

CRE Inc.
Summary of Financial Statements (Unaudited)
For the First Two Quarters of the Fiscal Year ending July 31, 2021
(Translated from the Japanese original)

Corporate Information

Code: 3458 Listing: First Section of the Tokyo Stock Exchange

(URL <https://www.cre-jpn.com/english/>)

Representative: Tadahide Kameyama, Representative Director, President

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E-mail: ir@cre-jpn.comAnticipated date for filing *Shihanki Hokokusho* (a Japanese-language quarterly business report): March 16, 2021

Expected date of payment for dividends: —

Preparation of supplementary explanation material for quarterly financial results: Yes

Presentation meeting for quarterly financial results: Yes

(Rounded down to the nearest million)

1. Consolidated Performance for the first two quarters of Fiscal 2021 (August 1, 2020 through January 31, 2021)**(1) Consolidated Operating Results (accumulated total)**

(Percentages represent changes from corresponding period of previous year)

	Net sales		Operating profit		Recurring profit		Net income attributable to owners of the parent company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First two quarters of Fiscal 2021	34,752	204.1	5,853	956.4	5,684	—	4,032	—
First two quarters of Fiscal 2020	11,429	17.7	554	17.9	454	13.3	304	(7.8)

(Note) Comprehensive income: 3,710 million yen (448.4%) for the first two quarters of fiscal 2021
676 million yen (287.5%) for the first two quarters of fiscal 2020

	Net income per share	Fully diluted net income per share
	Yen	Yen
First two quarters of Fiscal 2021	147.37	147.12
First two quarters of Fiscal 2020	12.11	12.07

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
First two quarters of Fiscal 2021	72,100	26,331	36.5
Fiscal 2020	70,142	20,004	28.5

(Reference) Equity capital: 26,331 million yen for the first two quarters of fiscal 2021, 20,002 million yen for fiscal 2020

2. Payment of Dividends

	Dividends per share				
	First quarter-end	At end of first half	Third quarter-end	Year-end	For the year
	yen	yen	yen	yen	yen
Fiscal 2020	—	0.00	—	22.00	22.00
Fiscal 2021	—	0.00			
Fiscal 2021 (Estimated)			—	23.00	23.00

(Note) Change in the latest release of dividend forecast: None

3. Anticipated Consolidated Results for Fiscal 2021 (August 1, 2020 through July 31, 2021)

(Percentages represent changes from corresponding period of previous year)

	Net sales		Operating profit		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full year	46,100	11.9	5,000	18.2	4,500	11.1

	Net income attributable to owners of the parent company		Net income per share
	Millions of yen	%	Yen
Full year	2,900	11.0	105.97

(Note) Change in the latest release of consolidated results forecast: Yes

*Notes:

(1) Changes in significant subsidiaries during this quarter: None

(Changes in specified subsidiaries involving change in consolidation scope)

(2) Adoption of accounting methods specific to quarterly consolidated financial statements: Yes

(3) Changes in accounting policy, changes in accounting estimate and retrospective restatement

1. Changes associated with revision of accounting standards, etc: None

2. Changes other than 1: None

3. Changes in accounting estimates: None

4. Restatements: None

(4) Number of outstanding shares (common stock)

1. Number of outstanding shares, including treasury stock, at end of term:

27,462,600 shares at January 31, 2021

26,309,200 shares at July 31, 2020

2. Number of shares of treasury stock at end of term:

2,011 shares at January 31, 2021

1,063,311 shares at July 31, 2020

3. Average outstanding number of shares (quarterly cumulative period):

27,366,994 shares at January 31, 2021

25,138,540 shares at January 31, 2020

*This quarterly financial report falls outside the quarterly review procedures.

*Information concerning proper use of forward-looking statements and other important matters

This report contains forward-looking statements about plans and expectations pertaining to CRE's business activities, based on information available to management at the time of preparation and on certain assumptions that management believes to be reasonable. These forward-looking statements are not guarantees of future performance, and actual results, performance, achievements and financial position may differ materially from statements expressed or implied herein due to various factors.

Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

	Fiscal 2020 As of July 31, 2020 Thousands of yen	Fiscal 2021 As of January 31, 2021 Thousands of yen
Assets		
Current assets		
Cash and deposits	14,466,126	17,454,477
Accounts receivable-trade	485,405	507,164
Notes receivable-trade and Accounts receivable from completed construction contracts	143,033	164,327
Real estate for sale	20,395,781	19,342,626
Real estate for sale in process	8,715,918	8,713,159
Advance payments-trade	3,374,710	3,759,073
Prepaid expenses	1,055,477	1,234,406
Others	703,577	429,207
Allowance for doubtful accounts	(15,963)	(29,504)
Total current assets	49,324,066	51,574,940
Fixed assets		
Tangible fixed assets		
Buildings and structures	4,155,207	4,222,658
Accumulated depreciation	(1,927,543)	(1,990,116)
Buildings and structures (net)	2,227,664	2,232,542
Machinery, equipment and vehicles	417,449	416,481
Accumulated depreciation	(246,911)	(260,589)
Machinery, equipment and vehicles (net)	170,538	155,891
Tools, furniture and fixtures	147,500	158,108
Accumulated depreciation	(96,202)	(107,438)
Tools, furniture and fixtures (net)	51,297	50,670
Land	1,877,030	1,906,867
Lease assets	472,388	472,442
Accumulated depreciation	(251,183)	(264,690)
Lease assets (net)	221,205	207,751
Construction in progress	14,013	—
Total tangible fixed assets	4,561,749	4,553,723
Intangible fixed assets		
Goodwill	1,296,836	1,178,711
Others	144,898	219,817
Total intangible assets	1,441,735	1,398,528
Investments and other fixed assets		
Investment securities	7,210,680	6,605,695
Claims provable in bankruptcy, claims provable in rehabilitation and other	62,468	34,012
Long-term prepaid expenses	1,245,391	1,130,585
Deferred tax assets	60,348	231,881
Lease and guarantee deposits	6,218,658	6,528,971
Others	83,564	79,778
Allowance for doubtful accounts	(65,718)	(37,262)
Total investments and other fixed assets	14,815,392	14,573,662
Total fixed assets	20,818,877	20,525,914
Total assets	70,142,943	72,100,854

	Fiscal 2020 As of July 31, 2020 Thousands of yen	Fiscal 2021 As of January 31, 2021 Thousands of yen
Liabilities		
Current liabilities		
Accounts payable-trade	11,994,136	8,508,670
Accounts payable for construction contracts	135,032	216,430
Short-term loans payable	1,000,000	—
Current portion of long-term loans payable	9,752,331	2,294,094
Lease obligations	28,804	29,514
Accrued corporate and other taxes	1,377,803	1,938,704
Deposits received	1,484,492	1,481,401
Unearned revenue	1,620,977	1,609,578
Allowance for employees' bonuses	49,799	52,497
Allowance for directors' bonuses	250,000	—
Allowance for sublease losses	70,275	33,242
Asset retirement obligations	587	—
Others	274,689	444,349
Total current liabilities	28,038,929	16,608,482
Fixed liabilities		
Long-term loans payable	13,703,300	19,825,892
Lease obligations	286,955	272,008
Liability for retirement benefits	238,808	252,376
Allowance for loss on guarantees	30,661	31,946
Asset retirement obligations	253,361	254,338
Allowance for sublease losses	21,552	18,858
Lease and guarantee deposits received	7,115,073	7,484,683
Others	450,217	1,020,940
Total fixed liabilities	22,099,930	29,161,043
Total liabilities	50,138,860	45,769,526
Net assets		
Shareholders' equity		
Common stock	2,240,348	3,071,105
Capital surplus	3,612,271	5,030,738
Retained earnings	14,170,090	17,615,693
Treasury stock	(955,171)	(288)
Total shareholders' equity	19,067,539	25,717,249
Accumulated other comprehensive income		
Unrealized gains (losses) on investment securities	1,070,359	678,675
Deferred gains (losses) on hedges	(30,919)	(31,035)
Foreign currency translation adjustment	(104,317)	(33,862)
Total accumulated other comprehensive income	935,122	613,778
Non-controlling interests	1,420	300
Total net assets	20,004,083	26,331,327
Total liabilities and net assets	70,142,943	72,100,854

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

	First Two Quarters of Fiscal 2020 (August 1, 2019 through January 31, 2020) Thousands of yen	First Two Quarters of Fiscal 2021 (August 1, 2020 through January 31, 2021) Thousands of yen
Net sales	11,429,779	34,752,271
Cost of sales	9,096,275	26,913,125
Gross profit	2,333,503	7,839,145
Selling, general and administrative expenses	1,779,417	1,985,630
Operating profit	554,086	5,853,515
Non-operating income		
Interest received	2,179	1,803
Equity in income of affiliates	97,571	75,932
Others	10,493	22,567
Total non-operating income	110,245	100,303
Non-operating expenses		
Interest paid	99,467	93,808
Commission fee	44,700	144,399
Removal expenses	60,000	—
Others	5,866	31,303
Total non-operating expenses	210,034	269,511
Recurring profit	454,296	5,684,306
Extraordinary income		
Gain on sales of investment securities	21,486	148,988
Others	1	—
Total extraordinary income	21,488	148,988
Extraordinary expenses		
Loss on change in equity	3,149	769
Others	1,218	111
Total extraordinary expenses	4,367	881
Profit before dividend distribution from silent partnerships and income taxes	471,417	5,832,413
Dividends distribution from silent partnerships	—	5,649
Income before income taxes	471,417	5,826,764
Total income taxes	190,451	1,793,792
Net income	280,966	4,032,971
Net income attributable to non-controlling interests	(23,549)	—
Net income attributable to owners of the parent company	304,515	4,032,971

Quarterly Consolidated Statements of Comprehensive Income

	First Two Quarters of Fiscal 2020 (August 1, 2019 through January 31, 2020) Thousands of yen	First Two Quarters of Fiscal 2021 (August 1, 2020 through January 31, 2021) Thousands of yen
Net income	280,966	4,032,971
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	404,187	(395,995)
Foreign currency translation adjustment	7,385	(5,045)
Share of other comprehensive income of entities accounted for using equity method	(15,952)	78,575
Total other comprehensive income	395,619	(322,465)
Comprehensive income	676,586	3,710,506
Comprehensive income attributable to owners of the parent company	701,486	3,711,627
Comprehensive income attributable to non-controlling interests	(24,899)	(1,120)

(4) Consolidated statements of cash flows

	First Two Quarters of Fiscal 2020 (August 1, 2019 through January 31, 2020) Thousands of yen	First Two Quarters of Fiscal 2021 (August 1, 2020 through January 31, 2021) Thousands of yen
Cash flows from operating activities		
Income before income taxes	471,417	5,826,764
Depreciation and amortization	187,654	129,156
Amortization of goodwill	188,124	118,124
Share of (profit) loss of entities accounted for using equity method	(97,571)	(75,932)
Increase (decrease) in allowance for doubtful accounts	4,132	(14,915)
Increase (decrease) in allowance for employees' bonuses	(423)	2,698
Increase (decrease) in allowance for sublease losses	(8,330)	(39,727)
Increase (decrease) in provision for loss on guarantees	—	1,285
Increase (decrease) in provision for directors' bonuses	2,500	(250,000)
Increase (decrease) in liability for retirement benefits	(181)	13,567
Interest and dividends received	(2,242)	(1,920)
Interest paid	99,467	93,808
Loss (gain) on sales of investment securities	(21,486)	(148,988)
(Increase) decrease in notes and accounts receivable	206,730	(43,053)
(Increase) decrease in inventories	(4,981,127)	1,018,453
Increase (decrease) in notes and accounts payable	834,120	(3,404,067)
Decrease (increase) in advance payments	(996,514)	(384,362)
(Increase) decrease in guarantee deposits	(164,194)	(308,601)
Increase (decrease) in lease and guarantee deposits received	148,303	361,237
Others	(238,045)	682,371
Subtotal	(4,437,667)	3,575,899
Proceeds from interest and dividend income	183	220
Payment of interest	(89,043)	(85,227)
Payment of income taxes	(159,986)	(1,274,090)
Net cash provided by operating activities	(4,686,514)	2,216,801
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(447,547)	(278,400)
Proceeds from sales and redemption of short-term and long-term investment securities	346,050	583,061
Purchase of property, plant and equipment	(680,010)	(137,163)
Purchase of intangible fixed assets	(68,565)	(75,435)
Others	(44,852)	(182)
Net cash (used in) investing activities	(894,926)	91,880

	First Two Quarters of Fiscal 2020 (August 1, 2019 through January 31, 2020) Thousands of yen	First Two Quarters of Fiscal 2021 (August 1, 2020 through January 31, 2021) Thousands of yen
Cash flows from financing activities		
Proceeds from short-term loans	1,000,000	—
Repayment of short-term loans	(25,000)	(1,000,000)
Proceeds from long-term loans	3,026,573	11,847,443
Repayment of long-term loans	(843,101)	(13,270,645)
Repayment of lease obligations	(13,880)	(14,367)
Proceeds from issuance of common shares	—	1,548,363
Execution of stock option	10,228	1,000
Proceeds from disposal of treasury shares	—	1,552,945
Cash dividends paid	(526,820)	(555,432)
Others	—	567,819
Net cash provided by (used in) financing activities	2,627,998	677,126
Effect of exchange rate change on cash and cash equivalents	4,599	2,542
Net increase (decrease) in cash and cash equivalents	(2,948,842)	2,988,351
Cash and cash equivalents at beginning of fiscal year	9,032,949	14,466,126
Cash and cash equivalents at end of first half of fiscal year	6,084,106	17,454,477

Information regarding sales, profit or loss, assets, liabilities and other items by reporting segment

Fiscal 2020 (August 1, 2019 through January 31, 2020)

(Thousands of yen)

	Reporting Segments				Other Operations (Note 1)	Total	Adjustment (Note 2)	Quarterly consolidated statements of income amount (Note 3)
	Real estate management business	Logistics investment business	Asset management business	Total				
Sales External customers	11,072,466	24,081	318,774	11,415,322	14,456	11,429,779	—	11,429,779
Inter-segment	50,650	609	1,800	53,059	—	53,059	(53,059)	—
Total	11,123,117	24,690	320,574	11,468,382	14,456	11,482,839	(53,059)	11,429,779
Segment income (loss)	976,569	(107,147)	130,920	1,000,341	4,698	1,005,040	(450,953)	554,086

(Notes) 1. The classification “Other Operations” represents business segments not included under other reporting segments.

2. The (450,953) thousand yen segment income or loss adjustment includes (3,297) thousand yen in inter-segment elimination and (447,656) thousand yen in corporate expenses not allocated to any particular segment. Primary corporate expenses are general administrative expenses which are not associated with reporting segments.

3. Segment income or loss has been reconciled with operating income on the quarterly consolidated statements of income.

Fiscal 2021 (August 1, 2020 through January 31, 2021)

(Thousands of yen)

	Reporting Segments				Other Operations (Note 1)	Total	Adjustment (Note 2)	Quarterly consolidated statements of income amount (Note 3)
	Real estate management business	Logistics investment business	Asset management business	Total				
Sales External customers	12,581,714	21,626,156	542,187	34,750,059	2,211	34,752,271	—	34,752,271
Inter-segment	42,815	1,235	5,365	49,416	8,752	58,169	(58,169)	—
Total	12,624,530	21,627,392	547,553	34,799,475	10,964	34,810,440	(58,169)	34,752,271
Segment income (loss)	1,138,915	4,884,664	346,279	6,369,858	1,158	6,371,017	(517,501)	5,853,515

(Notes) 1. The classification “Other Operations” represents business segments not included under other reporting segments.

2. The (517,501) thousand yen segment income or loss adjustment includes (4,975) thousand yen in inter-segment elimination and (512,525) thousand yen in corporate expenses not allocated to any particular segment. Primary corporate expenses are general administrative expenses which are not associated with reporting segments.

3. Segment income or loss has been reconciled with operating income on the quarterly consolidated statements of income.