

**Consolidated Financial Results for the Second Quarter
of the Fiscal Year Ending June 30, 2021
(Six Months Ended December 31, 2020)**

[Japanese GAAP]

February 4, 2021

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Scheduled date of filing of Quarterly Report: February 4, 2021

Scheduled date of payment of dividend: March 29, 2021

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 Second Quarter of the Fiscal Year Ending June 30, 2021
(July 1, 2020 to December 31, 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	%
Six months ended Dec. 31, 2020	8,150	(1.3)	1,114	49.1	997	68.8	673	65.6
Six months ended Dec. 31, 2019	8,256	(28.0)	747	(47.0)	591	(54.8)	406	(55.2)

Note: Comprehensive income (millions of yen) Six months ended Dec. 31, 2020: 695 (up 71.0%)

Six months ended Dec. 31, 2019: 406 (down 55.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Dec. 31, 2020	21.46	-
Six months ended Dec. 31, 2019	15.72	15.72

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2020	35,677	13,181	32.6
As of Jun. 30, 2020	33,999	12,807	33.2

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2020: 11,648 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	-	7.00			
Fiscal year ending Jun. 30, 2021 (forecast)			-	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 Dec. 31, 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 Dec. 31, 2020:	62 shares	As of Jun. 30, 2020:	62 shares
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3) Average number of outstanding shares during the period

Six months ended Dec. 31, 2020:	31,374,038 shares	Six months ended Dec. 31, 2019:	25,858,864 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.
- Friday, February 5, 2021: Financial results meeting for institutional investors and analysts (In order to prevent the spread of COVID-19 infection, we hold the meeting with no audience at the physical venues. The video filmed on the date will be put up on the Company's website on Monday, February 8, 2021.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

For the first half 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 8,150 million yen (down 1.3% year-on-year) with operating profit of 1,114 million yen (up 49.1% year-on-year), ordinary profit of 997 million yen (up 68.8% year-on-year), and profit attributable to owners of parent of 673 million yen (up 65.6% year-on-year).

The performance by each business segment is explained below.

It is noted that, from the second quarter of the fiscal year ending June 30, 2021, we have started reporting a new business segment, the Hotel Business, which started its operation on October 14, 2020, in addition to the Real Estate Business, which is engaged primarily in the development, purchase and sale of condominiums for investors and consumers.

(Real Estate Business)

Total amount of sales from the Real Estate Development and Sales category was 7,702 million yen (down 3.4% year-on-year) with revenues from sale of 244 units in a total of seven one-room apartments for investors. Total amount of sales from the Real Estate Purchase and Sales category was 199 million yen (up 183.6% year-on-year) with revenues from purchase and resale of five units of pre-owned condominiums. Total amount of sales from the Others Real Estate Business category was 240 million yen (up 13.4% year-on-year) with revenues from real estate brokerage and real estate leasing among others.

(Hotel Business)

Total amount of sales from the Hotel Business was 7 million yen mainly with room fee revenues from Hotel Asyl Tokyo Kamata.

(2) Explanation of Financial Condition

1) Analysis of Financial Position

Total assets, total liabilities and net assets on a consolidated basis amounted to 35,677 million yen (an increase of 1,677 million yen over the end of the previous fiscal year), 22,496 million yen (an increase of 1,303 million yen), and 13,181 million yen (an increase of 373 million yen), respectively.

The increase in total assets was mainly due to an increase of 3,324 million yen in inventories as a result of selective purchase of land even in a very competitive land purchase environment, while proceeding recognition of sales as planned.

The increase in total liabilities was mainly due to an increase of 2,447 million yen in accounts payable-trade resulting mainly from completed construction projects, which was partially offset by a decrease of 1,046 million yen in borrowings resulting from repayments of long-term borrowings made for the purchase of land.

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

2) Analysis of Cash Flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the period under review amounted to 7,163 million yen, a decrease of 1,734 million yen over the end of the previous fiscal year. This was due to negative cash flows from operating, investing and financing activities.

Cash flows from operating activities

Net cash used in operating activities for the period under review totaled 346 million yen (compared with net cash used of 1,242 million yen for the same period of the previous fiscal year). This was mainly due to the payment of income taxes and an increase in inventories, while there was an increase in trade payable and the booking of profit before 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 97 million yen for the same period of the previous fiscal year). This was mainly due to the purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities for the period under review totaled 1,367 million yen (compared with net cash provided of 3,284 million yen for the same period of the previous fiscal year). This was mainly because the repayments of long-term borrowings made from sale of properties and the payment of dividends exceeded the proceeds of long-term borrowings to use for purchasing land for development on our own in the Real Estate Business.

(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)	Second quarter of FY6/21 (As of Dec. 31, 2020)
Assets		
Current assets		
Cash and deposits	8,908,267	7,173,824
Real estate for sale	2,351,958	8,016,274
Real estate for sale in process	16,063,441	13,760,090
Other	355,883	457,968
Total current assets	27,679,551	29,408,157
Non-current assets		
Property, plant and equipment	5,725,180	5,674,544
Intangible assets	1,083	1,334
Investments and other assets	593,794	593,354
Total non-current assets	6,320,059	6,269,233
Total assets	33,999,610	35,677,391
Liabilities		
Current liabilities		
Accounts payable-trade	1,190,812	3,638,268
Short-term borrowings	655,020	386,000
Current portion of long-term borrowings	9,231,216	8,271,392
Lease obligations	13,582	15,966
Income taxes payable	520,848	340,318
Other	868,032	935,541
Total current liabilities	12,479,512	13,587,487
Non-current liabilities		
Long-term borrowings	8,607,344	8,789,961
Lease obligations	22,764	28,876
Retirement benefit liability	50,712	56,258
Other	31,875	33,478
Total non-current liabilities	8,712,696	8,908,573
Total liabilities	21,192,208	22,496,061
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	6,762,923
Treasury shares	(17)	(17)
Total shareholders' equity	11,288,737	11,648,436
Share acquisition rights	7,700	-
Non-controlling interests	1,510,964	1,532,893
Total net assets	12,807,401	13,181,330
Total liabilities and net assets	33,999,610	35,677,391

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

	(Thousands of yen)	
	First six months of FY6/20 (Jul. 1, 2019 – Dec. 31, 2019)	First six months of FY6/21 (Jul. 1, 2020 – Dec. 31, 2020)
Net sales	8,256,816	8,150,183
Cost of sales	6,842,245	6,333,401
Gross profit	1,414,571	1,816,781
Selling, general and administrative expenses	666,814	702,227
Operating profit	747,756	1,114,554
Non-operating income		
Interest income	30	41
Dividend income	150	-
Other	1,576	2,688
Total non-operating income	1,757	2,730
Non-operating expenses		
Interest expenses	91,316	87,677
Commission expenses	41,813	17,197
Share issuance costs	18,582	-
Other	6,789	14,724
Total non-operating expenses	158,501	119,599
Ordinary profit	591,013	997,685
Extraordinary income		
Gain on reversal of share acquisition rights	-	7,700
Total extraordinary income	-	7,700
Profit before income taxes	591,013	1,005,385
Income taxes-current	156,517	305,693
Income taxes-deferred	27,871	4,323
Total income taxes	184,388	310,017
Profit	406,625	695,368
Profit attributable to non-controlling interests	-	21,928
Profit attributable to owners of parent	406,625	673,439

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

	(Thousands of yen)	
	First six months of FY6/20 (Jul. 1, 2019 – Dec. 31, 2019)	First six months of FY6/21 (Jul. 1, 2020 – Dec. 31, 2020)
Profit	406,625	695,368
Other comprehensive income	-	-
Comprehensive income	406,625	695,368
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	406,625	673,439
Comprehensive income attributable to non-controlling interests	-	21,928

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY6/20 (Jul. 1, 2019 – Dec. 31, 2019)	First six months of FY6/21 (Jul. 1, 2020 – Dec. 31, 2020)
Cash flows from operating activities		
Profit before income taxes	591,013	1,005,385
Depreciation	53,034	67,521
Share issuance costs	18,582	-
Increase (decrease) in provision for shareholder benefit program	(20,535)	-
Increase (decrease) in retirement benefit liability	(2,479)	5,546
Interest and dividend income	(180)	(41)
Interest expenses	91,316	87,677
Decrease (increase) in investments in leases	13,952	13,382
Decrease (increase) in inventories	8,153	(3,324,912)
Increase (decrease) in accrued consumption taxes	-	(3,168)
Increase (decrease) in trade payables	(1,005,936)	2,447,456
Other, net	(455,967)	(199,388)
Subtotal	(709,045)	99,457
Interest and dividends received	180	42
Interest paid	(93,147)	(87,725)
Income taxes paid	(440,200)	(358,170)
Net cash provided by (used in) operating activities	(1,242,212)	(346,395)
Cash flows from investing activities		
Purchase of property, plant and equipment	(96,402)	(19,982)
Purchase of intangible assets	-	(472)
Other, net	(650)	(400)
Net cash provided by (used in) investing activities	(97,052)	(20,854)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(4,103)	(269,020)
Proceeds from long-term borrowings	4,347,040	3,368,000
Repayments of long-term borrowings	(2,775,172)	(4,145,207)
Repayments of lease obligations	(10,584)	(8,209)
Proceeds from issuance of shares	2,003,383	-
Dividends paid	(275,965)	(312,756)
Net cash provided by (used in) financing activities	3,284,598	(1,367,192)
Net increase (decrease) in cash and cash equivalents	1,945,334	(1,734,443)
Cash and cash equivalents at beginning of period	5,295,056	8,898,267
Cash and cash equivalents at end of period	7,240,390	7,163,824

(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****I. First six months of FY6/20 (Jul. 1, 2019 – Dec. 31, 2019)**

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.

II. First six months of FY6/21 (Jul. 1, 2020 – Dec. 31, 2020)**1. Information related to net sales and profit or loss for each reportable segment**

(Thousands of yen)

	Reportable segment		Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Real Estate	Hotel			
Net sales					
External sales	8,142,757	7,425	8,150,183	-	8,150,183
Inter-segment sales and transfers	-	-	-	-	-
Total	8,142,757	7,425	8,150,183	-	8,150,183
Segment profit (loss)	1,651,644	(69,532)	1,582,112	(467,557)	1,114,554

Notes: 1. The negative 467,557 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 adjusted to be consistent with operating profit shown on the quarterly consolidated statement of income.

2. Information related to changes in reportable segments, etc.

The Urbanet Group had operated its business with a single business segment, the Real Estate Business, until the previous fiscal year. From the second quarter of the fiscal year ending June 30, 2021, the Group has changed to the segment structure with two segments: the Real Estate Business and the Hotel Business as we started operating our own hotel on October 14, 2020.

For the segment information for the first six months of FY6/20, which is to be prepared under the new segment structure for the first six months of FY6/21, we do not disclose the segment information on the Hotel Business because it started operations in the second quarter of FY6/21.

3. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Not applicable.

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.