

**Summary of Consolidated Financial Results
for the Six Months Ended January 31, 2024
[Japanese GAAP]**

March 14, 2024

Company name: CRE Inc. Listing Stock Exchange: Tokyo
 Stock code: 3458 URL: <https://www.cre-jpn.com/en/>
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Scheduled date to file quarterly securities report: March 15, 2024

Scheduled date for dividend payment: March 29, 2024

Preparation of supplementary material on quarterly financial results: Yes

Quarterly financial results briefing to be held: Yes

(Video presentation of financial results will be available on the Company's website.)

(Amounts less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended January 31, 2024

(August 1, 2023 to January 31, 2024)

(1) Consolidated operating results

(Percentages indicate YoY changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended January 31, 2024	23,491	73.0	1,291	159.5	700	269.5	370	—
Six months ended January 31, 2023	13,575	(63.5)	497	(91.9)	189	(96.6)	7	(99.8)

Note: Comprehensive income for the six months ended January 31, 2024 was 280 million yen (—% YoY).

Comprehensive income for the six months ended January 31, 2023 was (227) million yen (—% YoY).

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended January 31, 2024	12.64	12.64
Six months ended January 31, 2023	0.26	0.26

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of January 31, 2024	145,890	38,165	26.1
As of July 31, 2023	138,821	38,477	27.7

Reference: Equity capital amounted to 38,134 million yen as of January 31, 2024 and 38,455 million yen as of July 31, 2023.

2. Dividends

	Annual dividend per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended July 31, 2023	—	0.00	—	25.00	25.00
Fiscal year ending July 31, 2024	—	25.00			
Fiscal year ending July 31, 2024 (forecast)			—	26.00	51.00

Notes: Revisions to the most recently announced dividend forecast: None

Breakdown of the interim dividend for the fiscal year ending July 31, 2024 (forecast): Special dividend 25.00 yen

3. Consolidated Earnings Forecast for the Fiscal Year Ending July 31, 2024

(August 1, 2023 to July 31, 2024)

(Percentages indicate YoY changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	67,900	30.2	7,500	4.9	6,050	(9.7)	3,800	(13.4)	129.88

Note: Revisions to the most recently announced earnings forecast: None

*Notes

- (1) Changes in significant subsidiaries during the period under review: None
(Transfers of specified subsidiaries resulting in changes in the Company's scope of consolidation)
- (2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies and accounting estimates and retrospective restatements
1. Accounting policy changes due to accounting standard revisions, etc.: None
 2. Other accounting policy changes: None
 3. Changes in accounting estimates: None
 4. Retrospective restatements: None

(4) Number of issued shares (common stock)

1. Number of issued shares at end of period (including treasury stock)	As of January 31, 2024	29,356,700	As of July 31, 2023	29,259,200
2. Number of treasury shares at end of period	As of January 31, 2024	5,752	As of July 31, 2023	2,445
3. Average number of shares outstanding during period	Six months ended January 31, 2024	29,282,320	Six months ended January 31, 2023	29,480,865

*The quarterly financial statements are outside the scope of quarterly review by certified public accountants or auditing corporations.

*Appropriate use of earnings forecast and other special notes

(Notes on forward-looking statements, etc.)

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable by the Company, and are not intended to be construed as assurance that they will be accomplished in the future.

Actual results may differ significantly from these forecasts due to a wide range of factors.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Consolidated balance sheet

(Millions of yen)

	As of July 31, 2023	As of January 31, 2024
Assets		
Current assets		
Cash and deposits	28,292	24,325
Notes and accounts receivable - trade, and contract assets	1,322	1,131
Accounts receivable from completed construction contracts	305	332
Real estate for sale	16,214	44,251
Real estate for sale in process	58,588	36,064
Advance payments to suppliers	1,037	4,347
Prepaid expenses	1,501	1,558
Consumption taxes refund receivable	2,087	2,771
Other	317	320
Allowance for doubtful accounts	(9)	(5)
Total current assets	109,658	115,097
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,590	4,515
Accumulated depreciation	(2,158)	(2,252)
Buildings and structures, net	2,432	2,262
Machinery, equipment and vehicles	49	67
Accumulated depreciation	(47)	(46)
Machinery, equipment and vehicles, net	2	21
Tools, furniture and fixtures	281	295
Accumulated depreciation	(197)	(212)
Tools, furniture and fixtures, net	84	82
Land	4,770	4,435
Leased assets	517	520
Accumulated depreciation	(354)	(371)
Leased assets, net	162	149
Construction in progress	15	10
Total property, plant and equipment	7,467	6,961
Intangible assets		
Goodwill	636	530
Other	272	526
Total intangible assets	908	1,057
Investments and other assets		
Investment securities	10,560	10,779
Distressed receivables	150	221
Long-term prepaid expenses	789	713
Deferred tax assets	135	282
Leasehold and guarantee deposits	7,999	8,199
Other	1,290	2,790
Allowance for doubtful accounts	(150)	(221)
Total investments and other assets	20,774	22,765
Total non-current assets	29,150	30,784

(Millions of yen)

	As of July 31, 2023	As of January 31, 2024
Deferred assets		
Bond issuance costs	12	8
Total deferred assets	12	8
Total assets	138,821	145,890

(Millions of yen)

	As of July 31, 2023	As of January 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	9,412	16,208
Accounts payable for construction contracts	510	319
Short-term borrowings	360	360
Current portion of long-term borrowings	20,389	19,571
Lease liabilities	60	61
Income taxes payable	299	310
Accrued consumption taxes	51	23
Deposits received	1,274	1,367
Unearned revenue	1,970	2,048
Provision for bonuses	381	81
Provision for bonuses for directors (and other officers)	295	—
Provision for loss on subleases	22	19
Provision for loss on construction contracts	7	7
Other	323	534
Total current liabilities	35,357	40,914
Non-current liabilities		
Bonds payable	3,000	3,000
Long-term borrowings	51,946	53,300
Lease liabilities	248	221
Deferred tax liabilities	0	0
Provision for loss on guarantees	37	38
Provision for loss on subleases	2	—
Retirement benefit liability	281	271
Asset retirement obligations	299	300
Leasehold and guarantee deposits received	8,899	9,418
Other	269	259
Total non-current liabilities	64,986	66,810
Total liabilities	100,344	107,724
Net assets		
Shareholders' equity		
Share capital	5,295	5,365
Capital surplus	6,008	6,078
Retained earnings	25,979	25,618
Treasury shares	(0)	(0)
Total shareholders' equity	37,283	37,061
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,012	691
Deferred gains or losses on hedges	(7)	2
Foreign currency translation adjustment	166	378
Total accumulated other comprehensive income	1,172	1,072
Non-controlling interests	21	31
Total net assets	38,477	38,165
Total liabilities and net assets	138,821	145,890

(2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income

(Millions of yen)

	Six months ended January 31, 2023 (August 1, 2022 to January 31, 2023)	Six months ended January 31, 2024 (August 1, 2023 to January 31, 2024)
Net sales	13,575	23,491
Cost of sales	10,703	19,381
Gross profit	2,871	4,110
Selling, general and administrative expenses	2,374	2,818
Operating profit	497	1,291
Non-operating income		
Interest income	1	1
Foreign exchange gains	3	5
Insurance claim income	32	1
Share of profit of entities accounted for using equity method	172	—
Interest on tax refund	0	9
Other	16	2
Total non-operating income	226	21
Non-operating expenses		
Interest expenses	229	318
Commission expenses	266	261
Share of loss of entities accounted for using equity method	—	30
Other	38	3
Total non-operating expenses	534	612
Ordinary profit	189	700
Extraordinary income		
Gain on sale of non-current assets	7	0
Other	0	—
Total extraordinary income	8	0
Extraordinary losses		
Loss on retirement of non-current assets	4	7
Loss on valuation of investment securities	26	—
Loss on valuation of shares of subsidiaries and associates	—	4
Loss on sale of shares of subsidiaries and associates	3	—
Other	0	0
Total extraordinary losses	34	13
Profit before distributions of profit or loss on silent partnerships and income taxes	163	686
Distributions of profit or loss on silent partnerships	5	—
Profit before income taxes	158	686
Income taxes	155	307
Profit	2	379
Profit (loss) attributable to non-controlling interests	(5)	9
Profit attributable to owners of parent	7	370

Consolidated statement of comprehensive income

(Millions of yen)

	Six months ended January 31, 2023 (August 1, 2022 to January 31, 2023)	Six months ended January 31, 2024 (August 1, 2023 to January 31, 2024)
Profit	2	379
Other comprehensive income		
Valuation difference on available-for-sale securities	(393)	(329)
Foreign currency translation adjustment	(13)	30
Share of other comprehensive income of entities accounted for using equity method	177	200
Total other comprehensive income	(229)	(98)
Comprehensive income	(227)	280
(Breakdown)		
Comprehensive income attributable to owners of parent	(222)	271
Comprehensive income attributable to non-controlling interests	(5)	9

(3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended January 31, 2023 (August 1, 2022 to January 31, 2023)	Six months ended January 31, 2024 (August 1, 2023 to January 31, 2024)
Cash flows from operating activities		
Profit before income taxes	158	686
Depreciation	181	176
Amortization of goodwill	106	106
Share of loss (profit) of entities accounted for using equity method	(172)	30
Increase (decrease) in allowance for doubtful accounts	11	66
Increase (decrease) in provision for bonuses	(314)	(300)
Increase (decrease) in provision for loss on subleases	(30)	(5)
Increase (decrease) in provision for loss on construction contracts	0	(0)
Increase (decrease) in provision for loss on guarantees	2	0
Increase (decrease) in provision for bonuses for directors (and other officers)	(348)	(295)
Increase (decrease) in retirement benefit liability	4	(10)
Interest and dividend income	(1)	(1)
Interest expenses	229	318
Foreign exchange losses (gains)	(20)	(6)
Loss (gain) on sale of investment securities	3	0
Loss (gain) on valuation of investment securities	26	—
Loss on valuation of shares of subsidiaries and associates	—	4
Loss on retirement of non-current assets	4	7
Loss (gain) on sale of property, plant and equipment and intangible assets	(7)	(0)
Decrease (increase) in trade receivables	(899)	165
Decrease (increase) in inventories	(14,349)	(5,096)
Increase (decrease) in trade payables	4,704	6,604
Decrease (increase) in advance payments to suppliers	(5,154)	(3,309)
Decrease (increase) in consumption taxes refund receivable	(2,457)	(683)
Increase (decrease) in accrued consumption taxes	(1,794)	(27)
Increase (decrease) in deposits received	(78)	93
Decrease (increase) in leasehold and guarantee deposits	114	(202)
Increase (decrease) in leasehold and guarantee deposits received	632	512
Other, net	7	353
Subtotal	(19,439)	(809)
Interest and dividends received	0	11
Interest paid	(225)	(312)
Income taxes paid	(2,707)	(267)
Net cash provided by (used in) operating activities	(22,372)	(1,377)
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(49)	(547)
Proceeds from sale and redemption of short-term and long-term investment securities	158	111
Purchase of property, plant and equipment	(538)	(66)
Proceeds from sale of property, plant and equipment	24	1
Purchase of intangible assets	(95)	(264)
Loan advances	(208)	(1,431)
Other, net	(12)	11
Net cash provided by (used in) investing activities	(721)	(2,184)

(Millions of yen)

	Six months ended January 31, 2023 (August 1, 2022 to January 31, 2023)	Six months ended January 31, 2024 (August 1, 2023 to January 31, 2024)
Cash flows from financing activities		
Proceeds from long-term borrowings	16,097	9,658
Repayments of long-term borrowings	(1,652)	(9,304)
Repayments of lease liabilities	(28)	(30)
Purchase of treasury shares	(1,246)	—
Proceeds from exercise of employee share options	4	2
Dividends paid	(718)	(730)
Net cash provided by (used in) financing activities	12,455	(403)
Effect of exchange rate change on cash and cash equivalents	16	(2)
Net increase (decrease) in cash and cash equivalents	(10,620)	(3,968)
Cash and cash equivalents at beginning of period	36,788	28,274
Cash and cash equivalents at end of period	26,167	24,306

Notes to quarterly consolidated financial statements

(Notes to going concern assumptions)

There is no relevant information.

(Notes in the event of significant changes in shareholders' equity)

There is no relevant information.

(Application of special accounting treatment in preparing the quarterly consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the consolidated fiscal year, including the second quarter, and multiplying quarterly profit before income taxes by the estimated effective tax rate.

(Segment information, etc.)

[Segment information]

I. Six months ended January 31, 2023 (August 1, 2022 to January 31, 2023)

1. Information on sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments					Other* ¹	Total	Adjustments* ²	Amount recorded on quarterly consolidated statement of income* ³
	Real Estate Management	Logistics Investment	Asset Management	Overseas	Total				
Sales									
Sales to external customers	12,010	—	691	7	12,709	865	13,575	—	13,575
Intersegment sales and transfers	216	0	7	—	224	8	233	(233)	—
Total	12,227	0	698	7	12,934	874	13,808	(233)	13,575
Operating profit (loss)	1,083	(342)	461	(52)	1,150	(81)	1,069	(571)	497
Share of profit (loss) of entities accounted for using equity method	—	(3)	—	10	7	165	172	—	172
Segment profit (loss)	1,083	(345)	461	(41)	1,158	83	1,242	(571)	670

Notes: 1. "Other" is a business segment not included in the reportable segments.

2. The (571) million yen adjustment to segment profit (loss) includes (2) million yen in elimination of intersegment transactions and corporate-wide expenses of (568) million yen not allocated to each reportable segment. Primary corporate-wide expenses are general and administrative expenses not attributable to reportable segments.

3. Segment profit (loss) = operating profit (loss) + share of profit (loss) of entities accounted for using equity method

II. Six months ended January 31, 2024 (August 1, 2023 to January 31, 2024)

1. Information on sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments					Other* ¹	Total	Adjustments* ²	Amount recorded on quarterly consolidated statement of income* ³
	Real Estate Management	Logistics Investment	Asset Management	Overseas	Total				
Sales									
Sales to external customers	11,436	10,213	695	8	22,353	1,137	23,491	—	23,491
Intersegment sales and transfers	156	0	12	—	169	—	169	(169)	—
Total	11,593	10,214	707	8	22,523	1,137	23,661	(169)	23,491
Operating profit (loss)	994	875	423	(66)	2,227	(172)	2,054	(763)	1,291
Share of profit (loss) of entities accounted for using equity method	—	(15)	—	(110)	(126)	96	(30)	—	(30)
Segment profit (loss)	994	859	423	(176)	2,100	(76)	2,024	(763)	1,261

Notes: 1. “Other” is a business segment not included in the reportable segments.

2. The (763) million yen adjustment to segment profit (loss) includes 11 million yen in elimination of intersegment transactions and corporate-wide expenses of (775) million yen not allocated to each reportable segment. Primary corporate-wide expenses are general and administrative expenses not attributable to reportable segments.

3. Segment profit (loss) = operating profit (loss) + share of profit (loss) of entities accounted for using equity method

2. Changes in classification of reportable segments, etc.

(Change in classification of reportable segments)

To achieve targets set under our second medium-term management plan (currently underway), we will strive to generate profitability in new spheres (overseas and new businesses) and ensure steady growth by strengthening our recurring revenue businesses while maintaining non-recurring revenue businesses as growth drivers.

Effective from the first quarter of the current fiscal year, we have modified our organizational structure to clearly identify recurring revenue and non-recurring revenue businesses and distinctly delineate the positioning of our overseas business operations.

Consequently, we have replaced our previous three reportable segments (the Real Estate Management, Logistics Investment, and Asset Management segments) with a new set of four reportable segments consisting of the Real Estate Management, Logistics Investment, Asset Management, and Overseas segments.

Segment information for the first half of the previous fiscal year has been retroactively adjusted to reflect our new classification of reportable segments.

(Change in method of calculating profit or loss by reportable segment)

To achieve targets set under our second medium-term management plan (currently underway), we will strive to generate profitability in new spheres (overseas and new businesses) and ensure steady growth by strengthening our recurring revenue businesses while maintaining non-recurring revenue businesses as growth drivers.

Effective from the first quarter of the current fiscal year, we have modified our organizational structure to clearly identify recurring revenue and non-recurring revenue businesses and distinctly delineate the positioning of our overseas business operations. Consequently, our reportable segments have been changed as indicated in above.

Accordingly, we have ensured more appropriate business management classification, thereby guaranteeing that our overseas business operations are properly reflected in segment results.

Effective from the first quarter of the current fiscal year, we have changed our method of calculating profit or loss by reportable segment in response to considerations concerning profit or loss generated through equity-method affiliates.

Our new method for calculating profit or loss by reportable segment has been provided below.

Segment profit (loss) = operating profit (loss) + share of profit (loss) of entities accounted for using equity method

Segment information for the first half of the previous fiscal year has been retroactively adjusted to reflect our revised calculation method.