

**Summary of Consolidated Financial Results
for the Three Months Ended October 31, 2023
[Japanese GAAP]**

December 13, 2023

Company name: CRE Inc. Listing Stock Exchange: Tokyo
 Stock code: 3458 URL: <https://www.cre-jpn.com/en/>
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Scheduled date to file quarterly securities report: December 14, 2023
 Scheduled date for dividend payment: —
 Preparation of supplementary material on quarterly financial results: Yes
 Quarterly 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, 2023

(August 1, 2023 to October 31, 2023)

(1) Consolidated operating results

(Percentages indicate YoY changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended October 31, 2023	6,534	(3.3)	(85)	—	(448)	—	(423)	—
Three months ended October 31, 2022	6,758	(78.0)	244	(95.8)	90	(98.4)	32	(99.2)

Note: Comprehensive income for the three months ended October 31, 2023 was (685) million yen (—% YoY).
 Comprehensive income for the three months ended October 31, 2022 was 83 million yen (-98.1% YoY).

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended October 31, 2023	(14.47)	—
Three months ended October 31, 2022	1.10	1.10

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of October 31, 2023	139,804	37,060	26.5
As of July 31, 2023	138,821	38,477	27.7

Reference: Equity capital amounted to 37,036 million yen as of October 31, 2023 and 38,455 million yen as of July 31, 2023.

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, 2023	—	0.00	—	25.00	25.00
Fiscal year ending July 31, 2024	—				
Fiscal year ending July 31, 2024 (forecast)		25.00	—	26.00	51.00

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

3. Consolidated Earnings Forecast for the Fiscal Year Ending July 31, 2024

(August 1, 2023 to July 31, 2024)

(Percentages indicate YoY changes)

	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	67,900	30.2	7,500	4.9	6,050	(9.7)	3,800	(13.4)	129.88

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

*Notes

- (1) Changes in significant subsidiaries during the period under review: None
(Transfers of specified subsidiaries resulting in changes in the Company's scope of consolidation)
- (2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies and accounting estimates and retrospective restatements
1. Accounting policy changes due to accounting standard revisions, etc.: None
 2. Other accounting policy changes: None
 3. Changes in accounting estimates: None
 4. Retrospective restatements: None

(4) Number of issued shares (common stock)

1. Number of issued shares at end of period (including treasury stock)	As of October 31, 2023	29,259,200	As of July 31, 2023	29,259,200
2. Number of treasury shares at end of period	As of October 31, 2023	4,179	As of July 31, 2023	2,445
3. Average number of shares outstanding during period	Three months ended October 31, 2023	29,255,757	Three months ended October 31, 2022	29,733,444

*The quarterly financial statements are outside the scope of quarterly review by certified public accountants or auditing corporations.

*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, 2023	As of October 31, 2023
Assets		
Current assets		
Cash and deposits	28,292	22,467
Notes and accounts receivable - trade, and contract assets	1,322	1,007
Accounts receivable from completed construction contracts	305	449
Real estate for sale	16,214	26,562
Real estate for sale in process	58,588	49,960
Advance payments to suppliers	1,037	4,022
Prepaid expenses	1,501	1,532
Consumption taxes refund receivable	2,087	4,188
Other	317	332
Allowance for doubtful accounts	(9)	(5)
Total current assets	109,658	110,517
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,590	4,611
Accumulated depreciation	(2,158)	(2,217)
Buildings and structures, net	2,432	2,394
Machinery, equipment and vehicles	49	47
Accumulated depreciation	(47)	(45)
Machinery, equipment and vehicles, net	2	2
Tools, furniture and fixtures	281	289
Accumulated depreciation	(197)	(204)
Tools, furniture and fixtures, net	84	85
Land	4,770	4,770
Leased assets	517	520
Accumulated depreciation	(354)	(363)
Leased assets, net	162	157
Construction in progress	15	4
Total property, plant and equipment	7,467	7,415
Intangible assets		
Goodwill	636	583
Other	272	267
Total intangible assets	908	851
Investments and other assets		
Investment securities	10,560	10,466
Distressed receivables	150	237
Long-term prepaid expenses	789	676
Deferred tax assets	135	313
Leasehold and guarantee deposits	7,999	7,984
Other	1,290	1,568
Allowance for doubtful accounts	(150)	(237)
Total investments and other assets	20,774	21,010
Total non-current assets	29,150	29,276

(Millions of yen)

	As of July 31, 2023	As of October 31, 2023
Deferred assets		
Bond issuance costs	12	10
Total deferred assets	12	10
Total assets	138,821	139,804

(Millions of yen)

	As of July 31, 2023	As of October 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	9,412	6,009
Accounts payable for construction contracts	510	496
Short-term borrowings	360	360
Current portion of long-term borrowings	20,389	23,897
Lease liabilities	60	61
Income taxes payable	299	26
Accrued consumption taxes	51	21
Deposits received	1,274	1,450
Unearned revenue	1,970	2,016
Provision for bonuses	381	125
Provision for bonuses for directors (and other officers)	295	—
Provision for loss on subleases	22	50
Provision for loss on construction contracts	7	6
Other	323	664
Total current liabilities	35,357	35,187
Non-current liabilities		
Bonds payable	3,000	3,000
Long-term borrowings	51,946	54,208
Lease liabilities	248	236
Deferred tax liabilities	0	0
Provision for loss on guarantees	37	38
Provision for loss on subleases	2	1
Retirement benefit liability	281	267
Asset retirement obligations	299	300
Leasehold and guarantee deposits received	8,899	9,231
Other	269	272
Total non-current liabilities	64,986	67,556
Total liabilities	100,344	102,744
Net assets		
Shareholders' equity		
Share capital	5,295	5,295
Capital surplus	6,008	6,008
Retained earnings	25,979	24,825
Treasury shares	(0)	(0)
Total shareholders' equity	37,283	36,129
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,012	767
Deferred gains or losses on hedges	(7)	(9)
Foreign currency translation adjustment	166	150
Total accumulated other comprehensive income	1,172	907
Non-controlling interests	21	23
Total net assets	38,477	37,060
Total liabilities and net assets	138,821	139,804

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

(Millions of yen)

	Three months ended October 31, 2022 (August 1, 2022 to October 31, 2022)	Three months ended October 31, 2023 (August 1, 2023 to October 31, 2023)
Net sales	6,758	6,534
Cost of sales	5,383	5,218
Gross profit	1,375	1,316
Selling, general and administrative expenses	1,131	1,401
Operating profit (loss)	244	(85)
Non-operating income		
Interest income	0	0
Foreign exchange gains	6	4
Share of profit of entities accounted for using equity method	72	—
Other	15	0
Total non-operating income	95	5
Non-operating expenses		
Interest expenses	108	152
Commission expenses	134	131
Share of loss of entities accounted for using equity method	—	75
Other	5	8
Total non-operating expenses	248	368
Ordinary profit (loss)	90	(448)
Extraordinary income		
Gain on sale of non-current assets	7	0
Other	0	—
Total extraordinary income	8	0
Extraordinary losses		
Loss on retirement of non-current assets	0	7
Loss on sale of shares of subsidiaries and associates	3	—
Other	—	0
Total extraordinary losses	3	8
Profit (loss) before distributions of profit or loss on silent partnerships and income taxes	95	(456)
Distributions of profit or loss on silent partnerships	2	—
Profit (loss) before income taxes	92	(456)
Income taxes	65	(35)
Profit (loss)	27	(420)
Profit (loss) attributable to non-controlling interests	(5)	2
Profit (loss) attributable to owners of parent	32	(423)

Consolidated statement of comprehensive income

(Millions of yen)

	Three months ended October 31, 2022 (August 1, 2022 to October 31, 2022)	Three months ended October 31, 2023 (August 1, 2023 to October 31, 2023)
Profit (loss)	27	(420)
Other comprehensive income		
Valuation difference on available-for-sale securities	12	(261)
Foreign currency translation adjustment	(5)	27
Share of other comprehensive income of entities accounted for using equity method	48	(30)
Total other comprehensive income	55	(264)
Comprehensive income	83	(685)
(Breakdown)		
Comprehensive income attributable to owners of parent	88	(687)
Comprehensive income attributable to non-controlling interests	(5)	2

Notes to quarterly consolidated financial statements

(Notes to going concern assumptions)

There is no relevant information.

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

There is no relevant information.

(Application of special accounting treatment in preparing the quarterly 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.

(Segment information, etc.)

[Segment information]

I. Three months ended October 31, 2022 (August 1, 2022 to October 31, 2022)

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	6,063	—	270	3	6,338	420	6,758	—	6,758
Intersegment sales and transfers	0	0	3	—	3	3	7	(7)	—
Total	6,063	0	274	3	6,342	424	6,766	(7)	6,758
Operating profit (loss)	471	(59)	158	(24)	545	(50)	495	(251)	244
Share of profit (loss) of entities accounted for using equity method	—	(2)	—	8	5	67	72	—	72
Segment profit (loss)	471	(62)	158	(16)	550	17	568	(251)	316

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

2. The (251) million yen adjustment to segment profit (loss) includes (1) million yen in elimination of intersegment transactions and corporate-wide expenses of (249) 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) + share of profit (loss) of entities accounted for using equity method

II. 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) + share of profit (loss) of entities accounted for using equity method

2. Changes in classification of reportable segments, etc.

(Change in classification of reportable segments)

To achieve targets set under our second medium-term management plan (currently underway), we will strive to generate profitability in new spheres (overseas and new businesses) and ensure steady growth by strengthening our recurring revenue businesses while maintaining non-recurring revenue businesses as growth drivers.

Effective from the first quarter of the current fiscal year, we have modified our organizational structure to clearly identify recurring revenue and non-recurring revenue businesses and distinctly delineate the positioning of our overseas business operations.

Consequently, we have replaced our previous three reportable segments (the Real Estate Management, Logistics Investment, and Asset Management segments) with a new set of four reportable segments consisting of the Real Estate Management, Logistics Investment, Asset Management, and Overseas segments.

Segment information for the first quarter of the previous fiscal year has been retroactively adjusted to reflect our new classification of reportable segments.

(Change in method of calculating profit or loss by reportable segment)

To achieve targets set under our second medium-term management plan (currently underway), we will strive to generate profitability in new spheres (overseas and new businesses) and ensure steady growth by strengthening our recurring revenue businesses while maintaining non-recurring revenue businesses as growth drivers.

Effective from the first quarter of the current fiscal year, we have modified our organizational structure to clearly identify recurring revenue and non-recurring revenue businesses and distinctly delineate the positioning of our overseas business operations. Consequently, our reportable segments have been changed as indicated in above.

Accordingly, we have ensured more appropriate business management classification, thereby guaranteeing that our overseas business operations are properly reflected in segment results.

Effective from the first quarter of the current fiscal year, we have changed our method of calculating profit or loss by reportable segment in response to considerations concerning profit or loss generated through equity-method affiliates.

Our new method for calculating profit or loss by reportable segment has been provided below.

Segment profit (loss) = operating profit (loss) + share of profit (loss) of entities accounted for using equity method

Segment information for the first quarter of the previous fiscal year has been retroactively adjusted to reflect our revised calculation method.