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February 7, 2025

Consolidated Financial Results for the Six Months Ended December 31, 2024 (Under Japanese GAAP)

Company name: URBANET CORPORATION Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 3242
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Scheduled date to file semi-annual securities report: February 7, 2025
Scheduled date to commence dividend payments: March 31, 2025
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 six months ended December 31, 2024 (from July 1, 2024 to December 31, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	7,965	(30.3)	100	(87.9)	(232)	–	(210)	–
December 31, 2023	11,421	96.0	828	308.8	720	–	510	–

Note: Comprehensive income For the six months ended December 31, 2024: ¥(210) million [–%]
For the six months ended December 31, 2023: ¥532 million [880.5%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
December 31, 2024	(6.53)	–
December 31, 2023	16.43	16.39

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2024	57,217	14,820	25.9
June 30, 2024	46,972	15,064	32.1

Reference: Equity As of December 31, 2024: ¥14,820 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	–	10.00			
Fiscal year ending June 30, 2025 (Forecast)			–	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 semi-annual 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 December 31, 2024	33,624,100 shares
As of June 30, 2024	32,774,100 shares

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

As of December 31, 2024	589,293 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)

Six months ended December 31, 2024	32,275,159 shares
Six months ended December 31, 2023	31,065,116 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.

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit corporation.

* 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.

Friday, February 7, 2025: Financial results briefing for institutional investors and analysts

Attached Material

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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 7,965 million yen (down 30.3% from the same period of the previous fiscal year), operating profit of 100 million yen (down 87.9% from the same period of the previous fiscal year), ordinary loss of 232 million yen (compared with ordinary profit of 720 million yen in the same period of the previous fiscal year), and loss attributable to owners of parent of 210 million yen (compared with profit attributable to owners of the parent of 510 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 urban rental condominiums 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 recorded sales of 50 units in one urban rental condominium, 11 units in one apartment, and 16 detached or terraced houses. 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. is performing well. In the period under review, the Group sold five tracts of land for sites.

For the Group as a whole, construction is advancing smoothly toward June 2025, and at present, net sales and profits are both generally progressing in line with initial plans.

With the full acquisition of K-nine Co., Ltd., the Company has entered a new growth phase and is accelerating the expansion of its business domains. In addition, it has introduced a shareholder benefit program, as announced in the "Notice of Introduction of a Shareholder Benefit Program" disclosed on November 27, 2024, with the goal of making investing in the Company's shares even more attractive.

The performance by each business segment is explained below.

(Real Estate Business)

Net sales in the Real Estate Business were 7,845 million yen (down 30.7% from the same period of the previous fiscal year), and segment profit was 864 million yen (down 37.6% from the same period of the previous fiscal year).

Among these, the total amount of net sales from real estate development and sales was 6,698 million yen (down 39.3% from the same period of the previous year) with revenues derived from the sale of 50 units in one urban rental condominium, 11 units in one apartment, 16 detached or terraced houses, and five tracts of land for sites.

The total amount of net sales from real estate purchase and sales was 727 million yen (compared with 46 million yen in the same period of the previous fiscal year) with revenues derived from the purchase and resale of one unit, and net sales from other real estate business were 419 million yen (up 86.9% from the same period of the previous fiscal year) due to real estate brokerage, real estate leasing, and other factors.

(Hotel Business)

In the hotel business, net sales were 119 million yen (up 10.6% from the same period of the previous fiscal year) and segment profit was 30 million yen (up 53.2% 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

(i) Analysis of Financial Position

As for the financial position at the end of the first six months of the fiscal year under review, compared to the end of the previous fiscal year, total assets increased 10,244 million yen to 57,217 million yen, liabilities increased 10,487 million yen to 42,396 million yen, and net assets decreased 243 million yen to 14,820 million yen.

The increase in total assets was mainly due to an increase in real estate for sale in process of 9,029 million yen due to the proactive purchase of land for sites, despite cash and deposits decreasing 1,249 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 621 million yen in accounts payable - trade due to increases in development properties, and 10,706 million yen in long-term borrowings (including the current portion of long-term borrowings) because of the borrowings of fund for the project and long-term working capital through syndicated loans as a result of the purchase of land for sites.

The decrease in net assets was mainly due to a loss attributable to owners of parent and a decrease due to payment of year-end dividends, which outweighed an increase in share capital and legal capital surplus as a result of the exercise of share acquisition rights.

(ii) Analysis of Cash Flows

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the first six months of the fiscal year under review decreased by 1,250 million yen compared to the end of the previous fiscal year to 7,259 million yen, due to a decrease in funds in operating and investing activities, despite an increase in funds in financing activities.

Cash flows from operating activities

Net cash used in operating activities amounted to 9,361 million yen (compared with net cash provided of 2,079 million yen in the same period of the previous fiscal year). This was mainly due to an increase in inventories.

Cash flows from investing activities

Net cash used in investing activities amounted to 1,989 million yen (compared with net cash provided of 372 million yen in the same period of the previous fiscal year). This was mainly due to purchase of property, plant and equipment.

Cash flows from financing activities

Net cash provided by financing activities amounted to 10,101 million yen (compared with net cash used of 2,115 million yen in the same period of the previous fiscal year). This was mainly due to project financing activities through steady land purchases and proceeds from long-term borrowings based on the conclusion of syndicated loan agreements, which outweighed repayments of long-term borrowings in connection with sales of properties.

(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 7,965 million yen, operating profit of 100 million yen, ordinary loss of 232 million yen, and loss attributable to owners of parent was 210 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 urban rental condominiums 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 contracts have been concluded for all units. However, in the period under review, sales were recorded for 50 units in one urban rental condominium. In addition, it sold 11 units in one apartment, 16 detached or terraced houses, and five tracts of land for sites. 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 significantly 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. Semi-annual Consolidated Financial Statements and Significant Notes Thereto

(1) Semi-annual Consolidated Balance Sheet

(Thousands of yen)

	As of June 30, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	8,531,315	7,282,004
Real estate for sale	1,495,892	3,315,481
Real estate for sale in process	28,720,692	37,750,365
Other	632,956	687,065
Total current assets	39,380,857	49,034,916
Non-current assets		
Property, plant and equipment	6,809,952	7,158,820
Intangible assets	7,108	12,512
Investments and other assets	775,030	1,010,991
Total non-current assets	7,592,090	8,182,325
Total assets	46,972,948	57,217,241
Liabilities		
Current liabilities		
Accounts payable - trade	718,619	1,339,968
Short-term borrowings	3,160,536	2,625,590
Current portion of long-term borrowings	8,578,056	13,343,981
Lease liabilities	13,662	34,286
Income taxes payable	556,840	276,519
Provision for shareholder benefit program	–	55,337
Provision for warranties for completed construction	11,482	14,548
Other	769,496	553,904
Total current liabilities	13,808,694	18,244,135
Non-current liabilities		
Long-term borrowings	17,429,965	23,370,243
Lease liabilities	27,243	102,137
Provision for share awards for directors (and other officers)	69,896	78,358
Provision for employee stock ownership plan trust	13,925	20,929
Retirement benefit liability	65,041	69,599
Other	493,722	510,868
Total non-current liabilities	18,099,794	24,152,135
Total liabilities	31,908,489	42,396,271
Net assets		
Shareholders' equity		
Share capital	2,956,131	3,118,198
Capital surplus	2,454,259	2,617,253
Retained earnings	9,862,128	9,290,828
Treasury shares	(210,325)	(206,192)
Total shareholders' equity	15,062,194	14,820,087
Share acquisition rights	2,265	882
Total net assets	15,064,459	14,820,970
Total liabilities and net assets	46,972,948	57,217,241

(2) Semi-annual Consolidated Statement of Income and Semi-annual Consolidated Statement of Comprehensive Income

Semi-annual Consolidated Statement of Income (For the Six-month Period)

(Thousands of yen)

	Six months ended December 31, 2023	Six months ended December 31, 2024
Net sales	11,421,298	7,965,174
Cost of sales	9,801,460	6,458,794
Gross profit	1,619,838	1,506,380
Selling, general and administrative expenses	791,215	1,405,878
Operating profit	828,622	100,501
Non-operating income		
Interest income	41	468
Dividend income	4,025	1
Distribution profit	15,450	–
Other	10,168	1,224
Total non-operating income	29,685	1,694
Non-operating expenses		
Interest expenses	112,364	200,273
Commission expenses	19,198	133,629
Other	6,448	354
Total non-operating expenses	138,011	334,258
Ordinary profit (loss)	720,296	(232,062)
Extraordinary income		
Surrender value of insurance policies	85,507	–
Total extraordinary income	85,507	–
Profit (loss) before income taxes	805,803	(232,062)
Income taxes - current	248,720	262,341
Income taxes - deferred	24,863	(283,617)
Total income taxes	273,584	(21,276)
Profit (loss)	532,219	(210,785)
Profit attributable to non-controlling interests	21,868	–
Profit (loss) attributable to owners of parent	510,350	(210,785)

Semi-annual Consolidated Statement of Comprehensive Income (For the Six-month Period)

(Thousands of yen)

	Six months ended December 31, 2023	Six months ended December 31, 2024
Profit (loss)	532,219	(210,785)
Other comprehensive income	–	–
Comprehensive income	532,219	(210,785)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	510,350	(210,785)
Comprehensive income attributable to non-controlling interests	21,868	–

(3) Semi-annual Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended December 31, 2023	Six months ended December 31, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	805,803	(232,062)
Depreciation	67,801	97,342
Increase (decrease) in provision for shareholder benefit program	–	55,337
Increase (decrease) in provision for warranties for completed construction	–	3,065
Increase (decrease) in provision for share awards for directors (and other officers)	16,997	8,462
Increase (decrease) in provision for employee stock ownership plan trust	–	7,003
Increase (decrease) in retirement benefit liability	348	4,558
Interest and dividend income	(4,066)	(469)
Distribution profit	(15,450)	–
Interest expenses	112,364	200,273
Surrender value of insurance policies	(85,507)	–
Decrease (increase) in investments in leases	16,853	18,187
Decrease (increase) in inventories	1,820,673	(9,263,908)
Increase (decrease) in trade payables	335,660	621,348
Increase (decrease) in advances received	(466,458)	(166,725)
Increase (decrease) in accrued consumption taxes	1,956	50,158
Other, net	(32,768)	(50,105)
Subtotal	2,574,207	(8,647,534)
Interest and dividends received	4,066	469
Interest paid	(111,730)	(204,583)
Income taxes paid	(387,218)	(510,143)
Net cash provided by (used in) operating activities	2,079,324	(9,361,791)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,200)	(1,942,701)
Purchase of intangible assets	–	(6,465)
Proceeds from cancellation of insurance funds	207,585	–
Decrease (increase) in investments and other assets	154,500	–
Payments of conditional acquisition consideration for shares of subsidiaries	–	(56,100)
Other, net	11,988	15,562
Net cash provided by (used in) investing activities	372,874	(1,989,704)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	42,000	(534,946)
Proceeds from long-term borrowings	2,654,000	13,404,000
Repayments of long-term borrowings	(4,646,244)	(2,697,797)
Repayments of lease liabilities	(5,654)	(17,150)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	149,200	322,750
Proceeds from issuance of share acquisition rights	4,925	–
Dividends paid	(313,677)	(360,232)
Other, net	(0)	(15,238)
Net cash provided by (used in) financing activities	(2,115,451)	10,101,385
Net increase (decrease) in cash and cash equivalents	336,746	(1,250,110)
Cash and cash equivalents at beginning of period	9,131,018	8,509,615
Cash and cash equivalents at end of period	9,467,765	7,259,504

(4) Notes to Semi-annual Consolidated Financial Statements

Notes to Segment Information, Etc.

I Six months ended December 31, 2023 (July 1, 2023- December 31, 2023)

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 semi-annual consolidated statement of income (Note 2)
	Real Estate	Hotel			
Net sales					
External sales	11,313,196	108,102	11,421,298	–	11,421,298
Inter-segment sales and transfers	–	–	–	–	–
Total	11,313,196	108,102	11,421,298	–	11,421,298
Segment profit	1,385,759	19,740	1,405,499	(576,877)	828,622

Notes: 1. The negative 576,877 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 semi-annual consolidated statement of income.

II Six months ended December 31, 2024 (July 1, 2024- December 31, 2024)

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 semi-annual consolidated statement of income (Note 2)
	Real Estate	Hotel			
Net sales					
External sales	7,845,624	119,549	7,965,174	–	7,965,174
Inter-segment sales and transfers	–	–	–	–	–
Total	7,845,624	119,549	7,965,174	–	7,965,174
Segment profit	864,975	30,242	895,217	(794,716)	100,501

Notes: 1. The negative 794,716 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 semi-annual consolidated statement of income.

Significant Changes in Shareholders' Equity

Not applicable.

Notes to Going Concern Assumption

Not applicable.