

CRE, Inc.

Code: 3458



Consolidated Results for First Quarter of Fiscal Year ending July 31, 2022 (August 1, 2021 to July 31, 2022)

December 13, 2021

Contents

Fiscal 2022 First Quarter Highlights	P.2
Consolidated Summary of Fiscal 2022 First Quarter	P.3
Status of Business Profit and Segment Income Compared with Targets set at Beginning of Year	P.4
Stock Business	P.5
Flow Business	P.7
Capital Increase	P.10
New Business	P.11
Measures to Support Sustainable Society	P.12
Revised Full-Year Targets for Fiscal 2022	P.13
Appendix	P.14

Fiscal 2022 First Quarter Highlights

Performance Highlights

- Taking favorable quarterly performance into consideration, full-year performance forecast upwardly revised
- Firmly maintaining ROE initially projected at beginning of term even after capital increase

Operating profit	¥8,600 million	→	¥8,800 million	(+¥200 million +2.3%)
Business profit	¥9,000 million	→	¥9,700 million	(+¥700 million +7.8%)
Net income	¥5,000 million	→	¥5,600 million	(+¥600 million +12.0%)
Net sales	¥30,743 million		(YOY +276.5%/Rate of progress*2 49.9%)	
Business profit*1	¥6,447 million		(YOY +631.6%/Rate of progress 71.6%)	

*1: Business profit = Operating profit + Equity in earnings of affiliates + Goodwill amortization (consolidated subsidiaries/equity method affiliates)+ Profit (loss) from business investments

*2: Progress ratio compared to the initial targets at the beginning of term

Business Highlights

- Achieved record-high net sales and income on a quarterly basis.
- Achieved higher sales in all segments, reflecting favorable business environment.
- To accelerate growth, procured about ¥4 billion through public offering and third-party allocation of shares.
- Logistics investment business: Sold *LogiSquare* Osaka Katano to CRE Logistics REIT.
- Asset management business: CRE Logistics REIT executed fifth public offering, with assets under management hitting ¥130 billion.

Consolidated Summary of Fiscal 2022 First Quarter

- Higher year-on-year sales for all segments. In addition, extraordinary income of ¥565 million, paralleling development, pushed sales to all-time high on quarterly basis.
- SG&A expenses up due to business expansion as well as change in provision for bonuses at fiscal year-end to in-term allocation matched to business progress, effective from the first quarter of fiscal 2022.

(Millions of yen)

	Fiscal 2021 First Quarter Actual	Fiscal 2022 First Quarter Actual	Fiscal 2022 Initial Plan
Net sales	8,165	30,743	61,600
Gross profit	1,646	7,121	—
Selling, general and administrative expenses	949	1,333	—
Amortization of goodwill	59	64	—
Operating profit	696	5,787	8,600
Business profit*1	881	6,447	9,000
Recurring profit	684	5,551	7,600
Net income	589	4,151	5,000
Earnings per share (Yen)	¥21.57	¥150.38	¥182.05

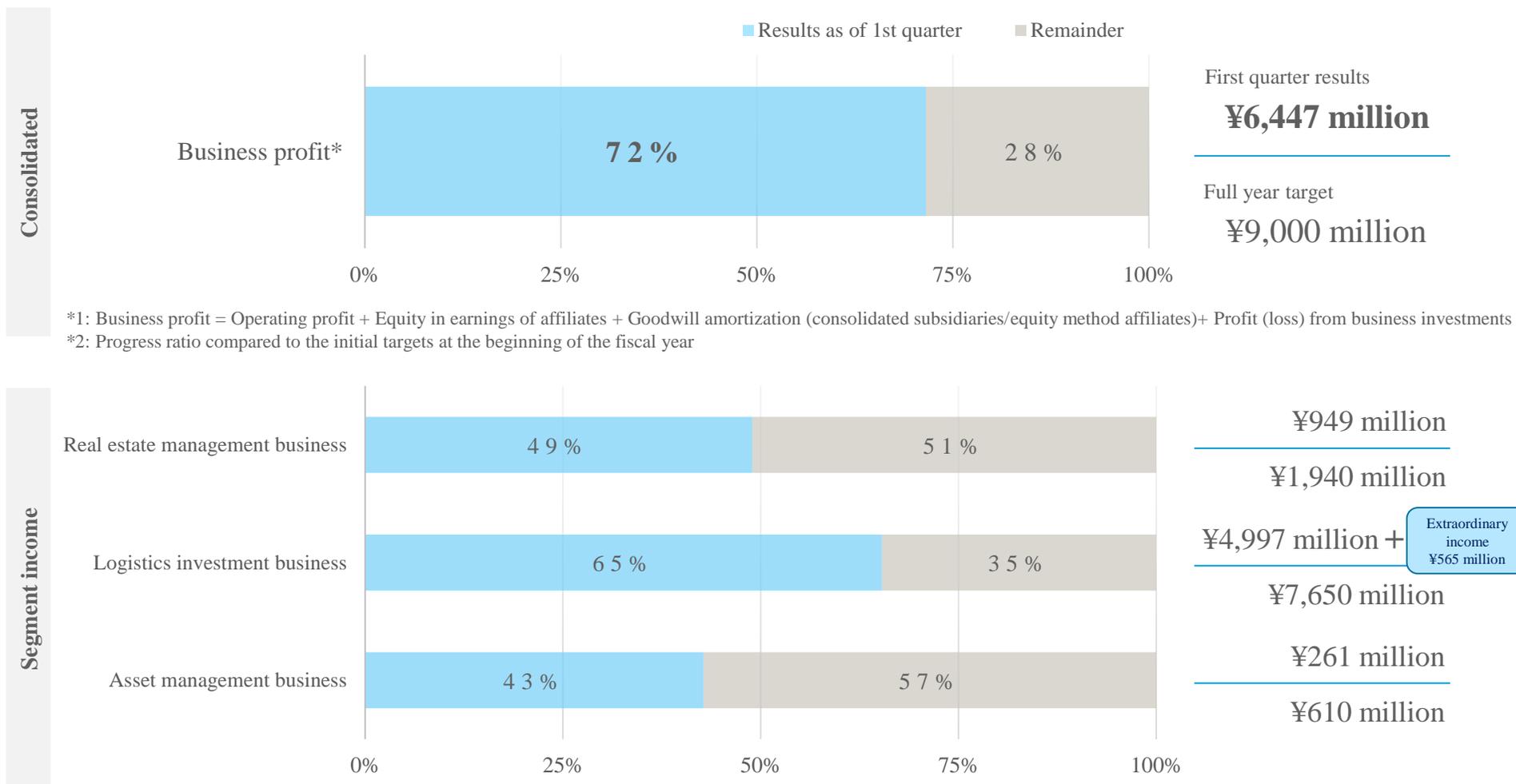
	Fiscal 2021 First Quarter Actual	Fiscal 2022 First Quarter Actual	Fiscal 2022 Initial Plan
Net sales	8,165	30,743	61,600
Real estate management business	7,147	7,944	28,850
Logistics investment business	768	22,439	31,650
Asset management business	247	357	1,100
Other operations	1	2	—
Segment income	696	5,787	8,600
Real estate management business	708	949	1,940
Logistics investment business	130	4,997	7,650
Asset management business	141	261	610
Other operations	0	0	—
Adjustment	(283)	(421)	(1,600)

Note: Sales for each reporting segment represent sales to external customers.

*1: Business profit = Operating profit + Equity in earnings of affiliates + Goodwill amortization (consolidated subsidiaries/equity method affiliates)+ Profit (loss) from business investments

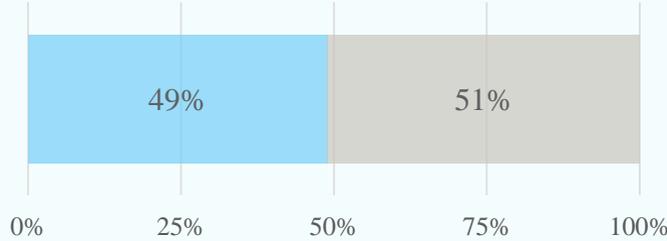
Status of Business Profit and Segment Income Compared with Targets Set at Beginning of Year

- Amid favorable business environment, business continues to progress in positive direction, leading to **business profit of ¥6.4 billion** and rate of progress toward target at **72%**.



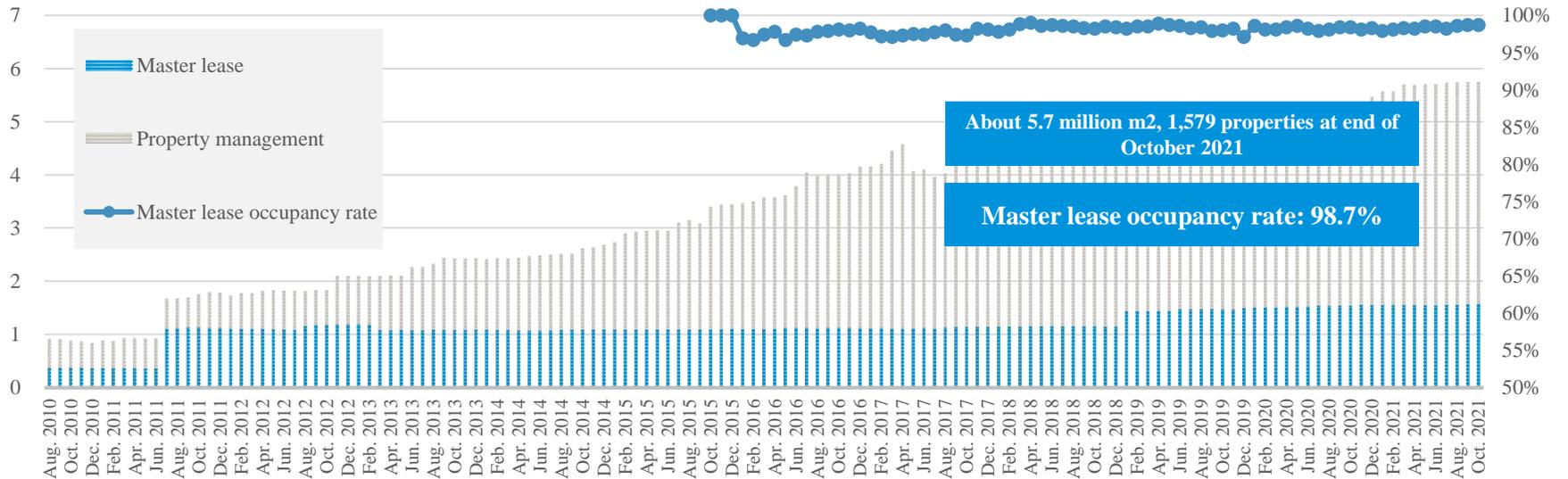
Year-on-year improvement reflecting solid master lease activity and contribution from sale of building to CRE Master Lease Fund 3

Rate of progress toward initial target



- Master lease operating rate is good
- Booked revenue from sale of building to CRE Master Lease Fund 3
- Planning to form CRE Master Lease Fund 4 during fiscal 2022
- Conservatively set target for sale of small buildings in sales target
- Despite burden of upfront investment costs for new business and overseas business, revenue growth is generally on track with estimates

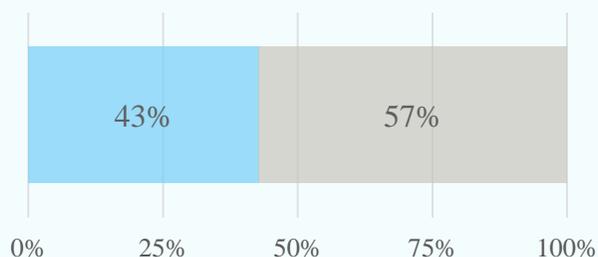
Key ratio: Changes in managed properties



Note: Calculation method changed, effective March 2013

Higher sales and income year on year, thanks to contribution of acquisition fees from CRE Logistics REIT and Private funds.

Rate of progress toward initial target



Public offering (CRE Logistics REIT)

- Expanded asset scale through fifth public offering, pushing AUM to ¥130 billion

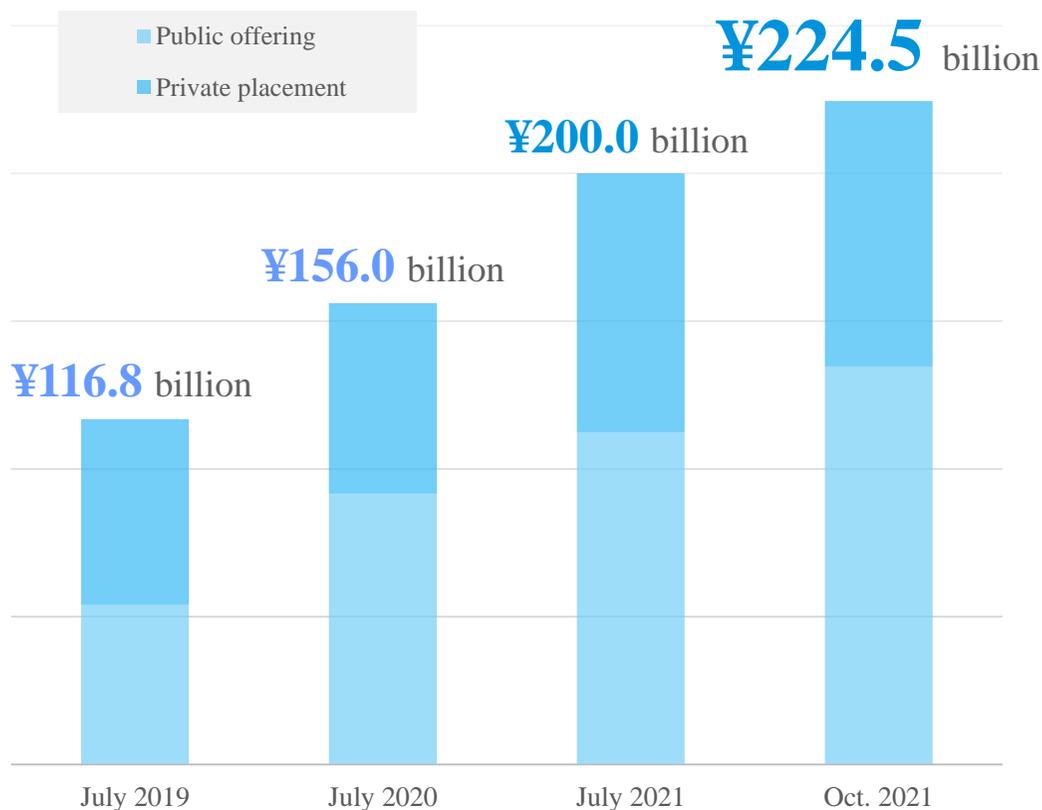
Privately placed funds

- Formation of CRE Master Lease 3 completed
- Self-storage specialized fund formation (planned)

Key ratio: Changes in Assets under Management (AUM) balance

CRE Logistics REIT working to acquire properties, with asset balance rising **¥24.5 billion from fiscal 2021 year-end.**

Note: Entrusted assets balance is based on acquisition price



Income from sale of *LogiSquare* Osaka Katano to CRE Logistics REIT. Segment income ratio at 22%

Rate of progress toward initial target



* Extraordinary income (¥565 million) due to the development of logistics facilities does not included in the segment profit

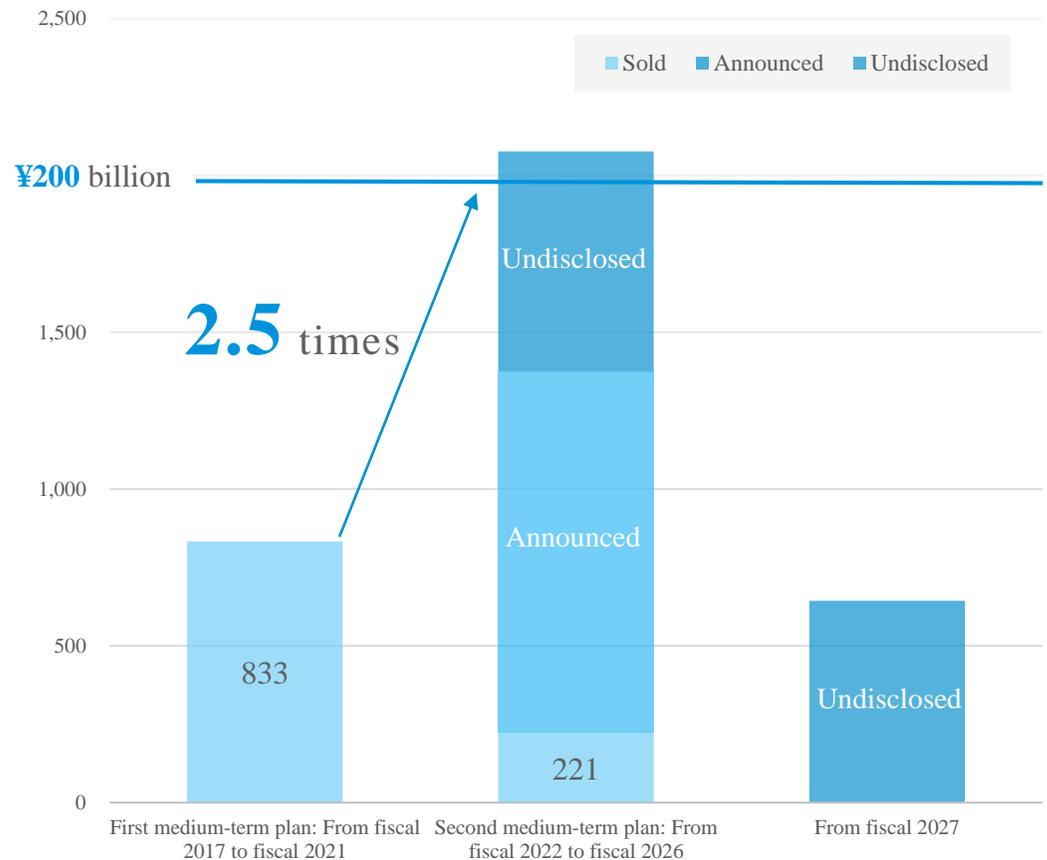
- Booked higher-than-expect gross profit on *LogiSquare* Osaka Katano thanks to cost reduction effect
- Included rental income on completed buildings in possession
- Booked ¥565 million in extraordinary income paralleling development
- Progress on buildings expected to be sold during fiscal 2022

LogiSquare Miyoshi II (18,136 m²) at 100% operation

At *LogiSquare* Sayama-Hidaka (84,132 m²), 20% is in the leasing process

Key ratio: Pipeline balance

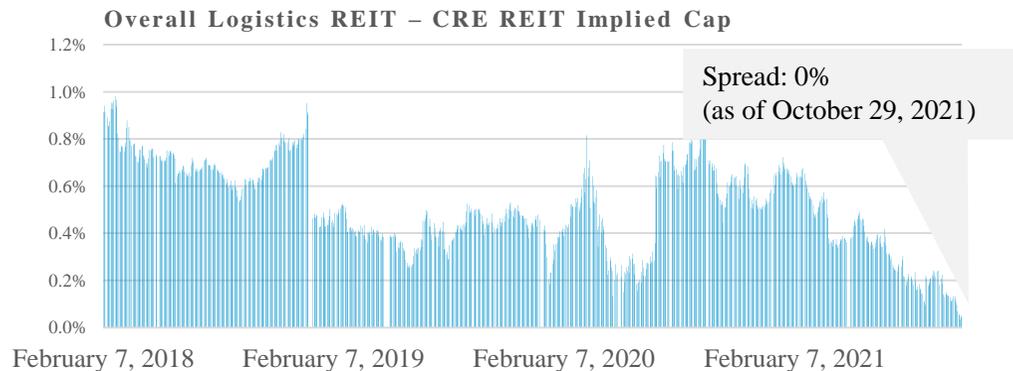
Starting to build sales pipeline for fiscal 2027 and beyond



Flow Business | Market Environment for Building Sales

Reference: JREIT implied cap rate

- Overall implied cap for logistics REIT continues to chart downward, with CRE REIT showing drop of about 2% since market listing
- Tracking overall logistics REIT and comparable implied cap, CRE REIT evaluation is improving

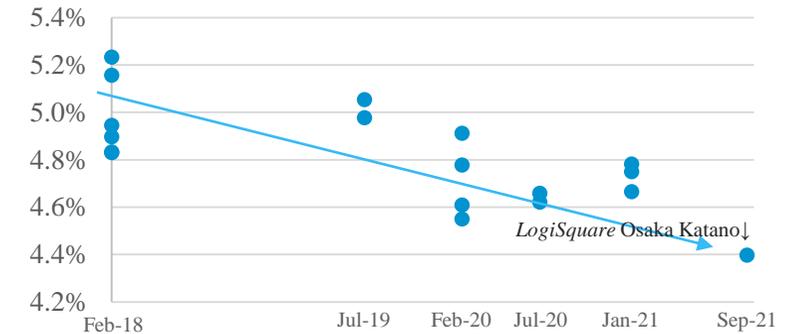


Note: CRE REIT refers to CRE Logistics REIT. Source data created by CRE based on information from SMBC Nikko Securities (dated October 29, 2021)

Reference: CRE REIT acquisition yield

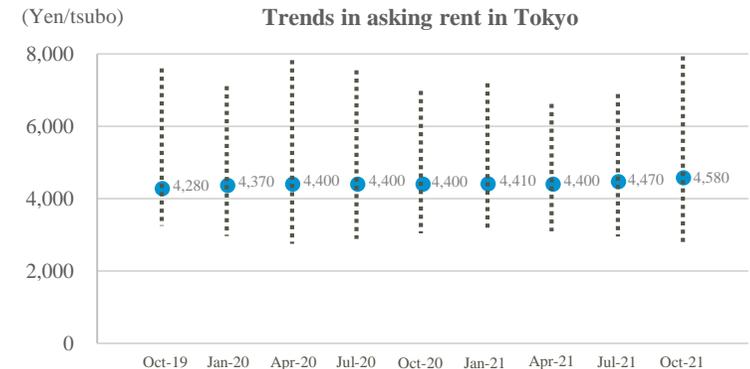
- Acquisition appraisal NOI yield charting downward

※ Acquisition appraisal NOI yield on buildings in Tokyo Metropolitan Area and Kansai region



Reference: Trends in logistics facility rental revenues

- Asking rent continues to climb

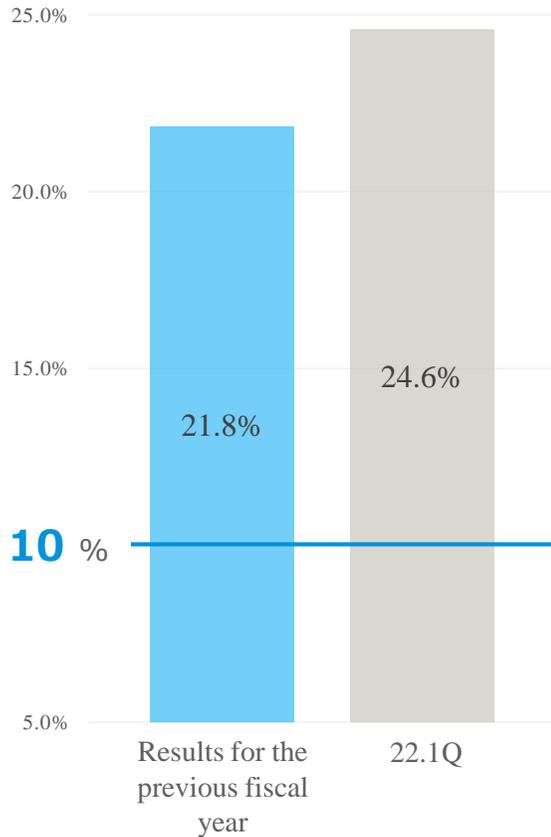


Source: K.K. Ichigo Real Estate Service

Flow Business | Logistics Investment Business Results

Change in segment gross profit margin

- Maintain high segment gross profit margin



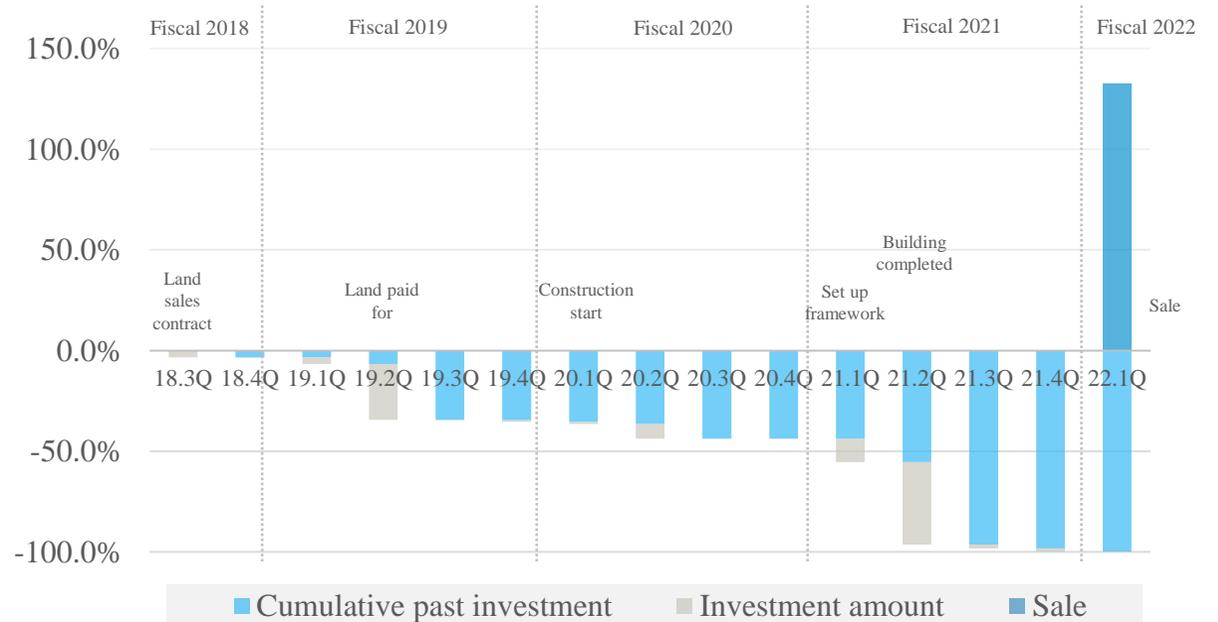
Reference: Investment to exit process

Reference case: *LogiSquare Osaka Katano*

- Realize high investment return ratio through tail-heavy capital investment

Non-leveraged IRR **About 19%*1**
 Leveraged IRR **More than 50%*1**

Weighted average investment period of about one-and-a-half years despite project duration of about three-and-a-half years
 → **High IRR achieved on reciprocal effect of high gross profit margin**



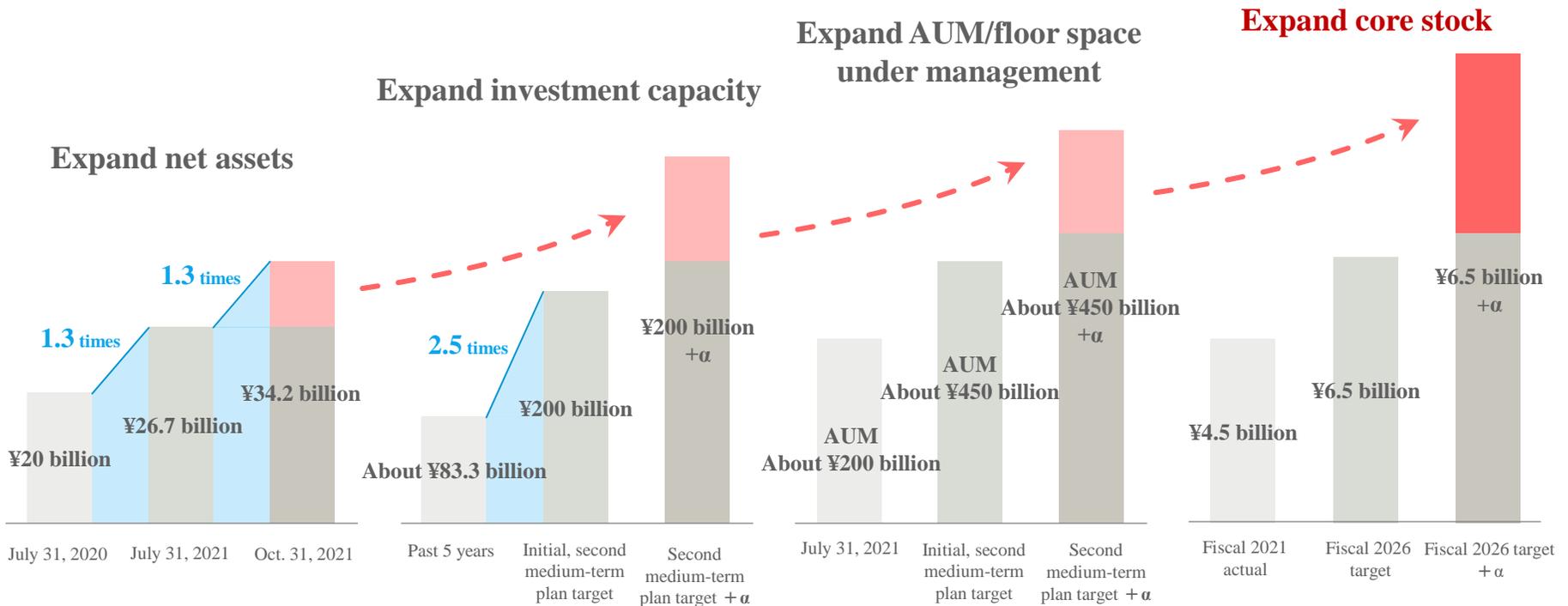
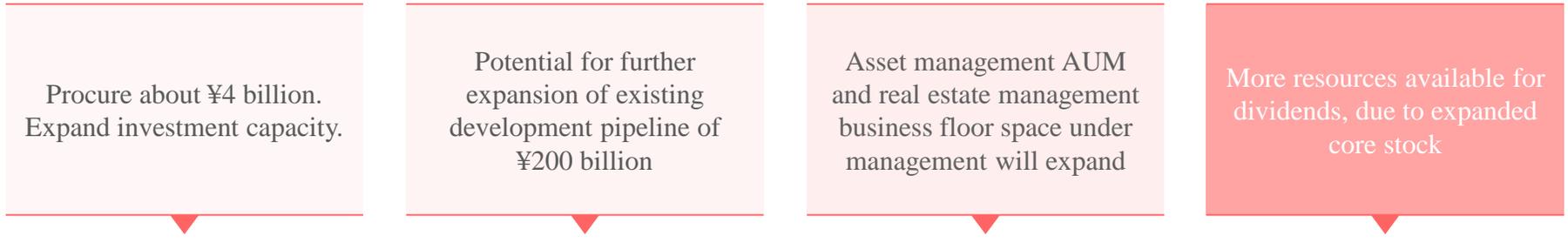
*Capital investment/exit if total cost is 100% (tax excluded)

Does not include asset management fees or property management fees received from CRE Logistics REIT after sale.

*1 Cash basis. Does not include property tax or city planning tax settlement or consumption tax. Leverage assumes loan-to-value ratio of 75% and 1.5% interest rate prepayment

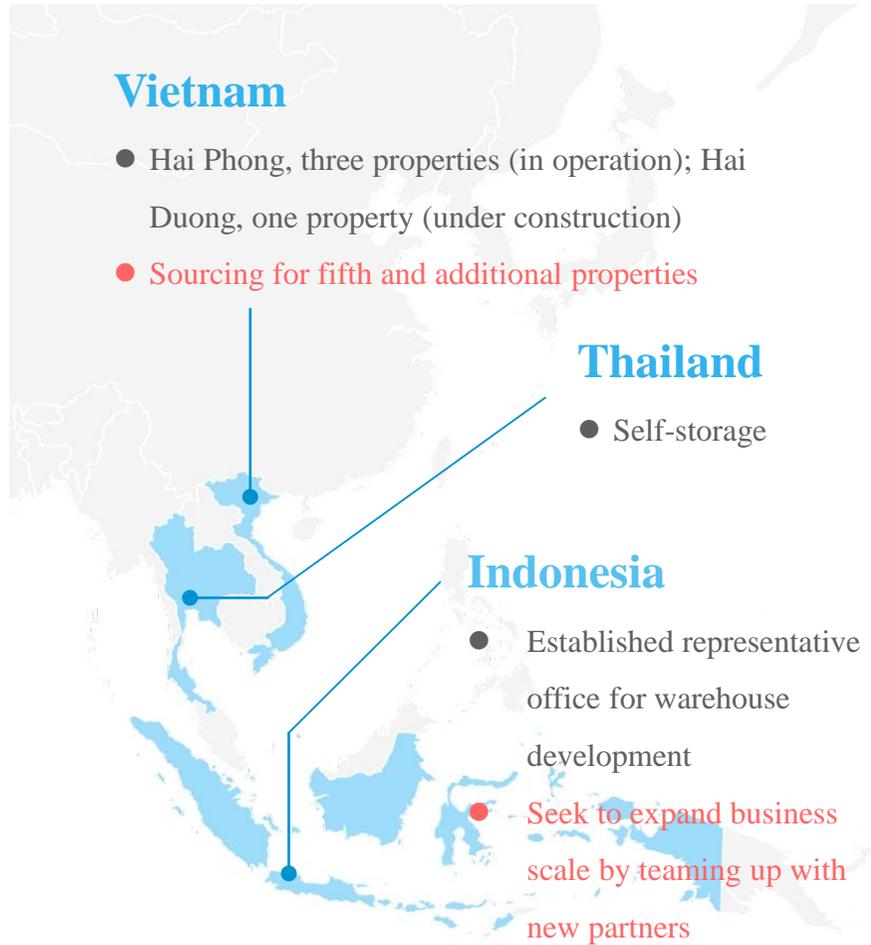
Capital Increase

- Anticipated ripple effect from second public offering



New Business

Overseas

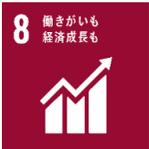


New business groups underpinning LIP

Consolidated subsidiaries	 Distribution platform business	 Automation solution for warehouses
Equity method affiliates	 Specialized leasing/rental of freezer trucks and wing body trucks	<div style="border: 1px solid blue; padding: 5px; display: inline-block;"> <p>NEW</p> <p>ascend</p> <p>Jointly build logistics DX support service</p> </div>
Investment targets	 Delivery matching service	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="border: 1px dashed red; border-radius: 10px; padding: 5px; margin-bottom: 10px;">  </div> <div style="display: flex; align-items: center;">  <div style="margin-left: 20px;">  </div> </div> <p>E-commerce fulfillment</p> <p>Worker dispatch</p> </div>

Measures to Support Sustainable Society

The CRE Group will implement various measures that contribute to the achievement of sustainable development goals (SDGs).

Related SDGs	Strategies
  	<ul style="list-style-type: none"> ● Use solar power generating systems at facilities (EnBio C Energy) ● Move to 100% renewable energy through installation of solar power panels at development properties ● CRE Logistics REIT acquired “3 Star “and “Green Star “designations in GRESB real estate evaluation and top-level “A” in GRESB disclosure evaluation
  	<ul style="list-style-type: none"> ● Obtain environmental assessments for development properties: Building Energy-Efficiency Labeling System (BELS) and Comprehensive Assessment System for Built Environmental Efficiency (CASBEE) ● Install equipment/systems at development properties such as LED lighting, promote use of well water and more greenery around the building(s) ● Prepare measures to deal with soil contamination ● Pursue joint efforts to preserve history (assistance with excavations)
  	<ul style="list-style-type: none"> ● Create local employment through warehouse development ● Support for organizations that contribute to society: Backers Terakoya, Kodomo Shokudo (“Children’s Cafeteria”) * ● Sponsor courses at universities: Sofia University, Meiji University*

*As of July 31, 2021

Revised Full-Year Targets for Fiscal 2022

- Full-year targets upwardly revised, reflecting favorable results in first quarter.
- Plans to sell two remaining properties in logistics investment business unchanged. Conservative target for sale of small buildings in real estate management business.

(Millions of yen)

	Initial forecast	Revised forecast	Differences
Net sales	61,600	62,100	500
Operating profit	8,600	8,800	200
Business profit*1	9,000	9,700	700
Recurring profit	7,600	7,800	200
Net income	5,000	5,600	600
Earnings per share (Yen)	¥182.05	¥191.12*2	¥9.07

*1: Business profit = Operating profit + Equity in earnings of affiliates + Goodwill amortization (consolidated subsidiaries/equity method affiliates)+ Profit (loss) from business investments

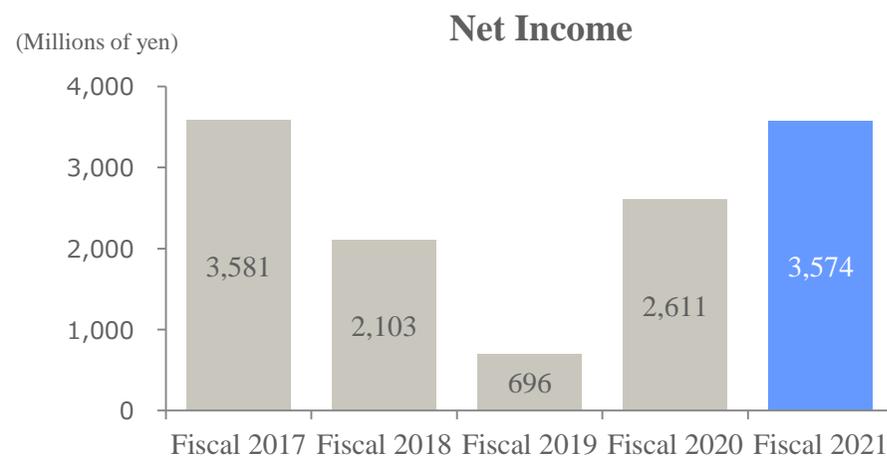
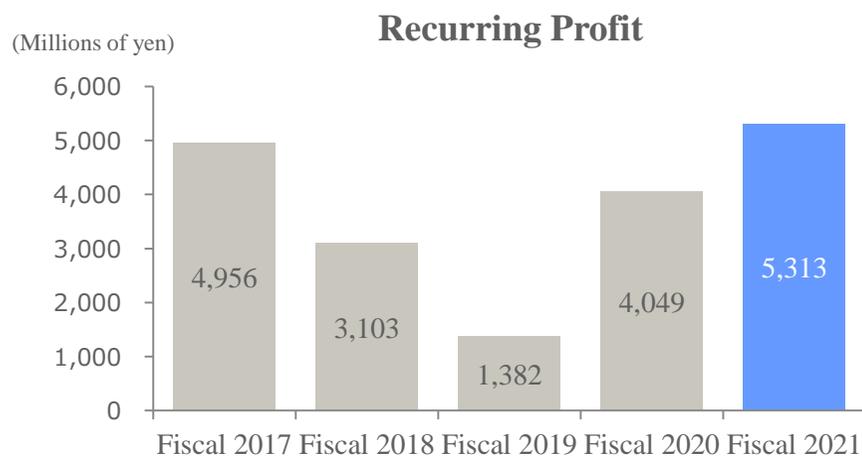
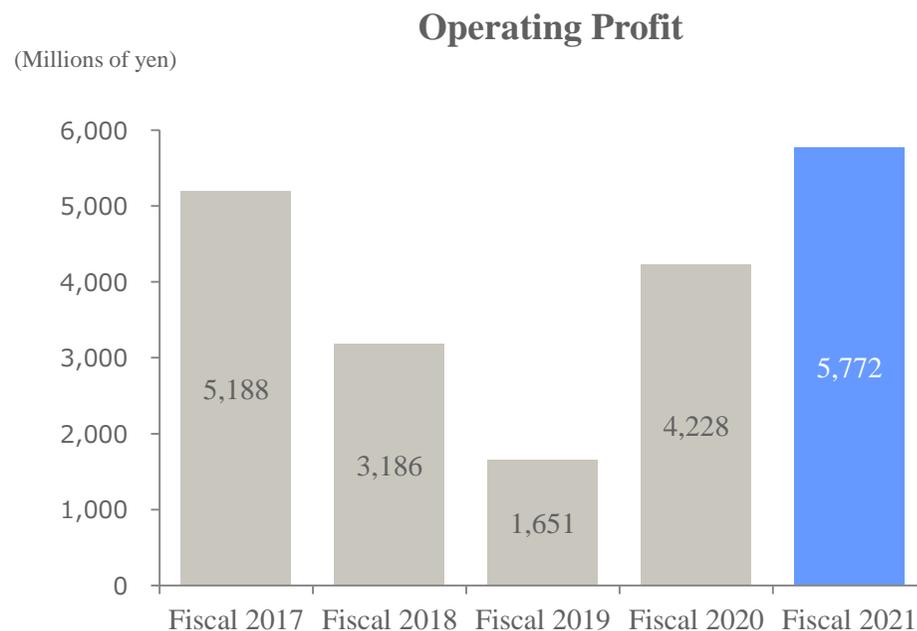
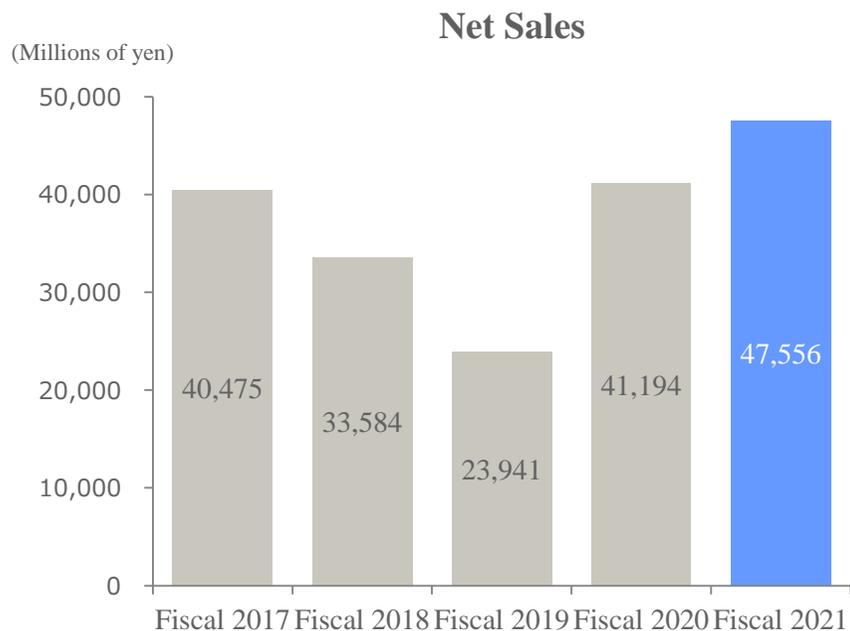
*2: Calculation of net income per share (revised forecast) for fiscal 2022, ending July 31, 2022, takes into consideration an increase in the number of shares associated with issuance of new shares through a public offering and third-party allocation of shares for which payment was completed in October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

	Initial forecast	Revised forecast	Differences
Net sales	61,600	62,100	500
Real estate management business	28,850	28,850	—
Logistics investment business	31,650	31,950	300
Asset management business	1,100	1,300	200
Other operations	—	—	—
Segment income	8,600	8,800	200
Real estate management business	1,940	2,050	110
Logistics investment business	7,650	7,550	(100)
Asset management business	610	750	140
Other operations	—	—	—
Adjustment	(1,600)	(1,550)	50

Note: Sales for each reporting segment represent sales to external customers.

APPENDIX

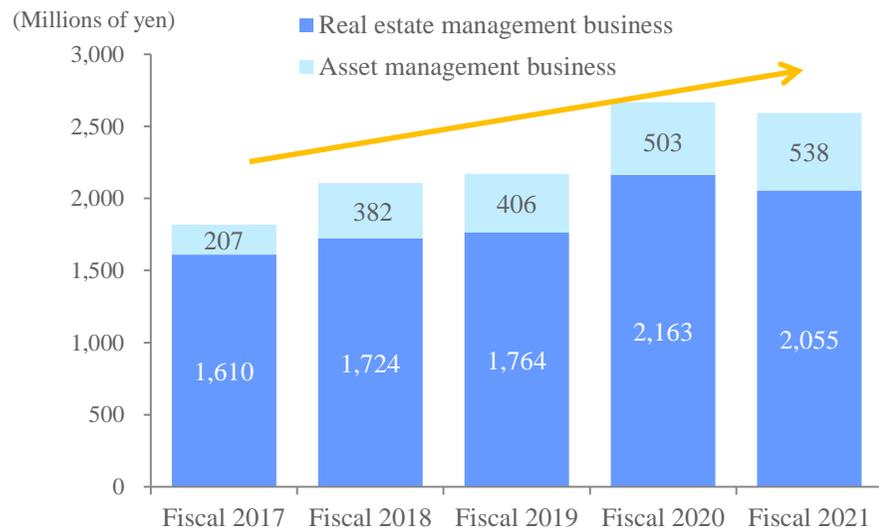
Consolidated Financial Highlights



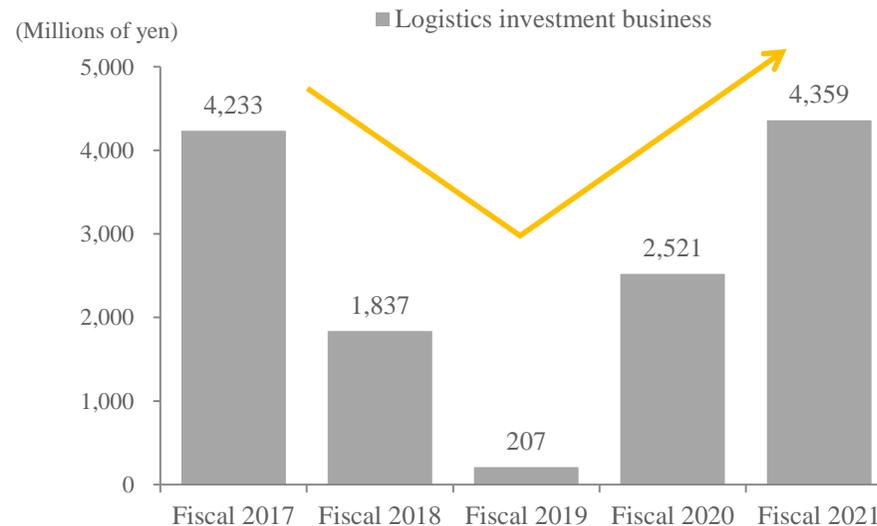
Financial Highlights for Each Reporting Segment

Segment Income

Stock Business



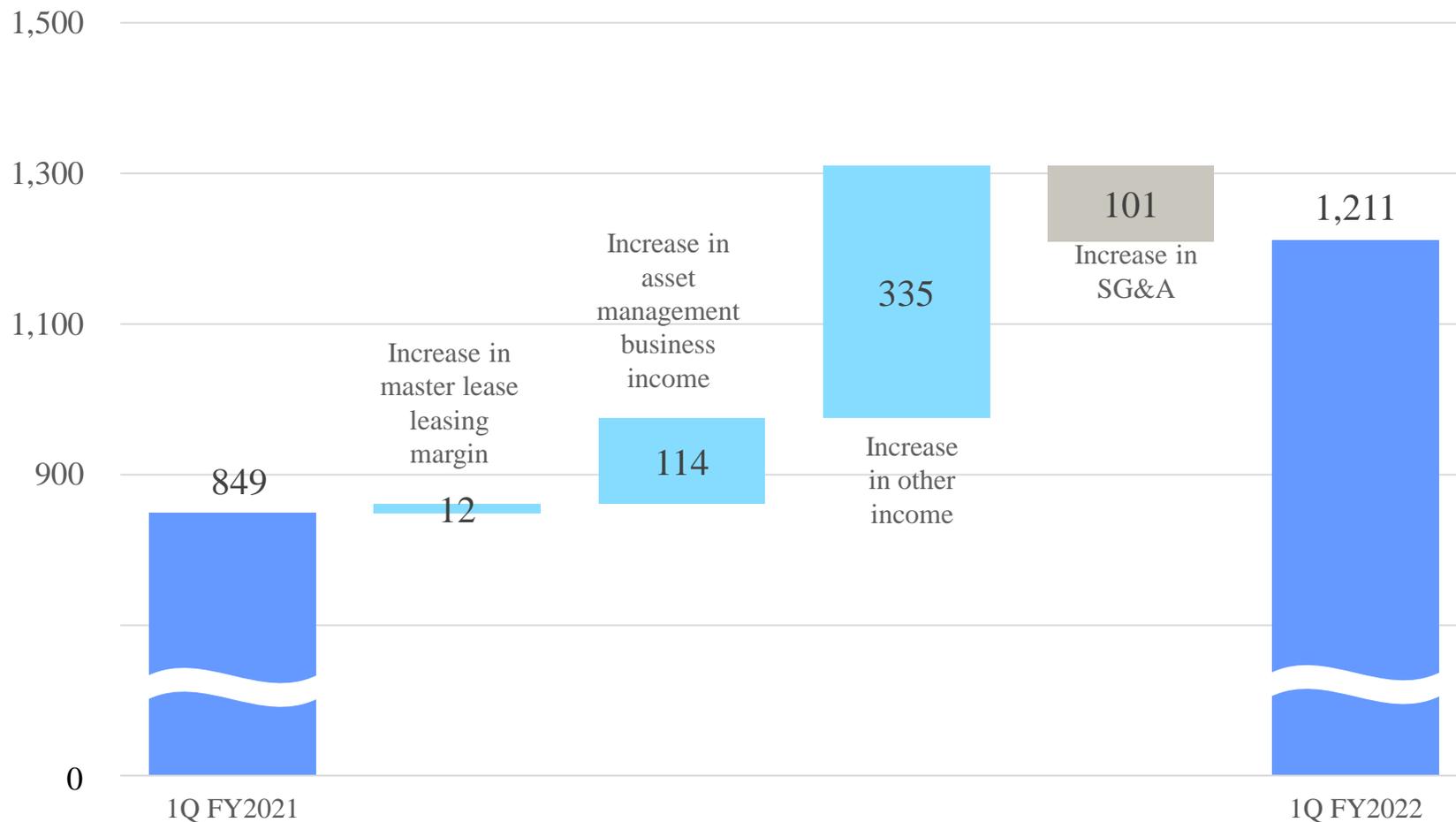
Flow Business



Profit from Stock Business

Stock business = Real estate management business + Asset management business

(Millions of yen)



Summary of Consolidated Balance Sheets

- Key components of real estate for sale: *LogiSquare* Sayama Hidaka (20% of quasi co-ownership interest), *LogiSquare* Miyoshi II, and four small-sized warehouses
- Key components of real estate for sale in process: *LogiSquare* Atsugi I, *LogiSquare* Hirakata, *LogiSquare* Fujimino ABC : *LogiSquare* Itami, and *LogiSquare* Shiroi

(Millions of yen)

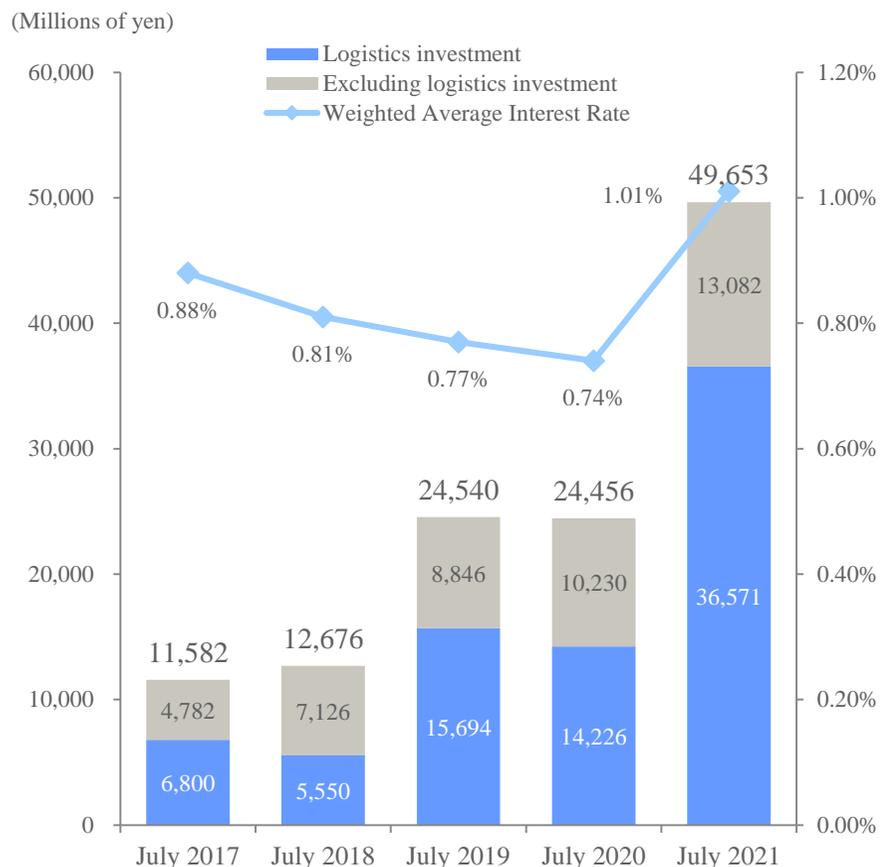
	As of July 31, 2021	As of October 31, 2021	YOY change (%)		As of July 31, 2021	As of October 31, 2021	YOY change (%)
Total assets	99,041	96,593	(2,448)	Total liabilities	72,295	62,384	(9,911)
Current Assets	76,790	73,613	(3,176)	Current liabilities	14,975	15,892	916
(Key components)				(Key components)			
Cash and deposits	19,473	25,793	6,319	Short-term loans payable, etc.*1	2,650	2,591	(59)
Real estate for sale	24,920	7,426	(17,494)	Fixed liabilities	57,319	46,491	(10,827)
Real estate for sale in process	27,342	35,724	8,381	(Key components)			
Fixed assets	22,224	22,954	729	Long-term loans payable, etc.*2	47,002	36,661	(10,340)
(Key components)				Lease and guarantee deposits received	7,931	7,982	50
Tangible fixed assets	4,565	4,540	(24)	Total net assets	26,746	34,209	7,462
Intangible fixed assets	1,630	1,611	(19)	Common stock	3,071	4,927	1,856
Investments and other fixed assets	16,028	16,802	774	Capital surplus	5,031	6,887	1,855
<Lease and guarantee deposits>	<7,022>	<7,457>	435	Earned surplus	17,157	20,687	3,529
Total assets	99,041	96,593	(2,448)	Total liabilities and net assets	99,041	96,593	(2,448)

*1 Short-term loans payable, etc. = Short-term loans payable + Current portion of long-term loans payable + current portion of bond

*2 Long-term loans payable, etc. = Bond + Long-term loans payable

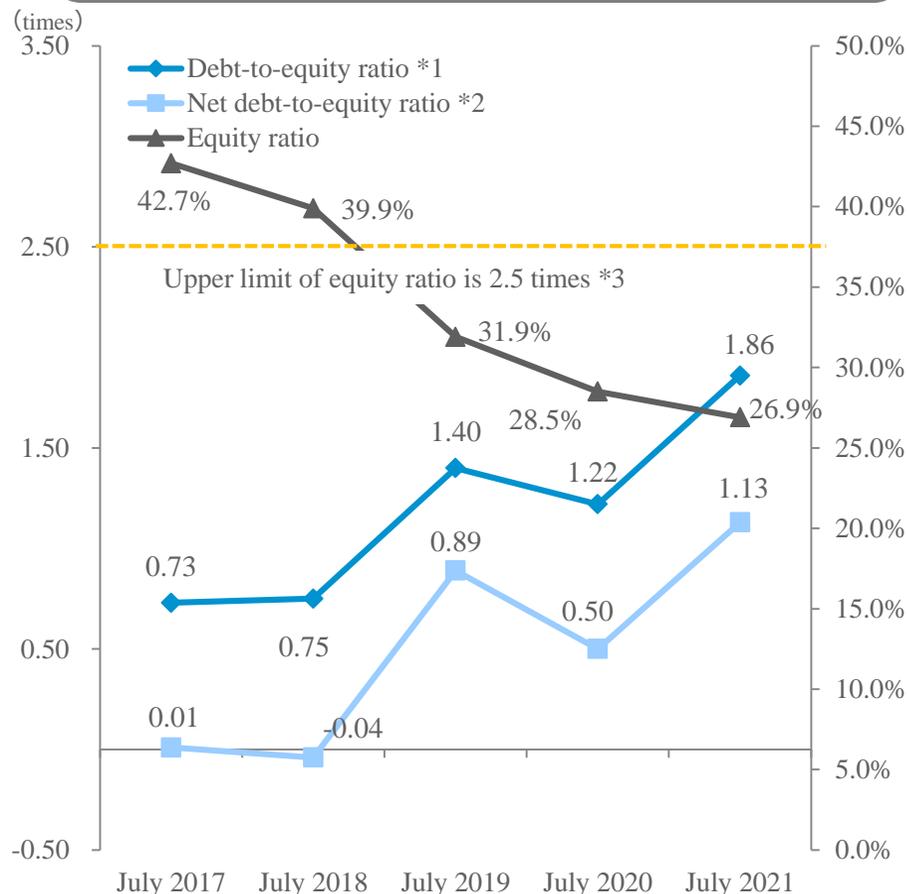
Financial Position (as of July 31, 2021)

Changes in Loan Balance and Changes in Weighted Average Interest Rate (Consolidated Basis)



(Number)	July 2017	July 2018	July 2019	July 2020	July 2021
Funding sources	15	20	24	23	28

Key Indicators (Consolidated Basis)



*1 Debt-to-equity ratio

= interest-bearing debt (short-term loans payable + long-term loans payable) / equity capital

*2 Net debt-to-equity ratio

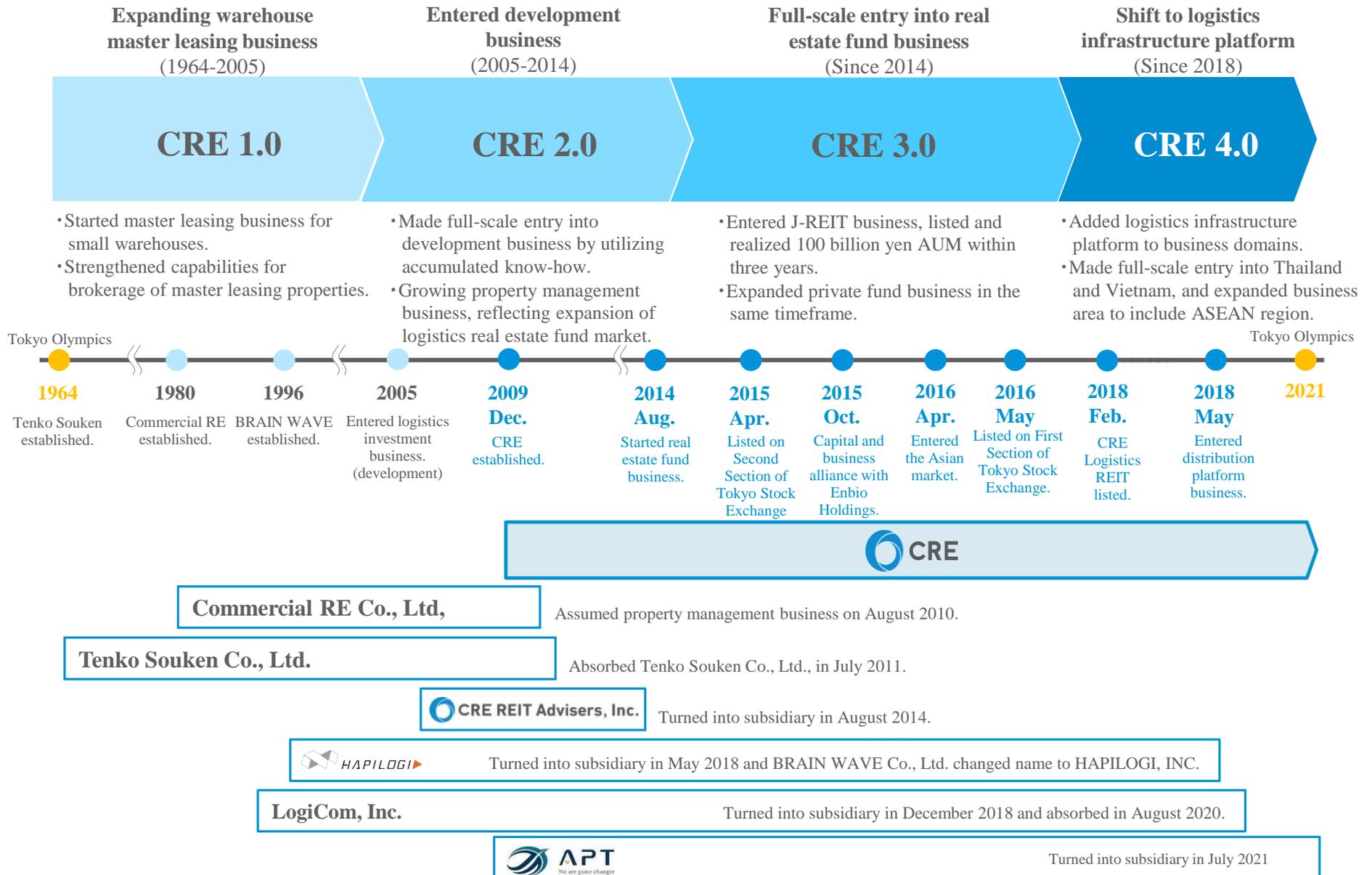
= (interest-bearing debt (short-term loans payable + long-term loans payable) - cash and deposits) / equity capital

*3 CRE's target upper limit of net debt-to-equity ratio is 2.5 times. (Source: Long-term strategy announced September 12, 2016)

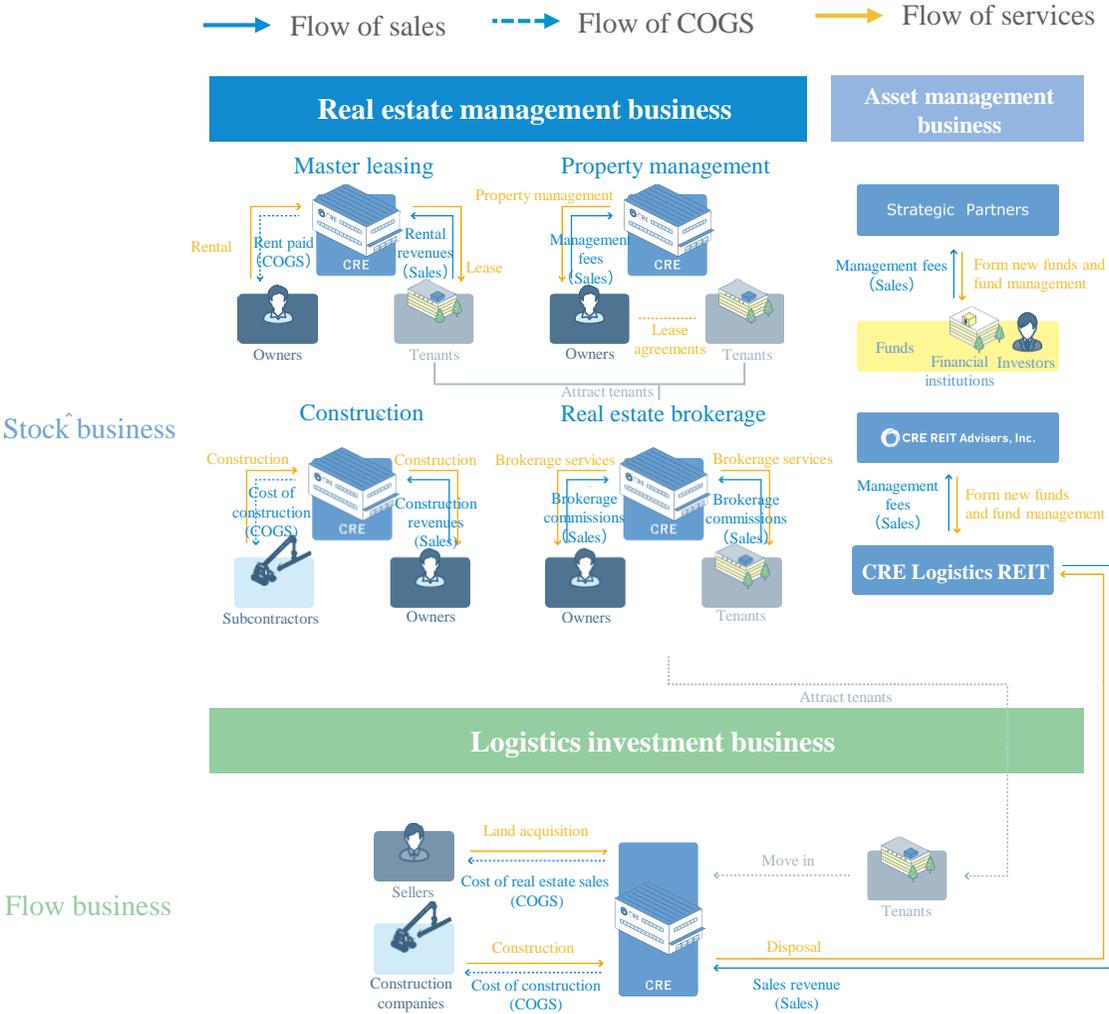
Company Profile

Company name	CRE, Inc.
Representative	Tadahide Kameyama, Representative Director, President
Head office	East Tower 19F, Toranomom Twin Bldg., 2-10-1, Toranomom, Minato-ku, Tokyo
Sales offices	Kanagawa, Osaka, Fukuoka, Singapore, Thailand
Main businesses	Leasing, management, development, brokerage and asset management of logistics facilities
Established	December 22, 2009
Paid-in Capital	¥3,071 million (As of July 31, 2020)
Consolidated net sales	¥47,556 million (Fiscal year ended July 31, 2020)
Number of employees	316 (Consolidated basis / As of October 31, 2021)
Listing	First Section of the Tokyo Stock Exchange Code: 3458
Industry sector	Real estate business

History

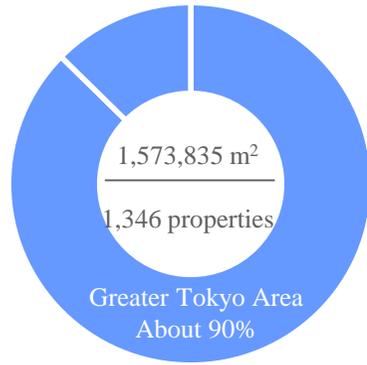


CRE Group's Main Business

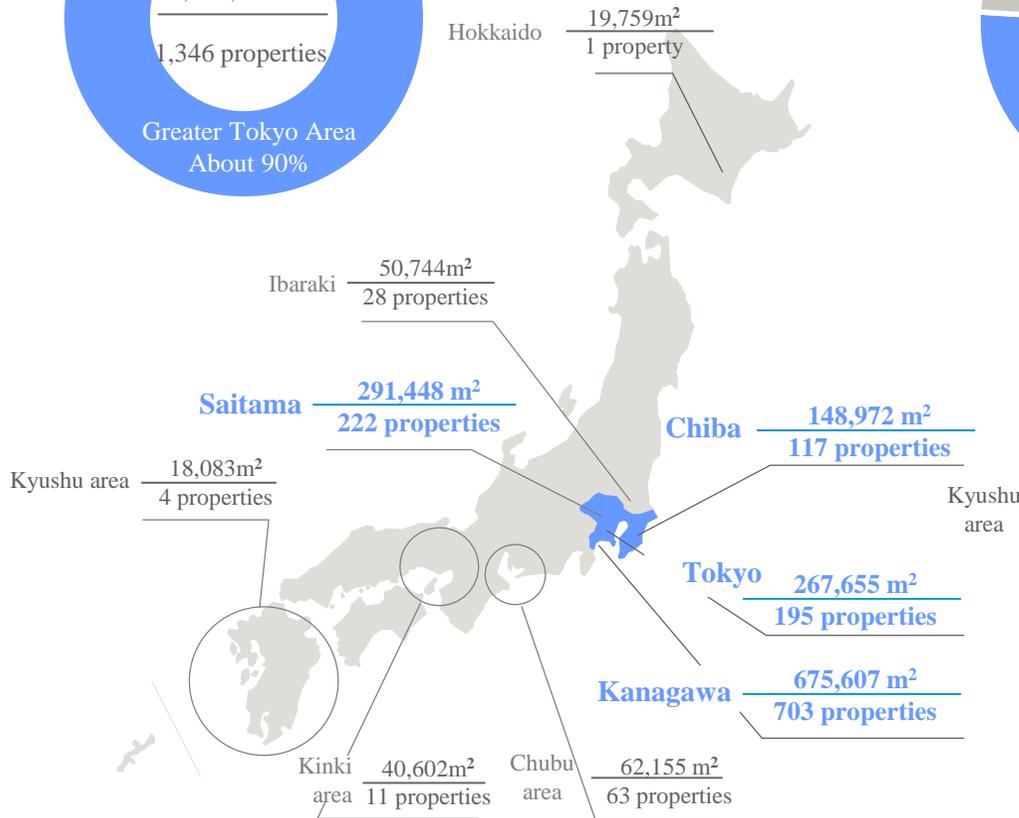


不動産管理事業 管理面積（エリア別）

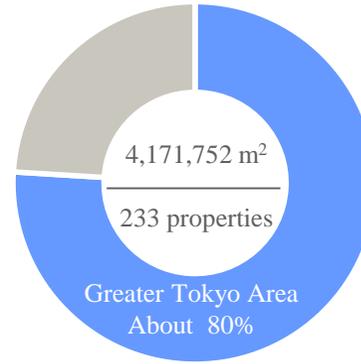
Master Lease



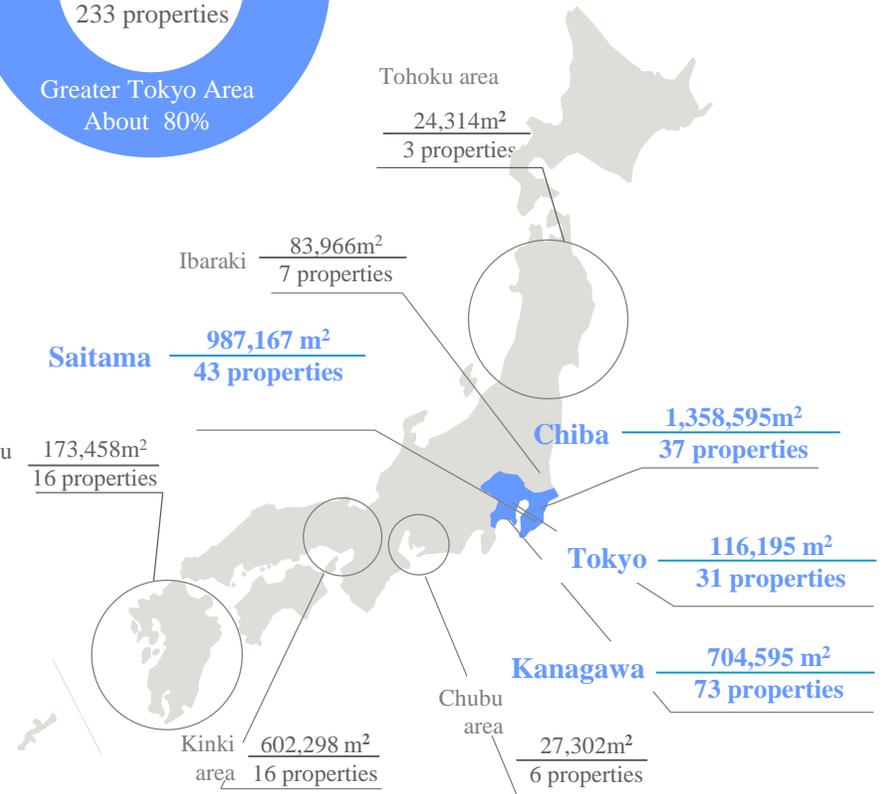
Average floor space:
About 1,200m²



Property Management



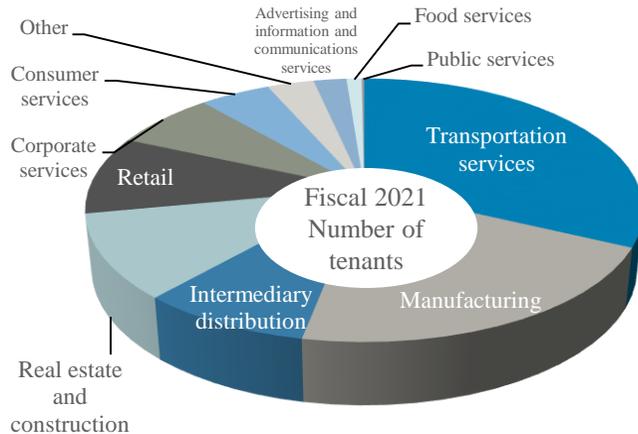
Average floor space:
About 17,900m²



As of October 31, 2021

Diverse Customer Base and Position among Property Management Companies

Tenant Composition in Master Lease

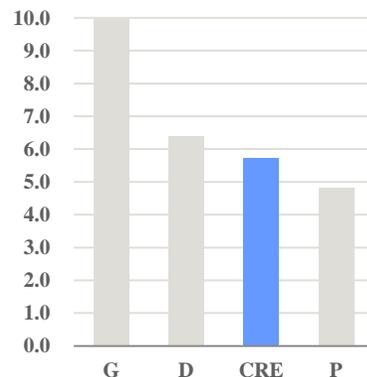


Position among Property Management Companies

Ranking in floor space under management of property management company.

#3

Floor space under management (Million square meters)



Main Customers for Property Management

- LaSalle LOGIPORT REIT
- LaSalle REIT Advisors K.K.
- Star Asia Investment Corporation
- Star Asia Investment Management Co., Ltd.
- Kenedix Retail REIT Corporation
- Kenedix Real Estate Fund Management, Inc.
- United Urban Investment Corporation
- Japan REIT Advisors Co., Ltd.
- Japan Logistics Fund, Inc.
- Mitsui & Co., Logistics Partners Ltd.
- Industrial & Infrastructure Fund Investment Corporation
- Mitsubishi Corp.-UBS Realty Inc.
- Mitsubishi Estate Logistics REIT Investment Corporation
- Mitsubishi Jisho Investment Advisors, Inc.
- SOSiLA Logistics REIT, Inc.
- Sumisho Realty Management Co., Ltd.
- CRE Logistics REIT, Inc.
- CRE REIT Advisers, Inc.
- LaSalle Investment Management
- Takara Asset Management Co., Ltd.
- Diamond Realty Management Inc.
- Kokyo Asset Management Co., Ltd.
- Challenger Limited
- Morgan Stanley Capital K.K.
- Daiei Real Estate & Development Co., Ltd.
- Tozai Asset Management Co., Ltd.
- Mitsui & Co., Realty Management Ltd.
- IDERA Capital Management Ltd.
- FORTRESS INVESTMENT GROUP JAPAN
- Ichigo Estate
- Yamato Home Convenience Co. Ltd.
- TAKARA-SANGYO Co., Ltd.
- UIG Asset Management Co., Ltd.
- UNIVERSE DEVELOPMENT Co., Ltd.
- Yasuda Real Estate Logi Lease Co., Ltd.
- ESR REIT Management Ltd.
- TLC REIT Management Inc.
- SUMITOMO CORPORATION
- Kenedix Investment Partners, Inc.
- Daiwa Real Estate Asset Management Co., Ltd.
- Daiwa House Realty Mgt. Co., Ltd.
- ML Estate Company, Limited
- Odakyu Real Estate Co., Ltd
- Strategic Partners Co., Ltd.

As of October 31, 2021

Logistics Infrastructure Platform

Subsidiaries and affiliates



EnBio C Energy, Inc.



*1 Consolidated subsidiaries *2 Equity method affiliates

Capital and business alliances



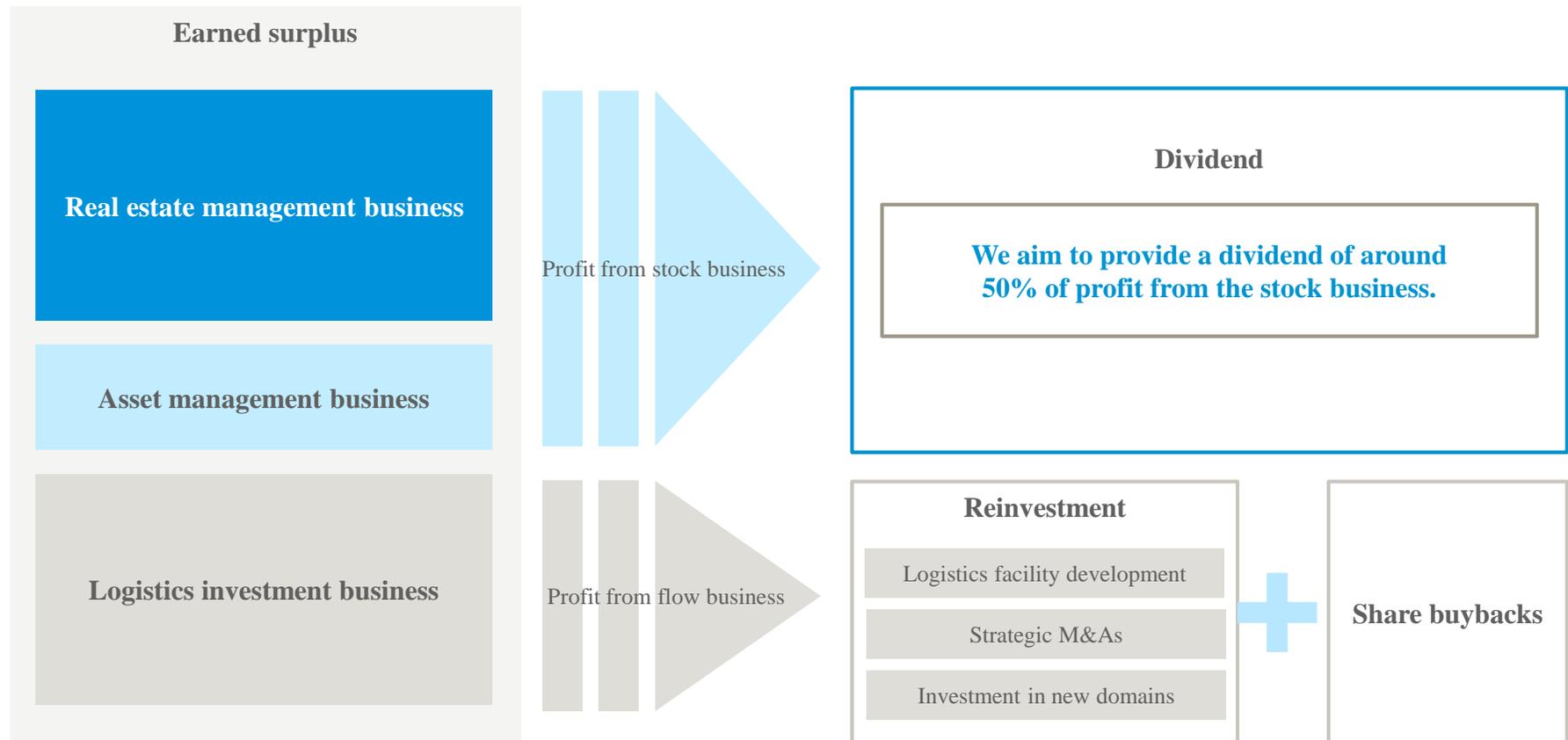
Alliances



Return Profits to Shareholders in Line with Growth in Stock Business

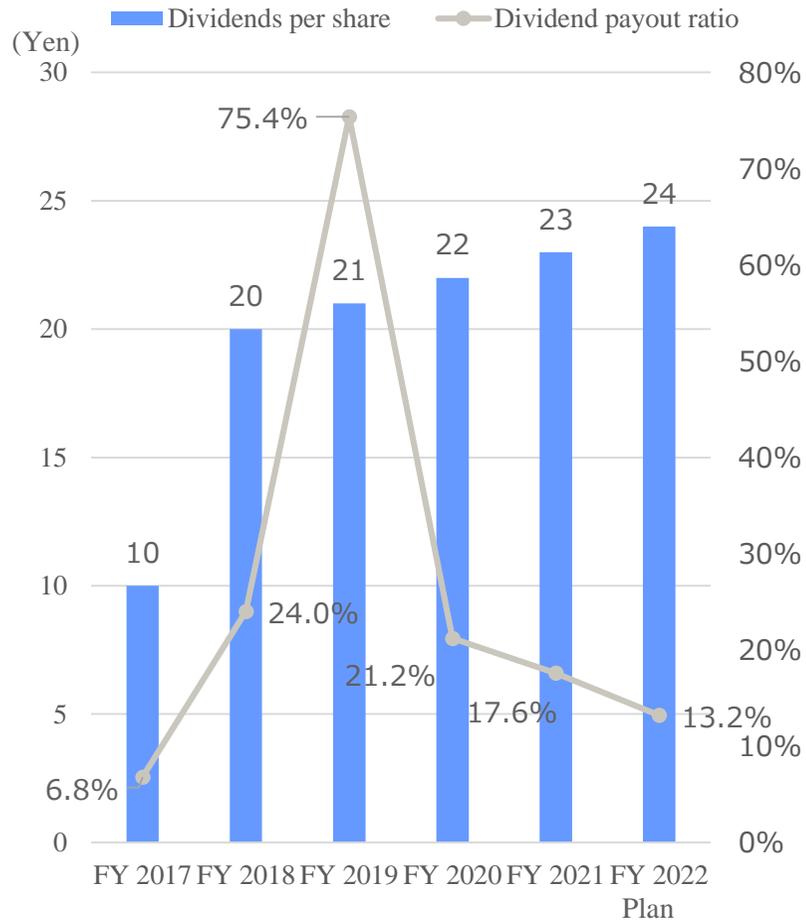
- We will draw on earned surplus from the stock business to distribute dividends to shareholders and will strive to steadily increase dividend payments over the long term commensurate with continuous growth.
- We will reinvest earned surplus from the flow business into logistics facility development, M&As to reinforce the stock business, and new domains to underpin long-term growth, and to purchase treasury stock.

Capital Strategies



Return to Shareholders

Changes in dividends per share and dividend payout ratio



Note: CRE executed a two-for-one stock split twice, once on November 1, 2016, and again on August 1, 2018, and annual dividend amounts noted in the graph above have been retroactively adjusted to reflect these stock splits

Consolidated dividend per share

Fiscal 2022 (plan)

¥24 per share

YOY **+¥1** (Up 4.3%)

Around 50% of profit from stock business

Note: Based on total number of shares issued (excluding treasury stock) as of July 31, 2021.

Stock Information (As of July 31, 2021)

Issued Shares and Shareholders

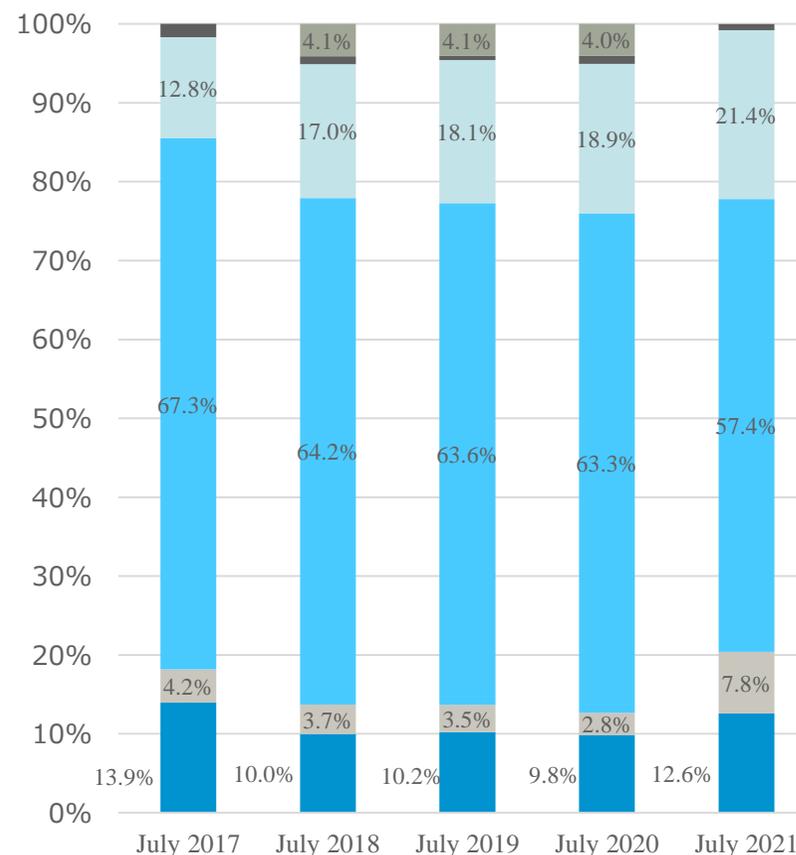
Number of Shares Issued and Outstanding	27,468,800
Number of Shareholders	10,096

Major Shareholders

Shareholder Name	Number of shares (Thousands)	Shareholding ratio (%)
Kyobashi Kosan, Inc.	11,009	40.09
Kenedix, Inc.	4,127	15.03
GOLDMAN, SACHS & CO. REG	2,833	10.32
CITCO TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF THE VPL1 TRUST	1,000	3.64
The Nomura Trust and Banking Co., Ltd. (Trust Account 2052257)	999	3.64
NORTHERN TRUST CO. (AVFC) RE HCR00	826	3.01
Kokyo Tatemono Co., Ltd.	559	2.04
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	539	1.96
GOLDMAN SACHS INTERNATIONAL	497	1.81
Syuhei Yamashita	344	1.25

Ratio of Shareholding by Type of Shareholder

- Individuals and others
- Other Japanese corporations
- Securities companies
- Japanese financial institutions
- Overseas institutions
- Treasury stock



Business Scale CRE Seeks to Achieve in Five Years

Become leading company in logistics real estate domain

Expand business base through reinvestment of profits obtained through flow business

Increase assets under management and floor space under management to lift core stock*¹ income

	Fiscal 2021	Fiscal 2026	Comment
Business profit	¥6.2 billion	¥12 billion	Double in five years (18% average annual increase)
Pipeline	¥200 billion	¥350 billion	Fiscal 2026 amount represents pipeline for fiscal 2027 onward
Floor space under management	Master leasing : 1,557,942㎡	Master leasing: 2,000,000㎡	About 27% higher over span of five years
	Property management : 4,165,996㎡	Property management: 5,290,000㎡	About 27% higher over span of five years
Assets under management	¥200 billion	¥450 billion	Double in five years
Core stock income	¥4.5 billion	¥6.5 billion	About 40% higher over span of five years
Average ROE	15%	Above 15%	

*1 Core stock = CRE non-consolidated real estate management business revenues (excluding contract work revenue on new buildings and real estate sales revenue) + Asset management business administration fees during term