

CRE Inc.
Summary of Financial Statements (Unaudited)
For the First Quarter of the Fiscal Year ending July 31, 2022
(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 14, 2021

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 2022 (August 1, 2021 through October 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 quarter of Fiscal 2022	30,743	276.5	5,787	730.6	5,551	711.2	4,151	604.8
First quarter of Fiscal 2021	8,165	40.5	696	103.5	684	96.6	589	140.1

(Note) Comprehensive income: 4,372 million yen (—%) for the first quarter of fiscal 2022
276 million yen ((45.9)%) for the first quarter of fiscal 2021

	Net income per share	Fully diluted net income per share
	Yen	Yen
First quarter of Fiscal 2022	150.38	150.16
First quarter of Fiscal 2021	21.57	21.54

(Note) CRE applies "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued March 31, 2020), effective from the first quarter of fiscal 2022, ending July 31, 2022. All numbers presented in this report for the first quarter of fiscal 2022 reflect application of this accounting standard.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
First quarter of Fiscal 2022	96,593	34,209	35.3
Fiscal 2021	99,041	26,746	26.9

(Reference) Equity capital: 34,125 million yen for the first quarter of fiscal 2022, 26,662 million yen for fiscal 2021

(Note) CRE applies "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued March 31, 2020), effective from the first quarter of fiscal 2022, ending July 31, 2022. All numbers presented in this report for the first quarter of fiscal 2022 reflect application of this accounting standard.

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 2021	—	0.00	—	23.00	23.00
Fiscal 2022	—				
Fiscal 2022 (Estimated)		0.00	—	24.00	24.00

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

3. Anticipated Consolidated Results for Fiscal 2022 (August 1, 2021 through July 31, 2022)

(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	62,100	30.6	8,800	52.4	7,800	46.8

	Net income attributable to owners of the parent company		Net income per share
	Millions of yen	%	Yen
Full year	5,600	56.7	191.12

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

Please refer to "Notice Concerning Revision of Earnings Forecast" announced on December 13, 2021 about anticipated consolidated results for Fiscal 2022.

Calculation of net income per share (anticipated) for fiscal 2022, ending July 31, 2022, takes into consideration an increase in the number of shares associated with issuance of new shares through a public offering and third-party allocation of shares for which payment was completed in October 2021, 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 November 2021.

*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:

29,629,100 shares at October 31, 2021

27,468,800 shares at July 31, 2021

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

5,145 shares at October 31, 2021

4,311 shares at July 31, 2021

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

27,604,864 shares at October 31, 2021

27,303,784 shares at October 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 2021 As of July 31, 2021 Millions of yen	Fiscal 2022 As of October 31, 2021 Millions of yen
Assets		
Current assets		
Cash and deposits	19,473	25,793
Accounts receivable-trade	709	—
Notes and accounts receivable - trade, and contract assets	—	451
Notes receivable-trade and accounts receivable from completed construction contracts	473	—
Accounts receivable from completed construction contracts	—	735
Real estate for sale	24,920	7,426
Real estate for sale in process	27,342	35,724
Advance payments-trade	1,983	1,619
Prepaid expenses	1,360	1,386
Others	551	502
Allowance for doubtful accounts	(25)	(25)
Total current assets	76,790	73,613
Fixed assets		
Tangible fixed assets		
Buildings and structures	4,308	4,319
Accumulated depreciation	(2,062)	(2,100)
Buildings and structures (net)	2,245	2,218
Machinery, equipment and vehicles	416	415
Accumulated depreciation	(274)	(279)
Machinery, equipment and vehicles (net)	141	136
Tools, furniture and fixtures	214	239
Accumulated depreciation	(139)	(150)
Tools, furniture and fixtures (net)	74	89
Land	1,896	1,896
Lease assets	493	493
Accumulated depreciation	(285)	(293)
Lease assets (net)	207	200
Total tangible fixed assets	4,565	4,540
Intangible fixed assets		
Goodwill	1,290	1,226
Others	340	384
Total intangible assets	1,630	1,611
Investments and other fixed assets		
Investment securities	7,884	8,301
Claims provable in bankruptcy, claims provable in rehabilitation and other	33	33
Long-term prepaid expenses	1,014	937
Deferred tax assets	24	23
Lease and guarantee deposits	7,022	7,457
Others	85	85
Allowance for doubtful accounts	(36)	(36)
Total investments and other fixed assets	16,028	16,802
Total fixed assets	22,224	22,954
Deferred assets		
Bond issuance cost	26	24
Total deferred assets	26	24
Total assets	99,041	96,593

	Fiscal 2021 As of July 31, 2021 Millions of yen	Fiscal 2022 As of October 31, 2021 Millions of yen
Liabilities		
Current liabilities		
Accounts payable-trade	7,018	6,835
Accounts payable for construction contracts	157	577
Short-term loans payable	600	300
Current portion of long-term loans payable	2,050	2,291
Lease obligations	36	37
Accrued corporate and other taxes	1,027	2,082
Deposits received	1,498	605
Unearned revenue	1,808	1,750
Allowance for employees' bonuses	68	108
Allowance for directors' bonuses	300	—
Allowance for sublease losses	13	25
Allowance for loss on construction contracts	9	9
Others	386	1,267
Total current liabilities	14,975	15,892
Fixed liabilities		
Bonds payable	3,000	3,000
Long-term loans payable	44,002	33,661
Lease obligations	267	258
Liability for retirement benefits	255	259
Allowance for loss on guarantees	30	31
Asset retirement obligations	274	285
Allowance for sublease losses	15	14
Lease and guarantee deposits received	7,931	7,982
Deferred tax liabilities	234	319
Investment deposit in silent partnership	1,064	446
Others	241	232
Total fixed liabilities	57,319	46,491
Total liabilities	72,295	62,384
Net assets		
Shareholders' equity		
Common stock	3,071	4,927
Capital surplus	5,031	6,887
Retained earnings	17,157	20,687
Treasury stock	(0)	(0)
Total shareholders' equity	25,260	32,501
Accumulated other comprehensive income		
Unrealized gains (losses) on investment securities	1,470	1,657
Deferred gains (losses) on hedges	(25)	(29)
Foreign currency translation adjustment	(41)	(3)
Total accumulated other comprehensive income	1,402	1,624
Non-controlling interests	83	83
Total net assets	26,746	34,209
Total liabilities and net assets	99,041	96,593

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

	First Quarter of Fiscal 2021 (August 1, 2020 through October 31, 2020) Millions of yen	First Quarter of Fiscal 2022 (August 1, 2021 through October 31, 2021) Millions of yen
Net sales	8,165	30,743
Cost of sales	6,519	23,622
Gross profit	1,646	7,121
Selling, general and administrative expenses	949	1,333
Operating profit	696	5,787
Non-operating income		
Interest received	0	0
Foreign exchange gains	1	8
Equity in income of affiliates	84	3
Others	5	0
Total non-operating income	91	14
Non-operating expenses		
Interest paid	43	77
Commission fee	49	154
Others	11	19
Total non-operating expenses	104	250
Recurring profit	684	5,551
Extraordinary income		
Gain on sales of investment securities	148	—
Real estate sales contract penalty	—	565
Others	—	9
Total extraordinary income	148	575
Extraordinary expenses		
Loss on retirement of fixed assets	—	1
Total extraordinary expenses	—	1
Profit before dividend distribution from silent partnerships and income taxes	833	6,125
Dividends distribution from silent partnerships	1	3
Income before income taxes	831	6,122
Total income taxes	242	1,973
Net income	589	4,148
Net income attributable to non-controlling interests	—	(2)
Net income attributable to owners of the parent company	589	4,151

Quarterly Consolidated Statements of Comprehensive Income

	First Quarter of Fiscal 2021 (August 1, 2020 through October 31, 2020) Millions of yen	First Quarter of Fiscal 2022 (August 1, 2021 through October 31, 2021) Millions of yen
Net income	589	4,148
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(403)	192
Foreign currency translation adjustment	0	(16)
Share of other comprehensive income of entities accounted for using equity method	90	48
Total other comprehensive income	(312)	224
Comprehensive income	276	4,372
Comprehensive income attributable to owners of the parent company	276	4,373
Comprehensive income attributable to non-controlling interests	(0)	(0)

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

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

(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	7,147	768	247	8,164	1	8,165	—	8,165
Inter-segment	38	0	4	42	3	46	(46)	—
Total	7,186	769	251	8,206	4	8,211	(46)	8,165
Segment income (loss)	708	130	141	980	0	980	(283)	696

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

2. The (283) million yen segment income or loss adjustment includes (3) million yen in inter-segment elimination and (280) 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.

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

(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	7,944	22,439	357	30,741	2	30,743	—	30,743
Inter-segment	291	0	6	298	5	303	(303)	—
Total	8,235	22,439	364	31,039	7	31,046	(303)	30,743
Segment income (loss)	949	4,997	261	6,208	0	6,209	(421)	5,787

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

2. The (421) million yen segment income or loss adjustment includes 0 million yen in inter-segment elimination and (422) 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.