Consolidated Financial Results for the Fiscal Year Ended June 30, 2020

[Japanese GAAP]

August 6, 2020

Company name: URBANET CORPORATION Co., Ltd. Listing: Tokyo Stock Exchange (JASDAQ)
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Scheduled date of Annual General Meeting of Shareholders: September 28, 2020
Scheduled date of payment of dividend: September 29, 2020
Scheduled date of filing of Annual Securities Report: September 29, 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 Fiscal Year Ended June 30, 2020 (July 1, 2019 to June 30, 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	%
Fiscal year ended Jun. 30, 2020	22,018	9.6	2,484	15.7	2,198	14.9	1,506	15.0
Fiscal year ended Jun. 30, 2019	20,084	24.9	2,148	28.7	1,913	32.8	1,310	32.5

Note: Comprehensive income (millions of yen) Fiscal year ended Jun. 30, 2020: 1,517 (up 15.8%)
Fiscal year ended Jun. 30, 2019: 1,310 (up 32.5%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Jun. 30, 2020	52.66	52.64	15.3	6.8	11.3
Fiscal year ended Jun. 30, 2019	52.09	52.09	16.6	6.5	10.7

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Jun. 30, 2020: -
Fiscal year ended Jun. 30, 2019: -

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jun. 30, 2020	33,999	12,807	33.2	359.81
As of Jun. 30, 2019	30,467	8,363	27.4	332.15

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2020: 11,288 As of Jun. 30, 2019: 8,356

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Jun. 30, 2020	1,143	(836)	3,296	8,898
Fiscal year ended Jun. 30, 2019	2,043	(167)	(801)	5,295

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividends on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Jun. 30, 2019	-	7.00	-	11.00	18.00	452	34.6	5.7
Fiscal year ended Jun. 30, 2020	-	10.00	-	10.00	20.00	627	38.0	5.8
Fiscal year ending Jun. 30, 2021 (forecasts)	-	7.00		8.00	15.00		42.8	

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

*** 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) 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

(3) Number of shares outstanding (common shares)

1) Number of outstanding shares as of the end of the period (including treasury shares)

As of Jun. 30, 2020: 31,374,100 shares As of Jun. 30, 2019: 25,158,100 shares

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

As of Jun. 30, 2020: 62 shares As of Jun. 30, 2019: 62 shares

3) Average number of outstanding shares during the period

Fiscal year ended Jun. 30, 2020: 28,601,382 shares Fiscal year ended Jun. 30, 2019: 25,151,999 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2020 (July 1, 2019 to June 30, 2020)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Jun. 30, 2020	21,438	9.3	2,497	17.4	2,212	16.8	1,527	17.8
Fiscal year ended Jun. 30, 2019	19,608	25.1	2,126	40.1	1,894	46.6	1,297	46.5

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Jun. 30, 2020	53.41	53.40
Fiscal year ended Jun. 30, 2019	51.57	51.57

(2) Non-consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jun. 30, 2020	33,200	11,166	33.6	355.68
As of Jun. 30, 2019	30,244	8,212	27.1	326.14

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2020: 11,158 As of Jun. 30, 2019: 8,204

* The current consolidated financial results are not subject to the audit 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. Information that we think may be useful for forecast assumptions is shown in "1. Overview of Results of Operations, (4) Outlook" on page 4 of the attachments.
- Friday, August 7, 2020: 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 Tuesday, August 11, 2020.

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1. Overview of Results of Operations

(1) Overview of Results of Operations for the Current Fiscal Year

During the fiscal year ended June 30, 2020 (hereinafter “the current fiscal year”), the Urbanet Group companies (hereinafter “the Urbanet Group” or “the Group”) reported record-high sales and profits with net sales of 22,018 million yen, operating profit of 2,484 million yen, ordinary profit of 2,198 million yen, and profit attributable to owners of parent of 1,506 million yen.

We believe that our achievement above has proven effectiveness of our basic business model of developing and selling whole one-room apartment buildings for investors with a strict focus on locations that must be within Tokyo’s 23 wards and in areas 10 minutes’ walk from a train station. This is so even under the current market environment where the market of one-room apartments for investors in central Tokyo, the Urbanet Group’s key business domain, is facing land prices that are staying at a high level and construction costs increases as well as severe environment under the COVID-19 infection in the second half of the current fiscal year. Specifically, our business model has been supported by demand for property investments by young people with anxiety over their future and by high-net-worth individuals with concern over the inheritance tax, and demand for company-owned houses by corporations as well as for investments in income properties by funds and REITs that are searching for investments opportunities for their ample funds.

We have assumed that the COVID-19 pandemic impacted our business results for the current fiscal year through the following events:

1. A slump in sales to our end customers by sales companies
2. Infections to our executives and employees
3. Infections to workers employed by our outsourced general contractors at construction sites
4. Tightening of financial institutions’ lending policy for real estate loans due to a change in economic environment

The details of each event above and/or our countermeasures are described below.

1. In the fiscal year ended June 30, 2020, the loan procedures to our end customers were delayed due to restrictions on employees from working at the offices at financial institutions. As a result, there were some delays in revenue recognition by sales companies, which adversely affected the Group’s business performance for the current fiscal year with the number of units sold decreasing by more than 20 units compared with the plan.
2. In addition to distributing face masks to all executives and employees of the Group, which are stored in-house, we have installed and applied an anti-virus coating in our group offices that are said to have long-term antibacterial effect. Furthermore, we have installed telework and web conferencing equipment in anticipation of the situation where our executives or employees are infected by COVID-19. Presently, education and training for using the equipment are being carried out in a phased manner.
3. Although the Group does not have a direct involvement, the Group is distributing the face masks, and request workers and staff to wear them at the development sites. Depending on the infection status, completion of the property development may be delayed, and accordingly, this might affect the Group's business performance.
4. Although no effects have been found on our business results for the fiscal year ended June 30, 2020, we assume that financial institutions will tighten their lending policy for land purchase by real estate developers as well as for real property investment by our end customers. As for the former, we do not anticipate complete closure of loans in view of our creditworthiness, while for the latter, we assume some possible worsening of loan conditions, such as an interest rate becoming higher or some borrowers unable to obtain loans to cover full amount of purchase cost for land for development. Meanwhile, we have already factored in such deterioration of financing environment, and therefore, we do not consider it a serious problem. For the latter, as we are selective in choosing sales companies, we sell our properties only to those with high creditworthiness and a plenty of

customers in good standing. As such, we consider the effects are limited with only some amount of revenue to be carried over to the next period.

The Group will continue to thoroughly implement basic preventive measures including disinfection of hands and wearing masks at the Group and request the outsourced design companies and general contractors to thoroughly implement infection preventive measures.

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 21,152 million yen (up 9.1% year-on-year), with revenues from sale of 712 units in a total of 14 one-room apartments and others for investors and resale of one tract of land.

(Real Estate Purchase and Sales)

Total amount of sales from this category was 405 million yen (up 61.8% year-on-year), with revenues from purchase and lump-sum sale of 12 units of properties as well as purchase and resale of two units of properties.

(Others)

Total amount of sales from this category was 460 million yen (up 4.6% year-on-year), with revenues from real estate brokerage and real estate leasing among others.

(2) Overview of Financial Position for the Current Fiscal Year

Assets, liabilities and net assets

Total assets on a consolidated basis amounted to 33,999 million yen at the end of the current fiscal year, an increase of 3,532 million yen over the end of the previous fiscal year.

This is mainly due to increases of 3,603 million yen in cash and deposits, and 729 million yen in property, plant and equipment as a result of completion of a company owned hotel.

Total liabilities amounted to 21,192 million yen, a decrease of 911 million yen over the end of the previous fiscal year.

This is mainly due to a decrease of 1,029 million yen in current liabilities thanks to solid sales that led to decreases in account payable-trade and advances received, which was partially offset by an increase of 118 million yen in non-current liabilities due to an increase in long-term borrowings as a result of selectively purchasing tracts of land in prime location even in a very competitive land purchase environment.

Net assets totaled 12,807 million yen, an increase of 4,443 million yen over the end of the previous fiscal year.

This is mainly due to increases of 915 million yen in retained earnings, 2,016 million yen in additional paid-in capital primarily through the public offering in December 2019, and 1,500 million yen in preferred stock issued by our subsidiary in March 2020.

(3) Overview of Cash Flows for the Current Fiscal Year

Cash and cash equivalents (hereinafter "net cash") as of the end of the current fiscal year amounted to 8,898 million yen, an increase of 3,603 million yen over the end of the previous fiscal year. This was due to positive cash flows from operating activities and from financing activities, which was partially offset by negative cash flows from investing activities.

The positive cash flows consist of substantial cash inflows from financial activities as a result of the additional paid-in capital primarily through the public offering and the issuance of preferred stock by our subsidiary and cash flows from operating activities as a result of our efforts to achieve solid sales and selective purchase of land for development with more focus on profitability. The negative cash flows from investing activities, on the other hand, are due to acquisition of non-current assets as a result of the completion of a company-owned hotel.

Cash flows from operating activities

Net cash provided by operating activities for the current fiscal year totaled 1,143 million yen (compared with net cash provided of 2,043 million yen in the previous fiscal year).

Cash flows from investing activities

Net cash used in investing activities for the current fiscal year totaled 836 million yen (compared with net cash used of 167 million yen in the previous fiscal year).

Cash flows from financing activities

Net cash provided by financing activities for the current fiscal year totaled 3,296 million yen (compared with net cash used of 801 million yen in the previous fiscal year).

Reference: Trends in cash flow indicators

	FY6/16	FY6/17	FY6/18	FY6/19	FY6/20
Equity ratio (%)	30.9	29.3	26.1	27.4	33.2
Market value-based equity ratio (%)	37.2	44.9	32.1	28.7	26.9
Interest-bearing debt to cash flow ratio (year)	(Note 6)	(Note 6)	(Note 6)	8.9	16.2
Interest coverage ratio (time)	(Note 6)	(Note 6)	(Note 6)	11.2	6.1

Notes: 1. The above indicators are calculated based on the following formula.
Equity ratio: Shareholders' equity / Total assets
Market value-based equity ratio: Market capitalization / Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows
Interest coverage ratio: Cash flows / Interest payments

2. All the indicators are calculated using financial reporting figures on a consolidated basis.
3. Market capitalization is calculated by multiplying the closing share price at the end of the period by the total number of shares outstanding, excluding treasury shares, at the end of the period.
4. Cash flows are calculated using the figures for operating cash flows in the consolidated statement of cash flows.
5. Interest-bearing debt includes all debts on the consolidated balance sheet that incur interest. Interest payments are calculated using the figures for interests paid in the consolidated statement of cash flows.
6. Interest-bearing debt to cash flow ratio and interest coverage ratio are not presented because operating cash flows were negative.

(4) Outlook

In the Real Estate Development and Sales business for the fiscal year ending June 30, 2021, the Group is planning to sell 674 units (compared with 712 units for the previous fiscal year) of one-room apartments for investors, of which 560 units have been effectively sold with contracts already signed and 114 units under negotiation for closing.

A decrease in the number of units sold reflected possibility of a prolonged construction period in relation to the spread of the COVID-19 infection.

As for our owned hotel whose construction was completed in June 2020, we will determine when to open it, keeping close eyes on the situation of the COVID-19 infection.

We do not anticipate serious impact of the hotel business on our business results, as the costs for the business have been set on rather higher side since we decided to own hotels in view of nature of the business, which is positioned for research and development purpose.

As the deteriorating relationship between the two major powers of the United States and China expands from the trade aspect to the national security aspect, we assume that its impact on the world economy will be significant with an observation that it will be the Second Cold War. Under such environment, we have made our earnings forecast for the fiscal year ending June 30, 2021 rather conservatively in a view that economic environment outlook is uncertain due to additional impact of COVID-19 that has spread all over the world as well as expanding nationalism in many countries.

(Millions of yen)

	FY6/20	FY6/21
Net sales	22,018	20,000
Operating profit	2,484	2,050
Ordinary profit	2,198	1,770
Profit attributable to owners of parent	1,506	1,100

Number of units of one-room apartments for investors sold or to be sold	712 units	674 units

(5) Profit Allocation Policy and Dividend Payment Plan for the Current and Next Fiscal Years

While we are keenly aware of the need to maintain sufficient retained earnings and liquidity to ensure financial soundness, we also bear in mind that the shareholder return is an increasingly important management issue. Since our stock was listed, we have consistently placed priority on paying a dividend based on the results of operations according to our corporate policy.

In the basic dividend policy, the Group initially stated that it would pay dividends of 40% of the amount of profit attributable to owners of parent excluding the effect of deferred income taxes.

We have decided that the year-end dividend for the fiscal year ended June 30, 2020 is 10 yen per share as separately announced today in the “Notice of payment of dividends (year-end dividends) from surplus (Japanese version only).” Since 10 yen per share has already been paid as interim dividends, the full-year dividend will amount to 20 yen per share.

For the dividends for the fiscal year ending June 30, 2021, we plan to pay a full-year dividend of 15 yen per share, consisting of an interim dividend of 7 yen per share and a year-end dividend of 8 yen per share based on the outlook and the above-mentioned dividend policy.

2. Basic Approach to the Selection of Accounting Standards

The Urbanet Group will continue to prepare consolidated financial statements using generally accepted accounting principles in Japan for the time being. Currently, all business activities are conducted in Japan and shareholders, creditors and business partners in Japan account for most stakeholders. Furthermore, there is no plan to procure funds from overseas.

We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	FY6/19 (As of Jun. 30, 2019)	FY6/20 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	5,305,056	8,908,267
Investments in leases	25,212	27,276
Real estate for sale	3,762,250	2,351,958
Real estate for sale in process	15,499,820	16,063,441
Supplies	-	36,673
Advance payments-trade	161,129	29,920
Prepaid expenses	35,076	22,441
Other	84,043	239,572
Total current assets	24,872,589	27,679,551
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,373,476	3,209,260
Accumulated depreciation	(377,900)	(467,221)
Buildings and structures, net	1,995,576	2,742,038
Tools, furniture and fixtures	5,918	8,915
Accumulated depreciation	(4,421)	(5,096)
Tools, furniture and fixtures, net	1,497	3,819
Land	2,769,702	2,948,901
Leased assets	98,483	63,706
Accumulated depreciation	(50,282)	(33,284)
Leased assets, net	48,200	30,421
Construction in progress	181,042	-
Total property, plant and equipment	4,996,018	5,725,180
Intangible assets		
Software	3,172	1,083
Total intangible assets	3,172	1,083
Investments and other assets		
Investments in capital	960	960
Long-term prepaid expenses	3,704	2,387
Deferred tax assets	78,578	76,015
Investments in leases	309,658	280,698
Leasehold and guarantee deposits	61,448	59,573
Other	141,080	174,160
Total investments and other assets	595,429	593,794
Total non-current assets	5,594,620	6,320,059
Total assets	30,467,209	33,999,610

(Thousands of yen)

	FY6/19 (As of Jun. 30, 2019)	FY6/20 (As of Jun. 30, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	2,046,486	1,190,812
Short-term borrowings	723,528	655,020
Current portion of long-term borrowings	8,879,044	9,231,216
Lease obligations	20,510	13,582
Accounts payable-other	103,987	120,319
Accrued expenses	24,883	19,440
Income taxes payable	470,193	520,848
Accrued consumption taxes	-	4,637
Advances received	1,158,996	669,460
Deposits received	30,618	35,397
Provision for shareholder benefit program	37,893	-
Other	12,681	18,776
Total current liabilities	13,508,823	12,479,512
Non-current liabilities		
Long-term borrowings	8,473,821	8,607,344
Lease obligations	36,161	22,764
Retirement benefit liability	48,600	50,712
Other	35,862	31,875
Total non-current liabilities	8,594,444	8,712,696
Total liabilities	22,103,268	21,192,208
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	6,403,224
Treasury shares	(17)	(17)
Total shareholders' equity	8,356,240	11,288,737
Share acquisition rights	7,700	7,700
Non-controlling interests	-	1,510,964
Total net assets	8,363,940	12,807,401
Total liabilities and net assets	30,467,209	33,999,610

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)
Net sales	20,084,129	22,018,582
Cost of sales	16,595,350	18,184,984
Gross profit	3,488,778	3,833,597
Selling, general and administrative expenses		
Salaries and allowances	307,841	323,398
Remuneration for directors (and other officers)	163,800	206,550
Bonuses	131,658	138,664
Retirement benefit expenses	7,798	30,672
Legal welfare expenses	68,511	72,500
Advertising expenses	23,341	14,051
Promotion expenses	15,566	2,838
Travel and transportation expenses	24,094	21,507
Supplies expenses	8,579	7,656
Rent expenses on land and buildings	62,680	68,125
Insurance expenses	22,850	22,817
Taxes and dues	122,627	129,135
Commission expenses	163,637	107,148
Fee expenses	33,434	29,695
Outsourcing expenses	28,736	31,285
Depreciation	24,556	23,918
Other	131,019	118,906
Total selling, general and administrative expenses	1,340,732	1,348,873
Operating profit	2,148,045	2,484,724
Non-operating income		
Interest income	35	51
Dividend income	7	183
Reversal of provision for shareholder benefit program	-	7,735
Miscellaneous income	4,472	1,932
Total non-operating income	4,515	9,902
Non-operating expenses		
Interest expenses	184,284	187,009
Share issuance costs	-	28,648
Commission expenses	53,729	71,284
Miscellaneous loss	690	8,921
Total non-operating expenses	238,704	295,863
Ordinary profit	1,913,857	2,198,762
Profit before income taxes	1,913,857	2,198,762
Income taxes-current	642,545	679,503
Income taxes-deferred	(38,869)	2,225
Total income taxes	603,676	681,728
Profit	1,310,181	1,517,034
Profit attributable to non-controlling interests	-	10,964
Profit attributable to owners of parent	1,310,181	1,506,070

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)
Profit	1,310,181	1,517,034
Other comprehensive income	-	-
Comprehensive income	1,310,181	1,517,034
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,310,181	1,506,070
Comprehensive income attributable to non-controlling interests	-	10,964

(3) Consolidated Statement of Changes in Net Assets

FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,682,463	1,180,590	4,579,854	(14)	7,442,893
Changes during period					
Issuance of new shares	2,786	2,786			5,572
Dividends of surplus			(402,402)		(402,402)
Profit attributable to owners of parent			1,310,181		1,310,181
Purchase of treasury shares				(3)	(3)
Net changes of items other than shareholders' equity					
Total changes during period	2,786	2,786	907,778	(3)	913,347
Balance at end of period	1,685,249	1,183,376	5,487,632	(17)	8,356,240

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	7,723	-	7,450,617
Changes during period			
Issuance of new shares			5,572
Dividends of surplus			(402,402)
Profit attributable to owners of parent			1,310,181
Purchase of treasury shares			(3)
Net changes of items other than shareholders' equity	(23)	-	(23)
Total changes during period	(23)	-	913,323
Balance at end of period	7,700	-	8,363,940

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,685,249	1,183,376	5,487,632	(17)	8,356,240
Changes during period					
Issuance of new shares	1,008,452	1,008,452			2,016,905
Dividends of surplus			(590,478)		(590,478)
Profit attributable to owners of parent			1,506,070		1,506,070
Net changes of items other than shareholders' equity					
Total changes during period	1,008,452	1,008,452	915,591	-	2,932,496
Balance at end of period	2,693,701	2,191,829	6,403,224	(17)	11,288,737

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	7,700	-	8,363,940
Changes during period			
Issuance of new shares			2,016,905
Dividends of surplus			(590,478)
Profit attributable to owners of parent			1,506,070
Net changes of items other than shareholders' equity	-	1,510,964	1,510,964
Total changes during period	-	1,510,964	4,443,461
Balance at end of period	7,700	1,510,964	12,807,401

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	1,913,857	2,198,762
Depreciation	115,758	112,549
Share issuance costs	-	28,648
Increase (decrease) in provision for shareholder benefit program	11,952	(37,893)
Interest and dividend income	(43)	(234)
Interest expenses	184,284	187,009
Decrease (increase) in investments in leases	23,841	26,896
Decrease (increase) in inventories	(637,675)	809,997
Increase (decrease) in accrued consumption taxes	(3,365)	4,637
Increase (decrease) in trade payables	408,282	(855,674)
Increase (decrease) in advances received	525,406	(489,536)
Increase (decrease) in retirement benefit liability	4,580	2,112
Other, net	(59,895)	105,247
Subtotal	2,486,983	2,092,522
Interest and dividends received	44	234
Interest paid	(181,924)	(187,577)
Income taxes (paid) refund	(261,925)	(761,922)
Net cash provided by (used in) operating activities	2,043,178	1,143,257
Cash flows from investing activities		
Purchase of securities	-	(1,000,000)
Proceeds from sales of securities	-	1,000,000
Purchase of property, plant and equipment	(160,539)	(835,420)
Purchase of intangible assets	(1,425)	-
Payments of leasehold and guarantee deposits	(5,521)	-
Other, net	-	(750)
Net cash provided by (used in) investing activities	(167,486)	(836,170)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	528,528	(68,508)
Proceeds from long-term borrowings	9,286,229	8,146,140
Repayments of long-term borrowings	(10,162,111)	(7,660,445)
Redemption of bonds	(36,000)	-
Proceeds from issuance of shares	4,956	1,998,303
Repayments of lease obligations	(21,057)	(20,564)
Purchase of treasury shares	(3)	-
Dividends paid	(402,241)	(588,755)
Proceeds from share issuance to non-controlling shareholders	-	1,489,953
Net cash provided by (used in) financing activities	(801,700)	3,296,124
Net increase (decrease) in cash and cash equivalents	1,073,991	3,603,211
Cash and cash equivalents at beginning of period	4,221,064	5,295,056
Cash and cash equivalents at end of period	5,295,056	8,898,267

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Segment Information

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.

Per-share Information

(Yen)

	FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)
Net assets per share	332.15	359.81
Net income per share	52.09	52.66
Diluted net income per share	52.09	52.64

Note: 1. The following is a reconciliation of net income per share and diluted net income per share.

(Thousands of yen, unless otherwise stated)

	FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)
Net income per share		
Profit attributable to owners of parent	1,310,181	1,506,070
Amount not attributable to common shareholders	-	-
Profit attributable to common shareholders of parent	1,310,181	1,506,070
Average number of shares of common stock during the period (share)	25,151,999	28,601,382
Diluted net income per share		
Adjustment to profit attributable to owners of parent	-	-
Increase in the number of shares of common stock (share)	35	7,228
[of which, the number of share acquisition rights (share)]	[35]	[7,228]
Summary of potentially dilutive shares not included in the calculation of diluted net income per share due to their anti-dilutive effect	Stock option resolved at the Board of Director's meeting on November 15, 2016 (Share acquisition rights) Number of types of share acquisition rights: 1 Number of share acquisition rights: 1,950 units Number of shares subject to share acquisition rights: 195,000 shares	-

Material Subsequent Events

Not applicable.

4. Others

(1) Changes in Board Members

The following changes in the board members to be effective on September 28, 2020 have been determined at the Board of Directors' meeting held on August 6, 2020. The changes are expected to be authorized subject to approval at the 23rd Annual General Meeting of Shareholders and the subsequent Board of Directors' meeting, both scheduled on September 28, 2020.

1. Candidates for director appointment

Director (Reappointment)	Shinji Hattori (Current President and Representative Director)
Director (Reappointment)	Atsushi Tanaka (Current Director and Executive Vice President, Senior Executive Officer, General Manager of Business Division)
Director (Reappointment)	Takashi Kajikawa (Current Director, Executive Officer, General Manager of Planning Construction Department, Business Division)
Director (Reappointment)	Yoshizumi Kimura (Current Director, Executive Officer, General Manager of Planning Development Department, Business Division)
Director (New appointment)	Wataru Akai (Current Senior Executive Officer, General Manager of Administration Division)
Director (Reappointment)	Shinichiro Nakajima (Current Outside Director, Independent Director)
Director (Reappointment)	Miki Seko (Current Outside Director, Independent Director)
Director (Reappointment)	Tetsushi Shinoda (Current Outside Director, Independent Director)

Note: Mr. Shinichiro Nakajima, Ms. Miki Seko and Mr. Tetsushi Shinoda are Outside Directors as defined in Article 2, Item 15 of the Companies Act.

Biography of a candidate for director appointment

Wataru Akai	(Date of birth: March 12, 1964)
Apr. 1988	Joined The Kyowa Bank, Ltd. (Currently Resona Bank, Limited) (hereinafter "the Bank")
Jul. 2006	Manager, Naruse Branch, the Bank
Apr. 2013	Manager, Hongo Branch, the Bank
Apr. 2015	Manager, Section II, Tokyo Main Office, the Bank
Apr. 2017	Manager, Shiba Branch, the Bank
Apr. 2019	Temporarily transferred to the Company to assume as Assistant to General Manager of Administrative Division
Oct. 2019	Joined the Company to assume as Senior Executive Officer, General Manager of Administration Division (Present post)

2. Retiring directors

Seiji Torii (Current Senior Managing Director)

3. Changes in Audit & Supervisory Board Members

There will be no change as all three incumbent Audit & Supervisory Board Members are still serving their terms of office.

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.