

CRE Inc.
Summary of Financial Statements (Unaudited)
For the First Three 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): June 13, 2023

Expected date of payment for dividends: —

Preparation of supplementary explanation material for quarterly financial results: Yes

Presentation meeting for quarterly financial results: None

(Rounded down to the nearest million)

1. Consolidated Performance for the first three quarter of Fiscal 2023 (August 1, 2022 through April 30, 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 three quarters of Fiscal 2023	43,109	(15.0)	6,608	(27.3)	6,038	(27.6)	4,081	(31.6)
First three quarters of Fiscal 2022	50,706	23.9	9,092	49.7	8,339	43.2	5,964	43.9

(Note) Comprehensive income: 4,143 million yen ((29.5)%) for the first three quarters of fiscal 2023
5,881 million yen (39.3%) for the first three quarters of fiscal 2022

	Net income per share	Fully diluted net income per share
	Yen	Yen
First three quarters of Fiscal 2023	138.81	138.69
First three quarters of Fiscal 2022	204.71	204.45

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
First three quarters of Fiscal 2023	129,417	38,488	29.7
Fiscal 2022	118,248	36,157	30.6

(Reference) Equity capital: 38,488 million yen for the first three 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: None

*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:

29,247,200 shares at April 30, 2023

29,971,800 shares at July 31, 2022

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

1,545 shares at April 30, 2023

7,474 shares at July 31, 2022

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

29,404,460 shares at April 30, 2023

29,137,057 shares at April 30, 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 April 30, 2023 Millions of yen
Assets		
Current assets		
Cash and deposits	36,806	30,119
Notes, accounts receivable - trade and contract assets	572	745
Accounts receivable from completed construction contracts	612	286
Real estate for sale	2,555	15,771
Real estate for sale in process	43,981	49,916
Advance payments-trade	5,818	597
Prepaid expenses	1,482	1,598
Others	466	3,329
Allowance for doubtful accounts	(22)	(22)
Total current assets	92,273	102,341
Fixed assets		
Tangible fixed assets		
Buildings and structures	4,582	4,535
Accumulated depreciation	(2,032)	(2,050)
Buildings and structures (net)	2,549	2,485
Machinery, equipment and vehicles	78	61
Accumulated depreciation	(75)	(57)
Machinery, equipment and vehicles (net)	2	3
Tools, furniture and fixtures	245	280
Accumulated depreciation	(165)	(188)
Tools, furniture and fixtures (net)	80	92
Land	4,416	4,750
Lease assets	496	517
Accumulated depreciation	(322)	(344)
Lease assets (net)	173	172
Construction in progress	—	1
Total tangible fixed assets	7,222	7,506
Intangible fixed assets		
Goodwill	848	689
Others	204	324
Total intangible assets	1,052	1,014
Investments and other fixed assets		
Investment securities	8,394	8,771
Claims provable in bankruptcy, claims provable in rehabilitation and other	46	47
Long-term prepaid expenses	1,203	890
Deferred tax assets	82	171
Lease and guarantee deposits	7,548	7,965
Others	451	741
Allowance for doubtful accounts	(46)	(47)
Total investments and other fixed assets	17,679	18,540
Total fixed assets	25,954	27,061
Deferred assets		
Bond issuance cost	19	14
Total deferred assets	19	14
Total assets	118,248	129,417

	Fiscal 2022 As of July 31, 2022 Millions of yen	Fiscal 2023 As of April 30, 2023 Millions of yen
Liabilities		
Current liabilities		
Accounts payable-trade	8,534	11,080
Accounts payable for construction contracts	597	1,165
Short-term loans payable	374	360
Current portion of long-term loans payable	3,055	2,102
Lease obligations	53	59
Accrued corporate and other taxes	2,928	139
Accrued consumption taxes	1,837	45
Deposits received	263	215
Unearned revenue	1,788	1,825
Allowance for employees' bonuses	386	119
Allowance for directors' bonuses	348	—
Allowance for sublease losses	46	36
Allowance for loss on construction contracts	8	7
Asset retirement obligations	10	—
Others	462	838
Total current liabilities	20,695	17,996
Fixed liabilities		
Bonds payable	3,000	3,000
Long-term loans payable	48,790	59,956
Lease obligations	290	264
Deferred tax liabilities	58	81
Allowance for loss on guarantees	33	36
Allowance for sublease losses	9	4
Liability for retirement benefits	274	273
Asset retirement obligations	300	299
Lease and guarantee deposits received	7,975	8,745
Investment deposit in silent partnership	446	—
Others	215	271
Total fixed liabilities	61,394	72,933
Total liabilities	82,090	90,929
Net assets		
Shareholders' equity		
Common stock	5,217	5,294
Capital surplus	7,177	6,007
Retained earnings	22,311	25,673
Treasury stock	(0)	(0)
Total shareholders' equity	34,706	36,974
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	1,400	1,199
Deferred gains (losses) on hedges	(18)	(8)
Foreign currency translation adjustment	63	322
Total accumulated other comprehensive income	1,446	1,513
Non-controlling interests	5	—
Total net assets	36,157	38,488
Total liabilities and net assets	118,248	129,417

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

	First Three Quarters of Fiscal 2022 (August 1, 2021 through April 30, 2022) Millions of yen	First Three Quarters of Fiscal 2023 (August 1, 2022 through April 30, 2023) Millions of yen
Net sales	50,706	43,109
Cost of sales	37,696	32,266
Gross profit	13,010	10,843
Selling, general and administrative expenses	3,918	4,234
Operating profit	9,092	6,608
Non-operating income		
Interest received	2	1
Foreign exchange gains	—	17
Insurance income	20	67
Equity in income of affiliates	—	157
Others	4	18
Total non-operating income	27	262
Non-operating expenses		
Interest paid	227	357
Commission fee	358	435
Equity in loss of affiliates	124	—
Others	68	38
Total non-operating expenses	779	832
Recurring profit	8,339	6,038
Extraordinary income		
Gain on sales of fixed assets	—	7
Real estate sales contract penalty	565	—
Others	—	1
Total extraordinary income	565	9
Extraordinary expenses		
Loss on retirement of fixed assets	8	4
Loss on sales of investment securities	16	—
Loss on valuation of investment securities	—	27
Loss on sales of shares of subsidiaries and associates	—	3
Others	0	0
Total extraordinary expenses	25	35
Profit before dividend distribution from silent partnerships and income taxes	8,880	6,012
Dividends distribution from silent partnerships	9	6
Income before income taxes	8,870	6,005
Total income taxes	2,932	1,929
Net income	5,938	4,076
Net income attributable to non-controlling interests	(25)	(5)
Net income attributable to owners of the parent company	5,964	4,081

Quarterly Consolidated Statements of Comprehensive Income

	First Three Quarters of Fiscal 2022 (August 1, 2021 through April 30, 2022) Millions of yen	First Three Quarters of Fiscal 2023 (August 1, 2022 through April 30, 2023) Millions of yen
Net income	5,938	4,076
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(120)	(196)
Foreign currency translation adjustment	(0)	(10)
Share of other comprehensive income of entities accounted for using equity method	64	274
Total other comprehensive income	(57)	67
Comprehensive income	5,881	4,143
Comprehensive income attributable to owners of the parent company	5,907	4,148
Comprehensive income attributable to non-controlling interests	(25)	(5)

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

Fiscal 2022 (August 1, 2021 through April 30, 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	20,183	29,431	1,084	50,700	5	50,706	—	50,706
Inter-segment	388	1	15	405	14	419	(419)	—
Total	20,572	29,433	1,100	51,105	20	51,125	(419)	50,706
Segment income (loss)	2,247	7,491	746	10,486	2	10,489	(1,397)	9,092

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

2. The (1,397) million yen segment income adjustment includes (69) million yen in inter-segment elimination and (1,328) 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 April 30, 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	19,697	22,293	1,115	43,105	4	43,109	—	43,109
Inter-segment	362	3	15	382	9	391	(391)	—
Total	20,060	22,296	1,130	43,487	14	43,501	(391)	43,109
Segment income (loss)	1,493	5,475	698	7,667	0	7,668	(1,059)	6,608

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

2. The (1,059) million yen segment income or loss adjustment includes (3) million yen in inter-segment elimination and (1,056) 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.