



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

April 7, 2020

Company name	INTELLEX Co., Ltd.	Listings	First Section of Tokyo Stock Exchange
Securities code	8940	URL	http://www.intellex.co.jp/
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Scheduled dates:			
Submission of quarterly report	April 10, 2020		
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 third quarter of fiscal year ending May 31, 2020
(cumulative from June 1, 2019 to February 29, 2020)

(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	%
As of February 29, 2020	27,539	12.8	851	69.1	589	109.5	434	121.6
As of February 28, 2019	24,416	(21.8)	503	(38.2)	281	(51.1)	196	(44.1)

(Note) Comprehensive income:

As of February 29, 2020: 428 million yen (118.3%)

As of February 28, 2019: 196 million yen (-51.7%)

	Profit per share	Diluted profit per share
	yen	yen
As of February 29, 2020	50.50	—
As of February 28, 2019	21.96	21.95

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
As of February 29, 2020	40,570	10,546	26.0
As of May 31, 2019	36,756	10,663	29.0

(Reference) Shareholders' equity:

As of February 29, 2020: 10,529 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 (from 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 consolidated 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, 2020: 8,932,100 shares

As of May 31, 2019: 8,932,100 shares

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

As of February 29, 2020: 418,909 shares

As of May 31, 2019: 109 shares

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

As of February 29, 2020: 8,608,304 shares

As of February 28, 2019: 8,931,869 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 5 of the attached materials.

Attached materials index:

1. Summary of results of operations and financial position.....	4
(1) Explanation of operating results.....	4
(2) Explanation of financial position.....	4
(3) Explanation of consolidated earnings forecast and other forward-looking statements.....	5
2. Consolidated financial statements and major notes.....	6
(1) Consolidated balance sheet.....	6
(2) Consolidated statement of income and consolidated statement of comprehensive income.....	8
Consolidated statement of income.....	8
Cumulative during the period.....	
Consolidated statement of comprehensive income.....	9
Cumulative during the period.....	
(3) Notes on the quarterly financial report.....	10
(Notes on premises of going concern).....	10
(Notes on significant changes in shareholders' equity).....	10

1. Summary of results of operations and financial position

(1) Explanation of operating results

Speaking of Japanese economy in general during the 9-months period of fiscal year ending May 31, 2020 (from June 1, 2019 to February 29, 2020), while corporate profits remained stagnant, personal consumption was gradually recovering thanks to the improving employment and income environment. However, the economy nowadays has become highly unpredictable due to COVID-19 pandemics.

According to Real Estate Information Network System for East Japan (REINS), during this period the number of used condominiums contracted in metropolitan Tokyo area has increased by 2.3% year on year. Also, the average contracted price of used condominiums marked higher year on year in every month.

In our core Renovated Condominium Business, the number of units sold in metropolitan Tokyo area increased by 10.8% year on year to 926 units, reflecting purchase increase since the second half of last fiscal year. Speaking of sales result by area, number of units sold in major cities outside Tokyo increased by 16.7% to 490 units, and number of units sold in metropolitan Tokyo area (which had been lower than the previous year for a while) has increased by 4.8% to 436 units. On the other hand, average sales price decreased by 2.2% since sales outside Tokyo exceeded those in metropolitan Tokyo area. As a result, net sales of Renovated Condominium Business increased by 8.2% year on year to ¥21,583 million. In Other Real Estate Business, net sales increased by 33.3% year on year to ¥5,955 million, thanks to the sales of Asset Sharing Hakata project, sales of other real estate properties (including commercial buildings and new condominiums), increase in rent income (accrued from leaseback property acquisitions) and increase in sales of renovation business. As a result, consolidated net sales during this period increased by 12.8% year on year to ¥27,539 million.

Speaking of profit, gross profit increased by 16.0% year on year, thanks to the improvement of gross margin in Renovated Condominium Business and the increase in profits accrued from property sales in Other Real Estate Business as well as from rent revenue of leaseback properties. Operating profit increased by 69.1% since SG&A only increased by 7.3%.

Due to the reasons above, during the 9-months period of this fiscal year the net sales was ¥27,539 million (up 12.8% year on year), operating profit was ¥851 million (up 69.1%), ordinary profit was ¥589 million (up 109.5%) and profit attributable to owners of the parent was ¥434 million (up 121.6%).

Operating results by segment were as follows:

(Renovated Condominium Business)

The number of renovated condominium units sold was 926 (up 90 units year on year), average sales price per unit was ¥23.15 million (down 2.2%) and net sales were ¥21,437 million (up 8.3%). Revenues from condominium rentals were ¥133 million (down 2.3%) and other sales were ¥12 million (down 4.0%).

As a result, net sales of this segment were ¥21,583 million (up 8.2% year on year) and operating profit was ¥603 million (up 37.0%).

(Other Real Estate Business)

Net sales of real estate properties increased by 44.4% year on year to ¥3,726 million, thanks to the sales of Asset Sharing Hakata project as well as the sales of commercial buildings and new condominiums. Revenues from other real estate rentals were ¥716 million (up 14.6%) thanks to the increase in leaseback properties acquired, and other sales were ¥1,512 million (up 19.9%) thanks to increased renovation work orders from industry peers and individual clients, etc.

As a result, net sales of this segment were ¥5,955 million (up 33.3% year on year) and operating profit was ¥719 million (up 48.5%).

(2) Explanation of financial position

The Group's financial position as of February 29, 2020 was: assets of ¥40,507 million (up ¥3,814 million since May 31, 2019), liabilities of ¥30,024 million (up ¥3,931 million) and net assets of ¥10,546 million (down ¥117 million).

(Assets)

The main factors for the increase in assets were a decrease of ¥1,296 million in cash and deposits, offset by an increase of ¥4,142 million in inventories and increase of ¥1,026 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 ¥1,106 million in long-term loans payable, ¥168 million in accrued tax payable and ¥150 million in corporate bond, offset by increases of ¥4,300 million in short-term loans payable, ¥186 million in accounts payable, ¥148 million in current portion of long-term loans payable and ¥622 million of current liabilities including deposits from investors in crowdfunding business.

(Net assets)

The main factors for the decrease in net assets were the writing of net profit attributable the owners of the parent of ¥434 million, offset by the payment of dividends of surplus of ¥245 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.

2. Consolidated financial statements and major notes

(1) Consolidated balance sheet

(Thousand yen)

	As of May 31, 2019	As of February 29, 2020
Assets		
Current assets		
Cash and deposits	5,500,178	4,203,401
Accounts receivable - trade	108,346	176,229
Real estate for sale	15,378,475	18,621,722
Real estate for sale in process	3,269,868	4,169,582
Advance payments - trade	348,849	250,669
Other	497,260	406,133
Allowance for doubtful accounts	(1,008)	△3,488
Total current assets	25,101,971	27,824,250
Non-current assets		
Tangible assets		
Building and structures (net)	2,632,830	2,970,249
Land	7,424,609	8,146,480
Construction in progress	102,545	20,399
Other (net)	45,958	95,692
Total tangible assets	10,205,943	11,232,821
Intangible assets		
Leasehold right	464,906	464,906
Other	51,864	66,452
Total intangible assets	516,770	531,359
Investments and other assets		
Investment securities	223,071	212,921
Deferred tax assets	145,158	87,309
Other	567,913	687,009
Allowance for doubtful accounts	(4,321)	(4,960)
Total investments and other assets	931,822	982,279
Total non-current assets	11,654,536	12,746,460
Total assets	36,756,507	40,570,711

(Thousand yen)

	As of May 31, 2019	As of February 29, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	477,747	664,076
Short-term loans payable	9,482,427	13,782,542
Current portion of bonds	340,000	310,000
Current portion of long-term loans payable	3,354,916	3,503,691
Income taxes payable	193,205	24,414
Advances received	165,883	240,058
Allowance for after-sales service and product warranty	13,964	17,057
Other	835,286	1,457,978
Total current liabilities	14,863,430	19,999,818
Non-current liabilities		
Bonds payable	840,000	690,000
Long-term loans payable	9,862,549	8,756,011
Other	527,168	578,857
Total non-current liabilities	11,229,718	10,024,868
Total liabilities	26,093,149	30,024,687
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	6,101,515
Treasury shares	(115)	(300,078)
Total shareholders' equity	10,633,029	10,522,323
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,977	6,935
Deferred gains or losses on hedges	(677)	(157)
Total accumulated other comprehensive income	13,300	6,778
Share acquisition rights	17,028	16,922
Total net assets	10,663,358	10,546,024
Total liabilities and net assets	36,756,507	40,570,711

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

(Thousand yen)

	Cumulative from June 1, 2018 to February 28, 2019	Cumulative from June 1, 2019 to February 29, 2020
Net sales	24,416,216	27,539,456
Cost of sales	20,819,426	23,368,420
Gross profit	3,596,789	4,171,035
Selling, general and administrative expenses	3,092,941	3,319,093
Operating profit	503,848	851,941
Non-operating income		
Interest income	3,128	262
Dividend income	2,396	4,152
Penalty income	10,390	7,095
Commission fee	450	800
Subsidy income	15,558	—
Fee and commission received	3,889	5,189
Total non-operating income	23,404	8,722
Non-operating expenses		
Interest expenses	207,365	240,389
Commission fee	61,289	40,810
Other	13,223	7,955
Total non-operating expenses	281,878	289,155
Ordinary profit	281,188	589,007
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	5,329
Total extraordinary losses	5	5,329
Profit before income taxes	285,644	639,789
Income taxes - current	31,802	144,316
Income taxes - deferred	57,664	60,727
Total income taxes	89,467	205,044
Profit	196,177	434,745
Profit attributable to owners of parent	196,177	434,745

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

	(Thousand yen)	
	Cumulative from June 1, 2018 to February 28, 2019	Cumulative from June 1, 2019 to February 29, 2020
Profit	196,177	434,745
Other comprehensive income		
Valuation difference on available-for-sale securities	(460)	(7,042)
Deferred gains or losses on hedges	404	519
Total other comprehensive income	(56)	(6,522)
Comprehensive income	196,121	428,223
(Breakdown)		
Comprehensive income attributable to owners of parent	196,121	428,223
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