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August 9, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

Company name: INTRANCE CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 3237

URL: <https://www.intrance.jp>

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Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Schedule of quarterly financial results briefing session: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Three months Ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(1) Consolidated Operating Results (Cumulative)

(% indicates changes from the previous corresponding period.)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Milliom of Yen	%	Milliom of Yen	%	Milliom of Yen	%	Milliom of Yen	%
First three months FY 2024	201	(12.1)	(85)	—	(88)	—	(88)	—
FY 2023	229	74.4	(16)	—	(17)	—	(17)	—

(Note) Comprehensive income: For the Three months ended June 30, 2024: (91) million yen [(-)%]

For the Three months ended June 30, 2023: (18) million yen [(-)%]

	Earnings per share	Fully diluted earnings per share
	Yen	Yen
First three months FY 2024	(1.97)	—
FY 2023	(0.46)	—

(2) Summary of consolidated balance sheet

	Total assets	Total net assets	Equity ratio
	(Millions of yen)	(Millions of yen)	%
As of June 30, 2024	1,289	1,078	81.3
As of March 31, 2024	1,158	860	70.8

Reference: Equity: As of June 30, 2024 1,047 million yen; As of March 31, 2024 820 million yen

2. Dividends

	Annual dividends				
	Q1 (Yen)	Q2 (Yen)	Q3 (Yen)	Year-end (Yen)	Total (Yen)
	Yen	Yen	Yen	Yen	Yen
FY2023 ended March 31 2023	—	0.00	—	0.00	0.00
FY2024 ended March 31 2023	—				
FY2024 ending March 31, 2024 (Forecast)		0.00	—	0.00	0.00

Note: Revisions to the forecasts of dividends most recently announced: None

3. Forecast for Fiscal Year 2024 Ending March 31, 2025

(% indicates year-on-year change.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)
Full-year forecast	2,593	100.7	53	—	40	—	16	—	0.35

Note: Revisions to the forecasts most recently announced: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

Newly included: – (Company name: –)

Excluded: – (Company name: –)

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Applicable

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024: 46,507,784 shares

As of March 31, 2024: 41,746,384 shares

2) Number of treasury shares at the end of the period

As of June 30, 2024: 60,400 shares

As of March 31, 2024: 60,400 shares

3) Average number of shares (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2024: 45,171,582 shares

Three months ended June 30, 2023: 37,070,600 shares

* Reviews by certified public accountants or an audit corporation of the accompanying quarterly consolidated financial statements: None

* Proper use of forecasts, and other special matters

(Disclaimer)

The forecasts and other forward-looking statements in this report are based on currently available information and certain assumptions determined as rational. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual performance may significantly differ from these forecasts due to various factors in the future.

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1. Overview of Financial Results, etc.

(1) Overview of Financial Results

The Japanese economy during the three months ended June 30, 2024 showed a moderate recovery trend, as the employment and income environment improved due to the expansion of inbound demand based on the weak yen and wage increases, as well as a move to pass on higher labor and resource costs to prices.

On the other hand, the outlook remains uncertain due to the uncertain outlook for the Chinese economy, unstable international conditions, a review of monetary policy by the Bank of Japan, rising prices, and other factors.

In this business environment, in the real estate industry, real estate prices remain at high levels, and with the continuation of a favorable financing environment, the inflow of funds into domestic real estate is expected to continue.

On the other hand, the economy is also facing some unstable factors, as domestic interest rates are expected to rise and the Tokyo Stock Exchange REIT Index is softening due to caution about rising interest rates.

In the hotel management industry, on which the Group are focusing, there is a clear recovery in tourism demand, especially among tourists visiting Japan, and the Group believes that a recovery in demand for hotel use, mainly for leisure purposes, can be expected in the future.

Under these circumstances, in addition to its established real estate business, the Group has accelerated its efforts in the hotel management business, a new business domain, with the aim of expanding its business domain and increasing its corporate value.

The basic strategy of the Group is to increase hotel operation revenues by promoting “urban apartment hotel development” and “regional hotel investment.

Since it takes a certain amount of time to monetize these businesses, we have been advancing projects to develop and sell small lodging facilities for inbound travelers, which can be expected to generate revenue in a shorter period of time.

In addition, as other business, the Group has been advancing the sending tourists from Greater China to the hotels operated by our group, mainly through our consolidated subsidiary Shanghai INTRANCE Co.

At the same time, we have been engaged in fundraising activities, mainly through our consolidated subsidiary Japan Hotel Investment Co., Ltd. due to form and operate funds for investment in hotel facilities.

In the herb garden operation business was excluded from the Group's scope of consolidation in the previous consolidated fiscal year.

As a result, net sales were 201,860 thousand yen (down 12.1% year-on-year), operating loss was 87,140 thousand yen (operating loss of 16,644 thousand yen in the same period last year), ordinary loss was 88,598 thousand yen (ordinary loss of 17,667 thousand yen in the same period last year), and net loss attributable to owners of the parent was 88,933 thousand yen (net loss attributable to owners of the parent of 17,043 thousand yen in the same period last year).

Segment information are as follows.

(Real estate business)

In the real estate business, during the three months ended June 30, 2024, the company focused mainly on property management, real estate sales, and the development of inbound accommodation facilities. There were no opportunities to sell real estate held for sale. In the same period last year, there was a special factor of a decrease in SG&A expenses due to a reversal of the allowance for doubtful accounts as a result of the collection of uncollectible

receivables, but no such event occurred in the quarter under review.

As a result of the above activities, net sales for the three months ended June 30, 2024 were 50,631 thousand yen (down 13.1% year on year). Operating loss was 165 thousand yen (73,849 thousand yen of operating income in the same period of the previous year).

(Hotel Management Business)

In the hotel management business, during the three months ended June 30, 2024, the Group promoted the operation of the Global Hotel brand.

As a result of the above activities, net sales for the three months ended June 30, 2024 were 151,229 thousand yen (up 31.8% year on year). Operating loss was 11,592 thousand yen (15,679 thousand yen of operating loss in the same period of the previous year).

(Other business)

In the Other Businesses segment, during the three months ended June 30, 2024, the Group promoted the sending of tourists from Greater China to hotels in Japan, mainly through INTRANS Shanghai, however currently only to hotels within the group, and earnings were limited.

At the same time, the Group were preparing to fund raise to invest in hotels, mainly through Japan Hotel Investment Co.

As a result of the above activities, no sales were recorded in these businesses in the previous and current fiscal years. Operating loss from current year amounted to 6,172 thousand yen (operating loss of 8,362 thousand yen in the same period of the previous year).

(2) Overview of Financial Position

(Assets)

Current assets increased 12,652 thousand yen to 1,052,352 thousand yen. This was mainly due to an increase of 6,037 thousand yen in cash and deposits. Noncurrent assets increased 119,227 thousand yen to 226,127 thousand yen. This was mainly due to a decrease of 212 thousand yen. This was mainly due to an increase of 120,000 thousand yen in long-term deposits included in investments and other assets. Deferred assets amounted to 10,524 thousand yen, due to a decrease of 877 thousand yen in opening costs. As a result, total assets increased 131,003 thousand yen to 1,289,005 thousand yen.

(Liabilities)

Current liabilities decreased 83,586 thousand yen to 203,659 thousand yen. This was mainly due to a decrease of 59,320 thousand yen in provision for shareholders' benefits. Noncurrent liabilities decreased 3,758 thousand yen to 6,542 thousand yen. This was mainly due to a decrease of 3,530 thousand yen in long-term loans payable. As a result, total liabilities decreased 87,344 thousand yen to 210,202 thousand yen.

(Net assets)

Total net assets increased 218,411 thousand yen from the end of the previous fiscal year to 1,078,865 thousand yen. This was mainly due to increases in paid-in capital and capital surplus by 159,122 thousand yen respectively from the issuance of new shares upon exercise of stock acquisition rights.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information

Consolidated financial results forecasts for the fiscal year ending March 31, 2025 have not been revised from the forecasts announced on May 13, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheet

(Thousand of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	890,040	896,078
Notes and accounts receivable - trade	81,447	82,267
Real estate for sale	43,837	43,099
Other inventories	2,285	1,372
Other	22,442	29,774
Allowance for doubtful accounts	(354)	(240)
Total current assets	1,039,699	1,052,352
Non-current assets		
Property, plant and equipment	6,233	6,021
Intangible assets	10,837	10,265
Investments and other assets		
Investments and other assets	159,828	279,840
Allowance for doubtful accounts	(70,000)	(70,000)
Total investments and other assets	89,828	209,840
Total non-current assets	106,899	226,127
Deferred asset	11,401	10,524
Total assets	1,158,001	1,289,005
Liabilities		
Current liabilities		
Accounts payable - trade	3,577	2,546
Current portion of long-term debt	32,120	28,120
Provision for bonuses	6,881	3,566
Allowance for shareholder special benefit	59,320	-
Other	185,347	169,427
Total current liabilities	287,246	203,659
Non-current liabilities		
Long-term borrowings	9,140	5,610
Other	1,160	932
Total non-current liabilities	10,300	6,542
Total liabilities	297,547	210,202
Net assets		
Shareholders' equity		
Paid-in capital	1,283,205	1,442,327
Capital surplus	1,053,204	1,212,326
Retained earnings	(1,506,519)	(1,595,516)
Treasury shares	(2,476)	(2,476)
Total shareholders' equity	827,413	1,056,661
Accumulated other comprehensive income		
Foreign currency translation adjustment	(7,116)	(9,228)
Share acquisition rights	40,157	31,369
Total net assets	860,453	1,078,865
Total liabilities and net assets	1,158,001	1,289,005

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

Three Months Ended June 30

(Thousand of yen)

	FY2023 (From April 1, 2023 to June 30, 2023)	FY2024 (From April 1, 2024 to June 30, 2024)
Net sales	229,537	201,860
Cost of sales	71,103	46,235
Gross profit	158,433	155,625
Selling, general and administrative expenses	175,078	241,265
Operating loss	(16,644)	(85,640)
Non-operating income		
Delayed payment received	2,000	-
Foreign exchange gains	1,255	2,562
Other	846	33
Total non-operating income	4,102	2,595
Non-operating expenses		
Interest expenses	1,988	167
Bond issuance costs	2,813	-
Share issuance expenses	-	1,973
Amortization of business expenses	-	877
Commission expenses	-	1,500
Loss on valuation of derivatives	-	1,035
Other	323	-
Total non-operating expenses	5,125	5,553
Ordinary loss	(17,667)	(88,598)
Loss before income taxes	(17,667)	(88,598)
Income taxes -current	(624)	398
Loss	(17,043)	(88,996)
Loss attributable to owners of parent	(17,043)	(88,996)

Quarterly Consolidated Statement of Comprehensive Income
Three Months Ended June 30

(Thousand of yen)

	FY2023 (From April 1, 2023 to June 30, 2023)	FY2024 (From April 1, 2024 to June 30, 2024)
Loss	(17,043)	(88,996)
Other comprehensive income		
Foreign currency translation adjustment	(1,168)	(2,111)
Total other comprehensive income	(1,168)	(2,111)
Comprehensive income	(18,211)	(91,107)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(18,211)	(91,107)
Comprehensive income attributable to non- controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

(Application of the Accounting Standard for Current Income Taxes)

The Accounting Standard for Current Income Taxes (ASBJ Statement No.27, October 28,2022; hereinafter referred to as the “Revised Accounting Standard 2022”), etc. have been adopted from the beginning of the first quarter ended June 30, 2024.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No.28, October 28, 2022; hereinafter referred to as the “Revised Implementation Guidance 2022”).

This change in accounting policies has no impact on the quarterly consolidated financial statements. For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the first quarter ended June 30, 2024. This change in accounting policies was applied retrospectively.

Hence, the quarterly consolidated financial statements for the same quarter of the prior fiscal year and the consolidated financial statements for the prior fiscal year have been modified retrospectively.

This change in accounting policies has no impact on the quarterly consolidated financial statements for the same quarter of the prior fiscal year and the consolidated financial statements for the prior fiscal year.

(Note on Segment information)

I. For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

Information on sales revenue and profit or loss by reportable segments

(Thousand of yen)

	Reportable segments				Other (Note 1)	Adjustment (Note 2)	Total (Note 3)
	Real estate	Hotel operation	Herb garden operation	Total			
Sales revenue							
Sales revenue to outside customers	49,744	114,774	56,498	221,017	—	—	221,017
Revenue from other sources	8,519	—	—	8,519	—	—	8,519
Sales to external customers	58,264	114,774	56,498	229,537	—	—	229,537
Segment profit (loss)	73,849	(15,679)	1,502	59,672	(8,362)	(67,954)	(16,644)

(Note) 1. The “Other” segment is a business segment not included in the reportable segments and mainly consists of the customer sending business from China.

2. Adjustment of segment profit (loss) is the cost of head office expenses that do not belong to the reportable segments.

3. Total segment profit (loss) is adjusted with operating loss in the quarterly consolidated statements of income.

II. For the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

Information on sales revenue and loss by reportable segments.

(Thousand of yen)

	Reportable segments				Other (Note 1)	Adjustment (Note 2)	Total (Note 3)
	Real estate	Hotel operation	Herb garden operation	Total			
Sales revenue							
Sales revenue to outside customers	48,961	151,229	—	200,191	—	—	200,191
Revenue from other sources	1,669	—	—	1,669	—	—	1,669
Sales to external customers	50,631	151,229	—	201,860	—	—	201,860
Segment Loss	(165)	(11,592)	—	(11,758)	(6,172)	(67,709)	(85,640)

(Note) 1. The “Other” segment is a business segment not included in the reportable segments and mainly consists of the customer sending business from China.

2. Adjustment of segment loss is the cost of head office expenses that do not belong to the reportable segments.

3. Total segment loss is adjusted with operating loss in the quarterly consolidated statements of income.

(Notes in case of significant changes in shareholders’ equity)

For the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

Paid-in capital and capital surplus increased 159,122 thousand yen each during the first quarter of the current consolidated fiscal year due to the issuance of new shares upon exercise of the 7th and 8th series of stock acquisition rights. As a result, capital stock and capital surplus amounted to 1,442,327 thousand yen and 1,212,326 thousand yen, respectively, at the end of the first quarter of the current fiscal year.

(Notes on going concern assumption)

Not applicable.

(Cash flow)

Quarterly consolidated statements of cash flows for the first quarter of the current fiscal year have not been prepared. Depreciation and amortization (including amortization related to intangible assets) for the first quarter of the current fiscal year is as follows:

	(Thousand of yen)	
	FY2023 (From April 1, 2023 to June 30, 2023)	FY2024 (From April 1, 2024 to June 30, 2023)
Depreciation and amortization	3,393	784