



Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending May 31, 2024
(Japanese Accounting Standards)

October 6, 2023

Company name	INTELLEX Co., Ltd.	Listings	Tokyo Stock Exchange
Securities code	8940	URL	http://www.intellex.co.jp/
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Scheduled dates:			
Submission of quarterly report	October 11, 2023		
Commencement of dividend payments	-		
Supplementary documents for results	Yes		
Quarterly results briefing	No		

(Amounts in millions of yen rounded down to the nearest million yen)

1. Consolidated financial results for the first quarter of fiscal year ending May 31, 2024
(Cumulative: June 1, 2023 to August 31, 2023)

(1) Operating results (cumulative) (Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
For the 1Q of fiscal year ending May 31, 2024	10,483	41.6	-88	—	-131	—	-55	—
For the 1Q of fiscal year ended May 31, 2023	7,401	-12.9	-41	—	-102	—	-80	—

(Note) Comprehensive income:

For the 1Q of fiscal year ending May 31, 2024: -45 million yen (-%)

For the 1Q of fiscal year ended May 31, 2023: -76 million yen (-%)

	Profit per share	Diluted profit per share
	yen	yen
For the 1Q of fiscal year ending May 31, 2024	-6.58	—
For the 1Q of fiscal year ended May 31, 2023	-9.25	—

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
As of August 31, 2023	41,313	11,653	28.2
As of May 31, 2023	45,629	11,774	25.8

(Reference) Shareholders' equity:

As of August 31, 2023: 11,635 million yen As of May 31, 2023: 11,756 million yen

2. Dividends

	Dividend per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended May 31, 2023	—	9.00	—	9.00	18.00
Fiscal year ending May 31, 2024	—				
Fiscal year ending May 31, 2024 (forecast)		9.00	—	9.00	18.00

(Notes) Revisions to the latest dividends forecast: None

3. Consolidated earnings forecast for the fiscal year ending May 31, 2024 (June 1, 2023 to May 31, 2024)

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Half-year (cumulative)	24,355	35.9	65	-65.5	-143	—	-115	—	-13.84
Full-year	48,543	17.7	769	8.4	364	52.3	247	145.5	29.55

(Notes) Revisions to the latest forecast: None

Notes:

(1) Changes in significant subsidiaries during the fiscal period under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of accounting methods specific to quarterly report: None

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

- a. Changes due to revision to accounting standards, etc.: None
- b. Changes other than a: None
- c. Changes in accounting estimates: None
- d. Restatement: None

(4) Number of issued shares (common shares):

a. Number of issued shares at the end of fiscal period (including treasury shares)

As of August 31, 2023: 8,932,100 shares

As of May 31, 2023: 8,932,100 shares

b. Number of treasury shares as of the end of fiscal period:

As of August 31, 2023: 558,109 shares

As of May 31, 2023: 557,909 shares

c. Average number of shares during the fiscal period (cumulative):

For the first quarter of fiscal year ending May 31, 2024: 8,374,184 shares

For the first quarter of fiscal year ended May 31, 2023: 8,658,091 shares

*Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

*Proper use of earnings forecasts and other noteworthy events: (Notes for financial projections, etc.)

Descriptions of the above financial projections and other data are based on information currently available to the Company and certain assumptions that we consider to be reasonable. Actual financial results may differ significantly from the projections for various reasons. For points to note when using such assumptions and financial projections, please see “1. Summary of results of operations and financial position (3) Explanation of consolidated earnings forecasts and other forward-looking statements” on page 3 of the attached materials.

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1. Summary of results of operations and financial position

(1) Explanation of operating results

During the first quarter of fiscal year ending May 31, 2024 (from June 1, 2023 to August 31, 2023), Japan's economy was affected by an increase in personal consumption and demand for services from foreign tourists to Japan as economic activities normalized. Although there are concerns about rising consumer prices, the economy is slowly recovering.

According to the Real Estate Information Network System for East Japan (REINS), the pre-owned condominium market in the Tokyo metropolitan area has seen a noteworthy trend. Contract prices for pre-owned condominiums have been on the rise for 39 consecutive months, starting in June 2020 and continuing through August 2023. Additionally, in the period from June to August 2023, the number of contracts concluded increased by 3.1% compared to the same period the previous year. On the other hand, regarding the inventory of available properties, there is a notable increase. As of the end of August 2023, the number of properties registered is trending higher year-on-year, with a substantial 19.9% increase compared to the previous year.

Our core business, the sale of Renovated Condominiums, performed exceptionally well in the current fiscal period. We witnessed a robust 31.4% year-on-year in the number of sold, totaling 310 units. Additionally, the average sales price experienced a 12.1% year-on-year growth, reaching 28.1 million yen. Altogether Renovated Condominium sales increased by 49.0% year-on-year. Analyzing the sales performance by region, both the Tokyo metropolitan area (up 30.4% year-on-year) and major regional cities (up 32.3%) exceeded the same period in the previous year. As a result, our consolidated total sales for this fiscal period increased by 41.6% year-on-year. Several factors contributed to this success, including increased orders for interior renovation projects from both industry peers and individual clients, as well as improved occupancy rates in our hotel business.

In terms of profits, we strategically prioritized the sale of Renovated Condominiums to address industry-wide inventory issues. While this strategy resulted in a year-on-year decrease in the gross profit margin, the increased number of units sold led to a significant 8.7% year-on-year growth in our consolidated gross profit. Additionally, selling, general and administrative expenses increased by 12.5% year-on-year due to heightened selling expenses linked to the increased number of sales. Although our operating loss and ordinary loss did not decrease, we did see an improvement in quarterly net losses attributable to owners of parent company.

As a result of these factors, in the first quarter of the current fiscal year, we achieved net sales of 10,483 million yen, marking a substantial increase of 41.6% compared to the first quarter of the previous fiscal year. Operating loss was 88 million yen, compared to a loss of 41 million yen in the previous year. This led to an ordinary loss of 131 million yen, as opposed to a loss of 102 million yen in the previous year. Further, our net losses attributable to owner of the parent amounted to 55 million yen, in contrast to the 80 million yen losses recorded in the previous year.

Operating results by segment were as follows:

(Renovation Business)

In this business segment, property sales experienced a remarkable 49.0% year-on-year growth, reaching 8,711 million yen. This was driven by an increase in the number Renovated Condominiums sold and higher selling prices. However, there was a notable 31.4% year-on-year decrease in rental income sales, which amounted to 27 million yen. Sales of other income saw a substantial 35.1% year-on-year increase, totaling 607 million yen. This growth can be attributed to an increase in orders for our Renovation and Decoration Business.

As a result, the net sales for this segment reached 9,345 million yen, representing a significant 47.5% year-on-year increase. However, despite this boost in sales, the operating profit took a downturn, resulting in an operating loss of 80 million yen, in contrast to the 91 million yen recorded during the first quarter of the previous fiscal year.

(Solution Business)

In this business segment, net sales of properties decreased by 36.7% year-on-year, reaching 473 million yen. Revenues from property rentals also decreased by 4.5% year-on-year to 236 million yen. However, there was a significant increase of sales of other income, increasing by a significant 503.1% year-on-year to 428 million yen. This surge can be attributed to several factors, including the rapid recovery in our hotel business.

As a result, the net sales of this segment totaled 1,137 million yen, marking a 6.7% year-on-year increase. Moreover, our operating profit surged to 222 million yen, reflecting a 220.3% increase compared to the previous period.

(2) Explanation of financial position

Our financial position at the end of this fiscal period was: assets of 41,313 million yen (down 4,316 million yen since May 31, 2023), liabilities of 29,659 million yen (down 4,195 million yen respectively) and net assets of 11,653 million yen (down 121 million yen respectively).

(Assets)

The decrease in assets can be attributed to several key factors. While investments and other assets increased by 193 million yen, cash and deposits decreased by 804 million yen, real estate for sale decreased by 1,788 million yen and property, plant and equipment decreased by 1,971 million yen.

(Liabilities)

The main factors contributing to the decrease in liabilities were an increase in current portion of long-term loans payable of 299 million yen, as well as decreases in accounts payable of 228 million yen, short-term loans payable of 3,302 million yen, other current liabilities of 196 million yen and long-term loans payable of 729 million yen.

(Net assets)

The main reasons for the decrease in net assets were the recording of 55 million yen as a quarterly net loss attributable to owners of the parent, as well as a decrease of 75 million yen due to dividends from retained earnings.

(3) Explanation of consolidated earnings forecast and other forward-looking statements

There is no revision to the consolidated earnings forecast for the fiscal year ending May 31, 2024 stated in Summary of consolidated financial results for the fiscal year ended May 31, 2023 released on July 14, 2023.

2. Consolidated financial statements and major notes

(1) Consolidated balance sheet

(Thousand yen)

	As of May 31, 2023	As of August 31, 2023
Assets		
Current assets		
Cash and deposits	4,965,804	4,161,331
Accounts receivable - trade	233,805	275,508
Real estate for sale	25,751,141	23,962,387
Advance payments - trade	184,167	220,602
Other	500,568	482,311
Allowance for doubtful accounts	-2,227	-888
Total current assets	31,633,259	29,101,253
Non-current assets		
Tangible assets		
Building and structures, net	4,034,550	3,224,567
Land	7,518,017	6,396,164
Lease asset, net	76,867	71,168
Construction in progress	41,737	9,400
Other, net	21,860	20,209
Total tangible assets	11,693,032	9,721,510
Intangible assets		
Leasehold interests in land	464,906	464,906
Other	110,770	103,553
Total intangible assets	575,676	568,460
Investments and other assets		
Investment securities	683,649	726,580
Deferred tax assets	187,957	274,716
Other	858,087	925,692
Allowance for doubtful accounts	-1,681	-5,067
Total investments and other assets	1,728,013	1,921,922
Total non-current assets	13,996,723	12,211,892
Total assets	45,629,982	41,313,146

(Thousand yen)

	As of May 31, 2023	As of August 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	676,618	448,608
Short-term borrowings	16,301,557	12,998,642
Current portion of bonds payable	100,000	100,000
Current portion of long-term borrowings	4,767,744	5,067,303
Income taxes payable	99,179	21,760
Contract liabilities	216,012	250,777
Provision for guarantee for after-sales service	56,705	59,684
Other	1,153,219	956,551
Total current liabilities	23,371,035	19,903,327
Non-current liabilities		
Long-term borrowings	9,917,564	9,187,966
Asset retirement obligations	57,022	55,743
Other	509,893	512,865
Total non-current liabilities	10,484,479	9,756,574
Total liabilities	33,855,515	29,659,902
Net assets		
Shareholders' equity		
Share capital	2,253,779	2,253,779
Capital surplus	2,448,641	2,448,641
Retained earnings	7,363,595	7,233,157
Treasury shares	-342,696	-342,696
Total shareholders' equity	11,723,320	11,592,882
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33,146	42,361
Total of accumulated other comprehensive income	33,146	42,361
Non-controlling interests	18,000	18,000
Total net assets	11,774,467	11,653,243
Total liabilities and net assets	45,629,982	41,313,146

(2) Consolidated statement of income and consolidated statement of comprehensive income
(Consolidated statement of income)
(Cumulative during the period)

(Thousand yen)

	First quarter of FY2023	First quarter of FY2024
Net sales	7,401,187	10,483,513
Cost of sales	6,315,508	9,303,289
Gross profit	1,085,678	1,180,224
Selling, general and administrative expenses	1,126,981	1,268,234
Operating profit	-41,303	-88,009
Non-operating income		
Interest income	19	23
Dividend income	4,652	4,653
Penalty income	237	17,800
Insurance claim income	11,983	126
Outsourcing service income	3,204	3,204
Subsidy income	2,426	24,473
Commission income	2,368	2,964
Gain on investments in silent partnerships	28,984	31,080
Other	16,752	1,866
Total non-operating income	70,628	86,192
Non-operating expenses		
Interest expenses	89,976	104,551
Commission expenses	33,377	20,881
Other	8,794	3,780
Total non-operating expenses	132,148	129,214
Ordinary profit or loss	-102,823	-131,031
Extraordinary income		
Gain on sales of non-current assets	—	45
Total extraordinary income	—	45
Extraordinary losses		
Loss on disposal of non-current assets	—	3,137
Loss on valuation of investment securities	1,076	—
Total extraordinary losses	1,076	3,137
Profit or loss before income taxes	-103,899	-134,123
Income taxes - current	15,942	11,773
Income taxes - deferred	-39,727	-90,825
Total income taxes	-23,784	-79,052
Profit or loss	-80,115	-55,070
Profit or loss attributable to owners of parent	-80,115	-55,070

(Consolidated statement of comprehensive income)
(Cumulative during the period)

(Thousand yen)

	First quarter of FY2023	First quarter of FY2024
Profit or loss	-80,115	-55,070
Other comprehensive income		
Valuation difference on available-for-sale securities	3,632	9,214
Total other comprehensive income	3,632	9,214
Comprehensive income	-76,482	-45,855
Comprehensive income attributable to		-
Comprehensive income attributable to owners of parent	-76,482	-45,855
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes on the quarterly financial report
 (Notes on premise of going concern)
 Not applicable

(Notes on significant changes in shareholders' equity)
 Not applicable

(Additional Information)

(Disposal of treasury shares as a restricted stock compensation plan)

As of October 3, 2023, we completed the procedures regarding disposal of treasury shares as restricted stock compensation, which was resolved at the Board of Directors meeting held on September 8, 2023.

Summary of disposal of treasury shares

1	Date of disposal	October 2, 2023
2	Type and number of shares to be disposed	14,900 common stocks
3	Disposal price	520 yen per share
4	Total price of stocks to be disposed	7,748,000 yen
5	Disposal recipient and number of persons/shares to be disposed of	4 Executive Directors of the parent: 6,900 stocks 3 Operating Officers of the parent: 900 stocks 25 employees of the parent: 3,700 stocks 1 Executive Directors of the subsidiary: 300 stocks 2 Operating Officers of the subsidiary: 600 stocks 16 employees of the subsidiary: 2,500 stocks