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MEMBERSHIP

May 13, 2025

Consolidated Financial Results for the Nine Months Ended March 31, 2025 (Under Japanese GAAP)

Company name: URBANET CORPORATION Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 3242
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 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 nine months ended March 31, 2025 (from July 1, 2024 to March 31, 2025)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2025	11,791	(32.5)	48	(97.0)	(450)	—	(378)	—
March 31, 2024	17,466	49.3	1,632	88.0	1,438	125.4	1,011	149.0

Note: Comprehensive income For the nine months ended March 31, 2025: ¥(378) million [—%]
 For the nine months ended March 31, 2024: ¥1,043 million [137.9%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
March 31, 2025	(11.65)	—
March 31, 2024	32.42	32.33

Note: At the end of the fiscal year ended June 30, 2024, the Company finalized the provisional accounting treatment for the business combination, and each figure for the nine months ended March 31, 2024 reflects the details of the finalization of the provisional accounting treatment.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
March 31, 2025	62,161	14,398	23.2
June 30, 2024	46,972	15,064	32.1

Reference: Equity As of March 31, 2025: ¥14,398 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 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 March 31, 2025	33,824,100 shares
As of June 30, 2024	32,774,100 shares

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

As of March 31, 2025	589,349 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)

Nine months ended March 31, 2025	32,525,396 shares
Nine months ended March 31, 2024	31,196,001 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.

Tuesday, May 13, 2025: Financial results briefing for institutional investors and analysts

Attached Material

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1. Overview of Results of Operations

With regard to the business combination with K-nine Co., Ltd. conducted on February 29, 2024, provisional accounting treatment was carried out in the third quarter of the previous fiscal year. However, since it was finalized at the end of the previous fiscal year, the amounts revised after the finalization of the provisional accounting treatment are used for comparison and analysis with the nine months ended March 31, 2024.

(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 11,791 million yen (down 32.5% from the same period of the previous fiscal year), operating profit of 48 million yen (down 97.0% from the same period of the previous fiscal year), ordinary loss of 450 million yen (compared with ordinary profit of 1,438 million yen in the same period of the previous fiscal year), and loss attributable to owners of parent of 378 million yen (compared with profit attributable to owners of the parent of 1,011 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 97 units in three urban rental condominiums, 11 units in one apartment, and 23 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 net 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 seven 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 11,614 million yen (down 32.9% from the same period of the previous fiscal year), and segment profit was 1,255 million yen (down 48.8% from the same period of the previous fiscal year).

Among these, the total amount of net sales from real estate development and sales was 10,303 million yen (down 39.1% from the same period of the previous year) with revenues derived from the sale of 97 units in three urban rental condominiums, 11 units in one apartment, 23 detached or terraced houses, and seven 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 582 million yen (up 71.0% 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 177 million yen (up 7.1% from the same period of the previous fiscal year) and segment profit was 44 million yen (up 35.3% 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 third quarter of the fiscal year under review, compared to the end of the previous fiscal year, total assets increased 15,188 million yen to 62,161 million yen, liabilities increased 15,853 million yen to 47,762 million yen, and net assets decreased 665 million yen to 14,398 million yen.

The increase in total assets was mainly due to an increase in real estate for sale in process of 14,527 million yen due to the proactive purchase of land for sites and smooth progress of the construction for each project, despite cash and deposits decreasing 2,500 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 1,658 million yen in accounts payable - trade due to increases in development properties, and 15,245 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 dividends, which outweighed an increase in share capital and legal capital surplus as a result of the exercise of share acquisition rights.

(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 11,791 million yen, operating profit of 48 million yen, ordinary loss of 450 million yen, and loss attributable to owners of parent of 378 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 97 units in three urban rental condominiums. In addition, it sold 11 units in one apartment, 23 detached or terraced houses, and seven 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 net sales and profits to fluctuate significantly each year. Furthermore, consolidated subsidiary K-nine Co., Ltd. recorded steady sales and profits, mainly due to resale of land and strong sales of terraced houses. In addition, synergy effects are emerging through projects, such as the construction of our urban rental condominium building undertaken by K-nine Co., Ltd. for the first time.

Currently, construction is progressing smoothly with respect to the projects scheduled for completion and delivery in the fourth quarter, and the performance of consolidated subsidiaries is also robust. Therefore, the Company has decided to maintain the forecast figures for the full-year consolidated earnings forecasts for the current fiscal year, disclosed on August 8, 2024.

Furthermore, we disclosed the “Urbanet Group Medium-Term Management Plan” as the Group’s medium-term plan today (May 13, 2025). This plan aims to achieve sustainable growth in the future based on the expansion of our core business as well as M&A, investment in human capital, and new businesses that we have been working on. By achieving this plan, we will strive to further increase corporate value and provide returns to our shareholders.

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 economic situation, 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 March 31, 2025
Assets		
Current assets		
Cash and deposits	8,531,315	6,030,482
Real estate for sale	1,495,892	3,528,162
Real estate for sale in process	28,720,692	43,247,912
Other	632,956	1,065,144
Total current assets	39,380,857	53,871,702
Non-current assets		
Property, plant and equipment	6,809,952	7,223,901
Intangible assets	7,108	14,625
Investments and other assets	775,030	1,050,804
Total non-current assets	7,592,090	8,289,331
Total assets	46,972,948	62,161,033
Liabilities		
Current liabilities		
Accounts payable - trade	718,619	2,377,470
Short-term borrowings	3,160,536	2,416,200
Current portion of long-term borrowings	8,578,056	13,948,386
Lease liabilities	13,662	33,292
Income taxes payable	556,840	217,349
Provision for bonuses	—	45,862
Provision for warranties for completed construction	11,482	13,758
Other	769,496	661,729
Total current liabilities	13,808,694	19,714,049
Non-current liabilities		
Long-term borrowings	17,429,965	27,305,229
Lease liabilities	27,243	93,433
Provision for share awards for directors (and other officers)	69,896	87,237
Provision for employee stock ownership plan trust	13,925	24,092
Retirement benefit liability	65,041	71,879
Other	493,722	466,189
Total non-current liabilities	18,099,794	28,048,061
Total liabilities	31,908,489	47,762,111
Net assets		
Shareholders' equity		
Share capital	2,956,131	3,159,333
Capital surplus	2,454,259	2,658,388
Retained earnings	9,862,128	8,786,603
Treasury shares	(210,325)	(206,215)
Total shareholders' equity	15,062,194	14,398,110
Share acquisition rights	2,265	812
Total net assets	15,064,459	14,398,922
Total liabilities and net assets	46,972,948	62,161,033

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

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

(Thousands of yen)

	Nine months ended March 31, 2024	Nine months ended March 31, 2025
Net sales	17,466,514	11,791,654
Cost of sales	14,613,127	9,558,388
Gross profit	2,853,386	2,233,266
Selling, general and administrative expenses	1,220,674	2,184,652
Operating profit	1,632,711	48,613
Non-operating income		
Interest income	1,035	2,909
Dividend income	8,049	1
Distribution profit	15,450	–
Other	10,696	2,751
Total non-operating income	35,231	5,662
Non-operating expenses		
Interest expenses	167,493	328,749
Commission expenses	54,847	173,088
Other	6,903	2,771
Total non-operating expenses	229,243	504,610
Ordinary profit (loss)	1,438,699	(450,333)
Extraordinary income		
Gain on bargain purchase	20,867	–
Surrender value of insurance policies	85,507	–
Total extraordinary income	106,374	–
Extraordinary losses		
Loss on retirement of non-current assets	–	88
Total extraordinary losses	–	88
Profit (loss) before income taxes	1,545,073	(450,422)
Income taxes - current	470,464	263,420
Income taxes - deferred	30,710	(335,072)
Total income taxes	501,174	(71,652)
Profit (loss)	1,043,898	(378,770)
Profit attributable to non-controlling interests	32,565	–
Profit (loss) attributable to owners of parent	1,011,333	(378,770)

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

(Thousands of yen)

	Nine months ended March 31, 2024	Nine months ended March 31, 2025
Profit (loss)	1,043,898	(378,770)
Other comprehensive income	—	—
Comprehensive income	1,043,898	(378,770)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,011,333	(378,770)
Comprehensive income attributable to non-controlling interests	32,565	—

(3) Notes to Quarterly Consolidated Financial Statements

Notes to Segment Information, Etc.

I Nine months ended March 31, 2024 (July 1, 2023-March 31, 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	17,300,917	165,596	17,466,514	—	17,466,514
Inter-segment sales and transfers	—	—	—	—	—
Total	17,300,917	165,596	17,466,514	—	17,466,514
Segment profit	2,450,422	33,098	2,483,520	(850,808)	1,632,711

Notes: 1. The negative 850,808 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.

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

(Gain on bargain purchase)

During the third quarter of the fiscal year, the Company acquired all shares of K-nine Co., Ltd. and newly included it in the scope of consolidation.

As a result, a gain on bargain purchase of 20,867 thousand yen was recorded. Gain on bargain purchase is an extraordinary income and is not included in the above segment profit. The amount of the gain on bargain purchase reflects a significant revision of the initial allocation of acquisition costs due to the finalization of the provisional accounting treatment for the business combination.

II Nine months ended March 31, 2025 (July 1, 2024-March 31, 2025)

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	11,614,346	177,308	11,791,654	—	11,791,654
Inter-segment sales and transfers	—	—	—	—	—
Total	11,614,346	177,308	11,791,654	—	11,791,654
Segment profit	1,255,130	44,772	1,299,903	(1,251,289)	48,613

Notes: 1. The negative 1,251,289 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.

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 period under review. Depreciation for the nine months ended March 31, 2024 and 2025 (including amortization of intangible assets) are as follows.

	(Thousands of yen)	
	Nine months ended March 31, 2024 (July 1, 2023-March 31, 2024)	Nine months ended March 31, 2025 (July 1, 2024-March 31, 2025)
Depreciation	101,641	151,510

Business Combinations, Etc.

Significant revision of the initial allocation of acquisition costs in comparative information

With regard to the business combination with K-nine Co., Ltd. conducted on February 29, 2024, provisional accounting treatment was carried out in the third quarter of the previous fiscal year. However, it was finalized at the end of the previous fiscal year.

With the finalization of this provisional accounting treatment, the comparative information included in the quarterly consolidated financial statements for the period under review reflects a significant revision in the initial allocation of acquisition costs. The amount of goodwill provisionally calculated at 137,486 thousand yen was reduced by the same amount with the finalization of the accounting treatment, and a gain on bargain purchase of 20,867 thousand yen was recorded.

As a result, extraordinary income increased 20,867 thousand yen, and profit before income taxes and profit attributable to owners of parent increased 20,867 thousand yen in the quarterly consolidated statement of income for the nine months ended March 31, 2024.

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. The purpose of the Plan is to clarify the link between the Company’s share value and directors’ compensation, and to enhance directors’ motivation to contribute to the improvement of corporate value by ensuring that directors not only enjoy the merits of a rising share price but also bear the risk of a falling share price, thereby sharing both the merits and risks of share price fluctuations with shareholders.

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 are 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 122,331 thousand yen and 389,200 shares as of March 31, 2025.

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 are 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 March 31, 2025.

Change in the purpose of holding property, plant and equipment

In the period under review, following the change in 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.