

**Consolidated Financial Results for the Second Quarter
of the Fiscal Year Ending June 30, 2020
(Six Months Ended December 31, 2019)**

[Japanese GAAP]

February 6, 2020

Company name: URBANET CORPORATION Co., Ltd. Listing: Tokyo Stock Exchange (JASDAQ)
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Scheduled date of filing of Quarterly Report: February 6, 2020

Scheduled date of payment of dividend: March 30, 2020

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, 2020
(July 1, 2019 to December 31, 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	%
Six months ended Dec. 31, 2019	8,256	(28.0)	747	(47.0)	591	(54.8)	406	(55.2)
Six months ended Dec. 31, 2018	11,473	29.9	1,412	15.9	1,306	18.2	906	19.6

Note: Comprehensive income (millions of yen) Six months ended Dec. 31, 2019: 406 (down 55.2%)

Six months ended Dec. 31, 2018: 906 (up 19.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Dec. 31, 2019	15.72	15.72
Six months ended Dec. 31, 2018	36.07	-

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2019	32,356	10,510	32.5
As of Jun. 30, 2019	30,467	8,363	27.4

Reference: Shareholders' equity (millions of yen)

As of Dec. 31, 2019: 10,503

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	-	10.00			
Fiscal year ending Jun. 30, 2020 (forecast)			-	10.00	20.00

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
Full year	21,380	6.5	2,380	10.8	2,090	9.2	1,450	10.7	50.70

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, 2019:	31,374,100 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 Dec. 31, 2019:	62 shares	As of Jun. 30, 2019:	62 shares
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3) Average number of outstanding shares during the period

Six months ended Dec. 31, 2019:	25,858,864 shares	Six months ended Dec. 31, 2018:	25,146,059 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, February 7, 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 half of the fiscal year ending June 30, 2020 (hereinafter “the period under review”), the Urbanet Group companies (hereinafter “the Urbanet Group” or “the Group”) reported net sales of 8,256 million yen (down 28.0% year-on-year) with operating profit of 747 million yen (down 47.0% year-on-year), ordinary profit of 591 million yen (down 54.8% year-on-year), and profit attributable to owners of parent of 406 million yen (down 55.2% year-on-year).

The Group reported a significant year-on-year decrease in both sales and profits. Nevertheless, the results of operations for the period under review achieved in all respects the earnings forecast for the period under review that was announced on August 8, 2019 in “Summary of Consolidated Financial Results for the Fiscal Year Ended June 30, 2019” with net sales of 8,150 million yen, operating profit of 650 million yen, ordinary profit of 510 million yen and profit attributable to owners of parent of 350 million yen. As we expect the earnings for the current fiscal year to be skewed to the second half, we can safely conclude that the results for the first half have remained strong.

In addition, we are highly confident that the operating results for the current fiscal year will hit the full-year earnings forecast disclosed in the above report because properties scheduled for sale in the second half have effectively been sold out with contracts in place.

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 7,973 million yen (down 28.7% year-on-year), with revenues from sale of 263 units in a total of five one-room apartments for investors and three units in one store building.

(Real Estate Purchase and Sales)

The total amount of sales from this category was 70 million yen (down 8.0% year-on-year), with revenues from purchase and resale of two units.

(Others)

The total amount of sales from this category was 212 million yen (down 1.7% 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

Total assets on a consolidated basis amounted to 32,356 million yen at the end of the period under review, an increase of 1,889 million yen over the end of the previous fiscal year.

This is mainly due to an increase of 1,945 million yen in cash and deposits owing to an increase in cash of 2,016 million yen in December 2019 resulting from the public offering and the third-party allotment by way of over-allotment.

Liabilities totaled 21,845 million yen, a decrease of 257 million yen over the end of the previous fiscal year.

This is mainly due to a decrease of 1,839 million yen in total current liabilities primarily attributable to decreases of 1,005 million yen in accounts payable-trade and 433 million yen in advances received resulting from recognition of sales, and also a decrease of 288 million yen in income taxes payable, which was partially offset by an increase of

1,582 million yen in total non-current liabilities, primarily attributable to an increase of 1,593 million yen in long-term borrowings made for purchase of land for development.

Net assets totaled 10,510 million yen, an increase of 2,146 million yen over the end of the previous fiscal year.

This is mainly due to an increase of 129 million yen in retained earnings as well as increases in share capital and legal capital surplus as a result of the above mentioned capital increase.

2) Analysis of Cash Flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the period under review amounted to 7,240 million yen, an increase of 1,945 million yen over the end of the previous fiscal year. This was due to a significant cash inflow from financing activities, which was partially offset by a cash outflow from operating activities. The cash inflow from financing activities reflected long-term borrowings made for purchase of land for development as well as the public offering. On the other hand, the cash outflow from operating activities reflected the fact that the purchasing of land for development progressed favorably even under difficult conditions whereas trade payables were paid prior to the recognition of sales, which are expected to be skewed to the second half.

Cash flows from operating activities

Net cash used in operating activities for the period under review totaled 1,242 million yen (compared with net cash provided of 2,043 million yen for the previous fiscal year and net cash provided of 586 million yen for the same period of the previous fiscal year).

Cash flows from investing activities

Net cash used in investing activities for the period under review totaled 97 million yen (compared with net cash used of 167 million yen for the previous fiscal year and net cash used of 8 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 for the period under review totaled 3,284 million yen (compared with net cash used of 801 million yen for the previous fiscal year and net cash used of 378 million yen for the same period of the previous fiscal year).

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

We maintain the consolidated earnings forecast for the fiscal year ending June 30, 2020 that was announced on August 8, 2019 in “Summary of Consolidated Financial Results for the Fiscal Year Ended June 30, 2019.”

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

	(Thousands of yen)	
	FY6/19 (As of Jun. 30, 2019)	Second quarter of FY6/20 (As of Dec. 31, 2019)
Assets		
Current assets		
Cash and deposits	5,305,056	7,250,390
Real estate for sale	3,762,250	997,469
Real estate for sale in process	15,499,820	18,256,297
Work in process	-	150
Other	305,462	275,254
Total current assets	24,872,589	26,779,562
Non-current assets		
Property, plant and equipment	4,996,018	5,009,747
Intangible assets	3,172	2,729
Investments and other assets	595,429	564,197
Total non-current assets	5,594,620	5,576,674
Total assets	30,467,209	32,356,237
Liabilities		
Current liabilities		
Accounts payable-trade	2,046,486	1,040,550
Short-term borrowings	723,528	719,425
Current portion of long-term borrowings	8,879,044	8,857,621
Lease obligations	20,510	16,832
Income taxes payable	470,193	181,678
Provision for shareholder benefit program	37,893	17,357
Other	1,331,168	835,505
Total current liabilities	13,508,823	11,668,970
Non-current liabilities		
Long-term borrowings	8,473,821	10,067,112
Lease obligations	36,161	29,494
Retirement benefit liability	48,600	46,121
Other	35,862	33,806
Total non-current liabilities	8,594,444	10,176,533
Total liabilities	22,103,268	21,845,504
Net assets		
Shareholders' equity		
Share capital	1,685,249	2,693,701
Capital surplus	1,183,376	2,191,829
Retained earnings	5,487,632	5,617,519
Treasury shares	(17)	(17)
Total shareholders' equity	8,356,240	10,503,032
Share acquisition rights	7,700	7,700
Total net assets	8,363,940	10,510,732
Total liabilities and net assets	30,467,209	32,356,237

(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 FY6/19 (Jul. 1, 2018 – Dec. 31, 2018)	First six months of FY6/20 (Jul. 1, 2019 – Dec. 31, 2019)
Net sales	11,473,758	8,256,816
Cost of sales	9,426,915	6,842,245
Gross profit	2,046,843	1,414,571
Selling, general and administrative expenses	634,756	666,814
Operating profit	1,412,086	747,756
Non-operating income		
Interest income	19	30
Dividend income	-	150
Other	3,757	1,576
Total non-operating income	3,777	1,757
Non-operating expenses		
Interest expenses	92,089	91,316
Commission expenses	17,362	41,813
Share issuance cost	-	18,582
Other	16	6,789
Total non-operating expenses	109,468	158,501
Ordinary profit	1,306,395	591,013
Profit before income taxes	1,306,395	591,013
Income taxes-current	418,938	156,517
Income taxes-deferred	(19,467)	27,871
Total income taxes	399,471	184,388
Profit	906,923	406,625
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	906,923	406,625

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

(Thousands of yen)

	First six months of FY6/19 (Jul. 1, 2018 – Dec. 31, 2018)	First six months of FY6/20 (Jul. 1, 2019 – Dec. 31, 2019)
Profit	906,923	406,625
Other comprehensive income	-	-
Comprehensive income	906,923	406,625
Comprehensive income attributable to:		
Owners of parent	906,923	406,625
Non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY6/19 (Jul. 1, 2018 – Dec. 31, 2018)	First six months of FY6/20 (Jul. 1, 2019 – Dec. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	1,306,395	591,013
Depreciation	57,662	53,034
Share issuance cost	-	18,582
Increase (decrease) in provision for shareholder benefit program	(13,572)	(20,535)
Increase (decrease) in retirement benefit liability	1,748	(2,479)
Interest and dividend income	(19)	(180)
Interest expenses	92,089	91,316
Decrease (increase) in investments in leases	11,438	13,952
Decrease (increase) in inventories	(1,056,810)	8,153
Increase (decrease) in trade payables	437,266	(1,005,936)
Increase (decrease) in accrued consumption taxes	(3,365)	-
Other, net	(99,595)	(455,967)
Subtotal	733,237	(709,045)
Interest and dividends received	20	180
Interest paid	(90,910)	(93,147)
Income taxes paid	(56,191)	(440,200)
Net cash provided by (used in) operating activities	586,155	(1,242,212)
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,150)	(96,402)
Other, net	-	(650)
Net cash provided by (used in) investing activities	(8,150)	(97,052)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(81,000)	(4,103)
Proceeds from long-term borrowings	4,200,428	4,347,040
Repayments of long-term borrowings	(4,249,849)	(2,775,172)
Redemption of bonds	(16,000)	-
Repayments of lease obligations	(10,367)	(10,584)
Proceeds from issuance of shares	4,956	2,003,383
Dividends paid	(226,192)	(275,965)
Net cash provided by (used in) financing activities	(378,025)	3,284,598
Net increase (decrease) in cash and cash equivalents	199,979	1,945,334
Cash and cash equivalents at beginning of period	4,221,064	5,295,056
Cash and cash equivalents at end of period	4,421,044	7,240,390

(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.