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February 12, 2025

Consolidated Financial Results for the Nine Months Ended December 31, 2024 [Japanese GAAP]

Company name: INTRANCE CO., LTD.
Stock exchange listing: Tokyo Stock Exchange
Code number: 3237
URL: <https://www.intrance.jp>
Representative: He Tongxi, President and Representative Director, Chief Executive Officer
Contact: Masaaki Kitagawa, General Manager
Phone: +81-3-6803-8100
Scheduled date to commence dividend payments: None
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 Nine months Ended December 31, 2024 (April 1, 2024 to December 31, 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 nine months FY 2024	639	(31.8)	(220)	—	(265)	—	(266)	—
FY 2023	937	94.1	(87)	—	(91)	—	(54)	—

(Note) Comprehensive income: For the Nine months ended December 31, 2024: (270) million yen [(-)%]

For the Nine months ended December 31, 2023: (58) million yen [(-)%]

	Earnings per share		Fully diluted earnings per share	
	Yen		Yen	
First nine months FY 2024	(5.79)		—	
FY 2023	(1.47)		—	

(2) Summary of consolidated balance sheet

	Total assets		Total net assets		Equity ratio	
	(Millions of yen)		(Millions of yen)		%	
As of Dec 31, 2024	1,130		899		76.8	
As of Mar 31, 2024	1,158		860		70.8	

Reference: Equity: As of December 31, 2024: 868 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)
FY2023 ended March 31 2024	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
FY2024 ended March 31 2025	—				
FY2024 ending March 31, 2025 (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: None

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 December 31, 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 December 31, 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)

Nine months December 31, 2024: 46,025,207 shares

Nine months December 31, 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

During the third quarter of the current fiscal year (April 1, 2024 to December 31, 2024), the Japanese economy showed improvement in the employment and income environment, such as expanding wage growth against the background of the increasingly severe labor shortage. whereas, the outlook for the economy remains uncertain due to high prices of commodities and rising geopolitical risks caused by such factors as the global surge in resource and raw material prices.

Under these circumstances, in the real estate industry in which our group operates, although loan interest rates remain low, land for construction tends to remain at high levels, and there are concerns that real estate prices will rise due to higher construction costs, including soaring material and labor costs, which will reduce the desire to purchase real estate.

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, the Group has been advancing projects to develop and sell small accommodation 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 tourists sending from Greater China to the hotels operated by our group, mainly through our consolidated subsidiary Shanghai INTRANCE Co.

At the same time, the company has been engaged in fundraising activities, mainly through 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 639,598 thousand yen (down 31.8% year-on-year), operating loss was 220,496 thousand yen (operating loss of 87,086 thousand yen in the same period last year), ordinary loss was 265,477 thousand yen (ordinary loss of 91,026 thousand yen in the same period last year), and net loss attributable to owners of the parent was 266,635 thousand yen (net loss attributable to owners of the parent of 54,406 thousand yen in the same period last year).

Segment information are as follows.

(Real estate business)

In the real estate business, during the nine months ended December 31, 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, however no such event occurred in this period.

As a result of the above activities, net sales for the nine months ended December 31, 2024 were 185,609 thousand yen (down 62.5% year on year). Operating profit was 41,517 thousand yen (down

81.3% year on year).

(Hotel Management Business)

In the hotel management business, during the nine months ended December 31, 2024, the Group promoted the operation of the Global Hotel brand.

As a result of the above activities, net sales for the nine months ended December 31, 2024 were 453,988 thousand yen (up 34.1% year on year). Operating loss was 35,957 thousand yen (61,493 thousand yen of operating loss in the same period of the previous year).

(Other business)

In the Other Businesses segment, during the nine months ended December 31, 2024, the Group promoted the tourists sending 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 19,413 thousand yen (operating loss of 25,903 thousand yen in the same period of the previous year).

(2) Overview of Financial Position

1) Assets, Liabilities and Net Assets

(Assets)

Current assets decreased 256,814 thousand yen to 782,884 thousand yen. This was mainly due to a decrease of 281,649 thousand yen in cash and deposits. Noncurrent assets increased 232,275 thousand yen to 339,174 thousand yen. This was mainly due to an increase of 222,887 thousand yen in long-term deposits. Deferred assets amounted to 8,770 thousand yen, due to a decrease of 2,631 thousand yen in amortization of opening expenses. As a result, total assets decreased 27,171 thousand yen to 1,130,830 thousand yen.

(Liabilities)

Current liabilities decreased 59,341 thousand yen to 227,905 thousand yen. This was mainly due to a decrease of 59,320 thousand yen in allowance for shareholders' special benefits. Noncurrent liabilities decreased 7,280 thousand yen to 3,020 thousand yen. This was mainly due to a decrease of 6,590 thousand yen in long-term borrowings payable. As a result, total liabilities decreased 66,621 thousand yen to 230,925 thousand yen.

(Net assets)

Total net assets increased 39,450 thousand yen from the end of the previous fiscal year to 899,904 thousand yen. This was mainly due to an increase of 159,122 thousand yen in common share and capital surplus, respectively, as a result of the issuance of new shares upon exercise of stock acquisition rights, and a decrease of 266,688 thousand yen in retained earnings due to the accounting of net loss attributable to owners of the parent company.

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

Consolidated financial results forecasts for the fiscal year ending March 31, 2025 has 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 December 31, 2024
Assets		
Current assets		
Cash and deposits	890,040	608,391
Accounts receivable - trade	81,447	96,119
Real estate for sale	43,837	41,622
Other inventories	2,285	1,415
Other	22,442	35,545
Allowance for doubtful accounts	(354)	(240)
Total current assets	1,039,699	782,855
Non-current assets		
Property, plant and equipment	6,233	5,596
Intangible assets	10,837	9,122
Investments and other assets		
Long-term deposits	-	222,887
Other	159,828	171,569
Allowance for doubtful accounts	(70,000)	(70,000)
Total investments and other assets	89,828	324,456
Total non-current assets	106,899	339,174
Deferred asset	11,401	8,770
Total assets	1,158,001	1,130,800
Liabilities		
Current liabilities		
Accounts payable - trade	3,577	4,090
Current portion of long-term debt	32,120	16,120
Provision for bonuses	6,881	3,587
Allowance for shareholder special benefit	59,320	-
Other	185,347	204,107
Total current liabilities	287,246	227,905
Non-current liabilities		
Long-term borrowings	9,140	2,550
Other	1,160	470
Total non-current liabilities	10,300	3,020
Total liabilities	297,547	230,925
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)	(1,773,208)
Treasury shares	(2,476)	(2,476)
Total shareholders' equity	827,413	878,969
Accumulated other comprehensive income		
Foreign currency translation adjustment	(7,116)	(10,434)
Total accumulated other comprehensive income	(7,116)	(10,434)
Share acquisition rights	40,157	31,369
Total net assets	860,453	899,904
Total liabilities and net assets	1,158,001	1,130,830

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statement of Income Nine Months Ended December 31

(Thousand of yen)

	FY2023 (From April 1, 2023 to December 31, 2023)	FY2024 (From April 1, 2024 to December 30, 2024)
Net sales	937,551	639,598
Cost of sales	356,717	132,871
Gross profit	580,833	506,726
Selling, general and administrative expenses	667,920	727,223
Operating income (loss)	(87,086)	(220,496)
Non-operating income		
Interest received	4	78
Delayed payment received	2,000	—
Foreign exchange gains	4,029	1,335
Equity in earnings of affiliates	—	1,737
Other	940	1,007
Total non-operating income	6,973	4,158
Non-operating expenses		
Interest expenses	5,941	403
Bond issuance costs	2,813	—
Share issuance expenses	—	1,974
Amortization of opening expenses	1,754	2,631
Commission expenses	—	1,500
Loss on valuation of derivatives	—	42,630
Other	404	—
Total non-operating expenses	10,913	49,139
Ordinary loss	(91,026)	(265,477)
Extraordinary income		
Gain on sales of subsidiaries and affiliates' shares	37,700	—
Total Extraordinary income	37,700	—
Income (Loss) before income taxes	(53,325)	(265,477)
Income taxes -current	1,080	1,210
Loss	(54,406)	(266,688)
Loss attributable to owners of parent	(54,406)	(266,688)

Quarterly Consolidated Statement of Comprehensive Income Nine Months Ended December 31

(Thousand of yen)

	FY2023 (From April 1, 2023 to December 31, 2023)	FY2024 (From April 1, 2024 to December 31, 2024)
Loss	(54,406)	(266,688)
Other comprehensive income		
Foreign currency translation adjustment	(4,409)	(3,317)
Total other comprehensive income	(4,409)	(3,317)
Comprehensive income	(58,816)	(270,005)
(details)		
Comprehensive income attributable to owners of parent	(58,816)	(270,005)
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Segment information, etc.)

(Note on Segment information)

I. For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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 (Note 4)	Total			
Sales revenue							
Sales revenue to outside customers	467,797	338,636	103,533	909,967	—	—	909,967
Revenue from other sources	27,584	—	—	27,584	—	—	27,584
Sales to external customers	495,381	338,636	103,533	937,551	—	—	937,551
Segment profit (loss)	221,813	(61,493)	(4,175)	156,144	(25,903)	(217,327)	(87,086)

(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.

4. Otaki Herb Garden Co., Ltd. and Herb Production and Shipping Association Co., Ltd. which had been classified in the “Herb Garden Management Business” segment, were excluded from the scope of consolidation due to the sale of all shares in Otaki Herb Garden Co. during the quarterly consolidated accounting period.

The amounts of net sales and segment losses of these companies include results up to the date of this exclusion from consolidation.

II. For the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 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 (Note 4)	Total			
Sales revenue							
Sales revenue to outside customers	181,833	453,988	—	635,822	—	—	635,822
Revenue from other sources	3,775	—	—	3,775	—	—	3,775
Sales to external customers	185,609	453,988	—	639,598	—	—	639,598
Segment Loss	41,517	(35,957)	—	5,560	(19,413)	(206,643)	(220,496)

(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.

4. The “herb garden management business” was excluded from the scope of consolidation of the Group as of the previous consolidated fiscal year.

(Notes on Significant Changes to Shareholders' Equity)

For the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)
Capital stock and capital surplus increased 159,122 thousand yen respectively during the third quarter of the current consolidated cumulative period 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 third quarter of the current fiscal year.

(Notes on going concern assumption)

Not applicable

(Notes to Statements of Cash Flows)

Quarterly consolidated statements of cash flows have not been prepared for the nine months ended December 31, 2024. Depreciation and amortization (including amortization related to intangible fixed assets) for the nine months ended December 31, 2024 is as follows.

	FY2023 (From April 1, 2023 to December 31, 2023)	FY2024 (From April 1, 2024 to December 30, 2024)
Depreciation Expenses	9,462 thousand yen	2,352 thousand yen