

Explanatory Material on Consolidated Financial Results for the three months ended Jun 30, 2024

INTRANCE CO., LTD.

August 9th 2024

Consolidated Financial Result for 1Q FY2024

FY2024 First Quarter	Net sales	201M yen
		(Down 12.1% year on year)
	Operating loss	(85M yen)
		(Loss of 16M yen in 1Q FY2023)
	Ordinary loss	(88M yen)
		(Loss of 17M yen in 1Q FY2023)
	Loss attributable to owners of parent	(88M yen)
	(Loss of 17M yen in 1Q FY2023)	
Earnings per share	(1.97 yen)	
	(Loss of 0.46 yen in 1Q FY2023)	
Total assets	1,289M yen	
	(End of previous period 1,158M yen)	
Net assets	1,078M yen	
	(End of previous period 860M yen)	
Equity Ratio	81.3%	
	(End of previous period: 70.8%)	

Forecast for Fiscal Year 2024 Ending March 31, 2025 (Million yen)

Net Sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
2,593	53	40	16

Overview of Segments information for 1Q FY2024



Real Estate Business

Our group focused on development of hotels and inbound accommodations, etc.

Net sales 50M yen **Operating loss (0M yen)**
 (Down 13.1% year on year) (Profit of 73M yen in 1Q FY2023)



Hotel Operation Business

Our group focused on improvement of operational KPI of hotels and increase new hotel contract, etc.

Net sales 151M yen **Operating loss (11M yen)**
 (Up 31.8% year on year) (Loss of 15M yen in 1Q FY2023)



Other Business (Tourist sending, Fund structure)

Our group focused on sending tourists from China to group hotels. Besides, company proceeded to set up the system for sending tourists to outside hotels.

Net sales 0M yen **Operational loss (6M yen)**
 (Loss of 8M yen in 1Q FY2023)

ACCOUNTING SETTLEMENT SUMMARY in 1Q FY2024

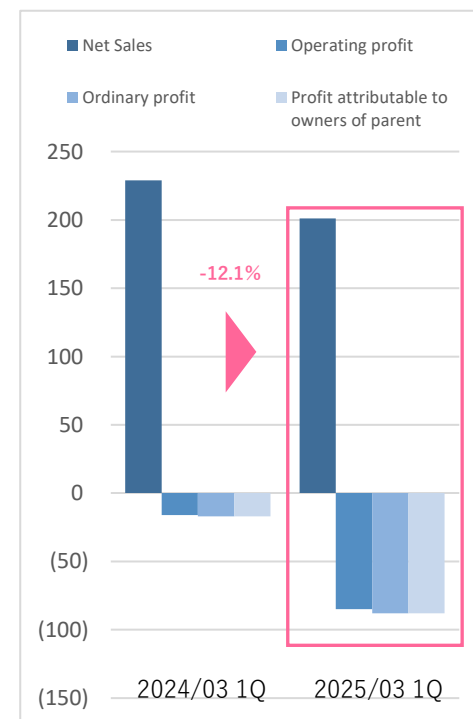
- *Consolidated net sales declined due to the exclusion of the herb garden operation business through consolidation.
- *Operating loss increased due to the absence of collection of uncollectible receivables, which was a factor in improving profitability in the same period of the previous year.
- *Focused on activities to establish a growth strategy by investing in urban and regional hotels.
(One inbound accommodation development is decided for July 2024 [2Q].)

(Million of yen)

	1Q FY2023 (Actual result)	1Q FY2024 (Actual result)	FY2024 (Full year forecast)	Change from the same period of the previous year	Progress ratio toward full-year forecast
Net Sales	229	201	2,593	- 28 - 12.1%	7.8%
Operating profit	(16)	(85)	53	- 69	-
Ordinary profit	(17)	(88)	40	- 71	-
Profit attributable to owners of parent	(17)	(88)	16	- 71	-
Earnings per share (yen)	(0.46)	(1.97)	0.35	- 1.51	-

(Million of yen)

Revenue Trends (Consolidated)



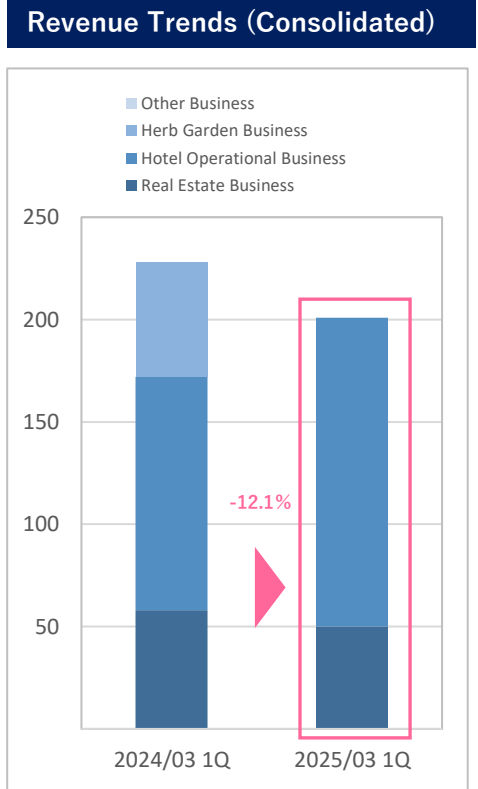
BUSINESS SEGMENT SUMMARY in 1Q FY2024

- *Real estate business results showed decline in revenue due to lower PM and rental income.
- *Hotel management business results showed increase in revenue due to an increase in the number of hotels.
- *tourists sending business results were not recorded in consolidated revenue, from consolidated eliminations, as sending only group hotels.

(Million of yen)

	1Q FY2023 (Actual result)	1Q FY2024 (Actual result)	FY2024 (Full year forecast)	Change from the same period of the previous year	Progress ratio toward full-year forecast
Consolidated Net Sales	229	201	2593	- 28 -12.1%	7.8%
Real Estate Business	58	50	1152	- 8 - 13.1%	4.3%
Hotel Operational Business	114	151	1293	+37 +31.8%	11.7%
Herb Garden Business	56	-	-	- -	-
Other Business			147	+0 -	0.0%
Operating profit	(16)	(85)	53	- 69 -	-
Ordinary profit	(17)	(88)	40	- 71 -	-
Profit attributable to owners of parent	(17)	(88)	16	- 71 -	-
Earnings per share (yen)	(0.46)	(1.97)	0.35	- 1.51 -	-

((Million of yen)



Note; Herb garden Business was excluded from consolidation in the FY2023.

- *Assets increased from the end of the FY2023 (Fixed assets increased due to an increase in deposits)
- *Liabilities decreased from the end of the FY2023 (Current liabilities decreased due to a decrease in provision for shareholders' benefits, and noncurrent liabilities decreased slightly)
- *Net assets increased from the end of FY2023 (Paid-in capital and Capital surplus increased due to the issuance of new shares)

Balance Sheet Summary (compared to FY2023)

(Million of yen)

	FY2023	1Q FY2024	Increase/ Decrease	Major Factors for Increase/Decrease
Cash and deposits	890	896	6	
Notes and accounts receivable - trade	81	82	1	
Real estate for sale	43	43	0	
Other inventories	2	1	△ 1	
Other	22	29	7	
Allowance for doubtful accounts	△ 0	△ 0	0	
Total current assets	1,039	1,052	13	
Property, plant and equipment	6	6	0	
Intangible assets	10	10	0	
Investments and other assets				
Investments and other assets	159	279	120	*Increase in long-term deposits
Allowance for doubtful accounts	△ 70	△ 70	0	
Total investments and other assets	89	209	120	
Total non-current assets	106	226	120	
Deferred asset	11	10	△ 1	
Total assets	1,158	1,289	131	*Increase in long-term deposits

	FY2023	1Q FY2024	Increase/ Decrease	Major Factors for Increase/Decrease
Accounts payable - trade	3	2	△ 1	
Current portion of long-term debt	32	28	△ 4	
Provision for bonuses	6	3	△ 3	
Allowance for shareholder special benefit	59	0	△ 59	*Decrease in provision for shareholders' benefits
Other	185	169	△ 16	
Total current liabilities	287	203	△ 84	
Long-term borrowings	9	5	△ 4	*Decrease due to repayment of loans payable
Other	1	0	△ 1	
Total non-current liabilities	10	6	△ 4	
Total liabilities	297	210	△ 87	
Paid-in capital	1,283	1,442	159	*Increase due to issuance of new shares
Capital surplus	1,053	1,212	159	*Increase due to issuance of new shares
Retained earnings	△ 1,506	△ 1,595	△ 89	
Treasury shares	△ 2	△ 2	0	
Total shareholders' equity	827	1,056	229	
Accumulated other comprehensive income	△ 7	△ 9	△ 2	
Share acquisition rights	40	31	△ 9	
Total net assets	860	1,078	218	
Total liabilities and net assets	1,158	1,289	131	
Equity ratio (%)	70.8%	81.3%	10.5%	*Ratio increase due to new share issuance

Our Growth Strategy

Growth through "urban apartment hotel development" and "regional hotel investment"

- Started "Urban Apartment Hotel Development" and "Regional Investment in Resort Hotels and Inns" from 2025/03.
- Urban Apartment Hotel Development" is a hotel targeting inbound tourists, with basic specifications of 45-60 rooms per building, 40-50 square meters per room, in a metropolitan area. [Hotel development will be done jointly with a developer.]
- "Regional hotel Investment" refers to renovation investment in resort hotels and inns in local areas, targeting inbound and domestic families. [Collaboration with local governments, financial institutions, DMO (Destination Management Organization),etc.]



FY2024 to FY2025, accumulate revenue from hotel operations and small inbound accommodation sales.

- Promoting "Urban Apartment Hotel Development" as a strategic investment. (The development period is over 2 years, and it will take time before the hotel becomes profitable.)
- Increase the number of hotels in operation and rise revenues through another strategic investment, the "Regional Development Investment in Resort Hotels and Inns".
- FY2024 is a period of transformation to growth through the development of apartment hotels, and the company will advance the sale and purchase of small inbound facilities to rise revenues for two years until it becomes profitable.

FY2026, Revenues to increase significantly as apartment hotels start operations

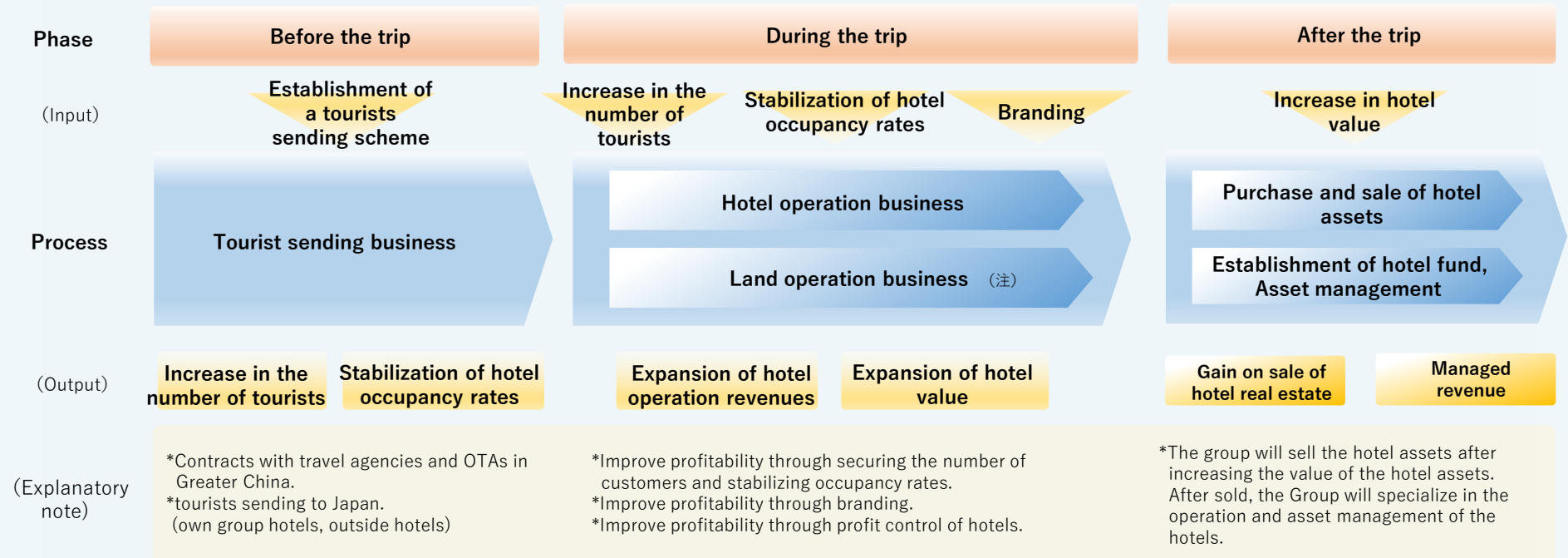
- Apartment hotels, which has been under development since FY2024, will start to open and generate income from FY2026, and gains on the sale of real estate will also increase significantly.
- Since FY2027, the opening of large-scale development projects (Hokkaido Ball Park Hotel, etc.) will start contributing to revenue, and earnings will rise significantly from this period.
- In FY2027, the Group's business model will be completed when growth from the Company's strategic investments in "urban apartment hotel development" & "regional development investments in resort hotels and inns". In addition, the profit from the sale and purchase of inbound accommodation will also make a stable contribution to earnings.

OUR POSITION & STRENGTHS (Business Strengths)

The business strength of our group is that we cover the entire inbound market. The group's activities include sending tourists to Japan from Greater China, which has a large number of visitors to Japan, domestic hotel operations and land services, and activities to increase hotel real estate values, all of which will grow with the growth of the domestic inbound market.

Business process of The group

Since the Group's business areas encompass the entire inbound market, the Group can also expect growth in line with the expansion of the inbound market.

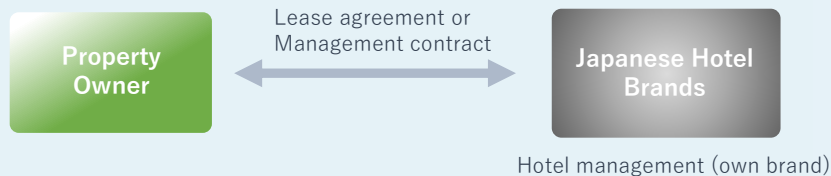


The strength of the Group's positioning is that we are a third-party operator, which is rare in Japan. A third-party operator is a company that partners with a global brand and contracts a lease agreement with a land owner to operate a hotels. Our Group in this position is currently attracting attention in Japan.

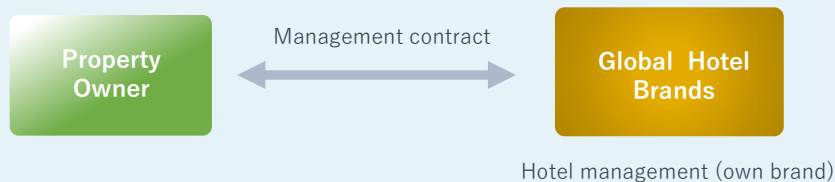
Typical Hotel Operating Model

- In general, Japanese hotel brands operate under their own brand by concluding a lease agreement (ML) or management contract (MC) with the property owner, while global brands operate under their own brand by concluding only a ML agreement with the property owner.
- In Japan, it is common for property owners and bank to require hotel properties to be leased, which is a barrier to entry for global brands looking to enter the Japanese market.

(Typical hotel operating model of a Japanese hotel brand in Japanese market)



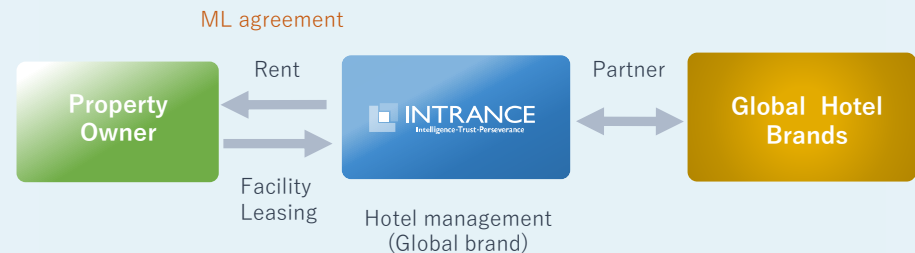
(General operating model for global brands in the world market, including Japan)



Our Hotel Operating Model

- Third-party operators are companies that operate hotels through franchises or real estate leases in partnership with hotel brands.
- While there are many major specialized third-party operator (3PO) companies overseas, 3PO are almost non-existent in Japan. The reason for this is that global brands based on MC contracts find it difficult to enter the Japanese market, as ML contracts are often required in real estate contracts with property owners and bank in Japan.

- For this reason, the Company's group has partnered with several global brands and concluded ML agreements with property owners, which has attracted the attention of global brands that are planning to enter the Japanese market.
- The Group will also be able to take advantage of the global brands' branding, marketing, and education systems, and increase the number of hotel with only the initial opening cost.



The Group will accelerate the speed of investment in inbound hotel and regional development to achieve our growth. Furthermore, we also transmit the attractiveness and value of Japan to the world through these activities.

- *The Group has shifted its business structure to a core hotel business model from FY2022 to FY2023.
- *The Group will promote the development of urban investments (urban apartment hotels) and regional development investments (resort hotels and inns) in FY2024.
- *In the period from FY2024 to FY2025, the group will secure revenue from real estate sales (accommodation facilities for inbound tourists) due to insufficient revenue from urban and regional development investments.
- *The Group's business revenues will increase significantly with the opening of urban apartment hotels in FY2026.

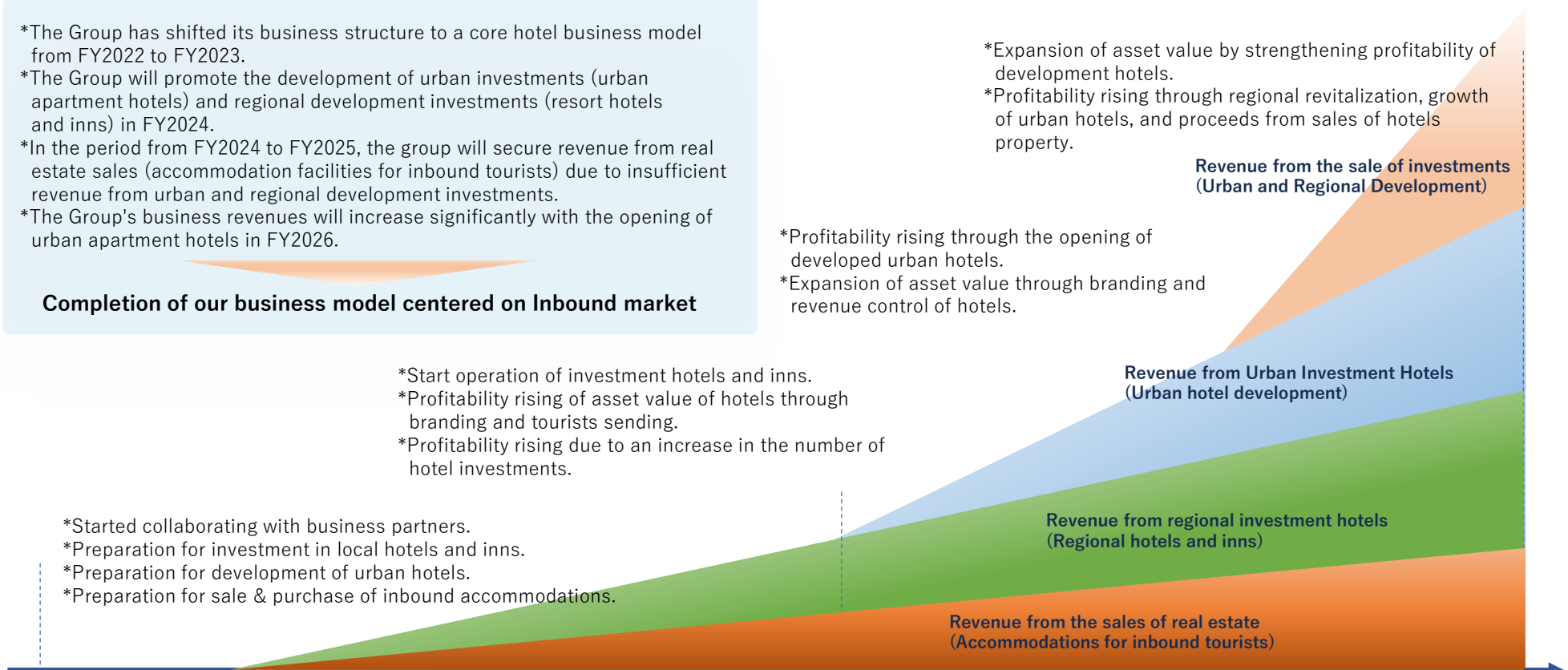
Completion of our business model centered on Inbound market

- *Start operation of investment hotels and inns.
- *Profitability rising of asset value of hotels through branding and tourists sending.
- *Profitability rising due to an increase in the number of hotel investments.

- *Started collaborating with business partners.
- *Preparation for investment in local hotels and inns.
- *Preparation for development of urban hotels.
- *Preparation for sale & purchase of inbound accommodations.

- *Expansion of asset value by strengthening profitability of development hotels.
- *Profitability rising through regional revitalization, growth of urban hotels, and proceeds from sales of hotels property.

- *Profitability rising through the opening of developed urban hotels.
- *Expansion of asset value through branding and revenue control of hotels.



Present

Medium-term

Long-term

Start of business plan

Start investing in regional and urban hotels

Regional hotel revenues will increase

Urban hotel revenues will increase

Revenues from asset sales will increase

Okinawa

[Homm Stay Yumiha Okinawa](#) (Location in Onnason)

Luxury villa hotel in Onna Village, Okinawa (18 rooms)



Kyoto

Boutique hotels in Arashiyama, Sanjo and Shijo in Kyoto (49 rooms in 3 hotels)

[Homm Stay Nagi Sanjo Kyoto](#) (Location in Sanjo)



[Homm Stay Nagi Shijo Kyoto](#) (Location in Sanjo)



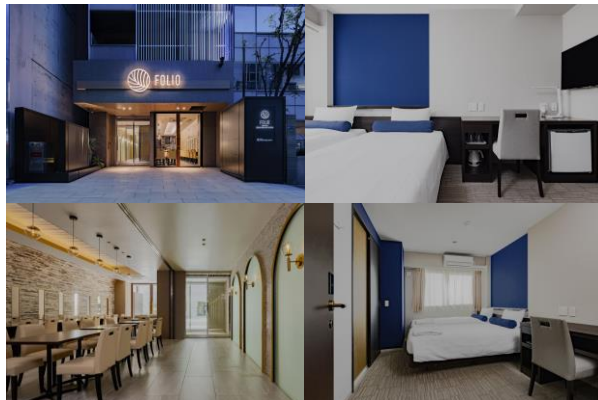
[Homm Stay Nagi Arashiyama Kyoto](#) (Location in Arashiyama)



Osaka

[Folio Sakura Shinsaibashi Osaka](#) (Location in Shinsaibashi)

Luxury business hotel in a good location in Shinsaibashi, Osaka (48 rooms)



Hokkaido(Open in 2027)

Large type of hotel adjacent to ESCON Field in Hokkaido Ball Park F Village (188 rooms)



Key Financial Indicator (Consolidated)

(Thousand of yen)

	FY2020 (23th period)	FY2021 (24th period)	FY2022 (25th period)	FY2023 (26th period)	FY2024 1Q (27th period)
Statement of Income					
Net sales	1,175,952	2,351,550	598,187	1,292,217	201,860
Operating profit	(775,819)	195,233	(416,169)	(154,220)	(85,640)
Ordinary profit	(965,625)	195,188	(471,007)	(162,432)	(88,598)
Profit	(994,522)	154,132	(493,412)	(139,905)	(88,996)
Profit attributable to owners of parent	(993,160)	156,110	(493,412)	(139,905)	(88,996)
Comprehensive income	(995,558)	149,869	(494,145)	(143,131)	(91,107)
Balance Sheet					
Total net assets	1,033,875	1,182,078	692,706	860,453	1,078,802
Total assets	2,911,269	1,862,683	1,181,012	1,158,001	1,289,005
Cash flow Statement					
Cash flows from operating activities	485,239	1,456,016	(587,342)	281,367	-
Cash flows from investing activities	67,633	(64,650)	(148,747)	34,536	-
Cash flows from financing activities	(301,981)	(1,031,338)	(47,598)	121,995	-
Cash and cash equivalents at end of period	871,079	1,233,959	452,415	890,040	-
Financial Data					
Equity ratio (%)	34.6	62.0	56.2	70.8	81.3
Return on equity (%)	(66.50)	(14.40)	(74.40)	(18.90)	(8.50)
Earnings per share (yen)	(26.79)	(4.21)	(13.31)	(3.74)	(1.97)
Book-value per Share (yen)	27.13	31.23	17.90	19.68	22.55

Company Overview (current as of March 31, 2024)

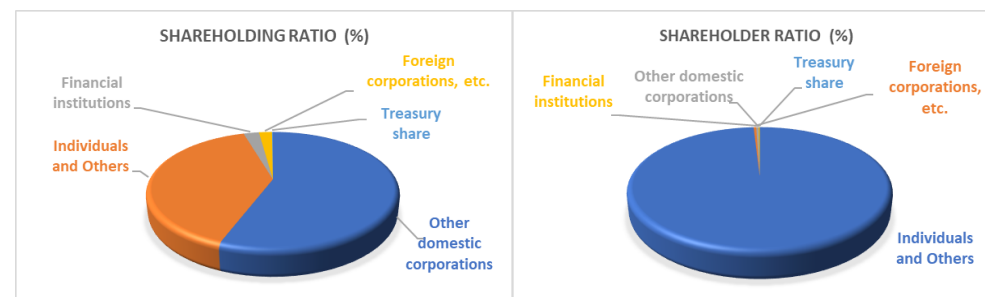
Company name	INTRANCE CO., LTD.	
Representative	He Tongxi, President & CEO	
Founded	May 1, 1998	
Head office address	9F, Oshita bldg, 1-16-5, Dogenzaka, Shibuya, Tokyo, 1500043	
Capital	1,283,205 thousand yen	
Listed Stock Exchange	TSE Growth market (Code: 3237)	
Number of employees	122 (Consolidated)	
Business activities	Estate business Hotel operation business Other business	
Qualified Invoicing Business Registration number	T5-0110-0103-0534	
Licenses and Permits, etc.	Real estate brokerage business [Governor of Tokyo (1) No. 105555] Property management business [Minister of Land, Infrastructure, Transport and Tourism (1) No. 7482]. Type II Financial Instruments business [Director-General of Kanto Local Finance Bureau (Financial Instruments and Exchange Act) No. 1732]	
Member organization	National association for real estate transaction guaranty Type II Financial Instruments Dealers Association Japan Investment Advisers Association	

Board Member (current as of June 31, 2024)

Director and Auditor	President & CEO	He Tongxi
	Director	Shigeru Sudo
	Outside Director	Ken Hibino
	Outside Director	Qiu Fei
	Auditor	Kunio Hirata
	Outside Auditor	Ryuji Uwatoko
	Outside Auditor	Sadahiro Sugita

Stock Status (current as of March 31, 2024)

Total number of authorized shares	115,200,000 shares
Total number of issued shares (excluding 60,400 shares of treasury stock)	41,685,984 shares
Number of shareholders	11,990



Major Shareholders (Top 10) (current as of March 31, 2024)

No.	Shareholders Name	Number of shares held	Voting rights ratio	Shareholding ratio
1	Inbound Investment, LLC.	15,551,384	37.31%	37.25%
2	Delight Works Co., Ltd.	6,660,000	15.98%	15.95%
3	Find Star Group Co., Ltd.	660,000	1.58%	1.58%
4	Individual shareholder	380,000	0.91%	0.91%
5	Individual shareholder	290,000	0.70%	0.69%
6	Individual shareholder	286,200	0.69%	0.69%
7	SBI Securities Co., Ltd.	280,000	0.67%	0.67%
8	Interactive Brokers Securities, Inc.	270,900	0.65%	0.65%
9	Rareia Investment Ltd.	245,400	0.59%	0.59%
10	Individual shareholder	232,700	0.56%	0.56%
	Total	24,856,584	59.63%	59.54%

For reference purpose only

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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.

Our group has established the following official SNS. We post various topics and service information through SNS.



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