

CRE Inc.
Summary of Financial Statements (Unaudited)
for the First Quarter of the Fiscal Year ending July 31, 2020
(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): December 13, 2019

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 2020 (August 1, 2019 through October 31, 2019)**(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 2020	5,810	20.3	342	42.8	348	65.1	245	11.2
First quarter of Fiscal 2019	4,830	1.6	239	(13.5)	210	(31.4)	220	(14.6)

(Note) Comprehensive income: 511 million yen (315.4%) for the first quarter of fiscal 2020
123 million yen ((51.9)%) for the first quarter of fiscal 2019

	Net income per share	Fully diluted net income per share
	Yen	Yen
First quarter of Fiscal 2020	9.77	9.73
First quarter of Fiscal 2019	8.86	8.79

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
First quarter of Fiscal 2020	56,138	17,531	31.1
Fiscal 2019	54,712	17,545	31.9

(Reference) Equity capital: 17,472 million yen for the first quarter of fiscal 2020, 17,473 million yen for fiscal 2019

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 2019	—	0.00	—	21.00	21.00
Fiscal 2020	—				
Fiscal 2020 (Estimated)		0.00	—	22.00	22.00

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

3. Anticipated Consolidated Results for Fiscal 2020 (August 1, 2019 through July 31, 2020)

(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	43,600	82.1	2,500	51.4	2,100	52.0

	Net income attributable to owners of the parent company		Net income per share
	Millions of yen	%	Yen
Full year	1,300	86.6	51.79

(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: 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:

26,171,300 shares at October 31, 2019

26,161,300 shares at July 31, 2019

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

1,061,232 shares at October 31, 2019

1,060,832 shares at July 31, 2019

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

25,104,699 shares at October 31, 2019

24,898,373 shares at October 31, 2018

*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 2019 As of July 31, 2019 Thousands of yen	Fiscal 2020 As of October 31, 2019 Thousands of yen
Assets		
Current assets		
Cash and deposits	9,032,949	7,455,377
Accounts receivable-trade	422,384	313,631
Accounts receivable from completed construction contracts	292,503	171,504
Real estate for sale	9,931,410	10,814,965
Real estate for sale in process	14,669,953	15,242,987
Prepaid expenses	782,650	824,016
Others	1,138,755	2,299,989
Allowance for doubtful accounts	(25,260)	(23,360)
Total current assets	36,245,345	37,099,112
Fixed assets		
Tangible fixed assets		
Buildings and structures	3,604,049	3,676,944
Accumulated depreciation	(1,829,915)	(1,901,704)
Buildings and structures (net)	1,774,134	1,775,239
Machinery, equipment and vehicles	418,413	418,413
Accumulated depreciation	(197,261)	(209,874)
Machinery, equipment and vehicles (net)	221,151	208,538
Tools, furniture and fixtures	109,299	132,961
Accumulated depreciation	(79,442)	(83,513)
Tools, furniture and fixtures (net)	29,856	49,447
Land	1,558,832	1,558,832
Lease assets	480,631	480,595
Accumulated depreciation	(231,499)	(238,562)
Lease assets (net)	249,131	242,032
Construction in progress	71,478	142,059
Total tangible fixed assets	3,904,584	3,976,150
Intangible fixed assets		
Goodwill	1,533,085	1,474,023
Others	130,444	123,815
Total intangible assets	1,663,530	1,597,838
Investments and other fixed assets		
Investment securities	6,708,305	7,204,638
Claims provable in bankruptcy, claims provable in rehabilitation and other	37,476	38,162
Deferred tax assets	59,593	8,038
Lease and guarantee deposits	5,730,005	5,821,889
Others	404,247	433,963
Allowance for doubtful accounts	(40,726)	(41,412)
Total investments and other fixed assets	12,898,902	13,465,280
Total fixed assets	18,467,017	19,039,269
Total assets	54,712,362	56,138,381

	Fiscal 2019 As of July 31, 2019 Thousands of yen	Fiscal 2020 As of October 31, 2019 Thousands of yen
Liabilities		
Current liabilities		
Accounts payable-trade	1,917,810	1,412,572
Accounts payable for construction contracts	399,470	364,349
Short-term loans payable	25,000	—
Current portion of long-term loans payable	3,601,592	3,794,431
Lease obligations	28,045	28,135
Accrued corporate and other taxes	208,507	190,900
Deposits received	450,815	468,537
Unearned revenue	1,564,691	1,557,205
Allowance for employees' bonuses	47,242	86,027
Allowance for sublease losses	42,274	39,678
Asset retirement obligations	119,124	119,124
Others	425,738	439,184
Total current liabilities	8,770,312	8,500,147
Fixed liabilities		
Long-term loans payable	20,913,299	22,362,104
Lease obligations	315,767	308,705
Liability for retirement benefits	236,960	237,032
Allowance for loss on guarantees	32,405	32,405
Asset retirement obligations	218,279	247,318
Deferred tax liabilities	—	63,900
Lease and guarantee deposits received	6,497,059	6,622,946
Others	183,037	231,971
Total fixed liabilities	28,396,809	30,106,384
Total liabilities	37,167,121	38,606,532
Net assets		
Shareholders' equity		
Common stock	2,195,714	2,196,964
Capital surplus	3,784,614	3,785,864
Retained earnings	12,085,463	11,803,724
Treasury stock	(955,107)	(955,107)
Total shareholders' equity	17,110,684	16,831,445
Accumulated other comprehensive income		
Unrealized gains (losses) on investment securities	407,944	688,081
Deferred gains (losses) on hedges	(31,935)	(35,285)
Foreign currency translation adjustment	(12,997)	(11,490)
Total accumulated other comprehensive income	363,011	641,305
Non-controlling interests	71,545	59,097
Total net assets	17,545,241	17,531,848
Total liabilities and net assets	54,712,362	56,138,381

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

	First Quarter of Fiscal 2019 (August 1, 2018 through October 31, 2018) Thousands of yen	First Quarter of Fiscal 2020 (August 1, 2019 through October 31, 2019) Thousands of yen
Net sales	4,830,688	5,810,131
Cost of sales	3,837,312	4,580,402
Gross profit	993,376	1,229,729
Selling, general and administrative expenses	753,569	887,361
Operating profit	239,806	342,367
Non-operating income		
Interest received	1,525	1,159
Equity in income of affiliates	8,133	72,100
Others	5,201	7,562
Total non-operating income	14,860	80,822
Non-operating expenses		
Interest paid	34,701	48,705
Commission fee	9,100	23,807
Others	14	2,519
Total non-operating expenses	43,816	75,032
Recurring profit	210,850	348,156
Extraordinary income		
Gain on sales of investment securities	1	21,486
Reversal of allowance for doubtful accounts	112,000	—
Others	—	1
Total extraordinary income	112,001	21,488
Extraordinary expenses		
Loss on retirement of fixed assets	—	1,218
Liquidation loss on capital	589	—
Loss on change in equity	—	3,149
Total extraordinary expenses	589	4,367
Income before income taxes	322,262	365,277
Total income taxes	109,139	132,423
Net income	213,122	232,853
Net income attributable to non-controlling interests	(7,533)	(12,517)
Net income attributable to owners of the parent company	220,655	245,370

Quarterly Consolidated Statements of Comprehensive Income

	First Quarter of Fiscal 2019 (August 1, 2018 through October 31, 2018) Thousands of yen	First Quarter of Fiscal 2020 (August 1, 2019 through October 31, 2019) Thousands of yen
Net income	213,122	232,853
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(89,039)	272,252
Foreign currency translation adjustment	(1,142)	(2,020)
Share of other comprehensive income of entities accounted for using equity method	133	8,131
Total other comprehensive income	(90,048)	278,363
Comprehensive income	123,074	511,217
Comprehensive income attributable to owners of the parent company	130,750	523,665
Comprehensive income attributable to non-controlling interests	(7,676)	(12,447)

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

Fiscal 2019 (August 1, 2018 through October 31, 2018)

(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	4,630,761	14,678	183,710	4,829,149	1,538	4,830,688	—	4,830,688
Inter-segment	6,832	1,032	900	8,765	—	8,765	(8,765)	—
Total	4,637,594	15,710	184,610	4,837,914	1,538	4,839,453	(8,765)	4,830,688
Segment income (loss)	371,408	(37,038)	86,414	420,784	(2,208)	418,575	(178,768)	239,806

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

2. The (178,768) thousand yen segment income or loss adjustment includes (1,026) thousand yen in inter-segment elimination and (177,742) 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 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.