



Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending May 31, 2021
(Japanese Accounting Standards)

October 6, 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, Seiji Toshinari		
Contact	Senior Managing Director, Toyohiko Tsuruta		
Telephone	+81-3-5766-7639		
Scheduled dates:			
Submission of quarterly report	October 12, 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 first quarter of fiscal year ending May 31, 2021
(cumulative: June 1, 2020 to August 31, 2020)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
For the 1Q of fiscal year ending May 31, 2021	8,424	9.5	2	(93.9)	(78)	-	(91)	-
For the 1Q of fiscal year ended May 31, 2020	7,690	(0.4)	36	(76.7)	(39)	-	0	(99.2)

(Note) Comprehensive income:

For the 1Q of fiscal year ending May 31, 2021: -97 million yen (-%)

For the 1Q of fiscal year ended May 31, 2020: -11 million yen (-%)

	Profit per share	Diluted profit per share
	yen	yen
For the 1Q of fiscal year ending May 31, 2021	(10.78)	-
For the 1Q of fiscal year ended May 31, 2020	0.03	-

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
As of August 31, 2020	37,078	10,444	28.1
As of May 31, 2020	38,596	10,635	27.5

(Reference) Shareholders' equity:

As of August 31, 2021: 10,427 million yen As of May 31, 2020: 10,618 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, 2020	-	11.00	-	11.00	22.00
Fiscal year ending May 31, 2021	-				
Fiscal year ending May 31, 2021 (forecast)		-	-	-	-

- (Notes)
1. Revisions to the latest dividends forecast: None
 2. The dividend forecast for the fiscal year ending May 31, 2021 has yet to be determined at the moment.

3. Consolidated earnings forecast for the fiscal year ending May 31, 2021 (June 1, 2020 to May 31, 2021)

Due to the uncertain impact of COVID-19 pandemic worldwide, the forecast for the fiscal year ending May 31, 2021 has yet to be determined at the moment. The forecast will be announced promptly as soon as appropriate and reasonable assessment of the impact becomes possible.

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 August 31, 2020: 8,932,100 shares

As of May 31, 2020: 8,932,100 shares

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

As of August 31, 2020: 418,909 shares

As of May 31, 2020: 418,909 shares

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

For the first quarter of fiscal year ending May 31, 2021: 8,513,191 shares

For the first quarter of fiscal year ended May 31, 2020: 8,778,271 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.)

Due to uncertain impact of COVID-19 pandemic, the forecast for the fiscal year ending May 31, 2021 has yet to be determined at the moment. The forecast will be announced promptly as soon as rational assessment of the impact becomes possible.

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1. Summary of results of operations and financial position

(1) Explanation of operating results

During the first quarter of fiscal year ending May 31, 2021 (from June 1, 2020 to August 31, 2021), the Japanese economy once experienced improvement in business sentiment as the government called off Emergency Declaration, followed by slowdown of recovery due to re-spread of COVID-19. Demand for tourism by foreign visitors remains zero as foreigners are still barred entry into Japan, and personal consumptions remain very weak due to worsening of employment and income environment. Therefore, it is very difficult to determine when the economy will recover at the moment.

According to Real Estate Information Network System for East Japan (REINS), the number of used condominiums contracted in metropolitan Tokyo area marked highest in August 2021 month on month during the past thanks to reactionary demand increase as economic activities were resumed, and increased by 0.1% year on year during the first quarter of this fiscal year. Also, the average contracted price of used condominiums during this period marked higher every month year on year.

In our core Renovated Condominium Business, the number of units sold in metropolitan Tokyo area increased by 18.0% year on year to 334 units during this fiscal period. Speaking of sales results by areas, sales in major cities outside Tokyo increased by 19.0% year on year to 182 units, and sales in metropolitan Tokyo area also increased by 16.9% year on year to 152 units. However, the average sales price per unit decreased by 3.3% year on year. Consequently, net sales of renovated condominium business increased by 14.0% to ¥7,486 million. In Other Real Estate Business, demand for renovation orders and occupancy rate in hotel business both decreased due to COVID-19 pandemic, and consequently, the net sales decreased by 16.6% year on year to ¥938 million. As a result, the consolidated net sales during this period increased by 9.5% to ¥8,424 million.

Speaking of profit, gross profit in Renovated Condominium Business decreased by 1.3% year on year, and consequently, the gross profit of this segment remained 1.9% increase year on year. In Other Real Estate Business, gross profit in Hotel Business fell into negative territory, and consequently, the gross profit of this segment decreased by 32.3% year on year. As a result, consolidated gross profit decreased by 5.9% year on year to ¥1,014 million, which led to the decrease in operating profit (93.9% decrease year on year to ¥2 million).

Due to the reasons above, during the first quarter of this fiscal year the net sales was ¥8,424 million (up 9.5% year on year), operating profit was ¥2 million (down 93.9%), ordinary loss was ¥78 million (loss of ¥39 million last year) and loss attributable to owners of the parent was ¥91 million (profit of ¥0 million last year).

Operating results by segment were as follows:

(Renovated Condominium Business)

The number of renovated condominium units sold was 334 (up 51 units year on year), average sales price per unit was ¥22.27 million (down 3.3%) and net sales were ¥7,439 million (up 14.1%). Revenues from condominium rentals were ¥40 million (down 6.9%) and other sales were ¥7 million (up 45.2%).

As a result, net sales of this segment were ¥7,486 million (up 14.0% year on year) and operating profit was ¥85 million (down 5.5%).

(Other Real Estate Business)

Net sales of real estate properties were ¥355 million, down 14.6% year on year. Revenues from other real estate rentals were ¥243 million (up 7.3%) and other sales were ¥338 million (down 29.6%) due to significant decrease in revenues from hotel business.

As a result, net sales of this segment were ¥938 million (down 16.6% year on year) and operating profit was ¥77 million (down 29.4%).

(2) Explanation of financial position

The Group's financial position at the end of this fiscal period was: assets of ¥37,078 million (down ¥1,517 million since the end of last fiscal year), liabilities of ¥26,634 million (down ¥1,326 million), and net assets of ¥10,444 million (down ¥191 million).

(Assets)

The main factors for the decrease in assets were increases of ¥45 million in accounts receivable and ¥32 million in investments and other assets, offset by decreases of ¥101 million in cash and deposits and ¥1,484 million in inventories.

(Liabilities)

The main factors for the decrease in liabilities were an increase of ¥2,242 million in long-term loans payable, offset by decreases of ¥191 million in accounts payable, ¥2,968 million in short-term loans payable, ¥221 million in current portion of long-term loans payable and ¥127 million in others in current liabilities.

(Net assets)

The main factors for the decrease in net assets were the writing of ¥91 million of net loss attributable to owners of the parent, as well as decrease of ¥93 million due to payments of dividend of surplus.

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

We are currently unable to offer our consolidated financial forecast for FY2021 since we are unable to rationally assess impact of COVID-19 pandemic at the moment. We will promptly announce the forecast as soon as rational assessment of the impact becomes possible.

2. Consolidated financial statements and major notes

(1) Consolidated balance sheet

(Thousand yen)

	As of May 31, 2020	As of August 31, 2020
Assets		
Current assets		
Cash and deposits	4,947,240	4,845,641
Accounts receivable - trade	62,387	108,282
Real estate for sale	20,383,937	18,751,349
Real estate for sale in process	2,534,851	2,683,038
Advance payments - trade	198,565	230,839
Other	204,791	171,219
Allowance for doubtful accounts	(4,599)	(2,718)
Total current assets	28,327,174	26,787,653
Non-current assets		
Tangible assets		
Building and structures (net)	2,340,760	2,290,260
Land	6,261,253	6,304,620
Construction in progress	19,075	23,705
Other (net)	90,397	85,751
Total tangible assets	8,711,487	8,704,337
Intangible assets		
Leasehold right	464,906	464,906
Other	53,695	50,573
Total intangible assets	518,602	515,479
Investments and other assets		
Investment securities	167,210	158,860
Deferred tax assets	159,990	155,284
Other	717,363	762,870
Allowance for doubtful accounts	(5,094)	(5,530)
Total investments and other assets	1,039,470	1,071,485
Total non-current assets	10,269,559	10,291,302
Total assets	38,596,734	37,078,956

(Thousand yen)

	As of May 31, 2020	As of August 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	605,503	413,902
Short-term loans payable	11,659,979	8,691,086
Current portion of bonds	280,000	280,000
Current portion of long-term loans payable	3,309,472	3,088,089
Income taxes payable	100,112	16,888
Advances received	119,312	204,070
Allowance for after-sales service and product warranty	10,781	11,407
Investment deposit from anonymous partnership	765,900	721,900
Other	847,163	719,623
Total current liabilities	17,698,225	14,146,967
Non-current liabilities		
Bonds payable	560,000	550,000
Long-term loans payable	9,115,486	11,358,473
Other	587,304	578,992
Total non-current liabilities	10,262,790	12,487,465
Total liabilities	27,961,016	26,634,433
Net assets		
Shareholders' equity		
Capital stock	2,253,779	2,253,779
Capital surplus	2,467,106	2,467,106
Retained earnings	6,188,887	6,003,506
Treasury shares	(300,078)	(300,078)
Total shareholders' equity	10,609,695	10,424,314
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,099	3,306
Total accumulated other comprehensive income	9,099	3,306
Share acquisition rights	16,922	16,901
Total net assets	10,635,717	10,444,522
Total liabilities and net assets	38,596,734	37,078,956

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

	(Thousand yen)	
	For the 1Q of FY2020	For the 1Q of FY2021
Net sales	7,690,830	8,424,709
Cost of sales	6,610,232	7,408,129
Gross profit	1,080,598	1,016,579
Selling, general and administrative expenses	1,043,750	1,014,349
Operating profit	36,847	2,229
Non-operating income		
Interest income	101	39
Dividend income	4,152	3,652
Penalty income	1,000	—
Commission fee	150	150
Subsidiary income	—	2,030
Fee and commission received	1,427	1,113
Other	4,096	6,851
Total non-operating income	10,927	13,837
Non-operating expenses		
Interest expenses	74,915	76,561
Commission fee	11,247	17,088
Other	1,603	955
Total non-operating expenses	87,767	94,605
Ordinary profit (or loss)	(39,991)	(78,538)
Extraordinary income		
Gain on sales of non-current assets	48,881	2,456
Gain on reversal of subscription rights to share	106	21
Total extraordinary income	48,987	2,478
Extraordinary losses		
Loss on disposal of non-current assets	4,142	—
Total extraordinary losses	4,142	—
Profit before income taxes	4,853	(76,060)
Income taxes - current	8,023	8,413
Income taxes - deferred	(3,449)	7,261
Total income taxes	4,573	15,675
Profit	279	(91,735)
Profit attributable to owners of parent	279	(91,735)

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

	(Thousand yen)	
	For the 1Q of FY2020	For the 1Q of FY2021
Profit	279	(91,735)
Other comprehensive income		
Valuation difference on available-for-sale securities	(11,808)	(5,793)
Deferred gains or losses on hedges	150	—
Total other comprehensive income	(11,657)	(5,793)
Comprehensive income	(11,378)	(97,528)
(Breakdown)		
Comprehensive income attributable to owners of parent	(11,378)	(97,528)
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)
(Securitization of Leaseback assets)

Decision was made to transfer the trust beneficiary right to a fund named Ambai LB No.1, LLC. (ALB No.1) in order to securitize the properties acquired under our Leaseback service *Ambai* at the Board Meeting held on September 18, 2020.

1. Summary of securitized asset (trust beneficiary right)

1. Summary of properties	Houses and buildings consisting of individually-owned units Average price per unit: ¥28 million
2. No. of properties	68
3. Transfer price	¥1,941 million
4. Book value	¥1,632 million
5. Arranger	ORIX Bank Corporation

2. Summary of ALB No.1

1. Name	Ambai LB No. 1, LLC.	
2. Address	3-2-5, Kasumigaseki, Chiyoda-ku, Tokyo	
3. Business details	Acquisition, possession and deposition of trust beneficiary rights	
4. Relationship with us	Capital ties	We invest ¥94 million as anonymous partnership investment
	Human ties	None.
	Business ties	None

(Disposal of treasury stock as a restricted stock compensation)

We have completed procedures regarding disposal of treasury stock as a restricted stock compensation as of October 1, 2020, based on the decision made at the Board Meeting held on September 8, 2020.

Summary of disposal of treasury stock

1. Date of disposal	October 1, 2020
2. Type and number of stocks to be disposed	58,900 common stock
3. Disposal price	¥491 per stock
4. Total price of stocks to be disposed	¥28,919,900
5. Parties (and numbers) and number of stocks to be disposed	5 Executive Directors of the parent: 23,100 stocks 5 Operating officers of the parent: 5,000 stocks 34 employees of the parent: 21,200 stocks 2 Executive Directors of the subsidiary: 2,400 stocks 2 employees of the subsidiary: 7,200 stocks