



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

January 14, 2021

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	January 14, 2021		
Commencement of dividend payments	February 10, 2021		
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 second quarter of fiscal year ending May 31, 2021
(cumulative: June 1, 2020 to November 30, 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 2Q of fiscal year ending May 31, 2021	21,031	18.0	540	56.5	390	125.7	227	52.7
For the 2Q of fiscal year ended May 31, 2020	17,820	6.8	345	(6.4)	173	(13.2)	148	26.6

(Note) Comprehensive income:

For the 2Q of fiscal year ending May 31, 2021: 229 million yen (52.1%)

For the 2Q of fiscal year ended May 31, 2020: 150 million yen (29.4%)

	Profit per share	Diluted profit per share
	yen	yen
For the 2Q of fiscal year ending May 31, 2021	26.67	—
For the 2Q of fiscal year ended May 31, 2020	17.21	—

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
As of November 30, 2020	33,785	10,783	31.9
As of May 31, 2020	38,596	10,635	27.5

(Reference) Shareholders' equity:

As of November 30, 2020: 10,783 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	—	11.00			
Fiscal year ending May 31, 2021 (forecast)			—	—	—

(Note)

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 under the state of emergency, 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 period (including treasury shares)

As of November 30, 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 period:

As of November 30, 2020: 360,009 shares

As of May 31, 2020: 418,909 shares

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

For the 2Q of fiscal year ending May 31, 2021: 8,532,824 shares

For the 2Q of fiscal year ended May 31, 2020: 8,655,601 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 the uncertain impact of COVID-19 pandemic under the state of emergency, 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.

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1. Summary of results of operations and financial position

(1) Explanation of operating results

During the second quarter of fiscal year ending May 31, 2021 (from June 1, 2020 to November 30, 2020), the Japanese economy, once enjoyed slow recovery after the lift of state of emergency, is now experiencing slugging of personal consumption as well as corporate activities due to re-expansion of COVID-19 pandemic. The future of this pandemic still remains highly unclear.

According to Real Estate Information Network System for East Japan (REINS), during this period the number of used condominiums contracted in greater Tokyo area marked highest month on month on October and November 2020, and increased by 5.6% year on year during the first half of this fiscal year (from June to November 2020), thanks to active real estate transactions after the lift of state of emergency. Also, the average contracted price of used condominiums during this period marked higher every month compared to the same months of the previous year.

In our core Renovated Condominium Business, the number of units sold increased by 17.1% year on year to 745 units (plus 109 units year on year) thanks to the robust demand in the midst of COVID-19 pandemic. Speaking of sales result by areas, units sold outside Tokyo grew by 24.0 % year on year to 419 units while units sold in greater Tokyo increased by 9.4% to 326 units. The average sales price, on the other hand, decreased by 3.4 % year on year. Consequently, net sales of Renovated Condominium Business during this period increased by 13.1 % year on year to ¥16,815 million. Other Real Estate Business, however, was negatively impacted by the decreased demand for renovation projects as well as the low occupancy rate of hotels under management. Leaseback Business, on the other hand, pushed up the sales results, as our Leaseback product “Ambai” (where houses may be sold without residents moving out) executed the transfer of real estate beneficiary rights of properties acquired. Therefore, the sales result of Other Real Estate Business increased by 42.8% to ¥4,215 million.

Speaking of profit, gross profit of Renovated Condominium Business increased by 3.7% year on year, as the decrease in gross margin of 12.2% (minus 1.1% year on year) was offset by the increase in the number of units sold. In Other Real Estate Business, gross profit increased by 20.1% year on year, as the decrease in gross profit of hotel and accommodation business was offset by the profit accrued to the transfer of real estate beneficiary rights of Leaseback properties. As a result, SG&A remained almost same as previous year and therefore the operating profit increased by 56.5% year on year to ¥540 million.

Due to the reasons above, during the second quarter of this fiscal year the net sales was ¥21,031 million (up 18.0% year on year), operating profit was ¥540 million (up 56.5%), ordinary profit was ¥390 million (up 125.7%) and net profit attributable to owners of the parent was ¥227 million (up 52.7%).

Operating results by segment were as follows:

(Renovated Condominium Business)

The number of renovated condominium units sold was 745 (up 109 units year on year), average sales price per unit was ¥22.45 million (down 3.4%) and net sales were ¥167,25 million (up 13.2%). Revenues from condominium rentals were ¥77 million (down 9.4%) and other sales were ¥12 million (up 31.8%).

As a result, net sales of this segment were ¥168,15 million (up 13.1% year on year) and operating profit was ¥514 million (up 32.8%).

(Other Real Estate Business)

Net sales of real estate properties were ¥3,045 million (up 102.2% year on year) thanks to the sales of Other Real Estate properties including ¥1,900 million incurred from the transfer of real estate beneficiary rights of Leaseback properties. Revenues from other real estate rentals were ¥463 million (down 0.8%) thanks to the Leaseback properties, and other sales were ¥707 million (down 27.8%) due to decrease in sales from renovation business hotel and accommodation business.

As a result, net sales of this segment were ¥4,215 million (up 42.8% year on year) and operating profit was ¥359 million (up 33.5%).

(2) Explanation of financial position

The Group's financial position at the end of this fiscal period was: assets of ¥33,785 million (down ¥4,811 million since the end of last fiscal year), liabilities of ¥23,001 million (down ¥4,959 million) and net assets of ¥10,783 million (up ¥147 million).

(Assets)

The main factors for the decrease in assets were increases of ¥792 million in cash and deposits, ¥181 million in tangible noncurrent assets and ¥227 million in investment and other assets, offset by the decrease of ¥6,121 million in inventories.

(Liabilities)

The main factors for the decrease in liabilities were increases of ¥106 million in unpaid corporate taxes, ¥289 million in other current liabilities and ¥589 million in long-term loans payable, offset by decreases of ¥188 million in

accounts payable, ¥4,339 million in short-term loans payable, ¥1,226 million in current portion of long-term loans payable and ¥140 million in corporate bond.

(Net assets)

The main factors for the increase in net assets were the decrease of ¥93 million for the payment of dividends of surplus and the writing of ¥227 million in profit attributable to owners of the parent.

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

Due to the uncertain impact of COVID-19 pandemic under the state of emergency, 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.

2. Consolidated financial statements and major notes

(1) Consolidated balance sheet

(Thousand yen)

	As of May 31, 2020	As of November 30, 2020
Assets		
Current assets		
Cash and deposits	4,947,240	5,739,325
Accounts receivable - trade	62,387	126,327
Real estate for sale	20,383,937	16,630,470
Real estate for sale in process	2,534,851	166,581
Advance payments - trade	198,565	293,314
Other	204,791	164,102
Allowance for doubtful accounts	(4,599)	(5,978)
Total current assets	28,327,174	23,114,144
Non-current assets		
Tangible assets		
Building and structures (net)	2,340,760	2,364,900
Land	6,261,253	6,406,010
Construction in progress	19,075	38,409
Other (net)	90,397	83,335
Total tangible assets	8,711,487	8,892,656
Intangible assets		
Leasehold right	464,906	464,906
Other	53,695	46,846
Total intangible assets	518,602	511,752
Investments and other assets		
Investment securities	167,210	264,220
Deferred tax assets	159,990	152,784
Other	717,363	855,735
Allowance for doubtful accounts	(5,094)	(6,217)
Total investments and other assets	1,039,470	1,266,523
Total non-current assets	10,269,559	10,670,932
Total assets	38,596,734	33,785,076

(Thousand yen)

	As of May 31, 2020	As of November 30, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	605,503	416,937
Short-term loans payable	11,659,979	7,320,495
Current portion of bonds	280,000	280,000
Current portion of long-term loans payable	3,309,472	2,083,267
Income taxes payable	100,112	206,792
Advances received	119,312	166,268
Allowance for after-sales service and product warranty	10,781	12,476
Deposits from anonymous partnership	765,900	715,900
Other	847,163	1,136,233
Total current liabilities	17,698,225	12,338,369
Non-current liabilities		
Bonds payable	560,000	420,000
Long-term loans payable	9,115,486	9,705,052
Other	587,304	537,966
Total non-current liabilities	10,262,790	10,663,018
Total liabilities	27,961,016	23,001,388
Net assets		
Shareholders' equity		
Capital stock	2,253,779	2,253,779
Capital surplus	2,467,106	2,453,834
Retained earnings	6,188,887	6,322,773
Treasury shares	(300,078)	(257,886)
Total shareholders' equity	10,609,695	10,772,500
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,099	11,188
Total accumulated other comprehensive income	9,099	11,188
Share acquisition rights	16,922	—
Total net assets	10,635,717	10,783,688
Total liabilities and net assets	38,596,734	33,785,076

(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 FY2020	For the 2Q of FY2021
Net sales	17,820,832	21,031,235
Cost of sales	15,246,246	18,261,343
Gross profit	2,574,585	2,769,892
Selling, general and administrative expenses	2,229,155	2,229,428
Operating profit	345,430	540,464
Non-operating income		
Interest income	200	50
Dividend income	4,152	3,652
Penalty income	5,095	3,800
Commission fee	300	300
Subsidiary income	—	9,907
Fee and commission received	2,921	2,292
Other	5,052	7,308
Total non-operating income	17,721	27,311
Non-operating expenses		
Interest expenses	154,593	143,532
Commission fee	28,711	31,954
Other	6,641	1,378
Total non-operating expenses	189,946	176,865
Ordinary profit (or loss)	173,206	390,910
Extraordinary income		
Gain on sales of non-current assets	56,005	4,903
Gain on reversal of subscription rights to share	106	16,922
Total extraordinary income	56,111	21,826
Extraordinary losses		
Loss on disposal of non-current assets	4,618	—
Total extraordinary losses	4,618	—
Profit before income taxes	224,699	412,737
Income taxes - current	60,260	178,922
Income taxes - deferred	15,478	6,283
Total income taxes	75,738	185,206
Profit	148,960	227,530
Profit attributable to owners of parent	148,960	227,530

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

	(Thousand yen)	
	For the 2Q of FY2020	For the 2Q of FY2021
Profit	148,960	227,530
Other comprehensive income		
Valuation difference on available-for-sale securities	1,644	2,088
Deferred gains or losses on hedges	341	—
Total other comprehensive income	1,986	2,088
Comprehensive income	150,946	229,619
(Breakdown)		
Comprehensive income attributable to owners of parent	150,946	229,619
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of cash flows

(Thousand yen)

	For the 2Q of FY2020	For the 2Q of FY2021
Cash flows from operating activities		
Profit before income taxes	224,699	412,737
Depreciation	129,204	123,037
Increase (decrease) in allowance for doubtful accounts	1,342	2,501
Increase (decrease) in allowance for after-sales service and product warranty	2,889	1,695
Interest and dividend income	(4,352)	(3,702)
Interest expenses	154,593	143,532
Gain on reversal of subscription rights to share	(106)	(16,922)
Stock-based compensation expense	—	1,607
Loss (gain) on disposal of non-current assets	(51,387)	(4,903)
Decrease (increase) in notes and accounts receivable - trade	(14,302)	(63,940)
Decrease (increase) in inventories	(3,108,714)	6,389,841
Decrease (increase) in advance payments	(6,046)	(94,749)
Increase (decrease) in notes and accounts payable - trade	247,180	(188,566)
Increase (decrease) in deposits for anonymous partnership	—	(50,000)
Decrease (increase) in other assets	(32,586)	(22,237)
Increase (decrease) in other liabilities	479,723	296,906
Subtotal	(1,977,862)	6,926,836
Interest and dividend income received	4,259	3,702
Interest expenses paid	(161,516)	(133,083)
Income taxes paid	(164,592)	(61,834)
Cash provided by (used in) operating activities	(2,299,712)	6,735,620
Cash flows from investing activities		
Payments into time deposits	(110,519)	(131,522)
Proceeds from withdrawal of time deposits	318,016	96,026
Purchase of non-current assets	(1,397,118)	(576,300)
Proceeds from sales of non-current assets	140,276	20,187
Purchase of investment securities	—	(94,000)
Other	—	(6,486)
Cash provided by (used in) investing activities	(1,049,345)	(692,095)

	For the 2Q of FY2020	For the 2Q of FY2021
Cash flows from financing activities		
Increase (decrease) in short-term loans	2,966,506	(4,339,484)
Proceeds from long-term loans payable	2,317,622	3,340,000
Repayments of long-term loans payable	(3,009,074)	(3,976,639)
Redemption of bonds	(170,000)	(140,000)
Repayments of lease obligations	(660)	(7,418)
Purchase of treasury shares	(298,030)	—
Cash dividends paid	(150,768)	(93,394)
Cash provided by (used in) financing activities	1,655,595	(5,216,936)
Net increase (decrease) in cash and cash equivalents	(1,693,461)	826,588
Cash and cash equivalents at beginning of period	5,044,280	4,691,828
Cash and cash equivalents at end of period	3,350,818	5,518,417

(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 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.

For the 2Q of FY2021 (from June 1, 2020 to November 30, 2020)

(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	16,815,309	4,215,926	21,031,235	—	21,031,235
Sales and transfer –	—	—	—	—	—
Total	16,815,309	4,215,926	21,031,235	—	21,031,235
Segment profit	514,686	359,092	873,779	(333,315)	540,464

(Notes) 1. The adjustment to segment profit of -¥333,315 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.