued consumption taxes	(107,049)	550
Other, net	3,822	(346,159)
Subtotal	(5,237,556)	1,818,839
Interest and dividends received	26	4,053
Interest paid	(46,145)	(57,617)
Income taxes paid	(383,610)	(387,218)
Net cash provided by (used in) operating activities	(5,667,286)	1,378,056
Cash flows from investing activities		
Purchase of property, plant and equipment	(27,446)	(1,200)
Proceeds from cancellation of insurance funds	81,378	31,021
Decrease (increase) in investments and other assets	(28,230)	7,000
Net cash provided by (used in) investing activities	25,702	36,821
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	601,000	418,600
Proceeds from long-term borrowings	4,455,000	150,000
Repayments of long-term borrowings	(1,653,852)	(1,969,852)
Repayments of lease liabilities	(4,193)	(3,072)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	–	37,300
Proceeds from issuance of share acquisition rights	–	4,925
Dividends paid	(235,048)	(265,431)
Net cash provided by (used in) financing activities	3,162,906	(1,627,530)
Net increase (decrease) in cash and cash equivalents	(2,478,677)	(212,652)
Cash and cash equivalents at beginning of period	8,485,387	9,131,018
Cash and cash equivalents at end of period	6,006,709	8,918,365

(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, 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	(17,812)	(9,077)	(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.

II Three months ended September 30, 2023 (July 1, 2023-September 30, 2023)

1. 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	4,547,124	51,277	4,598,402	–	4,598,402
Inter-segment sales and transfers	–	–	–	–	–
Total	4,547,124	51,277	4,598,402	–	4,598,402
Segment profit	540,004	8,584	548,588	(278,494)	270,094

Notes: 1. The negative 278,494 thousand yen adjustment to segment profit 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 is consistent with operating profit shown on the quarterly consolidated statement of income.