



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

July 12, 2024

Company name	INTELLEX Co., Ltd.	Listings	Standard Section of Tokyo Stock Exchange
Securities code	8940	URL	http://www.intellex.co.jp/
Representative	President & Representative Director, Seiji Toshinari		
Contact	Executive Director, Kazunari Nakaharai		
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Scheduled dates:			
Annual Shareholders' Meeting	August 27, 2024		
Submission of securities report	August 27, 2024		
Commencement of dividend payments	August 9, 2024		
Supplementary documents for results	Yes		
Results briefing	Yes (for securities analysts and institutional investors)		

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

1. Consolidated financial results for the fiscal year 2024

(Cumulative: June 1, 2023 to May 31, 2024)

(1) Operating results (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 fiscal year ended May 31, 2024	42,702	3.6	931	31.1	607	153.9	414	310.9
For the fiscal year ended May 31, 2023	41,236	14.1	710	-47.9	239	-77.4	100	-84.3

(Note) Comprehensive income:

For the fiscal year ended May 31, 2024: 441 million yen (197.4%)

For the fiscal year ended May 31, 2023: 148 million yen (-76.1%)

	Profit per share	Diluted profit per share	Return on equity	Ordinary profit /total assets	Operating margin
	yen	yen	%	%	%
For the fiscal year ended May 31, 2024	50.04	—	3.5	1.4	2.2
For the fiscal year ended May 31, 2023	11.65	—	0.8	0.6	1.7

(Reference) Equity in net income of affiliated companies:

For the fiscal year ended May 31, 2024: - million yen

For the fiscal year ended May 31, 2023: - million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	million yen	million yen	%	yen
As of May 31, 2024	40,710	11,872	29.1	1,479.04
As of May 31, 2023	45,629	11,774	25.8	1,403.89

(Reference) Shareholders' equity:

As of May 31, 2024: 11,854 million yen As of May 31, 2023: 11,756 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year end
	million yen	million yen	million yen	million yen
As of May 31, 2024	8,861	-3,116	-5,788	4,690
As of May 31, 2023	-930	-2,851	4,313	4,734

2. Dividends

	Dividend per share					Total dividends	Payout ratio	Dividend on equity (consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Total			
Fiscal year ended May 31, 2023	yen —	yen 9.00	yen —	yen 9.00	yen 18.00	yen 153	% 154.5	% 1.3
Fiscal year ended May 31, 2024	—	9.00	—	10.00	19.00	155	38.0	1.3
Fiscal year ending May 31, 2024 (forecast)	—	17.00	—	17.00	34.00		30.4	

(Note)

Breakdown of second quarter-end dividend of FY2025:

Ordinary dividend of ¥10.00 and 30th anniversary commemorative dividend of ¥7.00

Breakdown of year-end dividend of FY2025:

Ordinary dividend of ¥10.00 and 30th anniversary commemorative dividend of ¥7.00

3. Consolidated earnings forecast for the fiscal year ending May 31, 2025 (June 1, 2024 to May 31, 2025)

(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)	21,280	-6.1	1,293	439.5	1,062	918.4	725	896.9	90.57
Full-year	45,011	5.4	1,619	74.0	1,186	95.2	896	116.6	111.90

Notes:

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

(2) 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

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

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

As of May 31, 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 May 31, 2024: 917,009 shares

As of May 31, 2023: 557,909 shares

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

For the fiscal year ended May 31, 2024: 8,276,013 shares

For the fiscal year ended May 31, 2023: 8,649,188 shares

(Reference) Unconsolidated business results

1. Unconsolidated business results for the fiscal year ended May 31, 2024

(Cumulative: June 1, 2023 to May 31, 2024)

(1) Operating results

(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 fiscal year ended May 31, 2024	39,038	-0.2	805	25.3	559	162.4	411	85.8
For the fiscal year ended May 31, 2023	39,117	13.1	643	-50.8	213	-79.0	221	-65.0

	Profit per share	Diluted profit per share
	yen	yen
For the fiscal year ended May 31, 2024	49.77	—
For the fiscal year ended May 31, 2023	25.63	—

(2) Unconsolidated financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	million yen	million yen	%	yen
As of May 31, 2024	37,330	11,148	29.9	1,391.00
As of May 31, 2023	43,351	11,053	25.5	1,319.90

(Reference) Shareholders' equity: As of May 31, 2024: 11,148 million yen As of May 31, 2023: 11,053 million yen

*Yearly 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 (4) Explanation of consolidated earnings forecasts and other forward-looking statements" on page 4 of the attached materials.

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1. Summary of results of operations and financial position

(1) Explanation of operating results

During the current consolidated fiscal year (June 1, 2023 to May 31, 2024), despite strong capital investment driven by record-high corporate profits and signs of a recovery in consumer spending, Japan's broader economic recovery remains sluggish, as wide-ranging price increases are expected to continue.

According to the East Japan Real Estate Transaction Organization (East Japan REINS), the contracted price of pre-owned condominiums in the Tokyo metropolitan area rose 5.8% in May 2024 compared to the same period last year, marking the 48th consecutive month (June 2020 to May 2024) of year-on-year growth. In addition, the number of transactions increased 5.4% year-on-year during the period of June 2023 to May 2024.

In our Renovation Business, the number of property sales (Renovated Condominium sales) decreased 2.0% year on year to 1,129 units, but the average sales price increased 6.5% year on year to 27.99 million yen, resulting in a 4.3% increase in sales from the Renovation Business. In addition, due to factors such as an increase in orders in the Renovation and Decoration Business for competitors and individuals, sales from the transfer of real estate trust beneficiary rights for Leaseback properties, the composition of the small-lot real estate investment product *Asset Sharing +*, and increased revenue from improved occupancy rates in the Hotels and Accommodation Business, consolidated sales for the current period increased 3.6% year on year.

In terms of profits, Renovated Condominium sales recognized the risk of excess inventory in the market as a whole and focused on the early sale of inventory carried over from the previous fiscal year, which led to a decline in profit margins due to price adjustments, resulting in a 4.6% decrease in consolidated gross profit compared to the previous fiscal year. However, due to a reduction in selling, general and administrative expenses (down 9.3% year on year), operating profit increased 31.1% year on year. In terms of non-operating income and expenses, early sales of properties and carefully selected purchases led to a streamlining of assets, which led to a decrease in non-operating expenses such as interest payments (down 13.8% year on year), and ordinary profit was 2.5 times higher than the previous fiscal year.

As a result, net sales for the current consolidated fiscal year increased 3.6% year on year to 42,702 million yen, operating profit increased 31.1% to 931 million yen, ordinary profit increased 153.9% to 607 million yen and net profit attributable to owners of parent increased 310.9% to 414 million yen consecutively.

Segment results are as follows:

(Renovation Business)

Net sales of properties in Renovation Business increased 4.3% year on year to 31,610 million yen due to factors such as rising sales prices of Renovated Condominiums. In addition, rental income in this business area decreased 21.0% to 115 million yen. Sales of other income increased 50.3% to 3,055 million yen, reflecting an increase in orders received in the Renovation and Decoration Business.

As a result, net sales in this business field were 34,781 million yen (up 7.0% year on year). However, operating profit was 550 million yen (down 26.6%) due to the decline in profit margins on Renovated Condominium sales.

(Solution Business)

Sales from property sales in this business segment decreased 24.9% year on year to 5,259 million yen, despite the securitization of Leaseback properties and the composition of the small-lot real estate investment product *Asset Sharing + (Plus)*. In addition, rental income in this business segment decreased 7.0% to 942 million yen. Sales of other income increased 137.6% to 1,718 million yen due to factors such as an increase in the occupancy rate of the Hotel and Accommodation Business.

As a result, net sales in this business segment were 7,920 million yen (down 9.3% year on year), and operating income was 1,223 million yen (up 34.9%).

(2) Explanation of financial position

The financial position at the end of the current consolidated fiscal year was assets of 40,710 million yen (down 4,919 million yen compared to the end of last fiscal year), liabilities of 28,838 million yen (down 5,017 million yen) and net assets were 11,872 million yen (up 98 million yen).

(Assets)

The main factors behind the decrease in assets were increases of 208 million yen in advance payments to suppliers, 405 million yen in property, plant and equipment, and 342 million yen in investments and other assets, while there were decreases of 5,442 million yen in real estate for sale and 485 million yen in intangible assets.

(Liabilities)

The main factors behind the decrease in liabilities were increases of 400 million yen in corporate bonds, 1,627 million yen in long-term borrowings, and 526 million yen in other current liabilities, while short-term borrowings decreased by 4,963 million yen and the current portion of long-term borrowings decreased by 2,480 million yen.

(Net assets)

The main factors behind the increase in net assets were the recording of net income attributable to owners of parent of 414 million yen, as well as the recording of dividends of surplus of 150 million yen and the recording of purchase of treasury shares of 199 million yen.

(3) Explanation of consolidated cash flows

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the current consolidated fiscal year decreased by 44 million yen from the end of the previous consolidated fiscal year to 4,690 million yen. The status and factors for each cash flow are as follows:

(Cash flows from operating activities)

Cash flows from operating activities for the current consolidated fiscal year were a net inflow of 8,861 million yen (a net outflow of 930 million yen in the previous consolidated fiscal year). This was mainly due to an increase in trades receivable of 167 million yen, an increase in advance payments to suppliers of 197 million yen, an increase in other assets of 103 million yen, a decrease in other liabilities of 160 million yen, and interest paid of 354 million yen, while profit before income taxes and other adjustments was recorded at 588 million yen, depreciation expenses at 286 million yen, a decrease in inventories at 8,015 million yen, and an increase in consumption taxes refund receivable of 622 million yen, etc.

(Cash flows from investing activities)

Cash flows from investing activities for the current consolidated fiscal year were a net outflow 3,116 million yen (2,851 million yen in the previous consolidated fiscal year), mainly due to expenditures of 231 million yen for time deposits, 2,793 million yen for the acquisition of fixed assets, and 223 million yen for the purchase of investment securities.

(Cash flows from financing activities)

Cash flows from financing activities for the current consolidated fiscal year were a net outflow of 5,788 million yen (compared to a net inflow of 4,313 million yen in the previous consolidated fiscal year). This was mainly due to proceeds from long-term borrowings of 7,259 million yen and proceeds from the issuance of bonds of 500 million yen, a net decrease in short-term borrowings of 4,963 million yen, expenditures for repayment of long-term borrowings of 8,113 million yen, expenditures for redemption of bonds of 100 million yen, expenditures for purchase of treasury shares of 201 million yen, and dividends paid of 151 million yen.

(4) Future outlook

As part of our medium-term management policy, we are promoting “ambidextrous management” that strengthens our management base by increasing the synergy between our existing core businesses and new investment businesses. In the fiscal year ending May 31, 2025, we will continue to focus on expanding earnings by strengthening the profitability of existing businesses, promoting the technical advancement and promotion of our energy-efficient renovation product *Ecocube*, as a strategic investment in new business, and dedicating our digitalization efforts to further developing *FLIE*, our real estate buying and selling platform.

As we mark our 30th anniversary in July 2025, to ensure our companies further success, we will focus on developing the next generation of talented employees. This includes strong human capital engagement, and improving employee engagement, which will lead to a more robust management structure.

Our core business focusses on the renovation of existing homes. This approach is more sustainable and has a lower environmental impact compared to new construction. Furthermore, we believe that our social mission is to increase the availability of energy-efficient homes by advancing and popularizing energy-efficient renovation. This will help reduce CO₂ emissions and contribute positively to the environment. As we anticipate a future where energy-efficient renovations become the standard for pre-existing homes, we will lead the industry in advocating for and promoting their widespread adoption.

(Earnings forecast for the fiscal year ending May 31, 2025)

In the Renovation Business field, sales of Renovated Condominiums are expected to reach 32,000 million yen (up 1.4% year on year) with 1,100 units sold (down 29 units from the previous term) and an average sales price of 29.14 million yen (up 4.0% year on year). Sales of 2,100 million yen are also planned from the Renovation and Decoration Business. Meanwhile, in the Solutions Business field, sales of 3,700 million yen are expected from the sale of properties including a profitable property (Toshima-ku, Tokyo) that was sold in June 2024, and 1,000 million yen from the sale of the *Asset Sharing* series of fractional ownership real estate products. As a result, consolidated sales are expected to increase 5.4% year on year to 45,011 million yen.

In terms of profits, we believe that profitability will improve in Renovated Condominium sales, as the sale of low-profit properties was completed by the end of the previous fiscal year, and properties that were carefully purchased in the previous fiscal year will be available for sale this fiscal year. Furthermore, we expect the sale of the profitable properties mentioned above to contribute to profits, and we plan to increase consolidated gross profit by 22.4% year on year to 7,137

million yen. Although selling, general and administrative expenses are expected to increase 11.2% year on year, we plan to absorb these cost increases and increase operating profit by 74.0% year on year to 1,619 million yen. Furthermore, we will aim to reduce non-operating expenses such as interest payments by increasing the business turnover rate of Renovated Condominium sales, and as a result, we plan to increase ordinary profit by 1.9 times year on year to 1,186 million yen, and net profit attributable to owners of parent by 2.1 times year on year to 896 million yen.

(5) Basic policies regarding the allocation of profits and dividends for FY2024 and FY2025

Pursuant to Article 459, Paragraph 1 of the Companies Act, our Articles of Incorporation stipulate that we may distribute dividends of surplus by resolution of our Board of Directors.

Regarding the distribution of dividends of surplus, we consider returning profits to shareholders to be one of our most important management priorities, and will actively return profits to shareholders while strengthening our financial position and enhancing internal reserves for future business expansion. Specifically, we will continue with our performance-linked dividend policy, with a consolidated dividend payout ratio of 30% or more as the benchmark, and will also adopt a new policy of paying stable dividends with a minimum annual dividend of 20 yen per share.

Regarding the final dividend for the fiscal year ending May 31, 2024, we will pay an ordinary dividend of 10 yen per share, taking into account the business performance of this fiscal year. As a result, the annual dividend per share will be 19 yen, and the dividend payout ratio will be 38.0%.

In addition, for the dividend for the next fiscal year (ending May 31, 2025), in addition to the ordinary dividend of 20 yen per share (interim dividend of 10 yen and final dividend of 10 yen), we will pay a commemorative dividend of 14 yen per share (interim dividend of 7 yen and final dividend of 7 yen) to mark the 30th anniversary of the founding of our company in July 2025, for a total annual dividend per share of 34 yen. As a result, the expected dividend payout ratio will be 30.4%.

2. Fundamental approach to the selection of accounting standards

Taking into consideration the comparability of consolidated financial statements across periods and between companies, we plan to prepare consolidated financial statements in accordance with Japanese standards for the time being.

Going forward, we may consider applying international accounting standards, taking into account changes in the ratio of foreign shareholders and the trends in the application of international accounting standards by our domestic competitors.

3. Consolidated financial statements and major notes

(1) Consolidated balance sheet

(Thousand yen)

	As of May 31, 2023	As of May 31, 2024
Assets		
Current assets		
Cash and deposits	4,965,804	4,980,415
Accounts receivable - trade	233,805	401,532
Real estate for sale	25,751,141	20,308,884
Advance payments to suppliers	184,167	393,159
Other	500,568	369,900
Allowance for doubtful accounts	-2,227	-1,867
Total current assets	31,633,259	26,452,025
Non-current assets		
Tangible assets		
Building and structures	5,198,305	4,755,554
Accumulated depreciation	-1,163,755	-790,477
Building and structures, net	4,034,550	3,965,077
Land	7,518,017	8,031,901
Lease asset	157,310	162,319
Accumulated depreciation	-80,443	-103,490
Lease asset, net	76,867	58,828
Construction in progress	41,737	26,898
Other	101,479	84,821
Accumulated depreciation	-79,618	-68,961
Other, net	21,860	15,859
Total tangible assets	11,693,032	12,098,565
Intangible assets		
Leasehold interests in land	464,906	—
Other	110,770	89,690
Total intangible assets	575,676	89,690
Investments and other assets		
Investment securities	683,649	921,438
Deferred tax assets	187,957	166,302
Other	858,087	987,866
Allowance for doubtful accounts	-1,681	-5,070
Total investments and other assets	1,728,013	2,070,536
Total non-current assets	13,996,723	14,258,791
Total assets	45,629,982	40,710,816

(Thousand yen)

	As of May 31, 2023	As of May 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	676,618	619,664
Short-term borrowings	16,301,557	11,338,236
Current portion of bonds payable	100,000	100,000
Current portion of long-term borrowings	4,767,744	2,286,969
Income taxes payable	99,179	103,032
Contract liabilities	216,012	179,640
Provision for guarantee for after-sales service	56,705	45,977
Other	1,153,219	1,680,041
Total current liabilities	23,371,035	16,353,562
Non-current liabilities		
Bonds payable	—	400,000
Long-term borrowings	9,917,564	11,544,843
Asset retirement obligations	57,022	82,776
Other	509,893	456,984
Total non-current liabilities	10,484,479	12,484,604
Total liabilities	33,855,515	28,838,167
Net assets		
Shareholders' equity		
Share capital	2,253,779	2,253,779
Capital surplus	2,448,641	2,447,492
Retained earnings		
Other retained earnings		
Reserve for open innovation tax incentive	—	22,548
Retained earnings brought forward	7,363,595	7,604,498
Total retained earnings	7,363,595	7,627,047
Treasury shares	-342,696	-533,744
Total shareholders' equity	11,723,320	11,794,574
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33,146	60,075
Total accumulated other comprehensive income	33,146	60,075
Non-controlling interests	18,000	18,000
Total net assets	11,774,467	11,872,649
Total liabilities and net assets	45,629,982	40,710,816

(2) Consolidated statement of income and consolidated statement of comprehensive income
(Consolidated statement of income)

(Thousand yen)

	Fiscal period ended May 31, 2023	Fiscal period ended May 31, 2024
Net sales	41,236,815	42,702,249
Cost of sales	35,124,034	36,870,560
Gross profit	6,112,780	5,831,688
Selling, general and administrative expenses	5,402,606	4,900,650
Operating profit	710,174	931,038
Non-operating income		
Interest income	49	65
Dividend income	5,652	10,023
Gain on sale of investment securities	—	8,181
Penalty income	6,241	25,456
Outsourcing service income	12,818	12,818
Subsidy income	18,633	65,957
Commission income	7,749	7,695
Gain on investments in silent partnerships	69,786	74,630
Other	36,093	13,299
Total non-operating income	157,022	218,126
Non-operating expenses		
Interest expenses	408,706	375,079
Commission expenses	166,645	126,506
Other	52,488	39,792
Total non-operating expenses	627,840	541,378
Ordinary profit	239,355	607,787
Extraordinary income		
Gain on sales of non-current assets	—	45
Total extraordinary income	—	45
Extraordinary losses		
Loss on disposal of non-current assets	741	3,645
Loss on valuation of investment securities	1,076	—
Impairment loss	—	15,920
Total extraordinary losses	1,818	19,565
Profit before income taxes	237,537	588,266
Income taxes - current	173,661	164,331
Income taxes - deferred	-36,907	9,770
Total income taxes	136,754	174,102
Profit	100,782	414,164
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	100,782	414,164

(Consolidated statement of comprehensive income)

(Thousand yen)

	Fiscal year ended May 31, 2023	Fiscal year ended May 31, 2024
Profit	100,782	414,164
Other comprehensive income		
Valuation difference on available-for-sale securities	47,532	26,928
Total other comprehensive income	47,532	26,928
Comprehensive income	148,315	441,093
(Breakdown)		
Comprehensive income attributable to owners of parent	148,315	441,093
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statement of changes in net assets

For the fiscal period ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings		
			Other retained earnings		Total retained earnings
			Reserve for open innovation tax incentive	Retained earnings brought forward	
Balance at beginning of current period	2,253,779	2,459,130	—	7,453,898	7,453,898
Changes during period					
Dividends of surplus				-191,085	-191,085
Net income attributable to parent company shareholders				100,782	100,782
Purchase of treasury shares					
Disposal of treasury shares		-10,488			
Provision of reserve for open innovation tax incentive					
Net changes in items other than shareholders' equity					
Total changes during period	—	-10,488	—	-90,302	-90,302
Balance at end of period	2,253,779	2,448,641	—	7,363,595	7,363,595

	Shareholders' equity		Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Treasury shares	Total shareholders' equity	Loss/gain on valuation of investment securities	Total accumulated other comprehensive income		
Balance at beginning of current period	-191,511	11,975,296	-14,385	-14,385	18,000	11,978,911
Changes during period						
Dividends of surplus		-191,085				-191,085
Net income attributable to parent company shareholders		100,782				100,782
Purchase of treasury shares	-199,948	-199,948				-199,948
Disposal of treasury shares	48,763	38,274				38,274
Provision of reserve for open innovation tax incentive		—				—
Net changes in items other than shareholders' equity			47,532	47,532	—	47,532
Total changes during period	-151,185	-251,976	47,532	47,532	—	-204,443
Balance at end of current period	-342,696	11,723,320	33,146	33,146	18,000	11,774,467

For the fiscal period ended May 31, 2024 (from June 1, 2013 to May 31, 2024)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings		
			Other retained earnings		Total retained earnings
			Reserve for open innovation tax incentive	Retained earnings brought forward	
Balance at beginning of current period	2,253,779	2,448,641	—	7,363,595	7,363,595
Changes during period					
Dividends of surplus				-150,712	-150,712
Net income attributable to parent company shareholders				414,164	414,164
Purchase of treasury shares					
Disposal of treasury shares		-1,149			
Provision of reserve for open innovation tax incentive			22,548	-22,548	—
Net changes in items other than shareholders' equity					
Total changes during period	—	-1,149	22,548	240,902	263,451
Balance at end of current period	2,253,779	2,447,492	22,548	7,604,498	7,627,047

	Shareholders' equity		Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Treasury shares	Total shareholders' equity	Loss/gain on valuation of investment securities	Total accumulated other comprehensive income		
Balance at beginning of current period	-342,696	11,723,320	33,146	33,146	18,000	11,774,467
Changes during period						
Dividends of surplus		-150,712				-150,712
Net income attributable to parent company shareholders		414,164				414,164
Purchase of treasury shares	-199,945	-199,945				-199,945
Disposal of treasury shares	8,897	7,748				7,748
Provision of reserve for open innovation tax incentive		—				—
Net changes in items other than shareholders' equity			26,928	26,928		26,928
Total changes during period	-191,048	71,253	26,928	26,928	—	98,182
Balance at end of current period	-533,744	11,794,574	60,075	60,075	18,000	11,872,649

(4) Consolidated statement of cash flows

(Thousand yen)

	Fiscal period ended May 31, 2023	Fiscal period ended May 31, 2024
Cash flows from operating activities		
Profit before income taxes	237,537	588,266
Depreciation	291,638	286,884
Impairment loss	—	15,920
Increase (decrease) in allowance for doubtful accounts	-2,806	3,029
Increase (decrease) in provision for guarantee for after-sales service	4,286	-10,728
Interest and dividend income	-5,701	-10,088
Interest expenses	408,706	375,079
Share compensation costs	40,062	37,782
Loss (gain) on sales of investment securities	—	-8,181
Loss (gain) on valuation of investment securities	1,076	—
Loss (gain) on disposal of non-current assets	741	3,599
Decrease (increase) in trade receivables	-3,873	-167,727
Decrease (increase) in inventories	-1,410,030	8,015,406
Decrease (increase) in advance payments to suppliers	223,030	-197,342
Increase (decrease) in trade payables	146,047	-56,954
Decrease (increase) in consumption taxes refund receivable	-110,423	65,241
Increase (decrease) in accrued consumption taxes	-65,416	622,596
Decrease (increase) in other assets	-95,792	-103,906
Increase (decrease) in other liabilities	322,619	-160,073
Subtotal	-18,296	9,298,806
Interest and dividends received	5,701	10,088
Interest paid	-436,674	-354,414
Income taxes paid	-481,479	-93,349
Net cash provided by (used in) operating activities	-930,748	8,861,130
Cash flows from investing activities		
Payments into time deposits	-127,201	-231,792
Proceeds from withdrawal of time deposits	—	50,000
Purchase of non-current assets	-2,724,383	-2,793,169
Proceeds from sales of non-current assets	—	245
Purchase of investment securities	—	-223,500
Proceeds from sales of investment securities	—	82,480
Other	-170	-1,039
Net cash provided by (used in) investing activities	-2,851,754	-3,116,775

	Fiscal period ended May 31, 2023	Fiscal period ended May 31, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,884,000	-4,963,321
Proceeds from long-term borrowings	8,751,600	7,259,804
Repayments of long-term borrowings	-7,701,933	-8,113,298
Proceeds from issuance of bonds	—	500,000
Redemption of bonds	-210,000	-100,000
Repayments of lease liabilities	-17,741	-19,319
Purchase of treasury shares	-201,434	-201,550
Dividends paid	-190,911	-151,059
Net cash provided by (used in) financing activities	4,313,578	-5,788,745
Net increase (decrease) in cash and cash equivalents	531,075	-44,390
Cash and cash equivalents at beginning of period	4,203,316	4,734,391
Cash and cash equivalents at end of fiscal year	4,734,391	4,690,001

(5) Notes to consolidated financial statements

(Notes on premise of going concern)

Not applicable

(Basis of presenting consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 6

Names of consolidated subsidiaries:

Intellex Space Plan Co., Ltd.

Intellex Property Co., Ltd.

Saisei Jutaku Partners Co., Ltd.

FLIE Co., Ltd.

TEI Japan Co., Ltd.

RECOSYS Inc.

(2) Number of unconsolidated subsidiaries: None

2. Application of the equity method of accounting

(1) Number of equity-method affiliated companies: -

Not applicable

(2) Unconsolidated subsidiaries and affiliated companies not accounted for by the equity method:

Not applicable

3. Matters concerning the fiscal years of consolidated subsidiaries

All consolidated subsidiaries have the same fiscal year as the consolidated fiscal year.

(Changes on accounting policies)

Not applicable

(Changes on Presentation Methods)

(Consolidated Statement of Income)

In the previous consolidated fiscal year, "Insurance claim income" was reported separately under "Non-operating income" due to the significant amount. However, with the reduction in its significance, we have reclassified "Insurance claim income" starting from the current fiscal year. It is now included under "Others" within "Non-operating income". Consequently, the consolidated financial statements for the previous fiscal year have been adjusted to reflect this change. Specifically, "Insurance claim income," previously reported as ¥13,174 thousand under "Non-operating income", have been reclassified to "Others," with a total amount of ¥36,093 thousand.

(Additional information)

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

As of October 2, 2023, we completed the procedures regarding the 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)	Disposal date	October 2, 2023
(2)	Type and number of shares to be disposed of	Our common shares: 14,900 shares
(3)	Disposal price	¥520 per share
(4)	Total disposal price	¥7,748,000
(5)	Disposal recipient and number of persons/shares to be disposed of	4 Executive Directors of the parent: 6,900 shares 3 Operating Officers of the parent: 900 shares 25 employees of the parent: 3,700 shares 1 Executive Director of the subsidiary: 300 shares 2 Operating Officers of the subsidiary: 600 shares 16 employees of the subsidiary: 2,500 shares

(Transferring from tangible noncurrent asset to real estate for sale)

Due to change in the purpose of ownership, part of tangible noncurrent assets has been transferred to real estate for sale. Below is the summary:

	(Thousand yen)	
	Fiscal period ended May 31, 2023	Fiscal period ended May 31, 2024
Building and structures	1,022,301	1,575,910
Land	3,549,035	2,985,781
Land lease	—	464,906
Construction in progress	—	32,881
Other	—	1,535
Total	4,571,336	5,061,014

(Transferring from real estate for sale to tangible noncurrent asset)

Due to change in the purpose of ownership, part of real estate for sale has been transferred to tangible noncurrent asset. Below is the summary:

	(Thousand yen)	
	Fiscal period ended May 31, 2023	Fiscal period ended May 31, 2024
Building and structures	—	565,033
Land	—	1,921,624
Other	—	1,208
Total	—	2,487,865

(Securitization of Leaseback properties)

(1) Overview of special purpose companies and transactions using special purpose companies

We securitize real estate properties in order to diversify funding sources.

When securitizing, we first transfer real estate properties (trust beneficiary rights, etc.) to a special purpose company (limited liability company), and then the company receives funds procured through borrowing, etc. backed by the real estate as proceeds from the sale.

We conclude a silent partnership agreement with a special purpose company and make investments based on that agreement. We plan to recover all of our investments in silent partnership, and as of the end of May 2024, we have determined that there is no possibility of incurring losses in the future.

We do not hold investments with voting rights, nor do we send officers or employees.

(Thousand yen)

	Fiscal period ended May 31, 2023	Fiscal period ended May 31, 2024
No. of special purpose companies	3	4
Total assets as of the most recent closing date (simple sum)	¥7,047,812	8,801,225
Total liabilities (simple sum)	¥5,759,439	7,436,427

(2) Amount of transaction, etc. with special purpose company

Fiscal period ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

(Thousand yen)

	Amount of transaction	Main profit/loss	
		Section	Amount
Silent partnership investment	315,700	Gains/losses on silent partnership investments	55,543

Note: Intellex Property Co., Ltd., our consolidated subsidiary, is entrusted with the management of properties transferred to a special purpose company. Amounts are omitted due to their immateriality.

Fiscal period ended May 31, 2024 (from June 1, 2023 to May 31, 2024)

(Thousand yen)

	Amount of transaction	Main profits and loss	
		Section	Amount
Silent partnership investment	407,700	Gains/losses on silent partnership investments	49,903
Real estate transfer amount (Note 1)	1,843,644	Total sales	1,843,644

Note 1: The amount of real estate transferred is stated at the transfer price at the time of transfer. The amount transferred is recorded as sales on the Consolidated Statement of Income.

Note 2: Intellex Property Co., Ltd., our consolidated subsidiary, is entrusted with the management of properties transferred to a special purpose company. Amounts are omitted due to their immateriality.

(Segment information)

a. Segment information

1. Overview of the reported segments

Our reported segments are regularly reviewed by the Board of Directors using the segregated financial information available within each segment to determine the allocation of business resources and evaluate business results.

We have two reportable segments: Renovation Business and Solution Business.

Renovation Business mainly engages in renovation works/sales, leasing, brokerage of used condominiums, and interior renovation business. Solution Business mainly engages in the sales and rental business of profitable real estate properties, Leaseback Business, Asset Sharing Business, as well as the Hotel and Accommodation Business.

2. Method for calculating sales, profit/loss, assets and other items by reported segments

The accounting method used for reported segments is generally the same as stated in "Basis of presenting consolidated financial statements."

Inter-segment sales and transfers are based on market realties prices.

3. Information regarding the amounts of net sales and profit or loss by reported segments

Fiscal period ended May 31, 2023 (from June 1, 2022 to May 31, 2023):

	Reported segments			Adjustment (Note 1)	Amount on consolidated financial statements
	Renovation Business	Solution Business	Total		
Net sales					
Sales – outside customers	32,500,563	8,736,251	41,236,815	–	41,236,815
Sales and transfer – inter-segment	–	–	–	–	–
Total	32,500,563	8,736,251	41,236,815	–	41,236,815
Segment profit	750,380	906,600	1,656,981	-946,807	710,174
Segment asset	21,478,196	19,398,623	40,876,820	4,753,162	45,629,982
Others					
Depreciation	37,502	247,783	285,286	6,351	291,638
Increase in tangible noncurrent assets and intangible noncurrent assets	190,363	2,548,839	2,739,202	12,206	2,751,409

(Notes) 1. Details of adjustments are as follows:

The adjustment to segment profit of -¥946,807 thousand is corporate expenses that are not allocated to any reported segment. Corporate expenses are mainly general and administrative expenses that are not attributed to reported segments.

The adjustment to segment asset of ¥4,753,162 thousand is corporate expenses that are not allocated to any reported segment. Corporate expenses are mainly cash and deposits, deferred tax assets and assets for corporate management that are not attributed to reported segments.

2. Segment profit was adjusted with operating profit on the consolidated statement of income.

3. Segment asset was adjusted with total asset on the consolidated balance sheet.

Fiscal period ended May 31, 2024 (from June 1, 2023 to May 31, 2024):

(Thousand yen)

	Reported segments			Adjustment (Note 1)	Amount on consolidated financial statements
	Renovation Business	Solution Business	Total		
Net sales					
Sales – outside customers	34,781,914	7,920,334	42,702,249	—	42,702,249
Sales and transfer – inter-segment	—	—	—	—	—
Total	34,781,914	7,920,334	42,702,249	—	42,702,249
Segment profit	550,748	1,223,009	1,773,758	-842,720	931,038
Segment asset	15,648,249	20,396,018	36,044,268	4,666,548	40,710,816
Others					
Depreciation	78,946	201,305	280,252	6,632	286,884
Increase in tangible noncurrent assets and intangible noncurrent assets	46,354	2,720,837	2,767,192	847	2,768,040

(Notes) 1. Details of adjustments are as follows:

The adjustment to segment profit of -¥842,720 thousand is corporate expenses that are not allocated to any reported segment. Corporate expenses are mainly general and administrative expenses that are not attributed to reported segments.

The adjustment to segment asset of ¥4,666,548 thousand is corporate expenses that are not allocated to any reported segment. Corporate expenses are mainly cash and deposits, deferred tax assets and assets for corporate management that are not attributed to reported segments.

2. Segment profit was adjusted with operating profit on the consolidated statement of income.

3. Segment asset was adjusted with total asset on the consolidated balance sheet.

(Per share information)

	Fiscal year ended May 31, 2023	Fiscal year ended May 31, 2024
Net assets per share	¥1,403.89	¥1,479.04
Net income (loss) per share	¥11.65	¥50.04

(Note)

1. Diluted net income per share of both this and last consolidated fiscal year are not mentioned above, since there are no dilutive shares.
2. The basis for calculating net income (loss) per share and diluted net income per share is as follows:

	Fiscal year ended May 31, 2023	Fiscal year ended May 31, 2024
Net income (loss) per share		
Net income (loss) attributable to parent company shareholders (thousand yen)	100,782	414,164
Amounts not attributable to common shareholders (thousand yen)	—	—
Net income (loss) attributable to parent company common shareholders (share)	100,782	414,164
Average number of common shares outstanding during the fiscal year	8,649,188	8,276,013
Summary of dilutive shares that were not calculated into diluted net income per share due to lack of dilutive impact	—	—

(Important subsequent matters)

(Grant of restricted stock)

At the Board of Directors meeting held on June 28, 2024, we resolved to grant restricted stock (hereinafter referred to as the "Shares") to the officers and employees of our company and its subsidiaries (hereinafter referred to as "the Group").

1. Purpose of the share grant

As we approach our 30th anniversary in July 2025, we aim to increase our corporate value over the medium to long term by providing the Group's officers and employees with greater incentives to contribute to the Group's sustainable growth and to further share value with our shareholders.

2. Overview of the share grant

The share grant involves granting monetary claims to officers and employees of our Group who meet certain employment conditions and working conditions (hereinafter referred to as the "Eligible Officers and Employees") based on a resolution of each Board of Directors of the Group in order to allocate the Shares, and having the Eligible Officers and Employees contribute all of the monetary claims to the company as in-kind assets, thereby issuing or disposing of the Company's common stock to the Eligible Officers and Employees and allowing them to hold these shares.

The payment amount per share for this share grant will be the closing price of the Company's common share on the Tokyo Stock Exchange on the business day prior to the date of the Board of Directors' resolution (if no transaction is made on that day, the closing price on the most recent trading day prior thereto). The specific payment timing and distribution to each Eligible Officers and Employee will be determined at each Board of Directors meeting.

In addition, when issuing or disposing of the Company's common share, a restricted share allocation agreement (hereinafter referred to as the "Allocation Agreement") will be concluded between the Company and the Eligible Officers and Employees, and the contents of the Agreement will include the following items.

- A. Eligible Officers and Employees are prohibited from transferring, pledged or otherwise disposing of the Shares allocated under the Allocation Agreement for a predetermined period of time.
- B. If certain circumstances arise, the Company will acquire the common shares free of charge.
- C. Details of the conditions for lifting the transfer restrictions set in advance by the Company's Board of Directors

The Shares allotted to the Eligible Officers and Employees will be managed in dedicated accounts for the Shares opened by each Eligible Officers and Employees at Okasan Securities Co., Ltd. during the transfer restriction period so that they cannot be transferred, security interests created, or otherwise disposed of during the transfer restriction period.

The total number of the Company's common shares granted to the Eligible Officers and Employees will be up to 75,000 shares (representing 0.8% of the total number of issued shares).

Details such as the specific timing and amount of the share grant will be announced once they have been decided.