Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending June 30, 2019 (Nine Months Ended March 31, 2019)

[Japanese GAAP]

May 9, 2019

Company name: URBANET CORPORATION Co., Ltd. Listing: Tokyo Stock Exchange (JASDAQ)
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Scheduled date of filing of Quarterly Report: May 9, 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 Third Quarter of the Fiscal Year Ending June 30, 2019 (July 1, 2018 to March 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	%
Nine months ended Mar. 31, 2019	18,125	36.2	2,296	35.4	2,115	37.8	1,465	39.8
Nine months ended Mar. 31, 2018	13,308	4.2	1,695	(11.4)	1,535	(11.1)	1,048	(11.1)

Note: Comprehensive income (millions of yen) Nine months ended Mar. 31, 2019: 1,465 (up 39.8%)
Nine months ended Mar. 31, 2018: 1,048 (down 11.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Mar. 31, 2019	58.28	58.28
Nine months ended Mar. 31, 2018	41.72	41.71

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Mar. 31, 2019	29,451	8,519	28.9
As of Jun. 30, 2018	28,527	7,450	26.1

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2019: 8,511 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	-	7.00	-		
Fiscal year ending Jun. 30, 2019 (forecast)				8.00	15.00

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

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	19,100	18.7	2,020	21.1	1,740	20.8	1,205	21.8	47.92

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 Mar. 31, 2019:	25,158,100 shares	As of Jun. 30, 2018:	25,144,100 shares

2) Number of treasury shares as of the end of the period

As of Mar. 31, 2019:	62 shares	As of Jun. 30, 2018:	52 shares

3) Average number of outstanding shares during the period

Nine months ended Mar. 31, 2019:	25,149,994 shares	Nine months ended Mar. 31, 2018:	25,125,268 shares

* 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, May 10, 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 nine months 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 18,125 million yen (up 36.2% year-on-year) with operating profit of 2,296 million yen (up 35.4% year-on-year), ordinary profit of 2,115 million yen (up 37.8% year-on-year), and profit attributable to owners of parent of 1,465 million yen (up 39.8% year-on-year).

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)

Total amount of sales from this category was 17,614 million yen (up 37.4% year-on-year), with revenues from sale of 609 units in a total of 13 one-room apartments for investors, sale of three units in one terraced house, and resale of two tracts of land.

(Real Estate Purchase and Sales)

Total amount of sales from this category was 181 million yen (up 6.2% year-on-year), with revenues from purchase and resale of five units of properties.

(Others)

Total amount of sales from this category was 328 million yen (up 3.0% 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 on a consolidated basis amounted to 29,451 million yen at the end of the period under review, an increase of 924 million yen over the end of the previous fiscal year.

This was mainly due to an increase of 1,527 million yen in cash and deposits and a decrease of 1,666 million yen in real estate for sale thanks to strong sales of the Real Estate Development and Sales business, and an increase in real estate for sale in process of 948 million yen resulting from smooth purchase of land for development.

Liabilities totaled 20,932 million yen, a decrease of 144 million yen over the end of the previous fiscal year.

This was mainly due to an increase of 1,455 million yen in current liabilities caused by an increase in income taxes payable and a decrease of 1,600 million yen in non-current liabilities caused primarily by repayment of long-term loans payable using cash generated from sales of the Real Estate Development and Sales business.

Net assets totaled 8,519 million yen, an increase of 1,068 million yen over the end of the previous fiscal year.

This was mainly due to an increase of 1,023 million yen in retained earnings brought forward.

2) Analysis of Cash Flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the period under review amounted to 5,749 million yen, an increase of 1,527 million yen over the end of the previous fiscal year. This was due to an increase in net cash provided by operating activities, which was partially offset by a decrease in net cash resulting from 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 2,153 million yen (compared with net cash used of 586 million yen for the same period of the previous fiscal year).

This was mainly due to the booking of profit before income taxes.

Cash flows from investing activities

Net cash used in investing activities totaled 67 million yen (compared with net cash used of 804 million yen for the same period of the previous fiscal year).

This was mainly due to purchase of property, plant and equipment (accounted for as the hotel construction cost).

Cash flows from financing activities

Net cash used in financing activities totaled 558 million yen (compared with net cash provided of 1,063 million yen for the same period of the previous fiscal year).

This was mainly due to the payment of dividends to our shareholders and a redemption of bonds, in addition to repayments of long-term loans payable using cash generated from sale of properties, which exceeded proceeds from long-term loans payable made to purchase land for development, in the Real Estate Development and Sales 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, 2019 that was announced on December 13, 2018 in “Notice of Revision to the Consolidated Full-year Earnings Forecast.” While operating profit, ordinary profit, and profit attributable to owners of parent for the period under review have already exceeded the profits of the full-year forecast, we expect fixed operating expenses will exceed gross profit in the fourth quarter (from April 1 to June 30, 2019).

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY6/18 (As of Jun. 30, 2018)	Third quarter of FY6/19 (As of Mar. 31, 2019)
Assets		
Current assets		
Cash and deposits	4,231,064	5,759,006
Real estate for sale	2,618,048	951,896
Real estate for sale in process	16,006,346	16,954,470
Other	206,306	198,733
Total current assets	23,061,766	23,864,106
Non-current assets		
Property, plant and equipment	4,902,753	4,991,157
Intangible assets	3,213	3,850
Investments and other assets	560,086	592,782
Total non-current assets	5,466,053	5,587,790
Total assets	28,527,820	29,451,896
Liabilities		
Current liabilities		
Accounts payable-trade	1,638,204	753,600
Short-term loans payable	195,000	394,000
Current portion of bonds	36,000	-
Current portion of long-term loans payable	8,130,739	9,387,434
Lease obligations	15,830	21,211
Provision for bonuses	-	43,677
Income taxes payable	70,864	514,738
Other	756,922	1,184,178
Total current liabilities	10,843,561	12,298,839
Non-current liabilities		
Long-term loans payable	10,098,008	8,497,300
Lease obligations	32,893	40,721
Provision for shareholder benefit program	25,941	10,750
Net defined benefit liability	44,020	46,962
Other	32,779	37,898
Total non-current liabilities	10,233,641	8,633,633
Total liabilities	21,077,203	20,932,472
Net assets		
Shareholders' equity		
Capital stock	1,682,463	1,685,249
Capital surplus	1,180,590	1,183,376
Retained earnings	4,579,854	5,643,115
Treasury shares	(14)	(17)
Total shareholders' equity	7,442,893	8,511,723
Share acquisition rights	7,723	7,700
Total net assets	7,450,617	8,519,423
Total liabilities and net assets	28,527,820	29,451,896

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Nine-month Period)

(Thousands of yen)

	First nine months of FY6/18 (Jul. 1, 2017 – Mar. 31, 2018)	First nine months of FY6/19 (Jul. 1, 2018 – Mar. 31, 2019)
Net sales	13,308,300	18,125,205
Cost of sales	10,719,785	14,847,911
Gross profit	2,588,514	3,277,293
Selling, general and administrative expenses	892,798	981,198
Operating profit	1,695,716	2,296,095
Non-operating income		
Interest income	49	31
Other	2,721	4,180
Total non-operating income	2,771	4,212
Non-operating expenses		
Interest expenses	136,307	139,890
Commission fee	26,909	44,685
Other	17	16
Total non-operating expenses	163,233	184,592
Ordinary profit	1,535,254	2,115,715
Profit before income taxes	1,535,254	2,115,715
Income taxes-current	459,402	690,846
Income taxes-deferred	27,508	(40,796)
Total income taxes	486,910	650,050
Profit	1,048,343	1,465,664
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	1,048,343	1,465,664

Quarterly Consolidated Statement of Comprehensive Income

(For the Nine-month Period)

(Thousands of yen)

	First nine months of FY6/18 (Jul. 1, 2017 – Mar. 31, 2018)	First nine months of FY6/19 (Jul. 1, 2018 – Mar. 31, 2019)
Profit	1,048,343	1,465,664
Other comprehensive income	-	-
Comprehensive income	1,048,343	1,465,664
Comprehensive income attributable to:		
Owners of parent	1,048,343	1,465,664
Non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First nine months of FY6/18 (Jul. 1, 2017 – Mar. 31, 2018)	First nine months of FY6/19 (Jul. 1, 2018 – Mar. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	1,535,254	2,115,715
Depreciation	88,438	86,808
Increase (decrease) in provision for shareholder benefit program	-	(15,190)
Interest and dividend income	(49)	(31)
Interest expenses	136,307	139,890
Decrease (increase) in lease investment assets	(364,569)	17,791
Decrease (increase) in inventories	(1,273,522)	718,028
Increase (decrease) in accrued consumption taxes	(6,274)	(3,365)
Increase (decrease) in notes and accounts payable-trade	587,251	(884,603)
Increase (decrease) in provision for bonuses	32,199	43,677
Increase (decrease) in net defined benefit liability	4,153	2,942
Other, net	(415,935)	329,342
Subtotal	323,252	2,551,004
Interest and dividend income received	51	32
Interest expenses paid	(132,389)	(135,566)
Income taxes paid	(777,045)	(261,922)
Net cash provided by (used in) operating activities	(586,131)	2,153,547
Cash flows from investing activities		
Purchase of property, plant and equipment	(804,314)	(65,635)
Purchase of intangible assets	-	(1,425)
Net cash provided by (used in) investing activities	(804,314)	(67,060)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	232,500	199,000
Proceeds from long-term loans payable	6,124,500	8,064,572
Repayments of long-term loans payable	(4,783,316)	(8,408,585)
Redemption of bonds	(72,000)	(36,000)
Repayments of lease obligations	(15,504)	(15,795)
Proceeds from issuance of common shares	13,624	4,956
Cash dividends paid	(435,930)	(366,688)
Other, net	-	(3)
Net cash provided by (used in) financing activities	1,063,872	(558,544)
Net increase (decrease) in cash and cash equivalents	(326,573)	1,527,941
Cash and cash equivalents at beginning of period	4,103,410	4,221,064
Cash and cash equivalents at end of period	3,776,836	5,749,006

(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" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). Accordingly, the figure of 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.