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Summary of Consolidated Financial Results for the Three Months Ended October 31, 2024 [Japanese GAAP]

December 12, 2024

Company name: CRE Inc. Listing Stock Exchange: Tokyo
 Stock code: 3458 URL: <https://www.cre-jpn.com/en/>
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Scheduled date for dividend payment: —
 Preparation of supplemental explanatory materials: Yes
 Financial results briefing to be held: None

(Amounts less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended October 31, 2024

(August 1, 2024 to October 31, 2024)

(1) Consolidated operating results

(Percentages indicate YoY changes)

	Net sales		Operating profit		Business profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended October 31, 2024	11,458	75.4	1,166	—	1,237	—	896	—	585	—
Three months ended October 31, 2023	6,534	(3.3)	(85)	—	(107)	—	(448)	—	(423)	—

Note: Comprehensive income for the three months ended October 31, 2024 was 564 million yen (—% YoY).

Comprehensive income for the three months ended October 31, 2023 was (685) million yen (—% YoY).

Note: Business profit (loss) = operating profit (loss) + equity in earnings of affiliates + goodwill amortization (consolidated subsidiaries / equity method affiliates) + profit (loss) from business investments

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended October 31, 2024	19.97	—
Three months ended October 31, 2023	(14.47)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of October 31, 2024	156,890	40,268	25.6
As of July 31, 2024	142,557	41,170	28.8

Reference: Equity capital amounted to 40,158 million yen as of October 31, 2024 and 41,105 million yen as of July 31, 2024.

2. Dividends

	Annual dividend per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended July 31, 2024	—	25.00	—	50.00	75.00
Fiscal year ending July 31, 2025	—				
Fiscal year ending July 31, 2025 (forecast)		0.00	—	27.00	27.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending July 31, 2025

(August 1, 2024 to July 31, 2025)

(Percentages indicate YoY changes)

	Net sales		Operating profit		Business profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	75,650	13.1	9,930	23.4	10,030	21.6	7,930	16.3	5,000	15.2	170.38

Note: Revisions to the most recently announced earnings forecast: None

*Notes

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

(2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: Yes

Note: For details, refer to *Quarterly Consolidated Financial Statements and Primary Notes (3) Notes to quarterly consolidated financial statements (Adoption of special accounting methods for preparation of consolidated financial statements)*

(3) Changes in accounting policies and accounting estimates and retrospective restatements

1. Accounting policy changes due to accounting standard revisions, etc.: Yes
2. Other accounting policy changes: None
3. Changes in accounting estimates: None
4. Retrospective restatements: None

Note: For details, refer to *Quarterly Consolidated Financial Statements and Primary Notes (3) Notes to quarterly consolidated financial statements (Changes in accounting principles)*

(4) Number of issued shares (common stock)

1. Number of issued shares at end of period (including treasury stock)	As of October 31, 2024	29,356,700	As of July 31, 2024	29,356,700
2. Number of treasury shares at end of period	As of October 31, 2024	12,873	As of July 31, 2024	10,142
3. Average number of shares outstanding during period	Three months ended October 31, 2024	29,345,152	Three months ended October 31, 2023	29,255,757

*Review of quarterly consolidated financial statements by certified public accountants or audit corporations: None

*Appropriate use of earnings forecast and other special notes

(Notes on forward-looking statements, etc.)

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable by the Company, and are not intended to be construed as assurance that they will be accomplished in the future.

Actual results may differ significantly from these forecasts due to a wide range of factors.

Quarterly Consolidated Financial Statements and Primary Notes

(1) Consolidated balance sheet

(Millions of yen)

	As of July 31, 2024	As of October 31, 2024
Assets		
Current assets		
Cash and deposits	24,325	21,394
Notes and accounts receivable - trade, and contract assets	999	951
Accounts receivable from completed construction contracts	330	287
Real estate for sale	39,063	63,964
Real estate for sale in process	37,168	24,602
Advance payments to suppliers	7,647	8,056
Prepaid expenses	1,396	1,412
Consumption taxes refund receivable	15	3,721
Other	252	326
Allowance for doubtful accounts	(58)	(57)
Total current assets	111,141	124,658
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,476	4,647
Accumulated depreciation	(2,362)	(2,422)
Buildings and structures, net	2,113	2,225
Machinery, equipment and vehicles	64	64
Accumulated depreciation	(47)	(48)
Machinery, equipment and vehicles, net	17	15
Tools, furniture and fixtures	301	306
Accumulated depreciation	(226)	(232)
Tools, furniture and fixtures, net	75	73
Land	4,435	4,561
Leased assets	567	567
Accumulated depreciation	(390)	(400)
Leased assets, net	177	167
Construction in progress	10	24
Total property, plant and equipment	6,829	7,068
Intangible assets		
Goodwill	424	371
Other	531	535
Total intangible assets	955	906
Investments and other assets		
Investment securities	10,491	11,423
Long-term loans receivable from subsidiaries and associates	3,197	2,942
Distressed receivables	207	145
Long-term prepaid expenses	1,030	933
Deferred tax assets	523	564
Leasehold and guarantee deposits	8,259	8,267
Other	107	107
Allowance for doubtful accounts	(207)	(145)
Total investments and other assets	23,611	24,240
Total non-current assets	31,396	32,214

(Millions of yen)

	As of July 31, 2024	As of October 31, 2024
Deferred assets		
Bond issuance costs	19	16
Total deferred assets	19	16
Total assets	142,557	156,890

(Millions of yen)

	As of July 31, 2024	As of October 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	5,840	18,301
Accounts payable for construction contracts	341	316
Short-term borrowings	300	1,200
Current portion of long-term borrowings	23,134	26,939
Current portion of bonds payable	3,000	3,000
Lease liabilities	71	71
Income taxes payable	1,592	265
Accrued consumption taxes	327	28
Deposits received	1,520	1,714
Unearned revenue	2,041	2,156
Provision for bonuses	415	265
Provision for bonuses for directors (and other officers)	330	—
Provision for loss on subleases	—	11
Provision for loss on construction contracts	5	4
Other	452	530
Total current liabilities	39,373	54,807
Non-current liabilities		
Bonds payable	2,000	2,000
Long-term borrowings	49,403	49,072
Lease liabilities	231	212
Deferred tax liabilities	0	0
Provision for loss on guarantees	39	41
Provision for loss on subleases	—	29
Retirement benefit liability	264	271
Asset retirement obligations	302	315
Leasehold and guarantee deposits received	9,513	9,620
Deposits received from silent partnerships	1	4
Other	255	244
Total non-current liabilities	62,012	61,813
Total liabilities	101,386	116,621
Net assets		
Shareholders' equity		
Share capital	5,365	5,365
Capital surplus	6,078	6,078
Retained earnings	28,855	27,974
Treasury shares	(0)	(0)
Total shareholders' equity	40,299	39,417
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	541	467
Deferred gains or losses on hedges	1	9
Foreign currency translation adjustment	263	264
Total accumulated other comprehensive income	806	740
Non-controlling interests	65	109
Total net assets	41,170	40,268
Total liabilities and net assets	142,557	156,890

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Millions of yen)

	Three months ended October 31, 2023 (August 1, 2023 to October 31, 2023)	Three months ended October 31, 2024 (August 1, 2024 to October 31, 2024)
Net sales	6,534	11,458
Cost of sales	5,218	8,813
Gross profit	1,316	2,644
Selling, general and administrative expenses	1,401	1,478
Operating profit (loss)	(85)	1,166
Non-operating income		
Interest income	0	2
Foreign exchange gains	4	41
Share of profit of entities accounted for using equity method	—	18
Other	0	6
Total non-operating income	5	68
Non-operating expenses		
Interest expenses	152	217
Commission expenses	131	121
Share of loss of entities accounted for using equity method	75	—
Other	8	0
Total non-operating expenses	368	339
Ordinary profit (loss)	(448)	896
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on change in equity	—	1
Total extraordinary income	0	1
Extraordinary losses		
Loss on retirement of non-current assets	7	—
Other	0	—
Total extraordinary losses	8	—
Profit (loss) before distributions of profit or loss on silent partnerships and income taxes	(456)	898
Distributions of profit or loss on silent partnerships	—	0
Profit (loss) before income taxes	(456)	897
Income taxes - current	(34)	268
Income taxes - deferred	(0)	(0)
Total income taxes	(35)	267
Profit (loss)	(420)	630
Profit attributable to non-controlling interests	2	44
Profit (loss) attributable to owners of parent	(423)	585

Consolidated statement of comprehensive income

(Millions of yen)

	Three months ended October 31, 2023 (August 1, 2023 to October 31, 2023)	Three months ended October 31, 2024 (August 1, 2024 to October 31, 2024)
Profit (loss)	(420)	630
Other comprehensive income		
Valuation difference on available-for-sale securities	(261)	(92)
Foreign currency translation adjustment	27	(123)
Share of other comprehensive income of entities accounted for using equity method	(30)	150
Total other comprehensive income	(264)	(65)
Comprehensive income	(685)	564
(Breakdown)		
Comprehensive income attributable to owners of parent	(687)	520
Comprehensive income attributable to non-controlling interests	2	44

(3) Notes to quarterly consolidated financial statements

(Changes in accounting principles)

(Adoption of “Accounting Standard for Current Income Taxes”)

The Company has adopted “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, issued on October 28, 2022, hereinafter referred to as “Revised Accounting Standard 2022”) since the beginning of the current fiscal year.

With respect to the amendment to the classification of accounting for income taxes (taxation on other comprehensive income), the Company applies the transitional treatment prescribed in the proviso of paragraph 3 of Article 20 of the Revised Accounting Standard 2022. The Company also applies the transitional treatment prescribed in the proviso of paragraph 2 (2) of Article 65 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, issued on October 28, 2022). This change in accounting policy has no impact on the Company’s quarterly consolidated financial statements.

(Adoption of special accounting methods for preparation of consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the consolidated fiscal year, including the first quarter, and multiplying quarterly profit before income taxes by the estimated effective tax rate.

(Notes on segment information, etc.)

[Segment information]

I. Three months ended October 31, 2023 (August 1, 2023 to October 31, 2023)

1. Information on sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments					Other* ¹	Total	Adjustments* ²	Amount recorded on quarterly consolidated statement of income* ³
	Real Estate Management	Logistics Investment	Asset Management	Overseas	Total				
Sales									
Sales to external customers	5,702	—	271	4	5,977	556	6,534	—	6,534
Intersegment sales and transfers	125	0	6	—	132	—	132	(132)	—
Total	5,827	0	277	4	6,110	556	6,666	(132)	6,534
Operating profit (loss)	481	(191)	136	(34)	391	(124)	267	(353)	(85)
Share of profit (loss) of entities accounted for using equity method	—	(17)	—	(99)	(117)	41	(75)	—	(75)
Segment profit (loss)	481	(209)	136	(134)	274	(82)	192	(353)	(160)

Notes: 1. "Other" is a business segment not included in the reportable segments.

2. The (353) million yen adjustment to segment profit (loss) includes 5 million yen in elimination of intersegment transactions and corporate-wide expenses of (358) million yen not allocated to each reportable segment. Primary corporate-wide expenses are general and administrative expenses not attributable to reportable segments.

3. Segment profit (loss) = operating profit (loss) + equity in earnings of affiliates

II. Three months ended October 31, 2024 (August 1, 2024 to October 31, 2024)

1. Information on sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments					Other* ¹	Total	Adjustments* ²	Amount recorded on quarterly consolidated statement of income* ³
	Real Estate Management	Logistics Investment	Asset Management	Overseas	Total				
Sales									
Sales to external customers	5,871	4,462	324	7	10,666	791	11,458	—	11,458
Intersegment sales and transfers	259	0	7	—	267	0	267	(267)	—
Total	6,131	4,462	332	7	10,934	791	11,726	(267)	11,458
Operating profit (loss)	820	585	184	(71)	1,518	59	1,577	(411)	1,166
Share of profit (loss) of entities accounted for using equity method	—	(2)	—	(78)	(80)	99	18	—	18
Segment profit (loss)	820	583	184	(149)	1,438	158	1,596	(411)	1,184

Notes: 1. "Other" is a business segment not included in the reportable segments.

2. The (411) million yen adjustment to segment profit (loss) includes 4 million yen in elimination of intersegment transactions and corporate-wide expenses of (415) million yen not allocated to each reportable segment. Primary corporate-wide expenses are general and administrative expenses not attributable to reportable segments.
3. Segment profit (loss) = operating profit (loss) + equity in earnings of affiliates

(Notes in the event of significant changes in shareholders' equity)

There is no relevant information.

(Notes to going concern assumptions)

There is no relevant information.

(Notes on consolidated statement of cash flows)

The Company has not prepared a consolidated statement of cash flows for the three months ended October 31, 2024. Depreciation (including amortization of intangible assets other than goodwill) and amortization of goodwill for the same three months were as follows.

	(Millions of yen)	
	Three months ended October 31, 2023 (August 1, 2023 to October 31, 2023)	Three months ended October 31, 2024 (August 1, 2024 to October 31, 2024)
Depreciation	86	90
Amortization of goodwill	53	53