

**Consolidated Financial Results for the First Quarter
of the Fiscal Year Ending June 30, 2021
(Three Months Ended September 30, 2020)**

[Japanese GAAP]

November 12, 2020

Company name: URBANET CORPORATION Co., Ltd. Listing: Tokyo Stock Exchange (JASDAQ)
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Scheduled date of filing of Quarterly Report: November 12, 2020

Scheduled date of payment of dividend: -

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: Yes (for institutional investors and analysts)

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2021
(July 1, 2020 to September 30, 2020)**

(1) Consolidated results of operations (Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended Sep. 30, 2020	2,996	(31.2)	257	(48.0)	192	(55.5)	120	(59.9)
Three months ended Sep. 30, 2019	4,357	(33.6)	494	(51.1)	431	(55.1)	300	(55.2)

Note: Comprehensive income (millions of yen) Three months ended Sep. 30, 2020: 131 (down 56.3%)
 Three months ended Sep. 30, 2019: 300 (down 55.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2020	3.84	-
Three months ended Sep. 30, 2019	11.94	11.94

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2020	33,833	12,625	32.8
As of Jun. 30, 2020	33,999	12,807	33.2

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2020: 11,095 As of Jun. 30, 2020: 11,288

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2020	-	10.00	-	10.00	20.00
Fiscal year ending Jun. 30, 2021	-				
Fiscal year ending Jun. 30, 2021 (forecast)		7.00	-	8.00	15.00

Note: Revision to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2021 (July 1, 2020 to June 30, 2021)

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	20,000	(9.2)	2,050	(17.5)	1,770	(19.5)	1,100	(27.0)	35.06

Note: Revisions to the most recently announced earnings forecast: None

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares outstanding (common shares)

1) Number of outstanding shares as of the end of the period (including treasury shares)

As of Sep. 30, 2020:	31,374,100 shares	As of Jun. 30, 2020:	31,374,100 shares
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2) Number of treasury shares as of the end of the period

As of Sep. 30, 2020:	62 shares	As of Jun. 30, 2020:	62 shares
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3) Average number of outstanding shares during the period

Three months ended Sep. 30, 2020:	31,374,038 shares	Three months ended Sep. 30, 2019:	25,158,038 shares
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* The current quarterly consolidated financial results are not subject to the quarterly review by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts, and other special items

- Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to the Urbanet Group's management at the time these materials were prepared. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to "Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements" on page 3 of the attachments for assumptions for forecasts and notes of caution for usage.
- The Urbanet Group plans to hold the financial results meeting for investors as follows. Materials distributed and video recorded at this event are to be posted promptly on its website following the meeting.
- Friday, November 13, 2020: Financial results meeting for institutional investors and analysts

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

For the first three months of the fiscal year ending June 30, 2021 (hereinafter “the period under review”), the Urbanet Group companies (hereinafter “the Urbanet Group” or “the Group”) reported net sales of 2,996 million yen (down 31.2% year-on-year) with operating profit of 257 million yen (down 48.0% year-on-year), ordinary profit of 192 million yen (down 55.5% year-on-year), and profit attributable to owners of parent of 120 million yen (down 59.9% year-on-year).

The year-on-year decrease in both net sales and profits is attributable to the nature of our main business, which is developing and constructing one-room apartments for investors and wholesaling the entire buildings rather than individual units. Under such a business model, the amount and timing of revenue recognition for completed properties differ from project to project and from year to year. For the fiscal year ending June 30, 2021, the Group is scheduling to sell most properties from the second quarter onward.

Currently, the Group’s operating results are basically in line with the forecast.

The performance by each business category is explained below.

It is noted that all activities of the Group belong to a single business segment—the real estate business—consisting primarily of the development, purchase, and sale of condominiums for investors and consumers. As such, we break down the operating results into the following categories within the real estate business segment. In addition, the Group has yet to record sales from the hotel business during the period under review since we have started operating our own hotel since October 14, 2020 as announced in the press release titled “Hotel Asyl Tokyo Kamata Opens for Business (Japanese version only)” on September 25, 2020.

(Real Estate Development and Sales)

Total amount of sales from this category was 2,688 million yen (down 35.7% year-on-year), with revenues from sale of 85 units in a total of three one-room apartments for investors.

(Real Estate Purchase and Sales)

Total amount of sales from this category was 199 million yen (up 183.6% year-on-year), with revenues from purchase and resale of five units of pre-owned condominiums.

(Others)

Total amount of sales from this category was 108 million yen (up 2.0% year-on-year), with revenues from real estate brokerage and real estate leasing among others.

(2) Explanation of Financial Condition

1) Analysis of Financial Position

Total assets, total liabilities and net assets on a consolidated basis amounted to 33,833million yen (a decrease of 166 million yen over the end of the previous fiscal year), 21,208 million yen (an increase of 16 million yen), and 12,625 million yen (a decrease of 182 million yen), respectively.

The decrease in total assets was mainly due to a decrease of 904 million yen in cash and deposits, and an increase of 789 million yen in inventories as a result of payment of income taxes and purchase of land for development, while recognition of sales proceeded as planned.

The increase in total liabilities was mainly due to a decrease of 459 million yen in income taxes payable resulting from the payment of income taxes, an increase of 277 million yen in accounts payable-trade, as well as increases of

51 million yen in long-term borrowings (including current portion) made for the purchase of land and 245 million yen in short-term borrowings.

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

2) Analysis of Cash Flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the period under review amounted to 7,993 million yen, a decrease of 904 million yen over the end of the previous fiscal year. This was due to negative cash flows from operating activities and from investing activities, which was partly offset by positive cash flows from financing activities.

Cash flows from operating activities

Net cash used in operating activities for the period under review totaled 927 million yen (compared with net cash used of 537 million yen for the same period of the previous fiscal year). This was mainly due to an increase in inventories and a payment of income taxes.

Cash flows from investing activities

Net cash used in investing activities for the period under review totaled 20 million yen (compared with net cash used of 21 million yen for the same period of the previous fiscal year). This was mainly due to a decrease in cash from the purchase of property, plant and equipment.

Cash flows from financing activities

Net cash provided by financing activities for the period under review totaled 43 million yen (compared with net cash provided of 1,007 million yen for the same period of the previous fiscal year). This was mainly due to an increase in net cash from proceeds of long-term borrowings to use for purchasing land for development on our own in the Real Estate Development and Sales business, which were partially offset by a decrease in net cash caused by the repayments of long-term borrowings made from sale of properties and the payment of the year-end dividends.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements

We maintain the consolidated earnings forecast for the fiscal year ending June 30, 2021 that was announced on August 6, 2020 in “Consolidated Financial Results for the Fiscal Year Ended June 30, 2020.”

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

	(Thousands of yen)	
	FY6/20 (As of Jun. 30, 2020)	First quarter of FY6/21 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	8,908,267	8,003,770
Real estate for sale	2,351,958	2,506,381
Real estate for sale in process	16,063,441	16,685,893
Work in process	-	1,625
Other	355,883	340,249
Total current assets	27,679,551	27,537,920
Non-current assets		
Property, plant and equipment	5,725,180	5,710,215
Intangible assets	1,083	1,429
Investments and other assets	593,794	583,705
Total non-current assets	6,320,059	6,295,351
Total assets	33,999,610	33,833,272
Liabilities		
Current liabilities		
Accounts payable-trade	1,190,812	1,468,365
Short-term borrowings	655,020	900,720
Current portion of long-term borrowings	9,231,216	9,214,916
Lease obligations	13,582	16,406
Income taxes payable	520,848	61,424
Provision for bonuses	-	29,812
Other	868,032	725,908
Total current liabilities	12,479,512	12,417,552
Non-current liabilities		
Long-term borrowings	8,607,344	8,675,150
Lease obligations	22,764	32,682
Retirement benefit liability	50,712	53,469
Other	31,875	29,381
Total non-current liabilities	8,712,696	8,790,682
Total liabilities	21,192,208	21,208,235
Net assets		
Shareholders' equity		
Share capital	2,693,701	2,693,701
Capital surplus	2,191,829	2,191,829
Retained earnings	6,403,224	6,209,894
Treasury shares	(17)	(17)
Total shareholders' equity	11,288,737	11,095,407
Share acquisition rights	7,700	7,700
Non-controlling interests	1,510,964	1,521,928
Total net assets	12,807,401	12,625,036
Total liabilities and net assets	33,999,610	33,833,272

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

	(Thousands of yen)	
	First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)
Net sales	4,357,413	2,996,800
Cost of sales	3,546,151	2,373,620
Gross profit	811,262	623,180
Selling, general and administrative expenses	316,725	366,096
Operating profit	494,536	257,083
Non-operating income		
Interest income	16	23
Dividend income	150	-
Other	1,038	1,623
Total non-operating income	1,205	1,646
Non-operating expenses		
Interest expenses	44,117	44,973
Commission expenses	19,921	11,051
Other	-	10,500
Total non-operating expenses	64,038	66,525
Ordinary profit	431,703	192,205
Profit before income taxes	431,703	192,205
Income taxes-current	105,709	48,538
Income taxes-deferred	25,552	12,292
Total income taxes	131,261	60,830
Profit	300,441	131,375
Profit attributable to non-controlling interests	-	10,964
Profit attributable to owners of parent	300,441	120,410

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

	(Thousands of yen)	
	First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)
Profit	300,441	131,375
Other comprehensive income	-	-
Comprehensive income	300,441	131,375
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	300,441	120,410
Comprehensive income attributable to non-controlling interests	-	10,964

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	431,703	192,205
Depreciation	26,517	31,755
Increase (decrease) in provision for bonuses	26,210	29,812
Increase (decrease) in provision for shareholder benefit program	(14,335)	-
Increase (decrease) in retirement benefit liability	(4,803)	2,757
Interest and dividend income	(167)	(23)
Interest expenses	44,117	44,973
Decrease (increase) in investments in leases	6,124	6,628
Decrease (increase) in inventories	1,119,150	(789,275)
Increase (decrease) in accrued consumption taxes	1,933	1,699
Increase (decrease) in trade payables	(1,741,192)	277,553
Other, net	52,880	(321,387)
Subtotal	(51,861)	(523,302)
Interest and dividends received	167	25
Interest paid	(45,959)	(46,218)
Income taxes paid	(440,199)	(358,176)
Net cash provided by (used in) operating activities	(537,853)	(927,672)
Cash flows from investing activities		
Purchase of property, plant and equipment	(20,858)	(19,767)
Purchase of intangible assets	-	(472)
Other, net	(650)	(500)
Net cash provided by (used in) investing activities	(21,508)	(20,739)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	166,840	245,700
Proceeds from long-term borrowings	2,088,520	1,533,000
Repayments of long-term borrowings	(1,022,436)	(1,481,494)
Repayments of lease obligations	(5,471)	(3,963)
Dividends paid	(220,000)	(249,327)
Net cash provided by (used in) financing activities	1,007,452	43,914
Net increase (decrease) in cash and cash equivalents	448,091	(904,497)
Cash and cash equivalents at beginning of period	5,295,056	8,898,267
Cash and cash equivalents at end of period	5,743,148	7,993,770

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Additional Information

There have been no material changes to the assumptions and accounting estimates regarding the impact of COVID-19 that were included in the additional information in the Annual Securities Report for the previous fiscal year.

Segment and Other Information

Segment Information

Segment information is omitted since the Urbanet Group has only a single business segment, the real estate business, which is engaged mainly in the development, purchase and sale of condominiums for investors and consumers.

This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.