

**Consolidated Financial Results for the First Quarter
of the Fiscal Year Ending June 30, 2019
(Three Months Ended September 30, 2018)**

[Japanese GAAP]

November 8, 2018

Company name: URBANET CORPORATION Co., Ltd. Listing: Tokyo Stock Exchange (JASDAQ)
Stock code: 3242 URL: <http://www.urbanet.jp/>
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Scheduled date of filing of Quarterly Report: November 8, 2018

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, 2019
(July 1, 2018 to September 30, 2018)**

(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, 2018	6,559	48.1	1,011	62.0	961	69.8	670	72.0
Three months ended Sep. 30, 2017	4,430	11.0	624	14.2	566	12.6	389	11.6

Note: Comprehensive income (millions of yen) Three months ended Sep. 30, 2018: 670 (up 72.0%)

Three months ended Sep. 30, 2017: 389 (up 11.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2018	26.67	-
Three months ended Sep. 30, 2017	15.53	15.52

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2018	26,848	7,895	29.4
As of Jun. 30, 2018	28,527	7,450	26.1

Reference: Shareholders' equity (millions of yen)

As of Sep. 30, 2018: 7,887

As of Jun. 30, 2018: 7,442

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2018	-	7.00	-	9.00	16.00
Fiscal year ending Jun. 30, 2019	-				
Fiscal year ending Jun. 30, 2019 (forecast)		7.00	-	8.00	15.00

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

Note: The 2Q-end dividend per share for the fiscal year ended June 30, 2018 comprises an ordinary dividend of 6.00 yen and a commemorative dividend of 1.00 yen.

3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2019 (July 1, 2018 to June 30, 2019)

(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	17,550	9.1	1,750	4.9	1,510	4.8	1,030	4.1	40.96

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, 2018:	25,144,100 shares	As of Jun. 30, 2018:	25,144,100 shares
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2) Number of treasury shares as of the end of the period

As of Sep. 30, 2018:	52 shares	As of Jun. 30, 2018:	52 shares
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3) Average number of outstanding shares during the period

Three months ended Sep. 30, 2018:	25,144,048 shares	Three months ended Sep. 30, 2017:	25,099,511 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 Urbanet Corporation'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.
- Urbanet Corporation 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 9, 2018: Financial results meeting for institutional investors and analysts

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Condition	2
(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	5
(3) Quarterly Consolidated Statement of Cash Flows	7
(4) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Additional Information	8
Segment and Other Information	8

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

For the first quarter of the fiscal year ending June 30, 2019 (hereinafter “the period under review”), the Urbanet Group companies (hereinafter “the Urbanet Group” or “the Group”) reported net sales of 6,559 million yen (up 48.1% year-on-year) with operating profit of 1,011 million yen (up 62.0% year-on-year), ordinary profit of 961 million yen (up 69.8% year-on-year) and profit attributable to owners of parent of 670 million yen (up 72.0% year-on-year).

The performance by 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.

(Real Estate Development and Sales)

Total amount of sales from this category was 6,432 million yen (up 49.9% year-on-year), with revenues from sale of 249 units in a total of 5 one-room apartments for investors and from resale of two tracts of land.

(Real Estate Purchase and Sales)

Total amount of sales from this category was 31 million yen (down 41.4% year-on-year), with revenues from purchase and resale of one unit of property.

(Others)

Total amount of sales from this category was 95 million yen (up 12.5% 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 on a consolidated basis amounted to 26,848 million yen at the end of the period under review, a decrease of 1,679 million yen over the end of the previous fiscal year.

This was mainly due to a decrease of 1,744 million yen in inventories thanks to a steady progress of selling properties in the Real Estate Development and Sales business.

Liabilities totaled 18,953 million yen, a decrease of 2,123 million yen over the end of the previous fiscal year.

This was mainly due to a decrease of 2,134 million yen in long-term loans payable (including current portion of long-term loans payable) as a result of further repayments of project funds related to the Real Estate Development and Sales business.

Net assets totaled 7,895 million yen, an increase of 444 million yen over the end of the previous fiscal year.

This was mainly due to an increase in retained earnings from profit attributable to owners of parent, which was partially offset by the payment of the 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 3,963 million yen, a decrease of 257 million yen over the end of the previous fiscal year. This was mainly due to an increase in net cash provided by operating activities, which was more than offset by a decrease in net cash used in investing and financing activities.

The cash flow components during the period under review and the main reasons for changes are as described below.

Cash flows from operating activities

Net cash provided by operating activities totaled 1,986 million yen (compared with net cash used of 524 million yen for the same period of the previous fiscal year).

This was mainly due to an increase in net cash caused by a decrease in inventories and the booking of profit before income taxes.

Cash flows from investing activities

Net cash used in investing activities totaled 0 million yen (compared with net cash used of 779 million yen for the same period of the previous fiscal year).

This was due to a decrease in net cash from purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities totaled 2,243 million yen (compared with net cash provided of 940 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 loans to use for purchasing land for development on our own in the Real Estate Development and Sales business, which were more than offset by a decrease in net cash caused by the repayment of long-term loans payable 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, 2019 that was announced on August 9, 2018 in “Summary of Consolidated Financial Results for the Fiscal Year Ended June 30, 2018.”

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

	(Thousands of yen)	
	FY6/18 (As of Jun. 30, 2018)	First quarter of FY6/19 (As of Sep. 30, 2018)
Assets		
Current assets		
Cash and deposits	4,231,064	3,973,711
Real estate for sale	2,618,048	3,267,133
Real estate for sale in process	16,006,346	13,611,836
Work in process	-	1,380
Other	206,306	512,567
Total current assets	23,061,766	21,366,629
Non-current assets		
Property, plant and equipment	4,902,753	4,902,108
Intangible assets	3,213	3,024
Investments and other assets	560,086	576,616
Total non-current assets	5,466,053	5,481,749
Total assets	28,527,820	26,848,378
Liabilities		
Current liabilities		
Accounts payable-trade	1,638,204	1,578,270
Short-term loans payable	195,000	285,000
Current portion of bonds	36,000	20,000
Current portion of long-term loans payable	8,130,739	8,082,340
Lease obligations	15,830	21,621
Provision for bonuses	-	26,277
Income taxes payable	70,864	331,751
Other	756,922	454,340
Total current liabilities	10,843,561	10,799,601
Non-current liabilities		
Long-term loans payable	10,098,008	8,012,272
Lease obligations	32,893	51,154
Provision for shareholder benefit program	25,941	16,009
Net defined benefit liability	44,020	43,611
Other	32,779	30,724
Total non-current liabilities	10,233,641	8,153,770
Total liabilities	21,077,203	18,953,372
Net assets		
Shareholders' equity		
Capital stock	1,682,463	1,682,463
Capital surplus	1,180,590	1,180,590
Retained earnings	4,579,854	5,024,103
Treasury shares	(14)	(14)
Total shareholders' equity	7,442,893	7,887,142
Share acquisition rights	7,723	7,864
Total net assets	7,450,617	7,895,006
Total liabilities and net assets	28,527,820	26,848,378

(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 FY6/18 (Jul. 1, 2017 – Sep. 30, 2017)	First three months of FY6/19 (Jul. 1, 2018 – Sep. 30, 2018)
Net sales	4,430,480	6,559,495
Cost of sales	3,483,047	5,246,771
Gross profit	947,433	1,312,723
Selling, general and administrative expenses	323,176	301,609
Operating profit	624,257	1,011,114
Non-operating income		
Interest income	16	11
Other	925	3,627
Total non-operating income	941	3,638
Non-operating expenses		
Interest expenses	45,292	48,293
Commission fee	13,605	5,082
Other	2	0
Total non-operating expenses	58,900	53,375
Ordinary profit	566,297	961,377
Profit before income taxes	566,297	961,377
Income taxes-current	169,081	313,251
Income taxes-deferred	7,468	(22,420)
Total income taxes	176,549	290,831
Profit	389,748	670,545
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	389,748	670,545

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

	(Thousands of yen)	
	First three months of FY6/18 (Jul. 1, 2017 – Sep. 30, 2017)	First three months of FY6/19 (Jul. 1, 2018 – Sep. 30, 2018)
Profit	389,748	670,545
Other comprehensive income	-	-
Comprehensive income	389,748	670,545
Comprehensive income attributable to:		
Owners of parent	389,748	670,545
Non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First three months of FY6/18 (Jul. 1, 2017 – Sep. 30, 2017)	First three months of FY6/19 (Jul. 1, 2018 – Sep. 30, 2018)
Cash flows from operating activities		
Profit before income taxes	566,297	961,377
Depreciation	27,299	28,564
Increase (decrease) in provision for shareholder benefit program	-	(9,932)
Interest and dividend income	(16)	(11)
Interest expenses	45,292	48,293
Decrease (increase) in lease investment assets	(370,255)	5,667
Decrease (increase) in inventories	(1,305,615)	1,744,045
Increase (decrease) in accrued consumption taxes	(6,532)	(3,365)
Increase (decrease) in notes and accounts payable-trade	1,459,900	(59,933)
Increase (decrease) in provision for bonuses	20,934	26,277
Increase (decrease) in net defined benefit liability	1,260	(409)
Other, net	(499,720)	(650,910)
Subtotal	(61,156)	2,089,662
Interest and dividend income received	16	12
Interest expenses paid	(41,742)	(46,798)
Income taxes paid	(421,721)	(56,190)
Net cash provided by (used in) operating activities	(524,603)	1,986,686
Cash flows from investing activities		
Purchase of property, plant and equipment	(779,108)	(472)
Net cash provided by (used in) investing activities	(779,108)	(472)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	505,000	90,000
Proceeds from long-term loans payable	2,282,500	467,478
Repayments of long-term loans payable	(1,603,544)	(2,601,613)
Redemption of bonds	(16,000)	(16,000)
Repayments of lease obligations	(4,903)	(4,953)
Proceeds from issuance of common shares	7,177	-
Cash dividends paid	(229,607)	(178,477)
Net cash provided by (used in) financing activities	940,622	(2,243,566)
Net increase (decrease) in cash and cash equivalents	(363,090)	(257,353)
Cash and cash equivalents at beginning of period	4,103,410	4,221,064
Cash and cash equivalents at end of period	3,740,320	3,963,711

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Additional Information

Application of Partial Amendments to Accounting Standard for Tax Effect Accounting

Starting with the beginning of the first quarter of the fiscal year ending June 30, 2019, the Urbanet Group is applying “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018). Accordingly, deferred tax assets has been presented in the investments and other assets section of the balance sheet.

Segment and Other Information

Segment information

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.