Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending June 30, 2021 (Nine Months Ended March 31, 2021)

[Japanese GAAP]

May 13, 2021

Company name: URBANET CORPORATION Co., Ltd. Listing: Tokyo Stock Exchange (JASDAQ)
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Scheduled date of filing of Quarterly Report: May 13, 2021
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, 2021 (July 1, 2020 to March 31, 2021)

(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, 2021	17,400	56.1	2,273	112.4	2,097	149.8	1,306	127.2
Nine months ended Mar. 31, 2020	11,147	(38.5)	1,070	(53.4)	839	(60.3)	575	(60.8)

Note: Comprehensive income (millions of yen) Nine months ended Mar. 31, 2021: 1,339 (up 132.9%)
Nine months ended Mar. 31, 2020: 575 (down 60.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Mar. 31, 2021	41.65	-
Nine months ended Mar. 31, 2020	20.77	20.77

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Mar. 31, 2021	32,634	13,605	37.0
As of Jun. 30, 2020	33,999	12,807	33.2

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2021: 12,062 As of Jun. 30, 2020: 11,288

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2020	-	10.00	-	10.00	20.00
Fiscal year ending Jun. 30, 2021	-	7.00	-		
Fiscal year ending Jun. 30, 2021 (forecast)				8.00	15.00

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

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

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, 2021:	31,374,100 shares	As of Jun. 30, 2020:	31,374,100 shares

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

As of Mar. 31, 2021:	62 shares	As of Jun. 30, 2020:	62 shares

3) Average number of outstanding shares during the period

Nine months ended Mar. 31, 2021:	31,374,038 shares	Nine months ended Mar. 31, 2020:	27,683,885 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

Cautionary statement with respect to forecasts

- 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 "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) 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.

How to view supplementary information at the financial results meeting

Materials to be distributed at the meeting will be disclosed on the Timely Disclosure network (TDnet) and available on the URBANET website at the same time as this financial summary.

From the perspective of preventing the spread of the COVID-19 infection, we plan to stream a financial results video for institutional investors and analysts on the Company's website on Tuesday, May 18, 2021, instead of holding the financial results meeting.

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
Significant Changes in Shareholders' Equity 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 nine months of the fiscal year ending June 30, 2021 (hereinafter "the period under review"), the Urbanet Group companies (hereinafter "the Urbanet Group" or "the Group") reported net sales of 17,400 million yen (up 56.1% year-on-year) with operating profit of 2,273 million yen (up 112.4% year-on-year), ordinary profit of 2,097 million yen (up 149.8% year-on-year). Profit attributable to owners of parent of 1,306 million yen (up 127.2% year-on-year) due to impairment loss of 116 million yen as extraordinary losses.

Revenue recognition for the current consolidated fiscal year is skewed to the second and third quarters, and the increase in profits from the same quarter of the previous year was large due to the concentration of completion of high-margin projects in both quarters. This is due to large fluctuations in quarterly sales and profit margins, since the timing, amount, or profit margin of the completion-based revenue recognition are different for each project and each year in the business of the development and sales of one-room apartments for investors, which is the main business of the Group.

The performance by each business segment is explained below.

The Urbanet Group had operated its business with a single business segment, the Real Estate Business, which is engaged mainly in the development, purchase and sale of condominiums for investors and consumers, until the previous fiscal year. From the second quarter of the fiscal year ending June 30, 2021, the Group has changed to the segment structure with two segments: the Real Estate Business and the Hotel Business as we started operating our own hotel on October 14, 2020. Therefore, we have not compared or analyzed the sales with the same quarter of the previous year, except for sales by category in the Real Estate Business.

(Real Estate Business)

Net sales in the Real Estate Business were 17,384 million yen and segment profit was 3,057 million yen.
Total amount of sales from the Real Estate Development Sales category was 16,824 million yen (up 56.7% year-on-year) with revenues from sale of 562 units in a total of 12 one-room apartments for investors and resale of one tracts of land. Net sales in the Real Estate Purchase and Sales category were 199 million yen (up 183.6% year-on-year) with revenues from purchase and resale of five units of pre-owned condominiums. Net sales in the Others Real Estate Business category were 359 million yen (up 6.6% year-on-year) with revenues from real estate brokerage and real estate leasing among others.

(Hotel Business)

Net sales in the Hotel Business were 15 million yen and segment loss was 86 million yen mainly with room fee revenues from Hotel Asyl Tokyo Kamata.

(2) Explanation of Financial Condition

1) Analysis of Financial Position

Total assets, total liabilities and net assets on a consolidated basis amounted to 32,634 million yen (a decrease of 1,365 million yen over the end of the previous fiscal year), 19,028 million yen (a decrease of 2,163 million yen), and 13,605 million yen (an increase of 798 million yen), respectively.

The decrease in total assets was mainly due to a decrease of 294 million yen in inventories as a result of a decrease in cash and deposits of 1,191 million yen and the increasingly severe land purchasing environment, while the revenue recognition was steady.

The decrease in total liabilities was mainly due to a decrease of 1,719 million yen in borrowings resulting from repayments of long-term borrowings due to completed construction projects and a decrease of 520 million yen in income taxes payable.

The increase in net assets was mainly due to an increase in profit attributable to owners of parent, which outweighed a decrease from the payment of year-end dividends and other factors.

2) Analysis of Cash Flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the period under review amounted to 7,706 million yen, a decrease of 1,191 million yen over the end of the previous fiscal year. This was mainly due to a decrease in net cash used in investing and financing activities, while there was an increase in net cash provided by operating activities.

Cash flows from operating activities

Net cash provided by operating activities for the period under review totaled 1,049 million yen (compared with net cash used of 2,754 million yen for the same period of the previous fiscal year). This was mainly due to an increase in profit before income taxes, a decrease in inventories and an increase in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities for the period under review totaled 20 million yen (compared with net cash used of 235 million yen for the same period of the previous fiscal year). This was mainly due to the purchase of property, plant and equipment as a result of facilities and fixtures of a company owned hotel.

Cash flows from financing activities

Net cash used in financing activities for the period under review totaled 2,220 million yen (compared with net cash provided of 6,220 million yen for the same period of the previous fiscal year). This was mainly because the repayments of long-term borrowings due to completed construction projects and the payment of dividends exceeded the proceeds of long-term borrowings to use for purchasing land for development on our own in the Real Estate Business.

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

The Urbanet Group reported net sales of 17,400 million yen, operating profit of 2,273 million yen, ordinary profit of 2,097 million yen and profit attributable to owners of parent of 1,306 million yen for the period under review. As a result, compared to the consolidated earnings forecast for the current consolidated fiscal year (fiscal year ending June 30, 2021) announced on August 6, 2020 in "Consolidated Financial Results for the Fiscal Year Ended June 30, 2020," the progress rate was 87.0 % in net sales, but those of profits exceeded the forecast: operating profit was 110.9%, ordinary profit was 118.5%, and profit attributable to owners of parent was 118.8%. This is due to the significant fluctuations in quarterly sales and profit margin since the business of the Group is the development and whole building sales of one-room apartments for investors and the timing, amount, or scale of land purchase are different for each project as well as the timing, amount, or the profit margin of revenue recognition, which depends on the construction period and the sales destination.

At the current stage, we maintain the consolidated earnings forecast for the fiscal year ending June 30, 2021, announced on August 6, 2020, in “Consolidated Financial Results for the Fiscal Year Ended June 30, 2020.” We will promptly announce corrections if necessary, considering that the revenue recognition for the current consolidated fiscal year is skewed to the second and third quarters and that sales factors are uncertain due to the COVID-19 pandemic continuation.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY6/20 (As of Jun. 30, 2020)	Third quarter of FY6/21 (As of Mar. 31, 2021)
Assets		
Current assets		
Cash and deposits	8,908,267	7,716,313
Real estate for sale	2,351,958	2,820,629
Real estate for sale in process	16,063,441	15,335,803
Other	355,883	680,034
Total current assets	27,679,551	26,552,781
Non-current assets		
Property, plant and equipment	5,725,180	5,522,154
Intangible assets	1,083	1,212
Investments and other assets	593,794	557,915
Total non-current assets	6,320,059	6,081,281
Total assets	33,999,610	32,634,063
Liabilities		
Current liabilities		
Accounts payable-trade	1,190,812	1,206,991
Short-term borrowings	655,020	1,000,000
Current portion of long-term borrowings	9,231,216	5,179,772
Lease obligations	13,582	15,525
Income taxes payable	520,848	-
Provision for bonuses	-	29,559
Other	868,032	880,281
Total current liabilities	12,479,512	8,312,128
Non-current liabilities		
Long-term borrowings	8,607,344	10,594,768
Lease obligations	22,764	25,059
Retirement benefit liability	50,712	59,111
Other	31,875	37,270
Total non-current liabilities	8,712,696	10,716,209
Total liabilities	21,192,208	19,028,338
Net assets		
Shareholders' equity		
Share capital	2,693,701	2,693,701
Capital surplus	2,191,829	2,191,829
Retained earnings	6,403,224	7,176,592
Treasury shares	(17)	(17)
Total shareholders' equity	11,288,737	12,062,105
Share acquisition rights	7,700	-
Non-controlling interests	1,510,964	1,543,619
Total net assets	12,807,401	13,605,724
Total liabilities and net assets	33,999,610	32,634,063

(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 FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)	First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)
Net sales	11,147,509	17,400,488
Cost of sales	9,116,897	14,036,496
Gross profit	2,030,612	3,363,991
Selling, general and administrative expenses	960,341	1,090,438
Operating profit	1,070,270	2,273,553
Non-operating income		
Interest income	47	67
Dividend income	150	-
Other	1,647	3,668
Total non-operating income	1,846	3,736
Non-operating expenses		
Interest expenses	140,404	122,340
Commission expenses	59,281	42,235
Share issuance costs	23,602	-
Other	8,920	14,865
Total non-operating expenses	232,208	179,441
Ordinary profit	839,909	2,097,847
Extraordinary income		
Gain on reversal of share acquisition rights	-	7,700
Total extraordinary income	-	7,700
Extraordinary losses		
Impairment loss	-	116,677
Total extraordinary losses	-	116,677
Profit before income taxes	839,909	1,988,870
Income taxes-current	231,654	608,213
Income taxes-deferred	33,219	41,276
Total income taxes	264,873	649,489
Profit	575,035	1,339,381
Profit attributable to non-controlling interests	-	32,654
Profit attributable to owners of parent	575,035	1,306,726

Quarterly Consolidated Statement of Comprehensive Income

(For the Nine-month Period)

(Thousands of yen)

	First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)	First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)
Profit	575,035	1,339,381
Other comprehensive income	-	-
Comprehensive income	575,035	1,339,381
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	575,035	1,306,726
Comprehensive income attributable to non-controlling interests	-	32,654

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)	First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)
Cash flows from operating activities		
Profit before income taxes	839,909	1,988,870
Depreciation	80,216	103,356
Impairment loss	-	116,677
Share issuance costs	23,602	-
Increase (decrease) in provision for bonuses	27,413	29,559
Increase (decrease) in provision for shareholder benefit program	(23,580)	-
Increase (decrease) in retirement benefit liability	(181)	8,399
Interest and dividend income	(198)	(67)
Interest expenses	140,404	122,340
Decrease (increase) in investments in leases	20,354	20,277
Decrease (increase) in inventories	(3,571,934)	294,968
Increase (decrease) in accrued consumption taxes	-	(4,637)
Increase (decrease) in trade payables	1,109,264	16,178
Other, net	(498,213)	(184,357)
Subtotal	(1,852,943)	2,511,564
Interest and dividends received	198	68
Interest paid	(140,089)	(124,103)
Income taxes paid	(761,442)	(1,337,687)
Net cash provided by (used in) operating activities	(2,754,276)	1,049,843
Cash flows from investing activities		
Purchase of property, plant and equipment	(234,370)	(19,982)
Purchase of intangible assets	-	(472)
Other, net	(700)	(400)
Net cash provided by (used in) investing activities	(235,070)	(20,854)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	473,397	344,980
Proceeds from long-term borrowings	6,747,640	6,262,000
Repayments of long-term borrowings	(3,955,394)	(8,326,020)
Repayments of lease obligations	(15,985)	(12,467)
Proceeds from issuance of shares	1,998,303	-
Dividends paid	(527,467)	(489,435)
Proceeds from share issuance to non-controlling shareholders	1,500,000	-
Net cash provided by (used in) financing activities	6,220,492	(2,220,942)
Net increase (decrease) in cash and cash equivalents	3,231,146	(1,191,954)
Cash and cash equivalents at beginning of period	5,295,056	8,898,267
Cash and cash equivalents at end of period	8,526,202	7,706,313

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Additional Information

In the additional information in the Annual Securities Report for the previous consolidated fiscal year, we have assumed that the impact of the spread of the COVID-19 infection on the Group would continue for the entire year of the current consolidated fiscal year. Based on the current situation, we have changed this assumption to that the impact will continue for a certain period even after the next consolidated fiscal year.

There are many uncertainties regarding this assumption, and if the effects of the COVID-19 last longer or worsen in the future, it may affect the Group's financial condition and operating results.

Segment and Other Information

Segment Information

I. First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)

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.

II. First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)

1. Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment		Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Real Estate	Hotel			
Net sales					
External sales	17,384,660	15,828	17,400,488	-	17,400,488
Inter-segment sales and transfers	-	-	-	-	-
Total	17,384,660	15,828	17,400,488	-	17,400,488
Segment profit (loss)	3,057,006	(86,429)	2,970,577	(697,023)	2,273,553

Notes: 1. The negative 697,023 thousand yen adjustment to segment profit (loss) is corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.

2. Segment profit (loss) is adjusted to be consistent with operating profit shown on the quarterly consolidated statement of income.

2. Information related to changes in reportable segments, etc.

The Urbanet Group had operated its business with a single business segment, the Real Estate Business, until the previous fiscal year. From the second quarter of the fiscal year ending June 30, 2021, the Group has changed to the segment structure with two segments: the Real Estate Business and the Hotel Business as we started operating our own hotel on October 14, 2020.

For the segment information for the first nine months of FY6/20, which is to be prepared under the new segment structure for the first nine months of FY6/21, we do not disclose the segment information on the Hotel Business because it started operations in the second quarter of FY6/21.

3. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Significant impairment losses related to non-current assets

We recognized an impairment loss on non-current assets (real estate for rent) in the Real Estate Business. This impairment loss was 116,677 thousand yen in the first nine months of FY6/21.

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.