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Summary of Consolidated Financial Results for the Six Months Ended January 31, 2025 [Japanese GAAP]

March 11, 2025

Company name: CRE Inc. Listing Stock Exchange: Tokyo
 Stock code: 3458 URL: <https://www.cre-jpn.com/en/>
 Representative: Tadahide Kameyama, Representative Director and President
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Scheduled date to file semi-annual securities report: March 12, 2025
 Scheduled date for dividend payment: —
 Preparation of supplementary 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 Six Months Ended January 31, 2025

(August 1, 2024 to January 31, 2025)

(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	%
Six months ended January 31, 2025	22,585	(3.9)	3,031	134.7	3,062	124.0	2,199	214.2	1,413	281.7
Six months ended January 31, 2024	23,491	73.0	1,291	159.5	1,367	72.6	700	269.5	370	—

Note: Comprehensive income for the six months ended January 31, 2025 was 1,893 million yen (574.0% YoY).

Comprehensive income for the six months ended January 31, 2024 was 280 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
Six months ended January 31, 2025	48.14	—
Six months ended January 31, 2024	12.64	12.64

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of January 31, 2025	157,289	41,750	26.4
As of July 31, 2024	142,557	41,170	28.8

Reference: Equity capital amounted to 41,505 million yen as of January 31, 2025 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	—	0.00			
Fiscal year ending July 31, 2025 (forecast)			—	0.00	0.00

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

As outlined in “Notice of Revision of Forecast for Year-End Dividends for the Fiscal Year Ending July 2025 (No Dividends)” released on January 28, 2025, the Company will not pay any year-end dividends for the fiscal year ending July 2025, subject to the successful completion of the tender offer for its common stock by SMFL MIRAI Partners Company, Limited.

Breakdown of the interim dividend for the fiscal year ended July 31, 2024: Special dividend 25.00 yen

Breakdown of the year-end dividend for the fiscal year ended July 31, 2024: Ordinary dividend 26.00 yen, special dividend 24.00 yen

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 semi-annual consolidated financial statements: Yes

Note: For details, refer to *Semi-Annual Consolidated Financial Statements and Primary Notes (4) Notes to semi-annual consolidated financial statements (Notes on special accounting methods for preparation of semi-annual 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 *Semi-Annual Consolidated Financial Statements and Primary Notes (4) Notes to semi-annual consolidated financial statements (Notes on 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 January 31, 2025	29,400,700	As of July 31, 2024	29,356,700
2. Number of treasury shares at end of period	As of January 31, 2025	14,298	As of July 31, 2024	10,142
3. Average number of shares outstanding during period	Six months ended January 31, 2025	29,356,538	Six months ended January 31, 2024	29,282,320

*The Q2 (semi-annual) financial results are outside the scope of 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.

Semi-annual Consolidated Financial Statements and Primary Notes

(1) Consolidated balance sheet

(Millions of yen)

	As of July 31, 2024	As of January 31, 2025
Assets		
Current assets		
Cash and deposits	24,325	17,664
Notes and accounts receivable - trade, and contract assets	999	1,167
Accounts receivable from completed construction contracts	330	253
Real estate for sale	39,063	62,680
Real estate for sale in process	37,168	28,633
Advance payments to suppliers	7,647	8,247
Prepaid expenses	1,396	1,379
Consumption taxes refund receivable	15	3,912
Other	252	354
Allowance for doubtful accounts	(58)	(59)
Total current assets	111,141	124,234
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,476	4,664
Accumulated depreciation	(2,362)	(2,480)
Buildings and structures, net	2,113	2,183
Machinery, equipment and vehicles	64	48
Accumulated depreciation	(47)	(30)
Machinery, equipment and vehicles, net	17	18
Tools, furniture and fixtures	301	308
Accumulated depreciation	(226)	(238)
Tools, furniture and fixtures, net	75	70
Land	4,435	4,561
Leased assets	567	593
Accumulated depreciation	(390)	(410)
Leased assets, net	177	182
Construction in progress	10	27
Total property, plant and equipment	6,829	7,044
Intangible assets		
Goodwill	424	318
Other	531	527
Total intangible assets	955	845
Investments and other assets		
Investment securities	10,491	12,504
Long-term loans receivable from subsidiaries and associates	3,197	3,046
Distressed receivables	207	46
Long-term prepaid expenses	1,030	903
Deferred tax assets	523	456
Leasehold and guarantee deposits	8,259	8,128
Other	107	112
Allowance for doubtful accounts	(207)	(46)
Total investments and other assets	23,611	25,151
Total non-current assets	31,396	33,041

(Millions of yen)

	As of July 31, 2024	As of January 31, 2025
Deferred assets		
Bond issuance costs	19	13
Total deferred assets	19	13
Total assets	142,557	157,289

(Millions of yen)

	As of July 31, 2024	As of January 31, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	5,840	4,750
Accounts payable for construction contracts	341	440
Short-term borrowings	300	1,240
Current portion of long-term borrowings	23,134	26,455
Current portion of bonds payable	3,000	3,000
Lease liabilities	71	75
Income taxes payable	1,592	786
Accrued consumption taxes	327	84
Deposits received	1,520	1,487
Unearned revenue	2,041	2,050
Provision for bonuses	415	346
Provision for bonuses for directors (and other officers)	330	—
Provision for loss on subleases	—	16
Provision for loss on construction contracts	5	4
Other	452	631
Total current liabilities	39,373	41,370
Non-current liabilities		
Bonds payable	2,000	2,000
Long-term borrowings	49,403	61,609
Lease liabilities	231	215
Deferred tax liabilities	0	0
Provision for loss on guarantees	39	42
Provision for loss on subleases	—	24
Retirement benefit liability	264	274
Asset retirement obligations	302	314
Leasehold and guarantee deposits received	9,513	9,451
Deposits received from silent partnerships	1	7
Other	255	230
Total non-current liabilities	62,012	74,168
Total liabilities	101,386	115,539
Net assets		
Shareholders' equity		
Share capital	5,365	5,391
Capital surplus	6,078	6,105
Retained earnings	28,855	28,801
Treasury shares	(0)	(0)
Total shareholders' equity	40,299	40,298
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	541	723
Deferred gains or losses on hedges	1	6
Foreign currency translation adjustment	263	477
Total accumulated other comprehensive income	806	1,206
Non-controlling interests	65	244
Total net assets	41,170	41,750
Total liabilities and net assets	142,557	157,289

(2) Semi-annual consolidated statement of income and consolidated statement of comprehensive income
Semi-annual consolidated statement of income

(Millions of yen)

	Six months ended January 31, 2024 (August 1, 2023 to January 31, 2024)	Six months ended January 31, 2025 (August 1, 2024 to January 31, 2025)
Net sales	23,491	22,585
Cost of sales	19,381	16,667
Gross profit	4,110	5,917
Selling, general and administrative expenses	2,818	2,885
Operating profit	1,291	3,031
Non-operating income		
Interest income	1	2
Dividend income	0	6
Foreign exchange gains	5	46
Insurance claim income	1	0
Interest on tax refund	9	0
Other	2	1
Total non-operating income	21	57
Non-operating expenses		
Interest expenses	318	469
Commission expenses	261	341
Share of loss of entities accounted for using equity method	30	74
Other	3	4
Total non-operating expenses	612	889
Ordinary profit	700	2,199
Extraordinary income		
Gain on sale of non-current assets	0	7
Gain on change in equity	—	20
Total extraordinary income	0	27
Extraordinary losses		
Loss on retirement of non-current assets	7	1
Loss on valuation of investment securities	—	4
Loss on valuation of shares of subsidiaries and associates	4	—
Other	0	—
Total extraordinary losses	13	6
Profit before distributions of profit or loss on silent partnerships and income taxes	686	2,221
Distributions of profit or loss on silent partnerships	—	0
Profit before income taxes	686	2,221
Income taxes - current	308	734
Income taxes - deferred	(1)	(0)
Total income taxes	307	733
Profit	379	1,488
Profit attributable to non-controlling interests	9	75
Profit attributable to owners of parent	370	1,413

Semi-annual consolidated statement of comprehensive income

(Millions of yen)

	Six months ended January 31, 2024 (August 1, 2023 to January 31, 2024)	Six months ended January 31, 2025 (August 1, 2024 to January 31, 2025)
Profit	379	1,488
Other comprehensive income		
Valuation difference on available-for-sale securities	(329)	184
Foreign currency translation adjustment	30	(87)
Share of other comprehensive income of entities accounted for using equity method	200	308
Total other comprehensive income	(98)	405
Comprehensive income	280	1,893
(Breakdown)		
Comprehensive income attributable to owners of parent	271	1,813
Comprehensive income attributable to non-controlling interests	9	79

(3) Semi-annual consolidated statement of cash flows

(Millions of yen)

	Six months ended January 31, 2024 (August 1, 2023 to January 31, 2024)	Six months ended January 31, 2025 (August 1, 2024 to January 31, 2025)
Cash flows from operating activities		
Profit before income taxes	686	2,221
Depreciation	176	192
Amortization of goodwill	106	106
Share of loss (profit) of entities accounted for using equity method	30	(74)
Increase (decrease) in allowance for doubtful accounts	66	(159)
Increase (decrease) in provision for bonuses	(300)	(69)
Increase (decrease) in provision for loss on subleases	(5)	40
Increase (decrease) in provision for loss on construction contracts	(0)	(0)
Increase (decrease) in provision for loss on guarantees	0	3
Increase (decrease) in provision for bonuses for directors (and other officers)	(295)	(330)
Increase (decrease) in retirement benefit liability	(10)	9
Interest and dividend income	(1)	(9)
Interest expenses	318	469
Foreign exchange losses (gains)	(6)	(46)
Loss (gain) on sale of investment securities	0	—
Loss (gain) on valuation of investment securities	—	4
Loss on valuation of shares of subsidiaries and associates	4	—
Loss on retirement of non-current assets	7	1
Loss (gain) on sale of property, plant and equipment and intangible assets	(0)	(7)
Loss (gain) on change in equity	—	(20)
Decrease (increase) in trade receivables	165	(93)
Decrease (increase) in inventories	(5,096)	(15,097)
Increase (decrease) in trade payables	6,604	(989)
Decrease (increase) in advance payments to suppliers	(3,309)	(599)
Decrease (increase) in consumption taxes refund receivable	(683)	(3,897)
Increase (decrease) in accrued consumption taxes	(27)	(242)
Increase (decrease) in deposits received	93	(33)
Decrease (increase) in leasehold and guarantee deposits	(202)	161
Increase (decrease) in leasehold and guarantee deposits received	512	(68)
Other, net	353	780
Subtotal	(809)	(17,749)
Interest and dividends received	11	8
Interest paid	(312)	(436)
Income taxes paid	(267)	(1,507)
Net cash provided by (used in) operating activities	(1,377)	(19,685)
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(547)	(1,291)
Proceeds from sale and redemption of short-term and long-term investment securities	111	7
Purchase of property, plant and equipment	(66)	(325)
Proceeds from sale of property, plant and equipment	1	7
Purchase of intangible assets	(264)	(28)
Loan advances to subsidiaries and associates	(1,431)	(198)
Other, net	11	(3)
Net cash provided by (used in) investing activities	(2,184)	(1,832)

(Millions of yen)

	Six months ended January 31, 2024 (August 1, 2023 to January 31, 2024)	Six months ended January 31, 2025 (August 1, 2024 to January 31, 2025)
Cash flows from financing activities		
Proceeds from short-term borrowings	—	1,840
Repayments of short-term borrowings	—	(900)
Proceeds from long-term borrowings	9,658	21,562
Repayments of long-term borrowings	(9,304)	(6,238)
Repayments of lease liabilities	(30)	(40)
Proceeds from capital contributions by silent partnership investors	—	5
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	—	100
Proceeds from exercise of employee share options	2	—
Dividends paid	(730)	(1,467)
Net cash provided by (used in) financing activities	(403)	14,861
Effect of exchange rate change on cash and cash equivalents	(2)	(5)
Net increase (decrease) in cash and cash equivalents	(3,968)	(6,661)
Cash and cash equivalents at beginning of period	28,274	24,306
Cash and cash equivalents at end of period	24,306	17,644

(4) Notes to semi-annual consolidated financial statements

(Notes on changes in accounting principles)

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

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 semi-annual consolidated accounting period. 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 semi-annual consolidated financial statements.

(Notes on special accounting methods for preparation of semi-annual 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 semi-annual consolidated accounting period, and multiplying semi-annual profit before income taxes by the estimated effective tax rate.

(Notes on segment information, etc.)

[Segment information]

I. Six months ended January 31, 2024 (August 1, 2023 to January 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 semi-annual consolidated statement of income* ³
	Real Estate Management	Logistics Investment	Asset Management	Overseas	Total				
Sales									
Sales to external customers	11,436	10,213	695	8	22,353	1,137	23,491	—	23,491
Intersegment sales and transfers	156	0	12	—	169	—	169	(169)	—
Total	11,593	10,214	707	8	22,523	1,137	23,661	(169)	23,491
Operating profit (loss)	994	875	423	(66)	2,227	(172)	2,054	(763)	1,291
Share of profit (loss) of entities accounted for using equity method	—	(15)	—	(110)	(126)	96	(30)	—	(30)
Segment profit (loss)	994	859	423	(176)	2,100	(76)	2,024	(763)	1,261

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

2. The (763) million yen adjustment to segment profit (loss) includes 11 million yen in elimination of intersegment transactions and corporate-wide expenses of (775) 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. Six months ended January 31, 2025 (August 1, 2024 to January 31, 2025)

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

(Millions of yen)

	Reportable segments					Other* ¹	Total	Adjustments* ²	Amount recorded on semi-annual consolidated statement of income* ³
	Real Estate Management	Logistics Investment	Asset Management	Overseas	Total				
Sales									
Sales to external customers	12,171	7,750	1,014	12	20,948	1,636	22,585	—	22,585
Intersegment sales and transfers	478	0	18	—	497	0	497	(497)	—
Total	12,649	7,750	1,032	12	21,445	1,636	23,082	(497)	22,585
Operating profit (loss)	1,683	1,371	710	(101)	3,664	166	3,831	(799)	3,031
Share of profit (loss) of entities accounted for using equity method	—	(8)	—	(200)	(209)	134	(74)	—	(74)
Segment profit (loss)	1,683	1,363	710	(302)	3,455	301	3,756	(799)	2,956

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

2. The (799) million yen adjustment to segment profit (loss) includes 14 million yen in elimination of intersegment transactions and corporate-wide expenses of (813) 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.

(Additional information)

(Tender Offer for the Company's Shares)

At its board of directors meeting held on January 28, 2025, the Company resolved to express its opinion in support of the tender offer for the Company's common stock ("Company's Stock") by SMFL MIRAI Partners Company, Limited as part of a so-called management buyout (MBO) ("Tender Offer"), and to recommend that the Company's shareholders tender their stock in the Tender Offer. The resolution of the board of directors was made on the assumption that the Company's Stock is scheduled to be delisted through the Tender Offer and the subsequent series of procedures.

For details, refer to the "Statement on Implementation of MBO and Recommendation to Tender" released on January 28, 2025.

(Notes to going concern assumptions)

There is no relevant information.