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On June 11, 2021, CRE, Inc. announced earnings results for Q3 FY07/21.

Cumulative (JPYmm)	FY07/19				FY07/20				FY07/21			FY07/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of Est.	FY Est.
Sales	4,831	9,712	16,893	23,942	5,810	11,430	17,617	41,194	8,165	34,752	40,934	88.8%	46,100
YoY	1.6%	8.5%	-30.2%	-28.7%	20.3%	17.7%	4.3%	72.1%	40.5%	204.1%	132.4%		11.9%
Gross profit	993	2,082	3,798	5,183	1,230	2,334	3,879	8,472	1,646	7,839	9,035		
YoY	9.6%	20.0%	-10.5%	-18.5%	23.8%	12.1%	2.1%	63.5%	33.9%	235.9%	132.9%		
GPM	20.6%	21.4%	22.5%	21.6%	21.2%	20.4%	22.0%	20.6%	20.2%	22.6%	22.1%		
SG&A expenses	754	1,612	2,494	3,532	887	1,779	2,702	4,243	949	1,986	2,960		
YoY	19.8%	26.7%	29.5%	11.3%	17.8%	10.4%	8.3%	20.1%	7.0%	11.6%	9.6%		
SG&A ratio	15.6%	16.6%	14.8%	14.8%	15.3%	15.6%	15.3%	10.3%	11.6%	5.7%	7.2%		
Operating profit	240	470	1,305	1,651	342	554	1,177	4,229	697	5,854	6,075	121.5%	5,000
YoY	-13.5%	1.6%	-43.7%	-48.2%	42.8%	17.9%	-9.8%	156.1%	103.5%	956.4%	416.2%		18.2%
OPM	5.0%	4.8%	7.7%	6.9%	5.9%	4.8%	6.7%	10.3%	8.5%	16.8%	14.8%		10.8%
Recurring profit	211	401	1,127	1,382	348	454	1,069	4,049	684	5,684	5,825	129.4%	4,500
YoY	-31.4%	-13.7%	-51.0%	-55.5%	65.1%	13.3%	-5.1%	193.0%	96.6%	-	444.7%		11.1%
RPM	4.4%	4.1%	6.7%	5.8%	6.0%	4.0%	6.1%	9.8%	8.4%	16.4%	14.2%		9.8%
Net income	221	330	799	697	245	305	795	2,612	589	4,033	4,144	142.9%	2,900
YoY	-14.6%	40.9%	-51.2%	-66.9%	11.2%	-7.9%	-0.5%	274.9%	140.1%	-	421.6%		11.0%
Net margin	4.6%	3.4%	4.7%	2.9%	4.2%	2.7%	4.5%	6.3%	7.2%	11.6%	10.1%		6.3%

  

Quarterly (JPYmm)	FY07/19				FY07/20				FY07/21		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales	4,831	4,882	7,181	7,049	5,810	5,620	6,187	23,577	8,165	26,587	6,182
YoY	1.6%	16.3%	-52.9%	-24.8%	20.3%	15.1%	-13.8%	234.5%	40.5%	373.1%	-0.1%
Gross profit	993	1,089	1,716	1,385	1,230	1,104	1,545	4,593	1,646	6,193	1,196
YoY	9.6%	31.4%	-31.5%	-34.6%	23.8%	1.4%	-10.0%	231.7%	33.9%	461.1%	-22.6%
GPM	20.6%	22.3%	23.9%	19.6%	21.2%	19.6%	25.0%	19.5%	20.2%	23.3%	19.3%
SG&A expenses	754	859	882	1,038	887	892	922	1,541	949	1,036	974
YoY	19.8%	33.4%	35.1%	-16.9%	17.8%	3.9%	4.6%	48.5%	7.0%	16.2%	5.6%
SG&A ratio	15.6%	17.6%	12.3%	14.7%	15.3%	15.9%	14.9%	6.5%	11.6%	3.9%	15.8%
Operating profit	240	230	835	347	342	212	623	3,052	697	5,157	221
YoY	-13.5%	24.2%	-55.0%	-60.1%	42.8%	-8.0%	-25.4%	780.2%	103.5%	-	-64.5%
OPM	5.0%	4.7%	11.6%	4.9%	5.9%	3.8%	10.1%	12.9%	8.5%	19.4%	3.6%
Recurring profit	211	190	726	255	348	106	615	2,980	684	5,000	141
YoY	-31.4%	21.0%	-60.4%	-68.3%	65.1%	-44.2%	-15.2%	-	96.6%	-	-77.1%
RPM	4.4%	3.9%	10.1%	3.6%	6.0%	1.9%	9.9%	12.6%	8.4%	18.8%	2.3%
Net income	221	110	468	-102	245	59	490	1,817	589	3,444	111
YoY	-14.6%	-	-66.6%	-	11.2%	-46.1%	4.7%	-	140.1%	-	-77.2%
Net margin	4.6%	2.2%	6.5%	-	4.2%	1.1%	7.9%	7.7%	7.2%	13.0%	1.8%

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 (JPYmm)	FY07/19				FY07/20				FY07/21			FY07/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of Est.	FY Est.
Sales	4,831	9,712	16,893	23,942	5,810	11,430	17,617	41,194	8,165	34,752	40,934	74.8%	46,100
YoY	1.6%	8.5%	-30.2%	-28.7%	20.3%	17.7%	4.3%	72.1%	40.5%	204.1%	132.4%		11.9%
Real Estate Management	4,631	9,316	16,207	21,538	5,592	11,072	16,834	22,563	7,148	12,582	18,383		
YoY	0.1%	7.2%	13.7%	16.7%	20.8%	18.9%	3.9%	4.8%	27.8%	13.6%	9.2%		
Logistics Investment	15	41	72	1,600	8	24	47	17,645	769	21,626	21,815		
YoY	162.2%	270.1%	-99.2%	-88.8%	-44.3%	-41.4%	-34.1%	-	-	-	-		
Asset Management	184	352	602	784	203	319	718	967	248	542	733		
YoY	50.4%	61.2%	4.2%	3.7%	10.3%	-9.4%	19.2%	23.3%	22.2%	70.1%	2.0%		
Other	2	3	12	20	8	14	18	19	1	2	3		
Operating profit	240	470	1,305	1,651	342	554	1,177	4,229	697	5,854	6,075	121.5%	5,000
YoY	-13.5%	1.6%	-43.7%	-48.2%	42.8%	17.9%	-9.8%	156.1%	103.5%	956.4%	416.2%		18.2%
Real Estate Management	371	728	1,590	1,764	509	977	1,573	2,164	708	1,139	1,822		
YoY	-19.1%	-14.6%	2.6%	2.3%	37.0%	34.2%	-1.1%	22.6%	39.1%	16.6%	15.8%		
OPM	8.0%	7.8%	9.8%	8.2%	9.1%	8.8%	9.3%	9.6%	9.9%	9.1%	9.9%		
Logistics Investment	-37	-57	-66	207	-40	-107	-143	2,521	131	4,885	4,629		
YoY	-	-	-	-88.7%	-	-	-	-	-	-	-		
Asset Management	86	169	330	407	102	131	421	504	142	346	441		
YoY	45.2%	87.1%	-9.5%	6.4%	18.1%	-22.7%	27.5%	23.9%	38.7%	164.5%	4.9%		
Other	-2	-4	0	4	2	5	5	4	0	1	19		
Adjustments	-179	-366	-550	-731	-231	-451	-679	-964	-284	-518	-253		

  

Quarterly (JPYmm)	FY07/19				FY07/20				FY07/21		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales	4,831	4,882	7,181	7,049	5,810	5,620	6,187	23,577	8,165	26,587	6,182
YoY	1.6%	16.3%	-52.9%	-24.8%	20.3%	15.1%	-13.8%	234.5%	40.5%	373.1%	-0.1%
Real Estate Management	4,631	4,685	6,891	5,330	5,592	5,481	5,761	5,730	7,148	5,434	5,801
YoY	0.1%	15.1%	23.9%	27.0%	20.8%	17.0%	-16.4%	7.5%	27.8%	-0.9%	0.7%
Logistics Investment	15	26	31	1,528	8	16	23	17,598	769	20,857	189
YoY	162.2%	379.7%	-99.7%	-69.2%	-44.3%	-39.9%	-24.3%	-	-	-	710.5%
Asset Management	184	168	251	182	203	116	399	248	248	295	191
YoY	50.4%	74.9%	-30.4%	2.1%	10.3%	-30.9%	59.4%	36.7%	22.2%	153.6%	-52.3%
Other	2	2	9	8	8	7	3	1	1	1	1
Operating profit	240	230	835	347	342	212	623	3,052	697	5,157	221
YoY	-13.5%	24.2%	-55.0%	-60.1%	42.8%	-8.0%	-25.4%	780.2%	103.5%	-	-64.5%
Real Estate Management	371	356	862	174	509	468	597	591	708	431	683
YoY	-19.1%	-9.4%	23.7%	-0.6%	37.0%	31.2%	-30.8%	238.5%	39.1%	-7.9%	14.5%
OPM	8.0%	7.6%	12.5%	3.3%	9.1%	8.5%	10.4%	10.3%	9.9%	7.9%	11.8%
Logistics Investment	-37	-20	-9	273	-40	-67	-36	2,664	131	4,754	-256
YoY	-	-	-	-70.0%	-	-	-	875.8%	-	-	-
OPM	-	-	-	17.9%	-	-	-	15.1%	17.0%	22.8%	-
Asset Management	86	83	161	76	102	29	290	83	142	205	95
YoY	45.2%	167.4%	-41.4%	345.8%	18.1%	-65.3%	80.5%	8.5%	38.7%	609.6%	-67.2%
Other	-2	-1	4	4	2	2	0	-1	0	1	18
Adjustments	-179	-187	-184	-181	-231	-220	-229	-285	-284	-234	265

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%.

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

('000 sqm)	FY07/19				FY07/20				FY07/21		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Total area under development	4,448	4,758	4,853	4,925	4,831	4,734	5,212	5,349	5,306	5,555	5,698
YoY	-3.0%	3.4%	-2.3%	-1.6%	8.6%	-0.5%	7.4%	8.6%	9.8%	17.3%	9.3%
Master lease	1,155	1,441	1,447	1,474	1,470	1,510	1,521	1,545	1,543	1,556	1,552
YoY	0.7%	25.5%	25.2%	27.5%	27.3%	4.8%	5.1%	4.9%	5.0%	3.0%	2.1%
Property management	3,293	3,318	3,405	3,451	3,361	3,224	3,692	3,803	3,762	3,999	4,145
YoY	-4.3%	-4.0%	-10.7%	-10.3%	2.1%	-2.8%	8.4%	10.2%	12.0%	24.0%	12.3%
No. of properties under management	1,435	1,578	1,575	1,581	1,580	1,577	1,583	1,590	1,582	1,578	1,584
YoY	0.3%	9.9%	8.5%	8.9%	10.1%	-0.1%	0.5%	0.6%	0.1%	0.1%	0.1%
Master lease	1,207	1,324	1,316	1,323	1,324	1,338	1,342	1,351	1,350	1,346	1,349
YoY	0.8%	10.1%	9.0%	9.3%	9.7%	1.1%	2.0%	2.1%	2.0%	0.6%	0.5%
Property management	228	254	259	258	256	239	241	239	232	232	235
YoY	-2.1%	8.5%	6.1%	6.6%	12.3%	-5.9%	-6.9%	-7.4%	-9.4%	-2.9%	-2.5%
Master lease occupancy rate	98.2%	98.2%	98.9%	98.3%	98.0%	98.6%	98.4%	97.9%	98.4%	97.9%	98.2%

Source: Shared Research based on company data

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

## Cumulative Q3 FY07/21 results

- ▷ Sales: JPY40.9bn (+132.4% YoY) (progress against revised full-year forecast: 88.8%)
- ▷ Operating profit: JPY6.1bn (+416.2% YoY) (121.5%)
- ▷ Recurring profit: JPY5.8bn (+444.7% YoY) (129.4%)
- ▷ Net income\*: JPY4.1bn (+421.6% YoY) (142.9%)

\* Net income attributable to owners of the parent

### Summary

Sales rose JPY23.3bn YoY, while operating profit was up JPY4.9bn YoY. Benefitting from the sale of LogiSquare Kawagoe II, LogiSquare Kobe Nishi, and LogiSquare Sayama Hidaka (80% of quasi co-ownership interest), the Logistics Investment business saw sales grow JPY21.8bn YoY, while operating profit was up JPY4.8bn YoY.

The recurring revenue businesses (Real Estate Management and Asset Management) saw sales increase by 8.9% YoY. In addition to Real Estate Management sales rising by a firm 9.2% YoY, performance was strong with Asset Management sales expanding by 2.0% YoY. Operating profit for the recurring revenue businesses was up JPY269mn YoY. Key factors impacting operating profit included a YoY decrease of JPY115mn in SG&A expenses at existing businesses, increase of JPY86mn in real estate brokerage revenue, and increase of JPY80mn in other revenue.

Segment results were as follows.

### Real Estate Management

- ▷ Sales: JPY18.4bn (+9.2% YoY)
- ▷ Operating profit: JPY1.8bn (+15.8% YoY)

The Real Estate Management business recorded stable earnings, because master lease properties maintained high occupancy rates from FY07/20, and floor space under management was solid. Master lease occupancy rates remained strong at 98.2%. Floor space under management at end-April 2021 was 5,699,174sqm (1,724,000 tsubo, +9.3% YoY). This comprises 1,553,719sqm (470,000 tsubo, +2.1% YoY) in the master lease business, and 4,145,455sqm (1,254,000 tsubo, +12.3% YoY) in the property management business. Additionally, the sale of small and midsize warehouses owned by the company to a private fund specializing in such property also boosted sales.

### Logistics Investment

- ▷ Sales: JPY21.8bn (460x increase from JPY47mn in cumulative Q3 FY07/20)
- ▷ Operating profit: JPY4.6bn (operating loss of JPY143mn in cumulative Q3 FY07/20)

The company is proceeding with the leasing and construction of each LogiSquare property. Sales and operating profit expanded in line with the sale of LogiSquare Kawagoe II, LogiSquare Kobe Nishi, and LogiSquare Sayama Hidaka (80% of quasi co-ownership interest) to CRE Logistics REIT, Inc.

### Asset Management

- ▷ Sales: JPY733mn (+2.0% YoY)
- ▷ Operating profit: JPY441mn (+4.9% YoY)

CRE Logistics REIT, Inc. steadily booked asset management fees over the period. The balance of assets under the management of CRE Logistics REIT, Inc. (as of end-April 2021) was JPY112.3bn, topping the JPY100bn level in line with the public offering and acquisition of new assets in January 2021, which followed similar actions in July 2020. As a result, the business saw a steady increase in asset management fees. Additionally, the segment recorded arrangement fees in connection to the formation of a private fund specializing in small and midsize warehouses.

This note is the most recent addition to the [full report](#).

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