



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

October 4, 2019

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	October 10, 2019		
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, 2020
(cumulative: June 1, 2019 to August 31, 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 1Q of fiscal year ending May 31, 2020	7,690	(0.4)	36	(76.7)	(39)	-	0	(99.2)
For the 1Q of fiscal year ended May 31, 2019	7,719	(24.8)	157	(32.9)	71	(53.3)	33	(62.7)

(Note) Comprehensive income:

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

For the 1Q of fiscal year ended May 31, 2019: 30 million yen (-67.6%)

	Profit per share	Diluted profit per share
	yen	yen
For the 1Q of fiscal year ending May 31, 2020	0.03	-
For the 1Q of fiscal year ended May 31, 2019	3.77	3.75

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
As of August 31, 2019	37,901	10,229	26.9
As of May 31, 2019	36,756	10,663	29.0

(Reference) Shareholders' equity:

As of August 31, 2019: 10,212 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	-				
Fiscal year ending May 31, 2020 (forecast)		11.00	-	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
Half year (cumulative)	18,307	9.7	230	(37.7)	28	(85.7)	14	(87.9)	1.64
Full year	42,182	14.1	1,164	(30.4)	741	(45.6)	500	(39.8)	58.16

(Note) Revisions to the latest earnings forecast: none

*The Company decided at a meeting of the Board of Directors on July 11, 2019 to buy-back its own shares. Therefore, profit per share of the earnings forecast is affected by share buy-back.

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, 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 year:

As of August 31, 2019: 379,709 shares

As of May 31, 2019: 109 shares

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

For the first quarter of fiscal year ending May 31, 2020: 8,778,271 shares

For the first quarter of fiscal year ended May 31, 2019: 8,931,791 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 2 of the attached materials.

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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, 2020 (from June 1, 2019 to August 31, 2019), the Japanese economy experienced gradual recovery in personal consumption supported by the improvement in employment and income environment. However, the economy remains at a standstill due to the weakenings of corporate revenue impacted by worldwide economic slowdown.

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 6.3% year on year. Also, the average contracted price of used condominiums during this period marked higher year on year.

In our core Renovated Condominium Business, while the number of units sold in metropolitan Tokyo area decreased year on year (by 10.3%), the number of units sold in other major cities increased by 4.8% year on year to 283 units. However, the average sales price per unit decreased by 4.6% year on year, since sales outside Tokyo (where average sales price is relatively lower) exceeded those in metropolitan Tokyo area. Consequently, net sales of renovated condominium during this period marked almost the same as last year. In Other Real Estate Business, while both rent income (backed up by leaseback property acquisitions) and sales in renovation business increased, property sales decreased by 30.0% year on year. Consequently, the net sales in this segment decreased by 2.3% year on year. As a result, the consolidated net sales during this period was ¥7,690 million (down 0.4% year on year), almost the same as last year.

Speaking of profit, while gross profit decreased by 6.4% year on year, SG&A (mainly labor costs) increased by 4.7%. As a result, operating profit decreased by 76.7% year on year.

Due to the reasons above, during the first quarter of this fiscal year the net sales was ¥7,690 million (down 0.4% year on year), operating profit was ¥36 million (down 76.7%), ordinary loss was ¥39 million (profit of ¥71 million last year) and profit attributable to owners of the parent was ¥0 million (down 99.2%).

Operating results by segment were as follows:

(Renovated Condominium Business)

The number of renovated condominium units sold was 283 (up 13 units year on year), average sales price per unit was ¥23.03 million (down 4.6%) and net sales were ¥6,518 million (down 0.0%). Revenues from condominium rentals were ¥43 million (down 3.4%) and other sales were ¥5 million (down 5.8%).

As a result, net sales of this segment were ¥6,566 million (down 0.0% year on year) and operating profit was ¥90 million (down 33.4%).

(Other Real Estate Business)

Net sales of real estate properties were ¥416 million, down 30.0% year on year. Revenues from other real estate rentals were ¥227 million (up 44.2%) supported by the increase in leaseback properties acquired, and other sales were ¥480 million (up 20.9%) thanks to increased renovation work orders from industry peers and individual clients as well as expansion of hotel business.

As a result, net sales of this segment were ¥1,124 million (down 2.3% year on year) and operating profit was ¥110 million (down 32.4%).

(2) Explanation of financial position

The Group's financial position at the end of this fiscal period was: assets of ¥37,901 million (up ¥1,144 million since the end of last fiscal year), liabilities of ¥27,672 million (up ¥1,579 million), and net assets of ¥10,229 million (down ¥434 million).

(Assets)

The main factors for the increase in assets were a decrease of ¥925 million in cash and deposits, offset by an increase of ¥1,838 million in inventories, and an increase of ¥294 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 ¥417 million in long-term loans payable and a decrease of ¥176 million in accrued tax payable, offset by increases of ¥1,252 million in short-term loans payable, ¥367 million in current portion of long-term loans payable and ¥306 million in accounts payable.

(Net assets)

The main factors for the decrease in net assets were the payment of dividends of surplus of ¥151 million and share buy-back of ¥270 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 August 31, 2019
Assets		
Current assets		
Cash and deposits	5,500,178	4,575,055
Accounts receivable - trade	108,346	151,701
Investment securities	100,173	100,105
Real estate for sale	15,378,475	17,272,950
Real estate for sale in process	3,269,868	3,214,364
Advance payments - trade	348,849	349,977
Other	397,087	280,985
Allowance for doubtful accounts	(1,008)	(1,030)
Total current assets	25,101,971	25,944,111
Non-current assets		
Tangible assets		
Building and structures (net)	2,632,830	2,730,431
Land	7,424,609	7,641,986
Construction in progress	102,545	82,156
Other (net)	45,958	45,958
Total tangible assets	10,205,943	10,500,532
Intangible assets		
Leasehold right	464,906	464,906
Other	51,864	58,989
Total intangible assets	516,770	523,895
Investments and other assets		
Investment securities	223,071	206,051
Deferred tax assets	145,158	153,753
Other	567,913	576,390
Allowance for doubtful accounts	(4,321)	(3,281)
Total investments and other assets	931,822	932,914
Total non-current assets	11,654,536	11,957,342
Total assets	36,756,507	37,901,454

(Thousand yen)

	As of May 31, 2019	As of August 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	477,747	783,836
Short-term loans payable	9,482,427	10,734,444
Current portion of bonds	340,000	340,000
Current portion of long-term loans payable	3,354,916	3,722,100
Income taxes payable	193,205	16,703
Advances received	165,883	173,829
Allowance for after-sales service and product warranty	13,964	14,916
Other	835,286	1,074,234
Total current liabilities	14,863,430	16,860,063
Non-current liabilities		
Bonds payable	840,000	830,000
Long-term loans payable	9,862,549	9,444,686
Other	527,168	537,667
Total non-current liabilities	11,229,718	10,812,353
Total liabilities	26,093,149	27,672,416
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	5,760,693
Treasury shares	(115)	(271,107)
Total shareholders' equity	10,633,029	10,210,472
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,977	2,168
Deferred gains or losses on hedges	(677)	(526)
Total accumulated other comprehensive income	13,300	1,642
Share acquisition rights	17,028	16,922
Total net assets	10,663,358	10,229,037
Total liabilities and net assets	36,756,507	37,901,454

(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 FY2019	For the 1Q of FY2020
Net sales	7,719,134	7,690,830
Cost of sales	6,564,075	6,610,232
Gross profit	1,155,058	1,080,598
Selling, general and administrative expenses	997,230	1,043,750
Operating profit	157,828	36,847
Non-operating income		
Interest income	1,583	101
Dividend income	2,396	4,152
Penalty income	—	1,000
Commission fee	150	150
Fee and commission received	947	1,427
Other	1,804	4,096
Total non-operating income	6,882	10,927
Non-operating expenses		
Interest expenses	64,401	74,915
Commission fee	26,842	11,247
Other	2,198	1,603
Total non-operating expenses	93,443	87,767
Ordinary profit (or loss)	71,267	(39,991)
Extraordinary income		
Gain on sales of non-current assets	—	48,881
Gain on reversal of subscription rights to share	—	106
Total extraordinary income	—	48,987
Extraordinary losses		
Loss on disposal of non-current assets	—	4,142
Total extraordinary losses	—	4,142
Profit before income taxes	71,267	4,853
Income taxes - current	10,940	8,023
Income taxes - deferred	26,672	(3,449)
Total income taxes	37,612	4,573
Profit	33,654	279
Profit attributable to owners of parent	33,654	279

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

	(Thousand yen)	
	For the 1Q of FY2019	For the 1Q of FY2020
Profit	33,654	279
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,847)	(11,808)
Deferred gains or losses on hedges	182	150
Total other comprehensive income	(2,664)	(11,657)
Comprehensive income	30,990	(11,378)
(Breakdown)		
Comprehensive income attributable to owners of parent	30,990	(11,378)
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