

**Summary of Consolidated Financial Results
for the Fiscal Year Ended July 31, 2024
[Japanese GAAP]**

September 13, 2024

Company name: CRE Inc. Listing Stock Exchange: Tokyo
 Stock code: 3458 URL: <https://www.cre-jpn.com/en/>
 Representative: Tadahide Kameyama, Representative Director and President
 Contact: Dai Kamimura, Head of Accounting and Finance Department
 Tel: +81-3-5572-6600

Annual general meeting of shareholders: October 30, 2024
 Scheduled date for dividend payment: October 11, 2024
 Scheduled date to file securities report: October 30, 2024
 Preparation of supplemental explanatory materials: Yes
 Financial results briefing to be held: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended July 31, 2024

(August 1, 2023 to July 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	%
Fiscal year ended July 31, 2024	66,901	28.3	8,045	12.6	6,816	1.8	4,341	(1.0)
Fiscal year ended July 31, 2023	52,159	(16.9)	7,147	(29.8)	6,697	(27.1)	4,387	(24.0)

Note: Comprehensive income for the fiscal year ended July 31, 2024 was 4,018 million yen (-2.7% YoY).
 Comprehensive income for the fiscal year ended July 31, 2023 was 4,129 million yen (-28.1% YoY).

	Earnings per share	Diluted earnings per share	Ratio of profit to equity capital	Ratio of ordinary profit to total assets	Operating profit margin
	Yen	Yen	%	%	%
Fiscal year ended July 31, 2024	148.11	—	10.9	4.8	12.0
Fiscal year ended July 31, 2023	149.41	149.30	11.8	5.2	13.7

Reference: Share of profit (loss) of entities accounted for using equity method:
 Fiscal year ended July 31, 2024: (7) million yen
 Fiscal year ended July 31, 2023: 552 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of July 31, 2024	142,557	41,170	28.8	1,400.70
As of July 31, 2023	138,821	38,477	27.7	1,314.43

Reference: Equity capital amounted to 41,105 million yen as of July 31, 2024 and 38,455 million yen as of July 31, 2023.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended July 31, 2024	(977)	(2,696)	(301)	24,306
Fiscal year ended July 31, 2023	(22,790)	(3,609)	17,859	28,274

2. Dividends

	Annual dividend per share					Total dividends	Payout ratio (consolidated)	Dividend-on-equity ratio (consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended July 31, 2023	—	0.00	—	25.00	25.00	731	16.7	2.0
Fiscal year ended July 31, 2024	—	25.00	—	50.00	75.00	2,201	50.6	5.5
Fiscal year ending July 31, 2025 (forecast)	—	0.00	—	27.00	27.00		15.8	

Note: Breakdown of interim dividend for fiscal year ended July 31, 2024: Special dividend of 25.00 yen

Breakdown of year-end dividend for fiscal year ended July 31, 2024: Ordinary dividend of 26.00 yen and special dividend of 24.00 yen

3. Consolidated Earnings Forecast for the Fiscal Year Ending July 31, 2025

(August 1, 2024 to July 31, 2025)

(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	75,650	13.1	9,930	23.4	7,930	16.3	5,000	15.2	170.38

*Notes

(1) Significant changes in scope of consolidation during the period under review: Yes

Newly included: One company (MLF Investment Limited Partnership); Excluded: None

(2) 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

(3) Number of issued shares (common stock)

1. Number of issued shares at end of period (including treasury stock)	As of July 31, 2024	29,356,700	As of July 31, 2023	29,259,200
2. Number of treasury shares at end of period	As of July 31, 2024	10,142	As of July 31, 2023	2,445
3. Average number of shares outstanding during period	Fiscal year ended July 31, 2024	29,315,303	Fiscal year ended July 31, 2023	29,365,217

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended July 31, 2024 (August 1, 2023 to July 31, 2024)

(1) Non-consolidated operating results

(Percentages indicate YoY changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended July 31, 2024	63,050	29.4	7,430	14.8	7,630	46.8	5,346	78.4
Fiscal year ended July 31, 2023	48,725	(17.7)	6,474	(33.7)	5,197	(41.6)	2,995	(44.9)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended July 31, 2024	182.37	—
Fiscal year ended July 31, 2023	102.02	101.95

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of July 31, 2024	136,394	38,509	28.2	1,312.23
As of July 31, 2023	133,256	34,974	26.2	1,195.44

Reference: Equity capital amounted to 38,509 million yen as of July 31, 2024 and 34,974 million yen as of July 31, 2023.

[Reasons for the differences in non-consolidated financial results from the previous fiscal year]

In the Logistics Investment segment, the scale of the properties developed and sold by the Company was larger than in the previous fiscal year and there were dividends from subsidiaries. As a result, there are differences between the actual results for the previous fiscal year and the current fiscal year.

*Summaries of financial statements are not subject to audit 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.

(Cash flow-related indicators)

	Fiscal year ended July 31, 2020	Fiscal year ended July 31, 2021	Fiscal year ended July 31, 2022	Fiscal year ended July 31, 2023	Fiscal year ended July 31, 2024
Equity ratio (%)	28.5	26.9	30.6	27.7	28.8
Equity ratio based on market capitalization (%)	51.5	41.9	41.8	29.2	32.9
Interest-bearing debt to cash flow ratio (years)	3.2	—	3.5	—	—
Interest coverage ratio (x)	40.7	—	51.9	—	—

Equity ratio: $\text{Equity capital} / \text{Total assets}$

Equity ratio based on market capitalization: $\text{Total market capitalization} / \text{Total assets}$

Interest-bearing debt to cash flow ratio: $\text{Interest-bearing debt} / \text{Cash flow}$

Interest coverage ratio: $\text{Cash flow} / \text{Interest payments}$

(Notes) 1. All indicators are calculated based on consolidated financial figures.

2. Total market capitalization is based on the number of shares outstanding (excluding treasury stock).

3. Cash flow draws on operating cash flow.

4. Interest-bearing debt consists of all liabilities on the consolidated balance sheet for which interest is paid.

5. Neither the interest-bearing debt to cash flow ratio nor the interest coverage ratio is provided for the fiscal years ended July 31, 2021, 2023, and 2024 due to negative cash flows from operating activities.

Consolidated Financial Statements and Primary Notes
(1) Consolidated balance sheet

(Millions of yen)

	As of July 31, 2023	As of July 31, 2024
Assets		
Current assets		
Cash and deposits	28,292	24,325
Notes and accounts receivable - trade, and contract assets	1,322	999
Accounts receivable from completed construction contracts	305	330
Real estate for sale	16,214	39,063
Real estate for sale in process	58,588	37,168
Advance payments to suppliers	1,037	7,647
Prepaid expenses	1,501	1,396
Consumption taxes refund receivable	2,087	15
Other	317	252
Allowance for doubtful accounts	(9)	(58)
Total current assets	109,658	111,141
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,590	4,476
Accumulated depreciation	(2,158)	(2,362)
Buildings and structures, net	2,432	2,113
Machinery, equipment and vehicles	49	64
Accumulated depreciation	(47)	(47)
Machinery, equipment and vehicles, net	2	17
Tools, furniture and fixtures	281	301
Accumulated depreciation	(197)	(226)
Tools, furniture and fixtures, net	84	75
Land	4,770	4,435
Leased assets	517	567
Accumulated depreciation	(354)	(390)
Leased assets, net	162	177
Construction in progress	15	10
Total property, plant and equipment	7,467	6,829
Intangible assets		
Goodwill	636	424
Other	272	531
Total intangible assets	908	955
Investments and other assets		
Investment securities	10,560	10,491
Long-term loans receivable from subsidiaries and associates	1,184	3,197
Distressed receivables	150	207
Long-term prepaid expenses	789	1,030
Deferred tax assets	135	523
Leasehold and guarantee deposits	7,999	8,259
Other	106	107
Allowance for doubtful accounts	(150)	(207)
Total investments and other assets	20,774	23,611
Total non-current assets	29,150	31,396

(Millions of yen)

	As of July 31, 2023	As of July 31, 2024
Deferred assets		
Bond issuance costs	12	19
Total deferred assets	12	19
Total assets	138,821	142,557

(Millions of yen)

	As of July 31, 2023	As of July 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	9,412	5,840
Accounts payable for construction contracts	510	341
Short-term borrowings	360	300
Current portion of long-term borrowings	20,389	23,134
Current portion of bonds payable	—	3,000
Lease liabilities	60	71
Income taxes payable	299	1,592
Accrued consumption taxes	51	327
Deposits received	1,274	1,520
Unearned revenue	1,970	2,041
Provision for bonuses	381	415
Provision for bonuses for directors (and other officers)	295	330
Provision for loss on subleases	22	—
Provision for loss on construction contracts	7	5
Other	323	452
Total current liabilities	35,357	39,373
Non-current liabilities		
Bonds payable	3,000	2,000
Long-term borrowings	51,946	49,403
Lease liabilities	248	231
Deferred tax liabilities	0	0
Provision for loss on guarantees	37	39
Provision for loss on subleases	2	—
Retirement benefit liability	281	264
Asset retirement obligations	299	302
Leasehold and guarantee deposits received	8,899	9,513
Deposits received from silent partnerships	—	1
Other	269	255
Total non-current liabilities	64,986	62,012
Total liabilities	100,344	101,386
Net assets		
Shareholders' equity		
Share capital	5,295	5,365
Capital surplus	6,008	6,078
Retained earnings	25,979	28,855
Treasury shares	(0)	(0)
Total shareholders' equity	37,283	40,299
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,012	541
Deferred gains or losses on hedges	(7)	1
Foreign currency translation adjustment	166	263
Total accumulated other comprehensive income	1,172	806
Non-controlling interests	21	65
Total net assets	38,477	41,170
Total liabilities and net assets	138,821	142,557

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

(Millions of yen)

	Fiscal year ended July 31, 2023 (August 1, 2022 to July 31, 2023)	Fiscal year ended July 31, 2024 (August 1, 2023 to July 31, 2024)
Net sales	52,159	66,901
Cost of sales	39,322	52,703
Gross profit	12,837	14,198
Selling, general and administrative expenses	5,689	6,152
Operating profit	7,147	8,045
Non-operating income		
Interest income	2	2
Foreign exchange gains	13	17
Insurance claim income	67	1
Share of profit of entities accounted for using equity method	552	—
Interest on tax refund	0	9
Other	19	5
Total non-operating income	656	36
Non-operating expenses		
Interest expenses	494	714
Commission expenses	565	539
Share of loss of entities accounted for using equity method	—	7
Other	46	4
Total non-operating expenses	1,106	1,265
Ordinary profit	6,697	6,816
Extraordinary income		
Gain on sale of non-current assets	8	0
Gain on change in equity	1	—
Total extraordinary income	10	0
Extraordinary losses		
Loss on retirement of non-current assets	18	8
Loss on valuation of investment securities	28	—
Loss on valuation of shares of subsidiaries and associates	—	5
Impairment losses	91	37
Other	3	0
Total extraordinary losses	142	51
Profit before distributions of profit or loss on silent partnerships and income taxes	6,565	6,764
Distributions of profit or loss on silent partnerships	6	0
Profit before income taxes	6,558	6,764
Income taxes - current	2,097	2,554
Income taxes - deferred	57	(173)
Total income taxes	2,155	2,381
Profit	4,403	4,383
Profit attributable to non-controlling interests	16	41
Profit attributable to owners of parent	4,387	4,341

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended July 31, 2023 (August 1, 2022 to July 31, 2023)	Fiscal year ended July 31, 2024 (August 1, 2023 to July 31, 2024)
Profit	4,403	4,383
Other comprehensive income		
Valuation difference on available-for-sale securities	(385)	(485)
Foreign currency translation adjustment	(23)	69
Share of other comprehensive income of entities accounted for using equity method	134	50
Total other comprehensive income	(273)	(365)
Comprehensive income	4,129	4,018
(Breakdown)		
Comprehensive income attributable to owners of parent	4,113	3,976
Comprehensive income attributable to non-controlling interests	16	42

(3) Consolidated statement of changes in equity

Fiscal year ended July 31, 2023 (August 1, 2022 to July 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,217	7,177	22,311	(0)	34,706
Changes during period					
Issuance of new shares	77	77			155
Dividends of surplus			(719)		(719)
Profit attributable to owners of parent			4,387		4,387
Purchase of treasury shares				(1,246)	(1,246)
Cancellation of treasury shares		(1,246)		1,246	—
Net changes in items other than shareholders' equity					
Total changes during period	77	(1,168)	3,668	(0)	2,577
Balance at end of period	5,295	6,008	25,979	(0)	37,283

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	1,400	(18)	63	1,446	5	36,157
Changes during period						
Issuance of new shares						155
Dividends of surplus						(719)
Profit attributable to owners of parent						4,387
Purchase of treasury shares						(1,246)
Cancellation of treasury shares						—
Net changes in items other than shareholders' equity	(387)	10	102	(273)	16	(257)
Total changes during period	(387)	10	102	(273)	16	2,319
Balance at end of period	1,012	(7)	166	1,172	21	38,477

Fiscal year ended July 31, 2024 (August 1, 2023 to July 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,295	6,008	25,979	(0)	37,283
Changes during period					
Issuance of new shares	69	69			139
Dividends of surplus			(1,465)		(1,465)
Profit attributable to owners of parent			4,341		4,341
Change in scope of consolidation			(0)		(0)
Net changes in items other than shareholders' equity					
Total changes during period	69	69	2,875	-	3,015
Balance at end of period	5,365	6,078	28,855	(0)	40,299

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	1,012	(7)	166	1,172	21	38,477
Changes during period						
Issuance of new shares						139
Dividends of surplus						(1,465)
Profit attributable to owners of parent						4,341
Change in scope of consolidation						(0)
Net changes in items other than shareholders' equity	(471)	8	97	(365)	43	(321)
Total changes during period	(471)	8	97	(365)	43	2,693
Balance at end of period	541	1	263	806	65	41,170

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended July 31, 2023 (August 1, 2022 to July 31, 2023)	Fiscal year ended July 31, 2024 (August 1, 2023 to July 31, 2024)
Cash flows from operating activities		
Profit before income taxes	6,558	6,764
Depreciation	369	359
Impairment losses	91	37
Amortization of goodwill	212	212
Share of loss (profit) of entities accounted for using equity method	(552)	7
Increase (decrease) in allowance for doubtful accounts	89	105
Increase (decrease) in provision for bonuses	(5)	34
Increase (decrease) in provision for loss on subleases	(30)	(25)
Increase (decrease) in provision for loss on construction contracts	(1)	(2)
Increase (decrease) in provision for loss on guarantees	3	1
Increase (decrease) in provision for bonuses for directors (and other officers)	(53)	35
Increase (decrease) in retirement benefit liability	7	(17)
Interest and dividend income	(2)	(2)
Interest expenses	494	714
Foreign exchange losses (gains)	(46)	(15)
Loss (gain) on sale of investment securities	3	0
Loss (gain) on valuation of investment securities	28	—
Loss on valuation of shares of subsidiaries and associates	—	5
Loss on retirement of non-current assets	18	8
Loss (gain) on sale of property, plant and equipment and intangible assets	(8)	0
Loss (gain) on change in equity	(1)	—
Decrease (increase) in trade receivables	(441)	301
Decrease (increase) in inventories	(28,273)	(986)
Increase (decrease) in trade payables	791	(3,741)
Decrease (increase) in advance payments to suppliers	4,780	(6,610)
Decrease (increase) in consumption taxes refund receivable	(1,968)	2,072
Increase (decrease) in accrued consumption taxes	(1,786)	276
Increase (decrease) in deposits received	1,011	246
Decrease (increase) in leasehold and guarantee deposits	(448)	(261)
Increase (decrease) in leasehold and guarantee deposits received	910	602
Other, net	607	893
Subtotal	(17,642)	1,017
Interest and dividends received	0	12
Interest paid	(486)	(690)
Income taxes paid	(4,661)	(1,315)
Net cash provided by (used in) operating activities	(22,790)	(977)
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(2,176)	(868)
Proceeds from sale and redemption of short-term and long-term investment securities	160	339
Purchase of property, plant and equipment	(609)	(86)
Proceeds from sale of property, plant and equipment	31	0
Purchase of intangible assets	(187)	(318)
Loan advances to subsidiaries and associates	(799)	(1,772)
Other, net	(27)	9
Net cash provided by (used in) investing activities	(3,609)	(2,696)

(Millions of yen)

	Fiscal year ended July 31, 2023 (August 1, 2022 to July 31, 2023)	Fiscal year ended July 31, 2024 (August 1, 2023 to July 31, 2024)
Cash flows from financing activities		
Proceeds from short-term borrowings	860	330
Repayments of short-term borrowings	(874)	(390)
Proceeds from long-term borrowings	37,281	31,236
Repayments of long-term borrowings	(16,950)	(31,940)
Proceeds from issuance of bonds	—	1,983
Repayments of lease liabilities	(57)	(62)
Proceeds from share issuance to non-controlling shareholders	—	0
Proceeds from contributions by silent partners	—	1
Payments for distribution of silent partnership contributions	(442)	—
Proceeds from exercise of employee share options	7	2
Purchase of treasury shares	(1,246)	—
Dividends paid	(718)	(1,464)
Net cash provided by (used in) financing activities	17,859	(301)
Effect of exchange rate change on cash and cash equivalents	25	7
Net increase (decrease) in cash and cash equivalents	(8,514)	(3,968)
Cash and cash equivalents at beginning of period	36,788	28,274
Cash and cash equivalents at end of period	28,274	24,306

(5) Notes to consolidated financial statements

(Notes to going concern assumptions)

There is no relevant information.

(Changes in accounting policies)

There is no relevant information.

(Notes on segment information, etc.)

[Segment information]

1. Overview of reportable segments

The Group's reportable segments are constituent units of the Group for which separate financial information is available and which are evaluated regularly by the Board of Directors for the purpose of determining the allocation of management resources and assessing performance.

The Group has four reportable segments: Real Estate Management, Logistics Investment, Asset Management, and Overseas. They are classified based on business management considerations that take into account the characteristics of the respective business activities.

The Real Estate Management segment is mainly engaged in master lease, property management, and leasing of commercial real estate, centered on logistics facilities. The Logistics Investment segment primarily handles the entire process of logistics facility planning, site selection and acquisition, development, and sale. The Asset Management segment is mainly engaged in the formation and management of real estate funds. The Overseas segment conducts real estate investment in Southeast Asia.

2. Calculation methods for sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting methods used for the reportable business segments are generally the same as those used to prepare consolidated financial statements.

Profit figures for reportable segments are based on operating profit.

Intersegment internal income and transfers are based on market prices.

3. Sales, profit or loss, assets, liabilities, and other items for each reportable segment

Fiscal year ended July 31, 2023 (August 1, 2022 to July 31, 2023)

(Millions of yen)

	Reportable segments					Other*1	Total	Adjustments*2	Amount recorded on consolidated financial statements*3
	Real Estate Management	Logistics Investment	Asset Management	Overseas	Total				
Sales									
Sales to external customers	23,322	25,129	1,531	36	50,019	2,139	52,159	—	52,159
Intersegment sales and transfers	412	7	20	—	439	9	449	(449)	—
Total	23,734	25,137	1,551	36	50,459	2,149	52,608	(449)	52,159
Operating profit (loss)	1,757	5,764	962	(100)	8,384	(171)	8,212	(1,064)	7,147
Share of profit (loss) of entities accounted for using equity method	—	(48)	—	(0)	(48)	601	552	—	552
Segment profit (loss)	1,757	5,716	962	(100)	8,335	429	8,765	(1,064)	7,700
Segment assets	17,883	76,038	6,750	3,944	104,616	5,390	110,006	28,815	138,821
Other items									
Depreciation	298	14	6	11	330	23	353	15	369
Amortization of goodwill	212	—	—	—	212	—	212	—	212
Impairment losses	—	—	—	—	—	91	91	—	91
Investment in equity method affiliates	—	73	—	2,155	2,229	3,092	5,321	—	5,321
Increase in property, plant and equipment and intangible assets	531	—	2	2	536	162	698	94	792

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

2. Adjustments are as follows:

- (1) The (1,064) million yen adjustment to segment profit includes 1 million yen in elimination of intersegment transactions and corporate-wide expenses of (1,066) million yen not allocated to each reportable segment. Primary corporate-wide expenses are general and administrative expenses not attributable to reportable segments.
- (2) The 28,815 million yen adjustment on segment assets includes (23) million yen in elimination of intersegment transactions and corporate-wide assets of 28,838 million yen not allocated to reportable segments. Primary corporate-wide assets are cash and deposits not attributable to reportable segments and assets associated with head office functions.
- (3) The 15 million yen adjustment to depreciation is corporate-wide expenses not allocated to reportable segments.
- (4) The 94 million yen adjustment on increase in property, plant and equipment and intangible assets is capital investment associated with head office functions.

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

Fiscal year ended July 31, 2024 (August 1, 2023 to July 31, 2024)

(Millions of yen)

	Reportable segments					Other* ¹	Total	Adjustments* ²	Amount recorded on consolidated financial statements* ³
	Real Estate Management	Logistics Investment	Asset Management	Overseas	Total				
Sales									
Sales to external customers	23,106	39,723	1,644	42	64,517	2,384	66,901	—	66,901
Intersegment sales and transfers	565	6	27	—	600	0	600	(600)	—
Total	23,672	39,729	1,672	42	65,117	2,384	67,501	(600)	66,901
Operating profit (loss)	1,925	6,628	1,028	(120)	9,461	(248)	9,212	(1,167)	8,045
Share of profit (loss) of entities accounted for using equity method	—	(17)	—	(253)	(271)	264	(7)	—	(7)
Segment profit (loss)	1,925	6,610	1,028	(374)	9,190	15	9,205	(1,167)	8,038
Segment assets	17,127	84,289	5,952	6,530	113,899	5,370	119,269	23,287	142,557
Other items									
Depreciation	287	11	6	7	313	29	342	16	359
Amortization of goodwill	212	—	—	—	212	—	212	—	212
Impairment losses	—	—	—	37	37	—	37	—	37
Investment in equity method affiliates	—	117	—	2,483	2,601	3,333	5,934	—	5,934
Increase in property, plant and equipment and intangible assets	282	—	7	0	291	71	362	78	441

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

2. Adjustments are as follows:

- (1) The (1,167) million yen adjustment to segment profit includes 28 million yen in elimination of intersegment transactions and corporate-wide expenses of (1,195) million yen not allocated to each reportable segment. Primary corporate-wide expenses are general and administrative expenses not attributable to reportable segments.
- (2) The 23,287 million yen adjustment on segment assets includes (25) million yen in elimination of intersegment transactions and corporate-wide assets of 23,312 million yen not allocated to reportable segments. Primary corporate-wide assets are cash and deposits not attributable to reportable segments and assets associated with head office functions.
- (3) The 16 million yen adjustment to depreciation is corporate-wide expenses not allocated to reportable segments.
- (4) The 78 million yen adjustment on increase in property, plant and equipment and intangible assets is capital investment associated with head office functions.

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

4. Changes in classification of reportable segments, etc.

(Changes in 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 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, 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 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 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 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 current fiscal year, we have changed our method of calculating profit or loss by reportable segment in consideration for profit or loss generated through equity-method affiliates. Our new method for calculating profit or loss by reportable segment is as below.

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

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