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Summary of Consolidated Financial Results at the End of the Third Quarter of Fiscal Year Ending May 31, 2024 (Japanese Accounting Standards)

April 5, 2024

Company name	INTELLEX Co., Ltd.	Listings	First Section of Tokyo Stock Exchange
Securities code	8940	URL	http://www.intellex.co.jp/
Representative	President and Representative Director, Seiji Toshinari		
Contact	Director and Executive Officer, Kazunari Nakaharai		
Telephone	+81-3-5766-7639		
Scheduled dates:			
Submission of quarterly report	April 9, 2024		
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 at the end of the third quarter of fiscal year ending May 31, 2024 (Cumulative from June 1, 2023 to February 29, 2024)

(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	%
At the end of the 3Q of fiscal year ending May 31, 2024	30,381	8.6	165	-52.8	-54	—	-36	—
At the end the 3Q of fiscal year ended May 31, 2023	27,988	18.1	350	-41.7	8	-97.7	-53	—

(Note) Comprehensive income:

At the end of the 3Q of fiscal year ending May 31, 2024: -8 million yen (-%)

At the end of the 3Q of fiscal year ended May 31, 2023: -29 million yen (-%)

	Profit per share	Diluted profit per share
At the end of the 3Q of fiscal year ending May 31, 2024	yen -4.37	yen —
At the end of the 3Q of fiscal year ended May 31, 2023	-6.10	—

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
As of February 29, 2024	39,579	11,503	29.0
As of May 31, 2023	45,629	11,774	25.8

(Reference) Shareholders' equity:

As of February 29, 2024: 11,485 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	—	9.00	—		
Fiscal year ending May 31, 2024 (forecast)				9.00	18.00

(Notes) Revisions to the latest dividends forecast: None

3. Consolidated earnings forecast for the fiscal year ending May 31, 2024 (from 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
Full year	48,543	17.7	769	8.4	364	52.3	247	145.5	29.87

(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 year (including treasury shares)

As of February 29, 2024: 8,932,100 shares

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

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

As of February 29, 2024: 775,609 shares

As of May 31, 2023: 557,909 shares

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

For the 3Q of fiscal year ending May 31, 2024: 8,348,013 shares

For the 3Q of fiscal year ended May 31, 2023: 8,687,000 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

The Japanese economy up to the end of the third quarter of the cumulative fiscal period ending May 31, 2024 (spanning from June 1, 2023, to February 28, 2024), saw capital investment growth due to strong corporate profits. However, economic recovery has been hindered by stagnant wages failing to keep pace with rapidly rising prices, leading to weak personal consumption.

According to the Real Estate Information Network System for East Japan (REINS), the average contracted price of pre-owned condominiums in the Tokyo metropolitan area surged by 11.5% as of February 2024 compared to the same month of the previous year. This marked the 45th consecutive month of year-on-year increases since June 2020. Moreover, the number of contracts concluded during the period (from June 2023 to February 2024) rose by 4.3% year on year.

Turning to the sales performance of our core business, Renovated Condominium, we witnessed a 3.0% year-on-year increase in units sold, totaling 828 units, with the average sales price rising by 6.8% year on year to 27.88 million yen. Consequently, sales in this segment increased by 10.0% compared to the same period last year. Additionally, increased orders for our Renovation and Decoration Business from corporations and individual clients, along with sales from the transfer of real estate trust beneficiary rights of Leaseback properties and improved occupancy rates in the hotel business, contributed to an 8.6% year on year increase in consolidated sales.

However, in terms of profits, we faced challenges due to the excessive inventory in the industry. We prioritized the turnover of Renovated Condominium sales and adjusted prices, resulting in a decline in profit margins, as well as a 10.8% decrease in gross profit year on year. Despite a reduction in selling, general and administrative expenses by 7.0% year on year, operating income decreased by 52.8% year on year. While we streamline assets by carefully selecting properties and reduced non-operating expenses such as interest expenses, there was still an ordinary loss.

Due to these reasons, for the cumulative fiscal period ending February 29, 2024, net sales reached 30,381 million yen (an increase of 8.6% year on year), operating profit stood at 165 million yen (down 52.8%), ordinary loss amounted to 54 million yen (compared to an ordinary loss of 8 million yen as of February 28, 2023) and loss attributable to owners of the parent was 36 million yen (compared to a loss attributable to owners of the parent of 53 million yen as of February 28, 2023).

Operating results by segment were as follows:

(Renovation Businesses)

Net sales in this segment saw a notable increase of 10.7%, reaching 23,115 million yen. This rise stemmed from both a surge in the numbers of Renovated Condominiums sold and an uptick in the price per unit. However, net sales from rent revenues experienced a decline of 26.3%, to 84 million yen. Conversely, the total net sales from other revenues saw a significant increase of 38.6%, reaching 1,912 million yen, driven by increased Renovation and Decoration Business orders.

As a result, the total net sales for this segment amounted to 25,113 million yen, marking a 12.2% increase year on year. However, the operating profit decreased to 120 million yen, down by 75.4%, primarily due to lower profit margins on property sales.

(Solution Business)

Net sales in this segment demonstrated a robust growth of 20.8% year on year, reaching 3,517 million yen, despite the securitization of Leaseback properties. However, revenues from property rentals experienced a decline of 7.8%, totaling 702 million yen. On the other hand, net sales from other revenues surged remarkably by 155.2%, amounting to 1,048 million yen, driven by an increased occupancy rate in the hotel business.

As a result, the total net sales for this segment were 5,268 million yen, marking a 6.2% decrease year on year. However, the operating profit increased significantly to 709 million yen, up by 30.3%.

(2) Explanation of financial position

At the close of this fiscal period, our financial position stood as follows: assets totaled 39,579 million yen (a decrease of 6,050 million yen compared to the end of the previous fiscal year), liabilities amounted to 28,075 million yen (down by 5,779 million yen) and net assets were 11,503 million yen (down by 270 million yen).

(Assets)

The decrease in assets primarily resulted from several factors: there were increases of advances of 265 million yen and investments and other assets of 314 million yen. Conversely, there were decreases in cash and deposits of 1,386 million yen, real estate for sale of 3,455 million yen, and tangible fixed assets of 1,788 million yen.

(Liabilities)

The decrease in liabilities was mainly attributed to an increase of long-term borrowings of 1,003 million yen. However, there were decreases in accounts payable of 165 million yen, short-term borrowings of 4,126 million yen, and the current portion of long-term borrowings of 2,387 million yen.

(Net assets)

The decrease in net assets can be attributed to several key factors: there was an increase in unrealized gains on available-for-sale securities totaling 28 million yen. Additionally, there were decreases in payments of dividend surplus amounting to 150 million yen, an acquisition of treasury stock of 119 million yen, and the recording of quarterly net loss attributable to owners of the parent, amounting to 36 million yen.

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

There are no revisions to the consolidated earnings forecast as stated in the “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 February 29, 2024
Assets		
Current assets		
Cash and deposits	4,965,804	3,579,498
Accounts receivable - trade	233,805	298,153
Real estate for sale	25,751,141	22,295,969
Advance payments - trade	184,167	449,930
Other	500,568	453,629
Allowance for doubtful accounts	-2,227	-846
Total current assets	31,633,259	27,076,335
Non-current assets		
Tangible assets		
Building and structures, net	4,034,550	3,350,412
Land	7,518,017	6,467,333
Lease assets, net	76,867	59,770
Construction in progress	41,737	10,650
Other, net	21,860	16,486
Total tangible assets	11,693,032	9,904,652
Intangible assets		
Leasehold interests in land	464,906	464,906
Other	110,770	91,230
Total intangible assets	575,676	556,137
Investments and other assets		
Investment securities	683,649	865,528
Deferred tax assets	187,957	231,962
Other	858,087	949,554
Allowance for doubtful accounts	-1,681	-4,956
Total investments and other assets	1,728,013	2,042,088
Total non-current assets	13,996,723	12,502,877
Total assets	45,629,982	39,579,212

(Thousand yen)

	As of May 31, 2023	As of February 29, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	676,618	511,042
Short-term borrowings	16,301,557	12,175,328
Current portion of bonds payable	100,000	50,000
Current portion of long-term borrowings	4,767,744	2,379,857
Income taxes payable	99,179	8,502
Contract liabilities	216,012	211,885
Provision for guarantee for after-sales service	56,705	66,780
Other	1,153,219	1,207,419
Total current liabilities	23,371,035	16,610,815
Non-current liabilities		
Long-term borrowings	9,917,564	10,920,875
Asset retirement obligations	57,022	80,996
Other	509,893	463,023
Total non-current liabilities	10,484,479	11,464,895
Total liabilities	33,855,515	28,075,711
Net assets		
Shareholders' equity		
Capital stock	2,253,779	2,253,779
Capital surplus	2,448,641	2,447,492
Retained earnings	7,363,595	7,176,361
Treasury shares	-342,696	-453,434
Total shareholders' equity	11,723,320	11,424,198
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33,146	61,302
Total of accumulated other comprehensive income	33,146	61,302
Non-controlling interests	18,000	18,000
Total net assets	11,774,467	11,503,501
Total liabilities and net assets	45,629,982	39,579,212

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

(Thousand yen)

	From June 1, 2022 to February 28, 2023	From June 1, 2023 to February 29, 2024
Net sales	27,988,138	30,381,357
Cost of sales	23,672,617	26,530,246
Gross profit	4,315,521	3,851,110
Selling, general and administrative expenses	3,965,324	3,685,844
Operating profit	350,196	165,265
Non-operating income		
Interest income	43	54
Dividend income	5,152	10,023
Penalty income	5,173	25,179
Outsourcing service income	9,613	9,613
Subsidy income	18,290	56,756
Commission income	4,582	6,180
Gain on investments in silent partnerships	59,662	56,860
Other	33,804	12,024
Total non-operating income	136,321	176,692
Non-operating expenses		
Interest expenses	297,098	278,269
Commission fee	149,661	97,765
Other	31,420	20,823
Total non-operating expenses	478,180	396,858
Ordinary profit (or loss)	8,338	-54,900
Extraordinary income		
Gain on sales of non-current assets	—	45
Total extraordinary income	—	45
Extraordinary losses		
Loss on disposal of non-current assets	741	3,477
Loss on valuation of investment securities	1,076	—
Total extraordinary losses	1,818	3,477
Profit (or loss) before income taxes	6,519	-58,332
Income taxes - current	69,375	34,619
Income taxes - deferred	-9,825	-56,430
Total income taxes	59,550	-21,811
Profit (or loss)	-53,030	-36,521
Profit (or loss) attributable to owners of parent	-53,030	-36,521

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

(Thousand yen)

	From June 1, 2022 to February 28, 2023	From June 1, 2023 to February 29, 2024
Profit	-53,030	-36,521
Other comprehensive income or loss (-)		
Valuation difference on available-for-sale securities	23,750	28,156
Total other comprehensive income	23,750	28,156
Comprehensive income	-29,279	-8,365
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-29,279	-8,365
Comprehensive income attributable to non-controlling interests	—	—

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

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

(Important subsequent matters)
Not applicable