

**Consolidated Financial Results for the First Quarter  
of the Fiscal Year Ending June 30, 2020  
(Three Months Ended September 30, 2019)**

[Japanese GAAP]

November 7, 2019

Company name: URBANET CORPORATION Co., Ltd. Listing: Tokyo Stock Exchange (JASDAQ)  
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Scheduled date of filing of Quarterly Report: November 7, 2019

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, 2020  
(July 1, 2019 to September 30, 2019)**

(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, 2019	4,357	(33.6)	494	(51.1)	431	(55.1)	300	(55.2)
Three months ended Sep. 30, 2018	6,559	48.1	1,011	62.0	961	69.8	670	72.0

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

Three months ended Sep. 30, 2018: 670 (up 72.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2019	11.94	11.94
Three months ended Sep. 30, 2018	26.67	-

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2019	29,618	8,387	28.3
As of Jun. 30, 2019	30,467	8,363	27.4

Reference: Shareholders' equity (millions of yen)

As of Sep. 30, 2019: 8,379

As of Jun. 30, 2019: 8,356

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2019	-	7.00	-	11.00	18.00
Fiscal year ending Jun. 30, 2020	-				
Fiscal year ending Jun. 30, 2020 (forecast)		10.00	-	14.00	24.00

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

**3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2020 (July 1, 2019 to June 30, 2020)**

(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
First half	8,150	(29.0)	650	(54.0)	510	(61.0)	350	(61.4)	13.91
Full year	21,380	6.5	2,380	10.8	2,090	9.2	1,450	10.7	57.64

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, 2019:	25,158,100 shares	As of Jun. 30, 2019:	25,158,100 shares
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2) Number of treasury shares as of the end of the period

As of Sep. 30, 2019:	62 shares	As of Jun. 30, 2019:	62 shares
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3) Average number of outstanding shares during the period

Three months ended Sep. 30, 2019:	25,158,038 shares	Three months ended Sep. 30, 2018:	25,144,048 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 8, 2019: 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 quarter of the fiscal year ending June 30, 2020, the Urbanet Group companies (hereinafter “the Urbanet Group” or “the Group”) reported net sales of 4,357 million yen (down 33.6% year-on-year) with operating profit of 494 million yen (down 51.1% year-on-year), ordinary profit of 431 million yen (down 55.1% year-on-year), and profit attributable to owners of parent of 300 million yen (down 55.2% year-on-year).

The year-on-year decreases in both net sales and profits are 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 number of properties sold and their selling prices vary from quarter to quarter every year. Accordingly, the year-on-year decreases simply reflect the fact that the number of properties completed and sold in the period under review happened to be fewer than that in the same period a year earlier.

When assessing our financial performance, you are kindly requested to focus on comparison with the earnings forecast disclosed in this report.

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.

#### (Real Estate Development and Sales)

The total amount of sales from this category was 4,180 million yen (down 35.0% year-on-year), with revenues from sale of 162 units in a total of four one-room apartments for investors.

#### (Real Estate Purchase and Sales)

The total amount of sales from this category was 70 million yen (up 122.4% year-on-year), with revenues from purchase and resale of two units of pre-owned condominiums.

#### (Others)

The total amount of sales from this category was 106 million yen (up 11.7% 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

Financial conditions at the end of the period under review are described as below.

Total assets, total liabilities and net assets on a consolidated basis amounted to 29,618 million yen (a decrease of 848 million yen over the end of the previous fiscal year), 21,230 million yen (a decrease of 872 million yen), and 8,387 million yen (an increase of 23 million yen), respectively.

The decrease in total assets is mainly due to a significant decrease of 3,506 million yen in real estate for sale, which was partially offset by increases of 448 million yen in cash and deposits and 2,387 million yen in real estate for sale in process owing to strong sales and purchase of three units of properties even in competitive market conditions for land for development.

The decrease in total liabilities is mainly due to decreases of 1,741 million yen in accounts payable-trade resulting from recognition of sales and 353 million yen in income taxes payable resulting from payment of corporate taxes,

which were partially offset by increases of 1,066 million yen in long-term borrowings (including current portion) made for purchase of land and 166 million yen in short-term borrowings.

The increase in net assets was due to an increase in retained earnings.

## 2) Analysis of Cash Flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the period under review amounted to 5,743 million yen, an increase of 448 million yen over the end of the previous fiscal year. This was due to a decrease in net cash resulting from operating activities, which was more than offset by an increase in net cash resulting from financing activities.

### Cash flows from operating activities

Net cash used in operating activities totaled 537 million yen (compared with net cash provided of 1,986 million yen for the same period of the previous fiscal year). This was mainly due to a significant decrease in trade payables.

### Cash flows from investing activities

Net cash used in investing activities totaled 21 million yen (compared with net cash used of 0 million yen for the same period of the previous fiscal year). This was mainly due to purchase of property, plant and equipment.

### Cash flows from financing activities

Net cash provided by financing activities totaled 1,007 million yen (compared with net cash used of 2,243 million yen for the same period of the previous fiscal year).

This was mainly because the proceeds from long-term borrowings made for purchasing land for development in the Real Estate Development and Sales business exceeded the repayment of long-term borrowings resulting from recognition of sales.

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

We maintain the first-half and full-year consolidated earnings forecasts for the fiscal year ending June 30, 2020. This is because we consider that operating profit, ordinary profit, and profit attributable to owners of parent for the period under review turn out as we planned although the actual-to-forecast ratios for all of these measures have exceeded 70% of the first-half earnings forecast for the fiscal year ending June 30, 2020 disclosed on August 8, 2019 due to inclusion of higher margin properties in those sold in the period under review.

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

	(Thousands of yen)	
	FY6/19 (As of Jun. 30, 2019)	First quarter of FY6/20 (As of Sep. 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	5,305,056	5,753,148
Real estate for sale	3,762,250	255,383
Real estate for sale in process	15,499,820	17,887,386
Work in process	-	150
Other	305,462	189,189
Total current assets	24,872,589	24,085,258
Non-current assets		
Property, plant and equipment	4,996,018	4,960,766
Intangible assets	3,172	2,950
Investments and other assets	595,429	569,628
Total non-current assets	5,594,620	5,533,346
Total assets	30,467,209	29,618,604
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	2,046,486	305,294
Short-term borrowings	723,528	890,368
Current portion of long-term borrowings	8,879,044	10,678,101
Lease obligations	20,510	18,442
Income taxes payable	470,193	116,692
Provision for bonuses	-	26,210
Provision for shareholder benefit program	37,893	23,557
Other	1,331,168	1,317,304
Total current liabilities	13,508,823	13,375,971
Non-current liabilities		
Long-term borrowings	8,473,821	7,740,848
Lease obligations	36,161	32,757
Retirement benefit liability	48,600	43,797
Other	35,862	37,587
Total non-current liabilities	8,594,444	7,854,989
Total liabilities	22,103,268	21,230,961
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,685,249	1,685,249
Capital surplus	1,183,376	1,183,376
Retained earnings	5,487,632	5,511,336
Treasury shares	(17)	(17)
Total shareholders' equity	8,356,240	8,379,943
Share acquisition rights	7,700	7,700
Total net assets	8,363,940	8,387,643
Total liabilities and net assets	30,467,209	29,618,604

**(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 FY6/19 (Jul. 1, 2018 – Sep. 30, 2018)	First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)
Net sales	6,559,495	4,357,413
Cost of sales	5,246,771	3,546,151
Gross profit	1,312,723	811,262
Selling, general and administrative expenses	301,609	316,725
Operating profit	1,011,114	494,536
Non-operating income		
Interest income	11	16
Dividend income	-	150
Other	3,627	1,038
Total non-operating income	3,638	1,205
Non-operating expenses		
Interest expenses	48,293	44,117
Commission expenses	5,082	19,921
Other	0	-
Total non-operating expenses	53,375	64,038
Ordinary profit	961,377	431,703
Profit before income taxes	961,377	431,703
Income taxes-current	313,251	105,709
Income taxes-deferred	(22,420)	25,552
Total income taxes	290,831	131,261
Profit	670,545	300,441
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	670,545	300,441

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

	(Thousands of yen)	
	First three months of FY6/19 (Jul. 1, 2018 – Sep. 30, 2018)	First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)
Profit	670,545	300,441
Other comprehensive income	-	-
Comprehensive income	670,545	300,441
Comprehensive income attributable to:		
Owners of parent	670,545	300,441
Non-controlling interests	-	-



**(3) Quarterly Consolidated Statement of Cash Flows**

	(Thousands of yen)	
	First three months of FY6/19 (Jul. 1, 2018 – Sep. 30, 2018)	First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)
Cash flows from operating activities		
Profit before income taxes	961,377	431,703
Depreciation	28,564	26,517
Increase (decrease) in provision for bonuses	26,277	26,210
Increase (decrease) in provision for shareholder benefit program	(9,932)	(14,335)
Increase (decrease) in retirement benefit liability	(409)	(4,803)
Interest and dividend income	(11)	(167)
Interest expenses	48,293	44,117
Decrease (increase) in investments in leases	5,667	6,124
Decrease (increase) in inventories	1,744,045	1,119,150
Increase (decrease) in trade payables	(59,933)	(1,741,192)
Increase (decrease) in accrued consumption taxes	(3,365)	1,933
Other, net	(650,910)	52,880
Subtotal	2,089,662	(51,861)
Interest and dividends received	12	167
Interest paid	(46,798)	(45,959)
Income taxes paid	(56,190)	(440,199)
Net cash provided by (used in) operating activities	1,986,686	(537,853)
Cash flows from investing activities		
Purchase of property, plant and equipment	(472)	(20,858)
Other, net	-	(650)
Net cash provided by (used in) investing activities	(472)	(21,508)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	90,000	166,840
Proceeds from long-term borrowings	467,478	2,088,520
Repayments of long-term borrowings	(2,601,613)	(1,022,436)
Redemption of bonds	(16,000)	-
Repayments of lease obligations	(4,953)	(5,471)
Dividends paid	(178,477)	(220,000)
Net cash provided by (used in) financing activities	(2,243,566)	1,007,452
Net increase (decrease) in cash and cash equivalents	(257,353)	448,091
Cash and cash equivalents at beginning of period	4,221,064	5,295,056
Cash and cash equivalents at end of period	3,963,711	5,743,148

#### **(4) Notes to Quarterly Consolidated Financial Statements**

##### **Going Concern Assumption**

Not applicable.

##### **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.*