

CRE Inc.
Summary of Financial Statements (Unaudited)
For the First Two Quarters of the Fiscal Year ending July 31, 2023
(Translated from the Japanese original)

Corporate Information

Code: 3458 Listing: Prime Market of the Tokyo Stock Exchange

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

Representative: Tadahide Kameyama, Representative Director, President

Contact: Hidetoshi Nagahama, Director

E-mail: ir@cre-jpn.comAnticipated date for filing *Shihanki Hokokusho* (a Japanese-language quarterly business report): March 16, 2023

Expected date of payment for dividends: —

Preparation of supplementary explanation material for quarterly financial results: Yes

Presentation meeting for quarterly financial results: Yes (Video presentation of financial results will be available on the Company's website.)

(Rounded down to the nearest million)

1. Consolidated Performance for the first two quarter of Fiscal 2023 (August 1, 2022 through January 31, 2023)**(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 2023	13,575	(63.5)	497	(91.9)	189	(96.6)	7	(99.8)
First two quarters of Fiscal 2022	37,194	7.0	6,106	4.3	5,656	(0.5)	4,168	3.4

(Note) Comprehensive income: (227) million yen (—%) for the first two quarters of fiscal 2023
4,065 million yen (9.6%) for the first two quarters of fiscal 2022

	Net income per share	Fully diluted net income per share
	Yen	Yen
First two quarters of Fiscal 2023	0.26	0.26
First two quarters of Fiscal 2022	145.06	144.87

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
First two quarters of Fiscal 2023	130,726	34,116	26.1
Fiscal 2022	118,248	36,157	30.6

(Reference) Equity capital: 34,116 million yen for the first two quarters of fiscal 2023, 36,152 million yen for fiscal 2022

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 2022	—	0.00	—	24.00	24.00
Fiscal 2023	—	0.00			
Fiscal 2023 (Estimated)			—	24.00	24.00

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

3. Anticipated Consolidated Results for Fiscal 2023 (August 1, 2022 through July 31, 2023)

(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	51,900	(17.3)	6,700	(34.2)	5,650	(38.5)

	Net income attributable to owners of the parent company		Net income per share
	Millions of yen	%	Yen
Full year	3,600	(37.7)	122.60

(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: Yes

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:

30,087,200 shares at January 31, 2023

29,971,800 shares at July 31, 2022

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

840,045 shares at January 31, 2023

7,474 shares at July 31, 2022

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

29,480,865 shares at January 31, 2023

28,736,334 shares at January 31, 2022

*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 2022 As of July 31, 2022 Millions of yen	Fiscal 2023 As of January 31, 2023 Millions of yen
Assets		
Current assets		
Cash and deposits	36,806	26,185
Notes, accounts receivable - trade and contract assets	572	1,852
Accounts receivable from completed construction contracts	612	232
Real estate for sale	2,555	26,988
Real estate for sale in process	43,981	33,897
Advance payments-trade	5,818	10,972
Prepaid expenses	1,482	1,519
Others	466	3,026
Allowance for doubtful accounts	(22)	(34)
Total current assets	92,273	104,639
Fixed assets		
Tangible fixed assets		
Buildings and structures	4,582	4,621
Accumulated depreciation	(2,032)	(2,072)
Buildings and structures (net)	2,549	2,548
Machinery, equipment and vehicles	78	61
Accumulated depreciation	(75)	(56)
Machinery, equipment and vehicles (net)	2	5
Tools, furniture and fixtures	245	268
Accumulated depreciation	(165)	(179)
Tools, furniture and fixtures (net)	80	89
Land	4,416	4,749
Lease assets	496	517
Accumulated depreciation	(322)	(337)
Lease assets (net)	173	179
Construction in progress	—	1
Total tangible fixed assets	7,222	7,574
Intangible fixed assets		
Goodwill	848	742
Others	204	298
Total intangible assets	1,052	1,040
Investments and other fixed assets		
Investment securities	8,394	8,033
Claims provable in bankruptcy, claims provable in rehabilitation and other	46	47
Long-term prepaid expenses	1,203	1,021
Deferred tax assets	82	285
Lease and guarantee deposits	7,548	7,434
Others	451	681
Allowance for doubtful accounts	(46)	(47)
Total investments and other fixed assets	17,679	17,456
Total fixed assets	25,954	26,071
Deferred assets		
Bond issuance cost	19	16
Total deferred assets	19	16
Total assets	118,248	130,726

	Fiscal 2022 As of July 31, 2022 Millions of yen	Fiscal 2023 As of January 31, 2023 Millions of yen
Liabilities		
Current liabilities		
Accounts payable-trade	8,534	12,644
Accounts payable for construction contracts	597	1,191
Short-term loans payable	374	374
Current portion of long-term loans payable	3,055	2,507
Lease obligations	53	59
Accrued corporate and other taxes	2,928	159
Accrued consumption taxes	1,837	43
Deposits received	263	185
Unearned revenue	1,788	1,815
Allowance for employees' bonuses	386	72
Allowance for directors' bonuses	348	—
Allowance for sublease losses	46	19
Allowance for loss on construction contracts	8	9
Asset retirement obligations	10	10
Others	462	409
Total current liabilities	20,695	19,502
Fixed liabilities		
Bonds payable	3,000	3,000
Long-term loans payable	48,790	63,849
Lease obligations	290	279
Deferred tax liabilities	58	85
Allowance for loss on guarantees	33	36
Allowance for sublease losses	9	5
Liability for retirement benefits	274	278
Asset retirement obligations	300	298
Lease and guarantee deposits received	7,975	8,613
Investment deposit in silent partnership	446	447
Others	215	212
Total fixed liabilities	61,394	77,107
Total liabilities	82,090	96,610
Net assets		
Shareholders' equity		
Common stock	5,217	5,294
Capital surplus	7,177	7,253
Retained earnings	22,311	21,599
Treasury stock	(0)	(1,247)
Total shareholders' equity	34,706	32,900
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	1,400	1,002
Deferred gains (losses) on hedges	(18)	(10)
Foreign currency translation adjustment	63	223
Total accumulated other comprehensive income	1,446	1,216
Non-controlling interests	5	—
Total net assets	36,157	34,116
Total liabilities and net assets	118,248	130,726

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

	First Two Quarters of Fiscal 2022 (August 1, 2021 through January 31, 2022) Millions of yen	First Two Quarters of Fiscal 2023 (August 1, 2022 through January 31, 2023) Millions of yen
Net sales	37,194	13,575
Cost of sales	28,508	10,703
Gross profit	8,686	2,871
Selling, general and administrative expenses	2,579	2,374
Operating profit	6,106	497
Non-operating income		
Interest received	1	1
Foreign exchange gains	10	3
Insurance income	17	32
Equity in income of affiliates	—	172
Others	4	16
Total non-operating income	33	226
Non-operating expenses		
Interest paid	151	229
Commission fee	252	266
Equity in loss of affiliates	13	—
Others	65	38
Total non-operating expenses	484	534
Recurring profit	5,656	189
Extraordinary income		
Gain on sales of fixed assets	—	7
Real estate sales contract penalty	565	—
Others	—	0
Total extraordinary income	565	8
Extraordinary expenses		
Loss on retirement of fixed assets	1	4
Loss on sales of investment securities	16	—
Loss on valuation of investment securities	—	26
Loss on sales of shares of subsidiaries and associates	—	3
Others	0	0
Total extraordinary expenses	18	34
Profit before dividend distribution from silent partnerships and income taxes	6,203	163
Dividends distribution from silent partnerships	6	5
Income before income taxes	6,197	158
Total income taxes	2,039	155
Net income	4,157	2
Net income attributable to non-controlling interests	(10)	(5)
Net income attributable to owners of the parent company	4,168	7

Quarterly Consolidated Statements of Comprehensive Income

	First Two Quarters of Fiscal 2022 (August 1, 2021 through January 31, 2022) Millions of yen	First Two Quarters of Fiscal 2023 (August 1, 2022 through January 31, 2023) Millions of yen
Net income	4,157	2
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(118)	(393)
Foreign currency translation adjustment	(18)	(13)
Share of other comprehensive income of entities accounted for using equity method	45	177
Total other comprehensive income	(92)	(229)
Comprehensive income	4,065	(227)
Comprehensive income attributable to owners of the parent company	4,074	(222)
Comprehensive income attributable to non-controlling interests	(8)	(5)

(3) Consolidated statements of cash flows

	First Two Quarters of Fiscal 2022 (August 1, 2021 through January 31, 2022) Millions of yen	First Two Quarters of Fiscal 2023 (August 1, 2022 through January 31, 2023) Millions of yen
Cash flows from operating activities		
Income before income taxes	6,197	158
Depreciation and amortization	131	181
Amortization of goodwill	129	106
Share of (profit) loss of entities accounted for using equity method	13	(172)
Increase (decrease) in allowance for doubtful accounts	(8)	11
Increase (decrease) in allowance for employees' bonuses	2	(314)
Increase (decrease) in allowance for sublease losses	2	(30)
Increase (decrease) in provision for loss on construction contracts	(0)	0
Increase (decrease) in provision for loss on guarantees	1	2
Increase (decrease) in provision for directors' bonuses	(300)	(348)
Increase (decrease) in liability for retirement benefits	13	4
Interest and dividends received	(1)	(1)
Interest paid	151	229
Foreign exchange losses (gains)	(11)	(20)
Loss (gain) on sales of investment securities	16	3
Loss (gain) on valuation of investment securities	—	26
Loss on retirement of fixed assets	1	4
Loss (gain) on sales of property, plant and equipment and intangible assets	—	(7)
(Increase) decrease in notes and accounts receivable	380	(899)
(Increase) decrease in inventories	7,678	(14,349)
Increase (decrease) in notes and accounts payable	(166)	4,704
Decrease (increase) in advance payments	229	(5,154)
Decrease (increase) in consumption taxes refund receivable	0	(2,457)
Increase (decrease) in accrued consumption taxes	721	(1,794)
Decrease (increase) in lease and guarantee deposits	(411)	114
Increase (decrease) in lease and guarantee deposits received	147	632
Others	(468)	(70)
Subtotal	14,450	(19,439)
Proceeds from interest and dividend income	0	0
Payment of interest	(144)	(225)
Payment of income taxes	(930)	(2,707)
Net cash provided by operating activities	13,376	(22,372)
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(121)	(49)
Proceeds from sales and redemption of short-term and long-term investment securities	49	158
Purchase of property, plant and equipment	(67)	(538)
Proceeds from sales of property, plant and equipment	—	24
Purchase of intangible fixed assets	(89)	(95)
Payments of loans receivable	—	(208)
Others	0	(12)
Net cash (used in) investing activities	(228)	(721)

	First Two Quarters of Fiscal 2022 (August 1, 2021 through January 31, 2022) Millions of yen	First Two Quarters of Fiscal 2023 (August 1, 2022 through January 31, 2023) Millions of yen
Cash flows from financing activities		
Repayment of short-term loans	(300)	—
Proceeds from long-term loans	7,736	16,097
Repayment of long-term loans	(16,059)	(1,652)
Repayment of lease obligations	(20)	(28)
Distribution of investment in anonymous associations	(615)	—
Proceeds from issuance of common shares	4,151	—
Purchase of treasury shares	—	(1,246)
Execution of stock option	1	4
Cash dividends paid	(631)	(718)
Net cash provided by (used in) financing activities	(5,737)	12,455
Effect of exchange rate change on cash and cash equivalents	(3)	16
Net increase (decrease) in cash and cash equivalents	7,406	(10,620)
Cash and cash equivalents at beginning of fiscal year	19,457	36,788
Cash and cash equivalents at end of first half of fiscal year	26,863	26,167

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

Fiscal 2022 (August 1, 2021 through January 31, 2022)

(Millions 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	13,657	22,740	792	37,189	4	37,194	—	37,194
Inter-segment	297	0	10	308	9	317	(317)	—
Total	13,954	22,741	802	37,498	14	37,512	(317)	37,194
Segment income (loss)	1,431	4,987	559	6,978	1	6,980	(873)	6,106

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

2. The (873) million yen segment income adjustment includes (1) million yen in inter-segment elimination and (872) million 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 has been reconciled with operating income on the quarterly consolidated statements of income.

Fiscal 2023 (August 1, 2022 through January 31, 2023)

(Millions 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	12,862	15	694	13,572	2	13,575	—	13,575
Inter-segment	216	2	7	226	8	234	(234)	—
Total	13,079	17	701	13,798	11	13,809	(234)	13,575
Segment income (loss)	1,071	(315)	467	1,222	1	1,224	(726)	497

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

2. The (726) million yen segment income or loss adjustment includes (4) million yen in inter-segment elimination and (722) million 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.

(Significant subsequent events)

(Cancellation of treasury shares)

The Company resolved at its board of directors meeting held on February 17, 2023 to cancel treasury shares pursuant to Article 178 of the Companies Act.

- | | |
|---|---|
| 1. Class of shares to be cancelled | Company common shares |
| 2. Total number of shares to be cancelled | 840,000 shares (ratio to total number of issued shares prior to cancellation 2.79%) |
| 3. Total number of issued shares after cancellation | 29,247,200 shares |
| 4. Scheduled date of cancellation | March 31, 2023 |