Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year Ending May 31, 2020
(Japanese Accounting Standards)

January 14, 2020

Company name	INTELLEX Co., Ltd.	Listings	First Section of Tokyo Stock Exchange
Securities code	8940	URL	http://www.intellex.co.jp/
Representative	President & CEO, Takuya Yamamoto		
Contact	Senior Managing Director, Toyohiko Tsuruta		
Telephone	+81-3-5766-7639		

Scheduled dates:

Submission of quarterly report	January 14, 2020
Commencement of dividend payments	February 7, 2020
Supplementary documents for results	Yes
Quarterly results briefing	Yes (for analysts and corporate investors)

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

1. Consolidated financial results for the second quarter of fiscal year ending May 31, 2020
   (cumulative: June 1, 2019 to November 30, 2019)

(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 2Q of fiscal year ending May 31, 2020	17,820	6.8	345	(6.4)	173	(13.2)	148	26.6
For the 2Q of fiscal year ended May 31, 2019	16,682	(24.9)	369	(45.9)	199	(61.5)	117	(64.4)

(Note) Comprehensive income:
For the 2Q of fiscal year ending May 31, 2020: 150 million yen (29.4%)
For the 2Q of fiscal year ended May 31, 2019: 116 million yen (-67.7%)

	Profit per share	Diluted profit per share
	yen	yen
For the 2Q of fiscal year ending May 31, 2020	17.21	-
For the 2Q of fiscal year ended May 31, 2019	13.18	13.14

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
As of November 30, 2019	39,173	10,362	26.4
As of May 31, 2019	36,756	10,663	29.0

(Reference) Shareholders’ equity:
As of November 30, 2019: 10,345 million yen As of May 31, 2019: 10,646 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, 2019	–	17.00	–	17.00	34.00
Fiscal year ending May 31, 2020	–	11.00			
Fiscal year ending May 31, 2020 (forecast)			–	11.00	22.00

(Note) Revisions to the latest dividends forecast: None

3. Consolidated earnings forecast for the fiscal year ending May 31, 2020 (June 1, 2019 to May 31, 2020)

(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	42,182	14.1	1,164	(30.4)	741	(45.6)	500	(39.8)	58.33

(Note) Revisions to the latest earnings 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 November 30, 2019: 8,932,100 shares
As of May 31, 2019: 8,932,100 shares

b. Number of treasury shares as of the end of fiscal period:
As of November 30, 2019: 418,909 shares
As of May 31, 2019: 109 shares

c. Average number of shares during the period (cumulative):
For the 2Q of fiscal year ending May 31, 2020: 8,655,601 shares
For the 2Q of fiscal year ended May 31, 2019: 8,931,808 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.

Attached materials index:

1. Summary of results of operations and financial position

(1) Explanation of operating results

During the second quarter of fiscal year ending May 31, 2020 (from June 1, 2019 to November 30, 2019), the Japanese economy experienced slugging of external demand, downturn of rush demand before consumption tax hike and natural disasters including major typhoons. While corporate revenue in general remains standstill, personal consumption seems recovering slowly supported by robust employment and income environment.

According to Real Estate Information Network System for East Japan (REINS), during this period the number of used condominiums contracted in greater Tokyo area has increased by 2.8% year on year. Also, the average contracted price of used condominiums during this six-months period marked higher than the same months of the previous year.

In our core Renovated Condominium Business, the number of units sold increased by 12.6% year on year to 636 units, thanks to the increase in purchases since the second half of the previous fiscal year. Speaking of sales result by areas, while units sold in greater Tokyo area remained almost the same as last year (slightly decreased by 1.7%) to 298 units, units sold outside Tokyo grew by 29.0% year on year to 338 units. The average sales price, on the other hand, decreased by 4.3% year on year, since sales outside Tokyo (where average sales price is relatively lower) exceeded sales in greater Tokyo area. Consequently, net sales of Renovated Condominium Business during this period increased by 7.6% year on year to ¥14,868 million. In Other Real Estate Business, sales of Asset Sharing Hakata (one of our real estate financial products which subdivide ownership of real estate properties), sales of other real estate properties, increase in rent income accrued from leaseback property acquisitions and sales increase in renovation business contributed to the net sales increase by 3.0% year on year to ¥2,951 million. Consequently, consolidated net sales during this fiscal period totaled ¥17,820 million, up 6.8% year on year.

Speaking of profit, increase in gross margin of Renovated Condominium sales contributed to the increase in gross profit by 7.4% year on year. On the other hand, increase in SG&A by 9.9% year on year resulted in decrease in both operating profit (by 6.4%) and ordinary profit (by 13.2%). With extraordinary profit of ¥56 million resulting from sales of noncurrent assets, profit attributable to owners of the parent increased by 26.6% year on year.

Due to the reasons above, during the second quarter of this fiscal year the net sales was ¥17,820 million (up 6.8% year on year), operating profit was ¥345 million (down 6.4%), ordinary profit was ¥173 million (down 13.2%) and net profit attributable to owners of the parent was ¥148 million (up 26.6%).

Operating results by segment were as follows:

(Renovated Condominium Business)

The number of renovated condominium units sold was 636 (up 71 units year on year), average sales price per unit was ¥23.22 million (down 4.3%) and net sales were ¥147,73 million (up 7.7%). Revenues from condominium rentals were ¥85 million (down 6.3%) and other sales were ¥9 million (down 16.8%).

As a result, net sales of this segment were ¥148,68 million (up 7.6% year on year) and operating profit was ¥387 million (up 9.5%).

(Other Real Estate Business)

Net sales of real estate properties were ¥1,505 million, down 10.1% year on year. Revenues from other real estate rentals were ¥466 million (up 28.2%) supported by the increase in leaseback properties acquired, and other sales were ¥979 million (up 18.3%) thanks to increased renovation work orders from industry peers and individual clients.

As a result, net sales of this segment were ¥2,951 million (up 3.0% year on year) and operating profit was ¥269 million (down 8.6%).

(2) Explanation of financial position

The Group's financial position at the end of this fiscal period was: assets of ¥39,173 million (up ¥2,417 million since the end of last fiscal year), liabilities of ¥28,811 million (up ¥2,718 million) and net assets of ¥10,362 million (down ¥300 million).

(Assets)

The main factors for the increase in assets were a decrease of ¥1,950 million in cash and deposits, offset by an increase of ¥3,497 million in inventories, and an increase of ¥786 million in tangible assets due to acquisitions of long-term properties in Leaseback business.

(Liabilities)

The main factors for the increase in liabilities were a decrease of ¥1,591 million in long-term loans payable, offset by increases of ¥2,966 million in short-term loans payable, ¥899 million in current portion of long-term loans payable and ¥247 million in accounts payable.

(Net assets)

The main factors for the decrease in net assets were the appropriation of ¥148 million in profit attributable to owners of the parent, offset by the payment of dividends of surplus of ¥151 million and share buy-back of ¥299 million.

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

There is no revision to the consolidated earnings forecast stated in Summary of Consolidated Financial Results for the Fiscal Year Ended May 31, 2019 released as of July 11, 2019, since we put higher weight on performance of the second half of fiscal year.

2. Consolidated financial statements and major notes

(1) Consolidated balance sheet

(Thousand yen)

	As of May 31, 2019	As of November 30, 2019
Assets		
Current assets		
Cash and deposits	5,500,178	3,549,220
Accounts receivable - trade	108,346	122,649
Investment securities	100,173	100,038
Real estate for sale	15,378,475	18,541,304
Real estate for sale in process	3,269,868	3,604,761
Advance payments - trade	348,849	354,895
Other	397,087	391,488
Allowance for doubtful accounts	(1,008)	(2,506)
Total current assets	25,101,971	26,661,852
Non-current assets		
Tangible assets		
Building and structures (net)	2,632,830	2,910,642
Land	7,424,609	7,962,046
Construction in progress	102,545	78,983
Other (net)	45,958	40,742
Total tangible assets	10,205,943	10,992,415
Intangible assets		
Leasehold right	464,906	464,906
Other	51,864	59,233
Total intangible assets	516,770	524,140
Investments and other assets		
Investment securities	223,071	225,441
Deferred tax assets	145,158	128,803
Other	567,913	645,419
Allowance for doubtful accounts	(4,321)	(4,166)
Total investments and other assets	931,822	995,497
Total non-current assets	11,654,536	12,512,053
Total assets	36,756,507	39,173,905

(Thousand yen)

	As of May 31, 2019	As of November 30, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	477,747	724,927
Short-term loans payable	9,482,427	12,448,933
Current portion of bonds	340,000	310,000
Current portion of long-term loans payable	3,354,916	4,254,587
Income taxes payable	193,205	83,959
Advances received	165,883	168,526
Allowance for after-sales service and product warranty	13,964	16,853
Other	835,286	1,288,605
Total current liabilities	14,863,430	19,296,392
Non-current liabilities		
Bonds payable	840,000	700,000
Long-term loans payable	9,862,549	8,271,426
Other	527,168	543,694
Total non-current liabilities	11,229,718	9,515,120
Total liabilities	26,093,149	28,811,513
Net assets		
Shareholders' equity		
Capital stock	2,253,779	2,253,779
Capital surplus	2,467,106	2,467,106
Retained earnings	5,912,258	5,909,374
Treasury shares	(115)	(300,078)
Total shareholders' equity	10,633,029	10,330,182
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,977	15,621
Deferred gains or losses on hedges	(677)	(335)
Total accumulated other comprehensive income	13,300	15,286
Share acquisition rights	17,028	16,922
Total net assets	10,663,358	10,362,392
Total liabilities and net assets	36,756,507	39,173,905

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

(Thousand yen)

	For the 2Q of FY2019	For the 2Q of FY2020
Net sales	16,682,550	17,820,832
Cost of sales	14,285,225	15,246,246
Gross profit	2,397,324	2,574,585
Selling, general and administrative expenses	2,028,179	2,229,155
Operating profit	369,145	345,430
Non-operating income		
Interest income	3,062	200
Dividend income	2,396	4,152
Penalty income	6,360	5,095
Commission fee	300	300
Fee and commission received	2,379	2,921
Other	5,920	5,052
Total non-operating income	20,418	17,721
Non-operating expenses		
Interest expenses	134,261	154,593
Commission fee	49,398	28,711
Other	6,332	6,641
Total non-operating expenses	189,992	189,946
Ordinary profit (or loss)	199,570	173,206
Extraordinary income		
Gain on sales of non-current assets	4,461	56,005
Gain on reversal of subscription rights to share	—	106
Total extraordinary income	4,461	56,111
Extraordinary losses		
Loss on disposal of non-current assets	5	4,618
Total extraordinary losses	5	4,618
Profit before income taxes	204,027	224,699
Income taxes - current	56,336	60,260
Income taxes - deferred	30,003	15,478
Total income taxes	86,339	75,738
Profit	117,687	148,960
Profit attributable to owners of parent	117,687	148,960

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

(Thousand yen)

	For the 2Q of FY2019	For the 2Q of FY2020
Profit	117,687	148,960
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,369)	1,644
Deferred gains or losses on hedges	290	341
Total other comprehensive income	(1,079)	1,986
Comprehensive income	116,607	150,946
(Breakdown)		
Comprehensive income attributable to owners of parent	116,607	150,946
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of cash flows

(Thousand yen)

	For the 2Q of FY2019	For the 2Q of FY2020
Cash flows from operating activities		
Profit before income taxes	204,027	224,699
Depreciation	140,672	129,204
Increase (decrease) in allowance for doubtful accounts	943	1,342
Increase (decrease) in allowance for after-sales service and product warranty	2,626	2,889
Interest and dividend income	(5,458)	(4,352)
Interest expenses	134,261	154,593
Gain on reversal of subscription rights to share	—	(106)
Loss (gain) on disposal of non-current assets	(4,456)	(51,387)
Decrease (increase) in notes and accounts receivable - trade	(44,102)	(14,302)
Decrease (increase) in inventories	(1,049,758)	(3,108,714)
Decrease (increase) in advance payments	24,035	(6,046)
Increase (decrease) in notes and accounts payable - trade	69,893	247,180
Decrease (increase) in other assets	(193,612)	(32,586)
Increase (decrease) in other liabilities	(144,370)	479,723
Subtotal	(865,299)	(1,977,862)
Interest and dividend income received	5,382	4,259
Interest expenses paid	(132,326)	(161,516)
Income taxes paid	(261,601)	(164,592)
Cash provided by (used in) operating activities	(1,253,845)	(2,299,712)
Cash flows from investing activities		
Payments into time deposits	(100,503)	(110,519)
Proceeds from withdrawal of time deposits	70,045	318,016
Purchase of non-current assets	(3,539,302)	(1,397,118)
Proceeds from sales of non-current assets	37,157	140,276
Purchase of investment securities	(102,964)	—
Collection of loans receivable	109,900	—
Other	(10)	—
Cash provided by (used in) investing activities	(3,525,677)	(1,049,345)

	For the 2Q of FY2019	For the 2Q of FY2020
Cash flows from financing activities		
Increase (decrease) in short-term loans	197,586	2,966,506
Proceeds from long-term loans payable	5,148,150	2,317,622
Repayments of long-term loans payable	(1,736,183)	(3,009,074)
Redemption of bonds	(120,000)	(170,000)
Repayments of lease obligations	(1,980)	(660)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	156	—
Purchase of treasury shares	—	(298,030)
Cash dividends paid	(150,704)	(150,768)
Cash provided by (used in) financing activities	3,337,024	1,655,595
Net increase (decrease) in cash and cash equivalents	(1,442,498)	(1,693,461)
Cash and cash equivalents at beginning of period	5,203,391	5,044,280
Cash and cash equivalents at end of period	※ 3,760,893	※ 3,350,818

(4) Notes on quarterly financial report

(Notes on premise of going concern)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

(Segment information)

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

For the 2Q of FY2019 (from June 1, 2018 to November 30, 2018)

(Thousand yen)

	Reported segments			Adjustment (Note 1)	Amount on consolidated financial statements (Note 2)
	Renovated Condominium Business	Other Real Estate Businesses	Total		
Net sales					
Sales – outside customers	13,817,066	2,865,483	16,682,550	—	16,682,550
Sales and transfer –	—	—	—	—	—
Total	13,817,066	2,865,483	16,682,550	—	16,682,550
Segment profit	353,943	294,352	648,296	(279,151)	369,145

(Notes) 1. The adjustment to segment profit of -¥279,151 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.

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

For the 2Q of FY2020 (from June 1, 2019 to November 30, 2019)

(Thousand yen)

	Reported segments			Adjustment (Note 1)	Amount on consolidated financial statements (Note 2)
	Renovated Condominium Business	Other Real Estate Businesses	Total		
Net sales					
Sales – outside customers	14,868,835	2,951,997	17,820,832	—	17,820,832
Sales and transfer –	—	—	—	—	—
Total	14,868,835	2,951,997	17,820,832	—	17,820,832
Segment profit	387,629	269,034	656,664	(311,233)	345,430

(Notes) 1. The adjustment to segment profit of -¥311,233 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.

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