

CRE Inc.
Summary of Financial Statements (Unaudited)
For the First Quarter 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

Contact: Hidetoshi Nagahama, Director

E-mail: ir@cre-jpn.comAnticipated date for filing *Shihanki Hokokusho* (a Japanese-language quarterly business report): December 14, 2020

Expected date of payment for dividends: —

Preparation of supplementary explanation material for quarterly financial results: Yes

Presentation meeting for quarterly financial results: No

(Rounded down to the nearest million)

1. Consolidated Performance for the first quarter of Fiscal 2021 (August 1, 2020 through October 31, 2020)**(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 quarter of Fiscal 2021	8,165	40.5	696	103.5	684	96.6	589	140.1
First quarter of Fiscal 2020	5,810	20.3	342	42.8	348	65.1	245	11.2

(Note) Comprehensive income: 276 million yen ((45.9%) for the first quarter of fiscal 2021
511 million yen (315.4%) for the first quarter of fiscal 2020

	Net income per share	Fully diluted net income per share
	Yen	Yen
First quarter of Fiscal 2021	21.57	21.54
First quarter of Fiscal 2020	9.77	9.73

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
First quarter of Fiscal 2021	69,217	22,804	32.9
Fiscal 2020	70,142	20,004	28.5

(Reference) Equity capital: 22,802 million yen for the first quarter 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	—				
Fiscal 2021 (Estimated)		0.00	—	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	54,700	32.8	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	105.88

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

(Note) Calculation of net income per share (anticipated) for fiscal 2021, ending July 31, 2021, takes into consideration an increase in the number of shares associated with issuance of new shares through a third-party allocation of shares and public offering, for which payment was completed in August 2020, and also associated with disposal of treasury stock, in addition to an increase in the number of shares reflecting third-party allocation related to a secondary offering by way of over-allotment, for which payment was completed in September 2020.

*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:

27,390,700 shares at October 31, 2020

26,309,200 shares at July 31, 2020

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

1,711 shares at October 31, 2020

1,063,311 shares at July 31, 2020

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

27,303,784 shares at October 31, 2020

25,104,699 shares at October 31, 2019

*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 October 31, 2020 Thousands of yen
Assets		
Current assets		
Cash and deposits	14,466,126	12,663,614
Accounts receivable-trade	485,405	406,292
Notes receivable-trade and Accounts receivable from completed construction contracts	143,033	286,758
Real estate for sale	20,395,781	18,652,630
Real estate for sale in process	8,715,918	11,495,747
Advance payments-trade	3,374,710	3,704,099
Prepaid expenses	1,055,477	1,250,008
Others	703,577	662,935
Allowance for doubtful accounts	(15,963)	(22,047)
Total current assets	49,324,066	49,100,040
Fixed assets		
Tangible fixed assets		
Buildings and structures	4,155,207	4,170,555
Accumulated depreciation	(1,927,543)	(1,965,774)
Buildings and structures (net)	2,227,664	2,204,780
Machinery, equipment and vehicles	417,449	417,449
Accumulated depreciation	(246,911)	(254,145)
Machinery, equipment and vehicles (net)	170,538	163,304
Tools, furniture and fixtures	147,500	155,035
Accumulated depreciation	(96,202)	(101,812)
Tools, furniture and fixtures (net)	51,297	53,223
Land	1,877,030	1,877,984
Lease assets	472,388	472,397
Accumulated depreciation	(251,183)	(257,924)
Lease assets (net)	221,205	214,473
Construction in progress	14,013	17,450
Total tangible fixed assets	4,561,749	4,531,217
Intangible fixed assets		
Goodwill	1,296,836	1,237,773
Others	144,898	185,147
Total intangible assets	1,441,735	1,422,921
Investments and other fixed assets		
Investment securities	7,210,680	6,423,680
Claims provable in bankruptcy, claims provable in rehabilitation and other	62,468	64,887
Long-term prepaid expenses	1,245,391	1,171,840
Deferred tax assets	60,348	235,034
Lease and guarantee deposits	6,218,658	6,251,614
Others	83,564	84,097
Allowance for doubtful accounts	(65,718)	(68,137)
Total investments and other fixed assets	14,815,392	14,163,018
Total fixed assets	20,818,877	20,117,156
Total assets	70,142,943	69,217,197

	Fiscal 2020 As of July 31, 2020 Thousands of yen	Fiscal 2021 As of October 31, 2020 Thousands of yen
Liabilities		
Current liabilities		
Accounts payable-trade	11,994,136	1,708,286
Accounts payable for construction contracts	135,032	261,660
Short-term loans payable	1,000,000	1,000,000
Current portion of long-term loans payable	9,752,331	14,456,146
Lease obligations	28,804	29,182
Accrued corporate and other taxes	1,377,803	251,355
Deposits received	1,484,492	1,672,747
Unearned revenue	1,620,977	1,598,853
Allowance for employees' bonuses	49,799	90,685
Allowance for directors' bonuses	250,000	—
Allowance for sublease losses	70,275	70,545
Asset retirement obligations	587	587
Others	274,689	206,748
Total current liabilities	28,038,929	21,346,798
Fixed liabilities		
Long-term loans payable	13,703,300	16,224,957
Lease obligations	286,955	279,522
Liability for retirement benefits	238,808	245,073
Allowance for loss on guarantees	30,661	30,844
Asset retirement obligations	253,361	253,849
Allowance for sublease losses	21,552	20,474
Lease and guarantee deposits received	7,115,073	7,252,519
Others	450,217	759,091
Total fixed liabilities	22,099,930	25,066,332
Total liabilities	50,138,860	46,413,130
Net assets		
Shareholders' equity		
Common stock	2,240,348	3,024,399
Capital surplus	3,612,271	4,984,032
Retained earnings	14,170,090	14,171,759
Treasury stock	(955,171)	(288)
Total shareholders' equity	19,067,539	22,179,902
Accumulated other comprehensive income		
Unrealized gains (losses) on investment securities	1,070,359	667,676
Deferred gains (losses) on hedges	(30,919)	(29,106)
Foreign currency translation adjustment	(104,317)	(15,711)
Total accumulated other comprehensive income	935,122	622,858
Non-controlling interests	1,420	1,305
Total net assets	20,004,083	22,804,066
Total liabilities and net assets	70,142,943	69,217,197

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

Quarterly Consolidated Statements of Income

	First Quarter of Fiscal 2020 (August 1, 2019 through October 31, 2019) Thousands of yen	First Quarter of Fiscal 2021 (August 1, 2020 through October 31, 2020) Thousands of yen
Net sales	5,810,131	8,165,321
Cost of sales	4,580,402	6,519,264
Gross profit	1,229,729	1,646,056
Selling, general and administrative expenses	887,361	949,216
Operating profit	342,367	696,840
Non-operating income		
Interest received	1,159	971
Equity in income of affiliates	72,100	84,560
Others	7,562	6,388
Total non-operating income	80,822	91,920
Non-operating expenses		
Interest paid	48,705	43,685
Commission fee	23,807	49,326
Others	2,519	11,409
Total non-operating expenses	75,032	104,421
Recurring profit	348,156	684,338
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 retirement of fixed assets	1,218	—
Loss on change in equity	3,149	—
Total extraordinary expenses	4,367	—
Profit before dividend distribution from silent partnerships and income taxes	365,277	833,326
Dividends distribution from silent partnerships	—	1,937
Income before income taxes	365,277	831,389
Total income taxes	132,423	242,352
Net income	232,853	589,036
Net income attributable to non-controlling interests	(12,517)	—
Net income attributable to owners of the parent company	245,370	589,036

Quarterly Consolidated Statements of Comprehensive Income

	First Quarter of Fiscal 2020 (August 1, 2019 through October 31, 2019) Thousands of yen	First Quarter of Fiscal 2021 (August 1, 2020 through October 31, 2020) Thousands of yen
Net income	232,853	589,036
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	272,252	(403,127)
Foreign currency translation adjustment	(2,020)	636
Share of other comprehensive income of entities accounted for using equity method	8,131	90,111
Total other comprehensive income	278,363	(312,379)
Comprehensive income	511,217	276,657
Comprehensive income attributable to owners of the parent company	523,665	276,772
Comprehensive income attributable to non-controlling interests	(12,447)	(115)

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

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

(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	5,591,715	8,182	202,602	5,802,500	7,630	5,810,131	—	5,810,131
Inter-segment	8,100	109	900	9,109	—	9,109	(9,109)	—
Total	5,599,815	8,292	203,502	5,811,610	7,630	5,819,241	(9,109)	5,810,131
Segment income (loss)	508,981	(39,854)	102,070	571,198	2,410	573,609	(231,241)	342,367

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

2. The (231,241) thousand yen segment income or loss adjustment includes (1,202) thousand yen in inter-segment elimination and (230,039) 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 October 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	7,147,716	768,918	247,521	8,164,156	1,164	8,165,321	—	8,165,321
Inter-segment	38,334	430	4,031	42,796	3,547	46,344	(46,344)	—
Total	7,186,051	769,348	251,553	8,206,953	4,712	8,211,665	(46,344)	8,165,321
Segment income (loss)	708,230	130,703	141,554	980,488	50	980,539	(283,699)	696,840

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

2. The (283,699) thousand yen segment income or loss adjustment includes (3,350) thousand yen in inter-segment elimination and (280,349) 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.