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November 6, 2024

# Consolidated Financial Results for the Three Months Ended September 30, 2024 (Under Japanese GAAP)

Company name: URBANET CORPORATION Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 3242
URL: https://www.urbanet.jp/en/
Representative: Atsushi Tanaka, President and Representative Director
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Telephone: +81-3-6550-9160
Scheduled date to commence dividend payments: –
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

## 1. Consolidated financial results for the three months ended September 30, 2024 (from July 1, 2024 to September 30, 2024)

### (1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| Three months ended | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| September 30, 2024 | 1,785 | (61.2) | (130) | – | (262) | – | (200) | – |
| September 30, 2023 | 4,598 | – | 270 | – | 212 | – | 137 | – |

Note: Comprehensive income For the three months ended September 30, 2024: ¥(200) million [–%]
For the three months ended September 30, 2023: ¥148 million [–%]

| | Basic earnings per share | Diluted earnings per share |
|---|---|---|
| Three months ended | Yen | Yen |
| September 30, 2024 | (6.22) | – |
| September 30, 2023 | 4.45 | 4.45 |

### (2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio |
|---|---|---|---|
| As of | Millions of yen | Millions of yen | % |
| September 30, 2024 | 51,426 | 14,505 | 28.2 |
| June 30, 2024 | 46,972 | 15,064 | 32.1 |

Reference: Equity As of September 30, 2024: ¥14,503 million
As of June 30, 2024: ¥15,062 million

## 2. Cash dividends

| | Annual dividends per share | | | | |
|---|---|---|---|---|---|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended June 30, 2024 | – | 10.00 | – | 11.00 | 21.00 |
| Fiscal year ending June 30, 2025 | – | | | | |
| Fiscal year ending June 30, 2025 (Forecast) | | 10.00 | – | 11.00 | 21.00 |

Note: Revisions to the forecast of cash dividends most recently announced: None

## 3. Consolidated earnings forecasts for the fiscal year ending June 30, 2025 (from July 1, 2024 to June 30, 2025)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|---|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Fiscal year ending June 30, 2025 | 32,000 | 14.4 | 2,800 | 2.7 | 2,450 | 1.0 | 1,730 | 1.7 | 53.77 |

Note: Revisions to the consolidated earnings forecasts most recently announced: None

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

| | |
|---|---|
| As of September 30, 2024 | 32,774,100 shares |
| As of June 30, 2024 | 32,774,100 shares |

(ii) Number of treasury shares at the end of the period

| | |
|---|---|
| As of September 30, 2024 | 598,563 shares |
| As of June 30, 2024 | 602,463 shares |

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

| | |
|---|---|
| Three months ended September 30, 2024 | 32,171,849 shares |
| Three months ended September 30, 2023 | 30,975,986 shares |

Note: The number of treasury shares at the end of the period includes the Company's shares held in the trust account used as a result of the introduction of a trust-based stock compensation plan for directors (excluding outside directors) of the Company and some of its subsidiaries, as well as employees of the Company, and the Company's shares held in the trust account are included in the treasury shares excluded from the calculation of the average number of shares outstanding during the period.

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None

* Proper use of earnings forecasts, and other special matters

(Caution concerning forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in this document are based on information currently available to the Urbanet Group and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to various factors. For the assumptions underlying the earnings forecasts and notes on their use, please refer to "1. Overview of Results of Operations (3) Explanation Concerning the Forecast of Consolidated Financial Results and Other Forward-looking Information" on page 3 of the Attached Material.

(Means of access to contents of supplementary material on financial results and financial results briefing)

Materials on financial results will be disclosed on the Timely Disclosure network (TDnet) and available on the Group's website at the same time as this financial summary.

We plan to hold the following financial results briefing for investors.

Videos recorded at this event are to be posted promptly on the Group's website following the briefing.

Wednesday, November 6, 2024: Financial results briefing for institutional investors and analysts

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# 1. Overview of Results of Operations

## (1) Overview of Results of Operations for the Period Under Review

For the period under review, the Urbanet Group companies (hereinafter "the Urbanet Group" or "the Group") reported net sales of 1,785 million yen (down 61.2% from the same period of the previous fiscal year), operating loss of 130 million yen (compared with operating profit of 270 million yen in the same period of the previous fiscal year), ordinary loss of 262 million yen (compared with ordinary profit of 212 million yen in the same period of the previous fiscal year), and loss attributable to owners of parent of 200 million yen (compared with profit attributable to owners of the parent of 137 million yen in the same period of the previous fiscal year).

The significant year-on-year decrease in both sales and profits was mainly due to the fact that the recording of sales for projects in the current fiscal year is weighted toward the fourth quarter of the fiscal year. In the current fiscal year, the Group plans to sell a total of 588 units of urban rental condominiums, etc., and in the period under review, it sold nine detached or terraced houses and two tracts of land for sites. In accordance with its initial plan, no urban rental condominium units were sold in this period, and it plans to sell all units from the second quarter of the fiscal year onward. Also, under the initial plan, the Group planned to resell one tract of land in the period under review, but the sale of this tract was recorded in October, which contributed to the decrease in both sales and profits. The Group's core business is the development and sale of buildings with urban rental condominiums, and the timing, amount, and profit ratio of sales upon completion of construction vary greatly from project to project and from year to year, causing quarterly sales and profits to fluctuate significantly each year. Consolidated subsidiary K-nine Co., Ltd. also performed strongly and at present, net sales and profits for the overall Group are both generally progressing in line with initial plans.

The performance by each business segment is explained below.

(Real Estate Business)

Net sales in the Real Estate Business were 1,728 million yen (down 62.0% from the same period of the previous fiscal year), and segment profit was 217 million yen (down 59.7% from the same period of the previous fiscal year).

Among these, the total amount of net sales from real estate development and sales was 1,571 million yen (down 64.6% from the same period of the previous fiscal year), attributable to the sale of nine detached or terraced houses and the sale of two tracts of land for sites. The real estate purchase and sales saw no purchase or resale of pre-owned condominiums and pre-owned detached houses (none recorded in the same period of the previous fiscal year). In the other real estate business, net sales were 157 million yen (up 38.8% from the same period of the previous fiscal year) due to real estate brokerage and real estate leasing.

(Hotel Business)

In the hotel business, net sales were 57 million yen (up 11.3% from the same period of the previous fiscal year) and segment profit was 13 million yen (up 58.9% from the same period of the previous fiscal year) due to room charges and other factors at Hotel Asyl Tokyo Kamata.

## (2) Overview of Financial Position for the Period Under Review

Analysis of Financial Position

As for the financial position at the end of the first quarter of the current fiscal year under review, compared to the end of the previous fiscal year, total assets increased 4,453 million yen to 51,426 million yen, liabilities increased 5,012 million yen to 36,920 million yen, and net assets decreased 559 million yen to 14,505 million yen.

The increase in total assets was mainly due to an increase in real estate for sale in process of 5,824 million yen due to the proactive purchase of land for sites, despite cash and deposits decreasing 1,816 million yen. Also, as stated in the "Notice of a Change in the Purpose of Holding Real Estate for Rent" disclosed on September 26, 2024, some property, plant and equipment of 1,585 million yen has been reclassified into real estate for sale.

The increase in liabilities was mainly due to increases of 542 million yen in short-term borrowings related to tax payments, etc., and 4,660 million yen in long-term borrowings (including the current portion of long-term borrowings) as a result of the purchase of land for sites.

The decrease in net assets was mainly due to the recording of loss attributable to owners of parent and a decrease due to payment of year-end dividends.

### (3) Explanation Concerning the Forecast of Consolidated Financial Results and Other Forward-looking Information

The Group's financial results for the period under review were as follows: net sales of 1,785 million yen, operating loss of 130 million yen, ordinary loss of 262 million yen, and loss attributable to owners of parent was 200 million yen.

The significant year-on-year decrease in both sales and profits was mainly due to the fact that the recording of sales for projects in the current fiscal year is weighted toward the fourth quarter of the fiscal year. In the current fiscal year, the Group plans to sell a total of 588 units of urban rental condominiums, etc., and it sold nine detached or terraced houses and two tracts of land for sites in the period under review. In regard to urban rental condominiums, no sales of units were recorded in the period under review in accordance with its initial plan, but the Group plans to sell all units from the second quarter of the fiscal year onward and contracts have been concluded for all units. Also, under the initial plan, the Group planned to resell one tract of land in the period under review, but the sale of this tract was recorded in October, which contributed to the decrease in both sales and profits. The Group's core business is the development and sale of buildings with urban rental condominiums, and the timing, amount, and profit ratio of sales upon completion of construction vary greatly from project to project and from year to year, causing quarterly sales and profits to fluctuate significantly each year. On the other hand, the sales and profits recorded by consolidated subsidiary K-nine Co., Ltd. were greater than anticipated, mainly due to the resale of tracts of land and strong sales of terraced house units, and the effects of synergies realized through the sharing of information and mutual support between Group companies are currently becoming clear, such as an increase in projects that contribute to raising Group profit. At present, smooth progress is being made on the Group's plan to realize medium- to long-term growth through strategies such as M&As, moving and expanding the head office, and investing in human capital. Accordingly, at present, we have decided to leave unchanged the full-year consolidated earnings forecast for the current fiscal year disclosed on August 8, 2024.

Although sales contracts have been completed for all the urban rental condominiums scheduled for the current fiscal year, we will pay close attention to uncertainties such as the occurrence of unexpected additional construction in the Group, the impact of the supply status of construction materials and soaring prices on construction schedules and costs, as well as the impact of the future financial environment, etc., on sales, and will promptly disclose revised consolidated earnings forecasts if necessary.

## 2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

### (1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

| | As of June 30, 2024 | As of September 30, 2024 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 8,531,315 | 6,715,206 |
| Real estate for sale | 1,495,892 | 2,795,056 |
| Real estate for sale in process | 28,720,692 | 34,545,047 |
| Other | 632,956 | 885,246 |
| Total current assets | 39,380,857 | 44,940,557 |
| Non-current assets | | |
| Property, plant and equipment | 6,809,952 | 5,568,191 |
| Intangible assets | 7,108 | 12,625 |
| Investments and other assets | 775,030 | 904,980 |
| Total non-current assets | 7,592,090 | 6,485,797 |
| Total assets | 46,972,948 | 51,426,354 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 718,619 | 736,657 |
| Short-term borrowings | 3,160,536 | 3,702,920 |
| Current portion of long-term borrowings | 8,578,056 | 12,292,385 |
| Lease liabilities | 13,662 | 35,064 |
| Income taxes payable | 556,840 | 121,439 |
| Provision for bonuses | – | 42,100 |
| Provision for warranties for completed construction | 11,482 | 12,807 |
| Other | 769,496 | 871,690 |
| Total current liabilities | 13,808,694 | 17,815,065 |
| Non-current liabilities | | |
| Long-term borrowings | 17,429,965 | 18,376,292 |
| Lease liabilities | 27,243 | 109,545 |
| Provision for share awards for directors (and other officers) | 69,896 | 69,480 |
| Provision for employee stock ownership plan trust | 13,925 | 17,440 |
| Retirement benefit liability | 65,041 | 66,857 |
| Other | 493,722 | 466,258 |
| Total non-current liabilities | 18,099,794 | 19,105,875 |
| Total liabilities | 31,908,489 | 36,920,940 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 2,956,131 | 2,956,131 |
| Capital surplus | 2,454,259 | 2,454,518 |
| Retained earnings | 9,862,128 | 9,301,600 |
| Treasury shares | (210,325) | (209,100) |
| Total shareholders' equity | 15,062,194 | 14,503,149 |
| Share acquisition rights | 2,265 | 2,265 |
| Total net assets | 15,064,459 | 14,505,414 |
| Total liabilities and net assets | 46,972,948 | 51,426,354 |

## (2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

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

(Thousands of yen)

| | Three months ended September 30, 2023 | Three months ended September 30, 2024 |
|---|---|---|
| Net sales | 4,598,402 | 1,785,740 |
| Cost of sales | 3,944,349 | 1,271,276 |
| Gross profit | 654,052 | 514,464 |
| Selling, general and administrative expenses | 383,957 | 644,915 |
| Operating profit (loss) | 270,094 | (130,451) |
| Non-operating income | | |
| Interest income | 27 | 367 |
| Dividend income | 4,025 | 6,627 |
| Other | 1,735 | 648 |
| Total non-operating income | 5,788 | 7,643 |
| Non-operating expenses | | |
| Interest expenses | 57,766 | 91,577 |
| Commission expenses | – | 47,616 |
| Other | 6,106 | 277 |
| Total non-operating expenses | 63,872 | 139,472 |
| Ordinary profit (loss) | 212,010 | (262,279) |
| Extraordinary income | | |
| Surrender value of insurance policies | 15,403 | – |
| Total extraordinary income | 15,403 | – |
| Profit (loss) before income taxes | 227,413 | (262,279) |
| Income taxes - current | 32,758 | 111,861 |
| Income taxes - deferred | 45,855 | (174,127) |
| Total income taxes | 78,614 | (62,265) |
| Profit (loss) | 148,799 | (200,013) |
| Profit attributable to non-controlling interests | 10,934 | – |
| Profit (loss) attributable to owners of parent | 137,864 | (200,013) |

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

(Thousands of yen)

| | Three months ended September 30, 2023 | Three months ended September 30, 2024 |
|---|---|---|
| Profit (loss) | 148,799 | (200,013) |
| Other comprehensive income | – | – |
| Comprehensive income | 148,799 | (200,013) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 137,864 | (200,013) |
| Comprehensive income attributable to non-controlling interests | 10,934 | – |

## (3) Notes to Quarterly Consolidated Financial Statements

### Notes to Segment Information, Etc.

I Three months ended September 30, 2023 (July 1, 2023-September 30, 2023)

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

(Thousands of yen)

| | Reportable segments | | Total | Adjustment (Note 1) | Amounts shown on quarterly consolidated statement of income (Note 2) |
|---|---|---|---|---|---|
| | Real Estate | Hotel | | | |
| Net sales | | | | | |
| External sales | 4,547,124 | 51,277 | 4,598,402 | – | 4,598,402 |
| Inter-segment sales and transfers | – | – | – | – | – |
| Total | 4,547,124 | 51,277 | 4,598,402 | – | 4,598,402 |
| Segment profit | 540,004 | 8,584 | 548,588 | (278,494) | 270,094 |

Notes: 1. The negative 278,494 thousand yen adjustment to segment profit represents 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 is adjusted with operating profit shown on the quarterly consolidated statement of income.

II Three months ended September 30, 2024 (July 1, 2024-September 30, 2024)

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

(Thousands of yen)

| | Reportable segments | | Total | Adjustment (Note 1) | Amounts shown on quarterly consolidated statement of income (Note 2) |
|---|---|---|---|---|---|
| | Real Estate | Hotel | | | |
| Net sales | | | | | |
| External sales | 1,728,681 | 57,058 | 1,785,740 | – | 1,785,740 |
| Inter-segment sales and transfers | – | – | – | – | – |
| Total | 1,728,681 | 57,058 | 1,785,740 | – | 1,785,740 |
| Segment profit | 217,436 | 13,645 | 231,081 | (361,533) | (130,451) |

Notes: 1. The negative 361,533 thousand yen adjustment to segment profit represents 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 is adjusted with operating loss shown on the quarterly consolidated statement of income.

### Significant Changes in Shareholders' Equity

Not applicable.

### Notes to Going Concern Assumption

Not applicable.

### Notes to Quarterly Consolidated Statement of Cash Flows

The Company has not prepared quarterly consolidated statement of cash flows for the first quarter of the current fiscal year. Depreciation for the three months ended September, 2023 and 2024 (including amortization of intangible assets) are as follows.

(Thousands of yen)

| | Three months ended September 30, 2023 (July 1, 2023-September 30, 2023) | Three months ended September 30, 2024 (July 1, 2024-September 30, 2024) |
|---|---|---|
| Depreciation | 32,850 | 46,194 |

**Additional Information**

Stock compensation plan for directors

Pursuant to a resolution at the 25th Annual General Meeting of Shareholders held on September 28, 2022, the Company has introduced a trust-based stock compensation plan (hereinafter "the Plan") for directors (excluding outside directors) of the Company, in order to enhance the motivation of directors to contribute to enhancing corporate value, by further clarifying the link between the share value of the Company and directors' compensation, and ensuring that directors share with shareholders both the merits and the risks of fluctuation in the price of shares by being exposed to the risk of declines in the share price, as well as enjoying the merits of an increase in the share price.

Also, pursuant to a resolution of the meeting of the Board of Directors held on June 20, 2024, the directors of some consolidated subsidiaries shall be included in the scope of the Plan from June 28, 2024.

(1) Outline of transactions

The Plan is a stock compensation plan under which a trust established using money contributed by the Company (hereinafter "the Trust") shall acquire the Company's shares, and a number of the Company's shares equivalent to the number of points granted to directors of the Company and K-nine Co., Ltd. (excluding outside directors, hereinafter "the Directors of the Company, etc.") in accordance with the Share Delivery Regulations established by the Board of Directors of the Company and an amount of money equivalent to the market value of the Company's shares (hereinafter "the Company's Shares, etc.") shall be paid to Directors of the Company, etc. through the Trust.

Additionally, the timing of the grant of the Company's Shares, etc. to Directors of the Company, etc. shall be, in principle, upon their resignation as a Director of the Company, etc.

(2) Company's shares remaining in trust

The Company's shares remaining in trust is recorded as treasury shares in the part of net assets at the book value in trust (excluding the amount as ancillary expenses). The book value and number of shares of the relevant treasury shares were 126,476 thousand yen and 402,400 shares as of June 30, 2024, and 125,252 thousand yen and 398,500 shares as of September 30, 2024.

Stock compensation plan for employees

Pursuant to the resolution of the meeting of the Board of Directors held on May 9, 2024, the Company has introduced a trust-based stock compensation plan as part of an incentive plan for the Company's employees (hereinafter "the Plan"; the trust agreement to be concluded with Resona Bank, Limited with respect to the Plan is hereinafter referred to as "the Trust Agreement"; and the trust to be established in accordance with the Trust Agreement is hereinafter referred to as "the Trust") with the aim of increasing the morale and motivation of the Company's employees to contribute to improving the Company's performance and increasing in its corporate value over the medium to long term.

(1) Outline of transactions

The Plan is a system under which the Trust established by the Company uses money contributed by the Company to acquire the Company's shares, and in accordance with the predetermined regulations for the Employee Stock Ownership Plan (hereinafter "the J-ESOP Regulations"), the Company's shares and an amount of money equivalent to the market value of the Company's shares (hereinafter collectively "the Company's Shares, etc.") are provided to the Company's employees who satisfy certain beneficiary requirements.

The Company grants points to eligible employees of the Company in accordance with the J-ESOP Regulations, and if the employees satisfy certain beneficiary requirements, they receive the Company's Shares, etc., which correspond to the number of points granted to them, by completing the prescribed procedures. Since the Company contributes the entire amount of money related to the establishment of the Trust, there is no burden on the Company's employees.

(2) Company's shares remaining in trust

The Company's shares remaining in trust is recorded as treasury shares in the part of net assets at the book value in trust (excluding the amount as ancillary expenses). The book value and number of shares of the

relevant treasury shares were 83,830 thousand yen and 200,000 shares as of June 30, 2024, and 83,830 thousand yen and 200,000 shares as of September 30, 2024.

Change in the Purpose of Holding Property, Plant and Equipment

In the first quarter of the current fiscal year under review, following the change of the purpose of holding a portion of real estate for leasing from rental to sale, property, plant and equipment totaling 1,585,690 thousand yen were reclassified as real estate for sale.