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On **September 12, 2019**, CRE, Inc. announced earnings results for full-year FY07/19.

Cumulative (JPYmn)	FY07/18				FY07/19				FY07/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	4,755	8,954	24,214	33,585	4,831	9,712	16,893	23,942	100.1%	23,920
YoY	15.6%	12.8%	82.8%	-17.0%	1.6%	8.5%	-30.2%	-28.7%		-28.8%
Gross profit	906	1,735	4,242	6,360	993	2,082	3,798	5,183		
YoY	23.7%	21.6%	83.7%	-23.1%	9.6%	20.0%	-10.5%	-18.5%		
GPM	19.1%	19.4%	17.5%	18.9%	20.6%	21.4%	22.5%	21.6%		
SG&A expenses	629	1,273	1,925	3,174	754	1,612	2,494	3,532		
YoY	13.0%	10.0%	6.4%	3.1%	19.8%	26.7%	29.5%	11.3%		
SG&A ratio	13.2%	14.2%	8.0%	9.5%	15.6%	16.6%	14.8%	14.8%		
Operating profit	277	462	2,317	3,186	240	470	1,305	1,651	100.7%	1,640
YoY	57.1%	71.3%	364.1%	-38.6%	-13.5%	1.6%	-43.7%	-48.2%		-48.5%
OPM	5.8%	5.2%	9.6%	9.5%	5.0%	4.8%	7.7%	6.9%		6.9%
Recurring profit	307	465	2,299	3,103	211	401	1,127	1,382	100.9%	1,370
YoY	129.1%	163.9%	609.6%	-37.4%	-31.4%	-13.7%	-51.0%	-55.5%		-55.9%
RPM	6.5%	5.2%	9.5%	9.2%	4.4%	4.1%	6.7%	5.8%		5.7%
Net income	258	235	1,636	2,103	221	330	799	697	102.4%	680
YoY	196.8%	25.5%	414.1%	-41.3%	-14.6%	40.9%	-51.2%	-66.9%		-67.7%
Net margin	5.4%	2.6%	6.8%	6.3%	4.6%	3.4%	4.7%	2.9%		2.8%

Quarterly (JPYmn)	FY07/18				FY07/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	4,755	4,199	15,260	9,371	4,831	4,882	7,181	7,049
YoY	15.6%	9.8%	187.7%	-65.6%	1.6%	16.3%	-52.9%	-24.8%
Gross profit	906	829	2,507	2,118	993	1,089	1,716	1,385
YoY	23.7%	19.4%	184.2%	-64.5%	9.6%	31.4%	-31.5%	-34.6%
GPM	19.1%	19.7%	16.4%	22.6%	20.6%	22.3%	23.9%	19.6%
SG&A expenses	629	644	652	1,249	754	859	882	1,038
YoY	13.0%	7.1%	-0.1%	-1.6%	19.8%	33.4%	35.1%	-16.9%
SG&A ratio	13.2%	15.3%	4.3%	13.3%	15.6%	17.6%	12.3%	14.7%
Operating profit	277	185	1,855	869	240	230	835	347
YoY	57.1%	98.3%	708.4%	-81.5%	-13.5%	24.2%	-55.0%	-60.1%
OPM	5.8%	4.4%	12.2%	9.3%	5.0%	4.7%	11.6%	4.9%
Recurring profit	307	157	1,834	804	211	190	726	255
YoY	129.1%	275.3%	-	-82.6%	-31.4%	21.0%	-60.4%	-68.3%
RPM	6.5%	3.7%	12.0%	8.6%	4.4%	3.9%	10.1%	3.6%
Net income	258	-24	1,401	467	221	110	468	-102
YoY	196.8%	-	966.8%	-85.7%	-14.6%	-	-66.6%	-
Net margin	5.4%	-	9.2%	5.0%	4.6%	2.2%	6.5%	-

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: “-” signifies YoY differences exceeding 1,000%.

Quarterly earnings by segment

Cumulative (JPYmn)	FY07/18				FY07/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	4,755	8,954	24,214	33,585	4,831	9,712	16,893	23,942
YoY	15.6%	12.8%	82.8%	-17.0%	1.6%	8.5%	-30.2%	-28.7%
Real Estate Management	4,624	8,694	14,254	18,450	4,631	9,316	16,207	21,538
YoY	14.0%	11.2%	22.5%	18.6%	0.1%	7.2%	13.7%	16.7%
Logistics Investment	6	11	9,317	14,283	15	41	72	1,600
YoY	-	265.4%	-	-38.4%	162.2%	270.1%	-99.2%	-88.8%
Asset Management	122	218	578	756	184	352	602	784
YoY	105.1%	92.5%	-63.2%	-56.5%	50.4%	61.2%	4.2%	3.7%
Other	4	31	64	95	2	3	12	20
Operating profit	277	462	2,317	3,186	240	470	1,305	1,651
YoY	57.1%	71.3%	364.1%	-38.6%	-13.5%	1.6%	-43.7%	-48.2%
Real Estate Management	459	852	1,549	1,725	371	728	1,590	1,764
YoY	23.9%	23.7%	47.3%	7.1%	-19.1%	-14.6%	2.6%	2.3%
OPM	9.9%	9.8%	10.9%	9.3%	8.0%	7.8%	9.8%	8.2%
Logistics Investment	-53	-123	926	1,838	-37	-57	-66	207
YoY	-	-	-	-56.6%	-	-	-	-88.7%
Asset Management	60	91	365	382	86	169	330	407
YoY	394.4%	317.1%	151.1%	83.7%	45.2%	87.1%	-9.5%	6.4%
Other	-1	17	43	68	-2	-4	0	4
Adjustments	-187	-375	-567	-826	-179	-366	-550	-731
Quarterly (JPYmn)	FY07/18				FY07/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	4,755	4,199	15,260	9,371	4,831	4,882	7,181	7,049
YoY	15.6%	9.8%	187.7%	-65.6%	1.6%	16.3%	-52.9%	-24.8%
Real Estate Management	4,624	4,070	5,560	4,196	4,631	4,685	6,891	5,330
YoY	14.0%	8.0%	45.6%	7.3%	0.1%	15.1%	23.9%	27.0%
Logistics Investment	6	6	9,306	4,966	15	26	31	1,528
YoY	-	82.6%	-	-78.6%	162.2%	379.7%	-	-69.2%
Asset Management	122	96	360	178	184	168	251	182
YoY	105.1%	78.5%	-75.3%	6.7%	50.4%	74.9%	-30.4%	2.1%
Other	4	27	33	31	2	2	9	8
Operating profit	277	185	1,855	869	240	230	835	347
YoY	57.1%	98.3%	708.4%	-81.5%	-13.5%	24.2%	-55.0%	-60.1%
Real Estate Management	459	393	697	176	371	356	862	174
YoY	23.9%	23.6%	92.0%	-68.6%	-19.1%	-9.4%	23.7%	-0.6%
OPM	9.9%	9.7%	12.5%	4.2%	8.0%	7.6%	12.5%	3.3%
Logistics Investment	-53	-70	1,049	911	-37	-20	-9	273
YoY	-	-	-	-79.1%	-	-	-	-70.0%
Asset Management	60	31	274	17	86	83	161	76
YoY	394.4%	220.9%	121.9%	-72.6%	45.2%	167.4%	-41.4%	345.8%
Other	-1	18	27	24	-2	-1	4	4
Adjustments	-187	-188	-192	-259	-179	-187	-184	-181

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Floor space and number of properties under management in Real Estate Management segment

('000 sqm)	FY07/18				FY07/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total area under development	4,587	4,603	4,968	5,002	4,448	4,758	4,853	4,925
YoY	15.1%	11.0%	8.8%	26.6%	-3.0%	3.4%	-2.3%	-1.6%
Master lease	1,147	1,148	1,156	1,156	1,155	1,441	1,447	1,474
Yo\YoY	2.3%	2.8%	3.8%	3.8%	0.7%	25.5%	25.2%	27.5%
Property management	3,440	3,455	3,812	3,846	3,293	3,318	3,405	3,451
Yo\YoY	20.2%	14.0%	10.3%	35.5%	-4.3%	-4.0%	-10.7%	-10.3%
No. of properties under management	1,431	1,436	1,451	1,452	1,435	1,578	1,575	1,581
YoY	-4.0%	-3.6%	-3.4%	3.1%	0.3%	9.9%	8.5%	8.9%
Master lease	1,198	1,202	1,207	1,210	1,207	1,324	1,316	1,323
Yo\YoY	0.5%	1.0%	1.8%	1.7%	0.8%	10.1%	9.0%	9.3%
Property management	233	234	244	242	228	254	259	258
Yo\YoY	-22.1%	-22.0%	-22.8%	11.0%	-2.1%	8.5%	6.1%	6.6%
Master lease occupancy rate	97.3%	97.8%	99.0%	98.6%	98.2%	98.2%	98.9%	98.3%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Full-year FY07/19 results

For FY07/19, the company reported consolidated sales of JPY23.9bn (-28.7% YoY), operating profit of JPY1.7bn (-48.2% YoY), recurring profit of JPY1.4bn (-55.5% YoY), and net income attributable to owners of the parent of JPY697mn (-66.9% YoY).

The company established its new business vision as becoming “the number one corporate group with logistics infrastructure platform that connects people and things of our world.” Accordingly, it has defined logistics infrastructure platform as a business area. In the company’s business areas, demand for third-party logistics (3PL) facilities that accept outsourced logistics operations is growing as the e-commerce market expands. Furthermore, demand for logistics facilities is increasing due to the growing complexity of supply chain management and streamlining of logistics bases. As the favorable financing environment continues, the logistics real estate market grew and J-REITs investing in these logistics facilities also increased.

In December 2018, the company made LogiCom, Inc. a consolidated subsidiary. As most of the properties managed by LogiCom under master lease agreements are located in Tokyo's Tama area (Higashiyamato and surrounding area), this will complement the area where CRE operates properties under master lease agreements. Through this acquisition, the company is promoting a policy of “sustainable corporate growth through the strengthening of recurring revenue businesses” as it builds a business foundation allowing stable earnings.

- ▷ At the Real Estate Management segment, CRE worked to improve profitability while maintaining high occupancy rates. As of the end of July 2019, floor space under management was roughly 4.9mn sqm (1.49mn tsubo), down 1.6% YoY. In April 2019, the company sold its small and mid-sized warehouses (total floor space of less than 5,000sqm) to a private fund that targets domestic institutional investors. After the sale, the company was entrusted with master lease and property management operations for these properties. These efforts added to the stable earnings stream from the company's master lease and property management businesses.
- ▷ At the Logistics Investment segment, CRE sold LogiSquare Kawagoe to CRE Logistics REIT, Inc. It worked to attract tenants to completed properties with the aim of selling them during FY07/20 and continued working steadily toward the completion of construction at other development projects.
- ▷ At the Asset Management segment, CRE Logistics REIT, Inc. saw an increase in assets under management (AUM). Subsequently, recurring revenue from CRE Logistics REIT relating to these asset management grew steadily.

Real Estate Management

The Real Estate Management segment reported full-year sales of JPY21.5bn (+16.7% YoY) and operating profit of JPY1.8bn (+2.3% YoY).

Occupancy rates at master lease properties remained high, and floor space under management expanded. In addition, the company sold its small and mid-sized warehouses to a private fund that targets domestic institutional investors. As a result, both sales and profit increased.

As of the end of FY07/19, the company's master lease business had 1,323 properties under management, a 9.3% increase YoY. Floor space under management rose by 27.5% YoY to about 1.47mn sqm (445,759 tsubo). The occupancy rate was 98.3% versus 98.6% in FY07/18.

As of the end of FY07/19, the company's property management business had 258 properties under management, a 6.6% YoY increase. Floor space under management decreased by 10.3% YoY to roughly 3.45mn sqm (1,043,910 tsubo).

Logistics Investment

The Logistics Investment segment reported full-year sales of JPY1.6bn (-88.8% YoY) and operating profit of JPY207mn (-88.7% YoY).

The decline in sales and operating profit at the segment reflected the limited number of property sales to CRE Logistics REIT, Inc. during the period. During FY07/19, the segment sold only one property that it had developed, LogiSquare Kawagoe. This compares with three property sales in FY07/18, when it sold LogiSquare Moriya, LogiSquare Tosu, and LogiSquare Kasukabe.

Asset Management

The Asset Management business reported full-year sales of JPY784mn (+3.7% YoY) and operating profit of JPY407mn (+6.4% YoY).

The company saw solid growth in asset management fees from CRE Logistics REIT, Inc.

Full-year company forecasts

(JPYmn)	FY07/18			FY07/19			FY07/20
	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	FY Est.
Sales	8,954	24,631	33,585	9,712	14,230	23,942	43,600
Cost of sales	7,219	20,006	27,224	7,630	179,939	187,569	
Gross profit	1,735	4,625	6,360	2,082	3,101	5,183	
GPM	19.4%	18.8%	18.9%	21.4%	21.8%	21.6%	
SG&A expenses	1,273	1,901	3,174	1,612	1,920	3,532	
SG&A ratio	14.2%	7.7%	9.5%	16.6%	13.5%	14.8%	
Operating profit	462	2,724	3,186	470	1,181	1,651	2,500
OPM	5.2%	11.1%	9.5%	4.8%	8.3%	6.9%	5.7%
Recurring profit	465	2,639	3,103	401	981	1,382	2,100
RPM	5.2%	10.7%	9.2%	4.1%	6.9%	5.8%	4.8%
Net income	235	1,869	2,103	330	366	697	1,300
Net margin	2.6%	7.6%	6.3%	3.4%	2.6%	2.9%	3.0%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Figures for 2H are calculated by subtracting 1H figures from full-year figures.

Forecasts by segment

(JPYmn)	FY07/18 Act.	FY07/19 Act.	FY07/20 Est.
Sales	33,585	23,942	43,600
YoY	-17.0%	-28.7%	82.1%
Real Estate Management	18,450	21,538	23,400
YoY	18.6%	16.7%	8.6%
Logistics Investment	14,283	1,600	19,400
YoY	-38.4%	-88.8%	-
Asset Management	756	784	800
YoY	-56.5%	3.7%	2.0%
Other	95	20	-
Operating profit	3,186	1,651	2,500
YoY	-38.6%	-48.2%	51.4%
OPM	9.5%	6.9%	5.7%
Real Estate Management	1,725	1,764	1,600
YoY	7.1%	2.3%	-9.3%
OPM	9.3%	8.2%	6.8%
Logistics Investment	1,838	207	1,800
YoY	-56.6%	-88.7%	769.1%
OPM	12.9%	12.9%	9.3%
Asset Management	382	407	300
YoY	83.7%	6.4%	-26.2%
OPM	50.5%	51.8%	37.5%
Other	68	4	-
Corporate, eliminations	-826	-731	-1,200

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

For FY07/20, the company forecasts consolidated sales of JPY43.6bn (+82.1% YoY), operating profit of JPY2.5bn (+51.4% YoY), recurring profit of JPY2.1bn (+52.0% YoY), and net income attributable to owners of the parent of JPY1.3bn (+86.6% YoY). This note is the most recent addition to the [full report](#).

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