

Consolidated Financial Results
for the Fiscal Year Ended July 31, 2023
[Japanese GAAP]

September 13, 2023

Company name: CRE Inc. Listing Stock Exchange: Tokyo
 Stock code: 3458 URL: <https://www.cre-jpn.com/english/>
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Annual general meeting of shareholders: October 26, 2023

Scheduled date for dividend payment: October 10, 2023

Scheduled date to file securities report: October 26, 2023

Preparation of supplemental explanatory materials: Yes

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 Fiscal Year Ended July 31, 2023

(August 1, 2022 to July 31, 2023)

(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, 2023	52,159	(16.9)	7,147	(29.8)	6,697	(27.1)	4,387	(24.0)
Fiscal year ended July 31, 2022	62,734	31.9	10,182	76.4	9,187	72.9	5,775	61.6

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

Comprehensive income for the fiscal year ended July 31, 2022 was 5,740 million yen (42.1% 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, 2023	149.41	149.30	11.8	5.2	13.7
Fiscal year ended July 31, 2022	196.82	196.58	18.4	8.5	16.2

Reference: Share of profit (loss) of entities accounted for using equity method:

Fiscal year ended July 31, 2023: 552 million yen

Fiscal year ended July 31, 2022: (96) 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, 2023	138,821	38,477	27.7	1,314.43
As of July 31, 2022	118,248	36,157	30.6	1,206.51

Reference: Equity capital amounted to 38,455 million yen as of July 31, 2023 and 36,152 million yen as of July 31, 2022.

(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, 2023	(22,790)	(3,609)	17,859	28,274
Fiscal year ended July 31, 2022	15,689	(5,881)	7,507	36,788

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, 2022	—	0.00	—	24.00	24.00	719	12.2	2.2
Fiscal year ended July 31, 2023	—	0.00	—	25.00	25.00	731	16.7	2.0
Fiscal year ending July 31, 2024 (forecast)	—	25.00	—	26.00	51.00		39.3	

Note: Breakdown of the End of Q2 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

*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) Changes in accounting policies and accounting estimates and retrospective restatements

- Accounting policy changes due to accounting standard revisions, etc.: Yes
- Other accounting policy changes: None
- Changes in accounting estimates: None
- Retrospective restatements: None

Note: For details, please refer to "3. Consolidated Financial Statements and Primary Notes (5) Notes to consolidated financial statements (Changes in accounting policies)" on page 14 of the attached document.

(3) Number of issued shares (common stock)

1. Number of issued shares at end of period (including treasury stock)	As of July 31, 2023	29,259,200	As of July 31, 2022	29,971,800
2. Number of treasury shares at end of period	As of July 31, 2023	2,445	As of July 31, 2022	7,474
3. Average number of shares outstanding during period	Fiscal year ended July 31, 2023	29,365,217	Fiscal year ended July 31, 2022	29,345,622

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended July 31, 2023 (August 1, 2022 to July 31, 2023)

(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, 2023	48,725	(17.7)	6,474	(33.7)	5,197	(41.6)	2,995	(44.9)
Fiscal year ended July 31, 2022	59,193	32.2	9,769	77.1	8,907	82.8	5,434	68.0

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended July 31, 2023	102.02	101.95
Fiscal year ended July 31, 2022	185.19	184.96

(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, 2023	133,256	34,974	26.2	1,195.44
As of July 31, 2022	115,275	34,173	29.6	1,140.48

Reference: Equity capital amounted to 34,974 million yen as of July 31, 2023 and 34,173 million yen as of July 31, 2022.

[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 smaller than in the previous fiscal year. 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. For the assumptions underlying the forecasts and precautions when using the forecasts, please see “1. Overview of Operating Results, etc. (1) Overview of operating results for the fiscal year under review 2) Outlook” on page 3 of the attached document.

(About the financial results briefing)

A video presentation of the financial results is scheduled to be distributed on the Company’s website today (September 13, 2023).

Accompanying Materials — Contents

1. Overview of Operating Results, etc.	2
(1) Overview of operating results for the fiscal year under review	2
(2) Overview of financial position for the fiscal year under review.....	3
(3) Basic policy on profit distribution and dividends for the current and next fiscal years	4
2. Basic Views on Selection of Accounting Standards.....	4
3. Consolidated Financial Statements and Primary Notes.....	5
(1) Consolidated balance sheet	5
(2) Consolidated statement of income and consolidated statement of comprehensive income	8
Consolidated statement of income	8
Consolidated statement of comprehensive income	9
(3) Consolidated statement of changes in equity.....	10
(4) Consolidated statement of cash flows	12
(5) Notes to consolidated financial statements.....	14
(Notes to going concern assumptions)	14
(Changes in accounting policies)	14
(Additional information).....	14
(Segment information, etc.)	15
(Per share information)	18
(Significant subsequent events)	19

1. Overview of Operating Results, etc.

(1) Overview of operating results for the fiscal year under review

1) Operating results for the fiscal year under review

During the consolidated fiscal year ended July 31, 2023, the Japanese economy gradually reopened as social restraints precipitated by the COVID-19 pandemic eased, showing signs of a gradual recovery. However, the outlook remains uncertain due to the impact of the situation in Ukraine, the depreciation of the yen, and sharp rises in material prices and interest rates.

In the wake of the pandemic, logistics has once again been recognized as an indispensable social infrastructure, and demand for logistics facilities has continued to be strong under the circumstances of growing e-commerce and food logistics due to the expansion of nesting consumption. Logistics assets are recognized by investors as an attractive asset type, and the Company sees the trading market environment as favorable. Approximately 30% of warehouses in the Greater Tokyo area are more than 35 years old and are deteriorating. In order to meet the diversifying needs of consumers, companies are promoting the streamlining and rationalization of logistics and require highly convenient logistics facilities, with demand for logistics facilities expected to continue to grow in the with-COVID and post-COVID eras. Such demand is also expected to increase due to the decentralization of logistics bases to address the “2024 problem” in logistics.

In this business environment, the Real Estate Management segment continues to strengthen its master lease business for small- and medium-sized warehouses. In order to energize cooperation with owners and tenants, the Company will build and operate websites, hold logistics seminars, distribute email newsletters, and strengthen the use of social media to expand the floor space in the master lease business.

In the Logistics Investment segment, the Company launched its first development project in Shizuoka Prefecture. Also, in Asaka, Saitama Prefecture, the Company participated in a land readjustment project as a business agent for the first time. In addition to creating good industrial land and developing agricultural land and parks taking advantage of the location environment, the Company will engage in town development planning in harmony with the surrounding environment and the natural surroundings also in light of river improvement plans and the like. Overseas, the Company started two construction projects (six buildings in total) in Vietnam, making this the tenth logistics facility development in Vietnam. We will continue to actively promote business development in Southeast Asia.

In the Asset Management segment, CRE REIT Advisers, Inc., a consolidated subsidiary, manages assets for the CRE Logistics REIT, Inc. We made our first property sale since the fund’s establishment to enhance investor value. In addition, Strategic Partners Co., Ltd., a consolidated subsidiary that manages private funds, has incorporated self-storage held by the Real Estate Management segment into a self-storage-specific fund under its management. Under the current second medium-term management plan, the Company will steadily grow its recurring revenue businesses by increasing the floor space under management in the Real Estate Management segment and the balance of assets under management in the Asset Management segment, with the Logistics Investment segment, a one-time revenue business, as a growth driver.

In April 2023, the Company entered into a new capital and business alliance agreement with EnBio Holdings, Inc. (hereinafter “EBH”), an equity method affiliate. EBH invests in and operates renewable energy businesses, centered on solar power generation in Japan and overseas, and has set a short-term target of 100MW for panel output in solar power generation. As part of this effort, in July 2023, construction of solar power plants started utilizing the roofs of *LogiSquare* Hirakata and *LogiSquare* Shiroy, properties developed by the Company. Going forward, the Company and EBH will continue to make maximum use of their management resources and collaborate to expand EBH’s domestic and overseas renewable energy businesses, centered on solar power generation, and enhance the corporate value of both companies as an environmentally-conscious corporate group.

The Company believes that the environment surrounding logistics real estate is reaching a major turning point. In this business environment, the Company aims to provide even higher value-added services and contribute to the development of customers, and it has set the realization of a logistics infrastructure platform as its business vision. Therefore, in addition to services related to logistics real estate, the Company aims to grow into a corporate group that provides a variety of solutions, including management systems and robotics support in logistics facilities and matching of drivers and trucks.

As a result, for the fiscal year ended July 31, 2023, net sales were 52,159 million yen (-16.9% YoY), operating profit was 7,147 million yen (-29.8% YoY), ordinary profit was 6,697 million yen (-27.1% YoY), and profit attributable to owners of parent was 4,387 million yen (-24.0% YoY).

Results by segment are as follows.

Real Estate Management segment

In the Real Estate Management segment, the Company’s efforts to improve profitability while maintaining high occupancy resulted in floor space under management of approximately 1.85 million tsubo (6.12 million square meters) as of July 31, 2023. Stable revenue was recorded as master lease properties continued to maintain high occupancy rates from the previous fiscal year and floor space under management remained steady. In addition, as a result of the sale of self-storage held by the Company to a self-storage-specific fund and construction work through effective land utilization, sales were 28,205 million yen (+0.5% YoY) and

operating profit was 2,286 million yen (-21.0% YoY).

Logistics Investment segment

In the Logistics Investment segment, the Company sold *LogiSquare* Hirakata and *LogiSquare* Shiroy, properties developed by the Company, to CRE Logistics REIT. As a result, sales were 22,411 million yen (-32.6% YoY) and operating profit was 5,302 million yen (-32.0% YoY).

Asset Management segment

In the Asset Management segment, assets under management by CRE Logistics REIT and private funds as of July 31, 2023 totaled 281,440 million yen. As a result, in addition to the steady recording of asset management fees, etc., the Company also recorded arrangement fees, etc. due to the formation of the self-storage-specific fund. Accordingly, sales were 1,536 million yen (+9.1% YoY) and operating profit was 968 million yen (+14.3% YoY).

2) Outlook

For the fiscal year ending July 31, 2024, the Company aims to achieve steady growth in its recurring revenue businesses through expanding the floor space under management in the Real Estate Management segment and total assets under management in the Asset Management segment, using the sale of development properties, a one-time revenue business, as a growth driver. In addition, we aim to accelerate the overseas business and diversify our earnings opportunities through collaborating with alliance partners. We will actively promote the establishment of a logistics infrastructure platform, providing the foundational base for all logistical support services, not limited to the provision of logistics real estate. The Company's business vision is to become the "number one corporate group with a logistics infrastructure platform that connects the people and things of our world."

Accordingly, the Company forecasts net sales of 67,900 million yen, operating profit of 7,500 million yen, ordinary profit of 6,050 million yen, and profit attributable to owners of parent of 3,800 million yen.

(2) Overview of financial position for the fiscal year under review

1) Assets, liabilities, and net assets

(Assets)

As of July 31, 2023, current assets totaled 109,658 million yen, an increase of 17,384 million yen from July 31, 2022. This was mainly due to decreases of 8,513 million yen in cash and deposits and 4,780 million yen in advance payments to suppliers, and increases of 14,607 million yen in real estate for sale in process, 13,658 million yen in real estate for sale, and 1,969 million yen in consumption taxes refund receivable. Non-current assets totaled 29,150 million yen, an increase of 3,196 million yen from July 31, 2022. This was mainly due to increases of 2,166 million yen in investment securities, 838 million yen in other investments and other assets, and 450 million yen in leasehold and guarantee deposits, while long-term prepaid expenses decreased by 414 million yen. Deferred assets totaled 12 million yen, a decrease of 7 million yen from July 31, 2022. This was mainly due to a decrease of 7 million yen in bond issuance costs.

As a result, total assets amounted to 138,821 million yen, an increase of 20,573 million yen from July 31, 2022.

(Liabilities)

Current liabilities totaled 35,357 million yen as of July 31, 2023, an increase of 14,661 million yen from July 31, 2022. This was mainly due to decreases of 2,628 million yen in income taxes payable and 1,786 million yen in accrued consumption taxes, while the current portion of long-term borrowings increased by 17,333 million yen and deposits received grew by 1,011 million yen. Non-current liabilities totaled 64,986 million yen, an increase of 3,592 million yen from July 31, 2022. This was mainly due to increases of 3,155 million yen in long-term borrowings and 924 million yen in leasehold and guarantee deposits received, while deposits received from silent partnerships decreased by 446 million yen.

As a result, total liabilities amounted to 100,344 million yen, an increase of 18,253 million yen from July 31, 2022.

(Net assets)

As of July 31, 2023, net assets totaled 38,477 million yen, an increase of 2,319 million yen from July 31, 2022. This was mainly due to a decrease in capital surplus of 1,168 million yen due to the cancellation of treasury stock, while retained earnings increased by 3,668 million yen due to the recording of profit attributable to owners of parent of 4,387 million yen and the payment of dividends of 719 million yen.

2) Cash flows

As of July 31, 2023, cash and cash equivalents (hereinafter "cash") totaled 28,274 million yen, a decrease of 8,514 million yen from July 31, 2022. The cash flows affecting this figure are outlined below.

(Cash flows from operating activities)

Net cash used in operating activities amounted to 22,790 million yen (compared to 15,689 million yen provided by these activities in the previous fiscal year). This was primarily due to a 28,273 million yen increase in inventories, only partially offset by the recording of profit before income taxes of 6,558 million yen.

(Cash flows from investing activities)

Net cash used in investing activities totaled 3,609 million yen (-38.6% YoY). This was mainly due to 2,176 million yen for the purchase of short-term and long-term investment securities, 799 million yen in loan advances, and 609 million yen for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities came to 17,859 million yen (+137.9% YoY). This primarily reflected 37,281 million yen in proceeds from long-term borrowings, despite 16,950 million yen in repayments of long-term borrowings, 1,246 million yen for the purchase of treasury shares, and 874 million yen in repayments of short-term borrowings.

(Cash flow-related indicators)

	Fiscal year ended July 31, 2019	Fiscal year ended July 31, 2020	Fiscal year ended July 31, 2021	Fiscal year ended July 31, 2022	Fiscal year ended July 31, 2023
Equity ratio (%)	31.9	28.5	26.9	30.6	27.7
Equity ratio based on market capitalization (%)	52.2	51.5	41.9	41.8	29.2
Interest-bearing debt to cash flow ratio (years)	—	3.2	—	3.5	—
Interest coverage ratio (x)	—	40.7	—	51.9	—

Equity ratio: Equity capital / Total assets

Equity ratio based on market capitalization: Total market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow / 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, 2019, 2021, and 2023 due to negative cash flows from operating activities.

(3) Basic policy on profit distribution and dividends for the current and next fiscal years

Until now, the Company had set a target of a total shareholder return ratio of about 30%, including dividends and repurchases of treasury stock. The Company has now raised its target for the total return ratio, with a lower limit of 30% and a target of 50% for each fiscal year. In addition to maintaining stable year-end dividends, the Company will implement flexible shareholder returns through the acquisition of treasury stock and special dividends. In this way, we will actively return profits to shareholders. The Company aims to pay a progressive dividend for year-end dividends.

Accordingly, taking into consideration our business performance and financial position, the Company will pay a year-end dividend of 25 yen per share for the current fiscal year, an increase of 1 yen from the most recent forecast. For the fiscal year ending July 31, 2024, the Company plans to pay a special dividend of 25 yen per share as an interim dividend, and a year-end dividend of 26 yen per share.

2. Basic Views on Selection of Accounting Standards

The Group prepares its consolidated financial statements according to Japanese Generally Accepted Accounting Principles (J-GAAP) in order to facilitate comparability of the accounts between financial periods and companies.

With regard to the application of International Financial Reporting Standards (IFRS), the Company's policy is to respond appropriately while considering factors such as shareholder composition and trends of other companies in the same industry in Japan.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated balance sheet

(Millions of yen)

	As of July 31, 2022	As of July 31, 2023
Assets		
Current assets		
Cash and deposits	36,806	28,292
Notes and accounts receivable - trade, and contract assets	572	1,322
Accounts receivable from completed construction contracts	612	305
Real estate for sale	2,555	16,214
Real estate for sale in process	43,981	58,588
Advance payments to suppliers	5,818	1,037
Prepaid expenses	1,482	1,501
Consumption taxes refund receivable	118	2,087
Other	348	317
Allowance for doubtful accounts	(22)	(9)
Total current assets	92,273	109,658
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,582	4,590
Accumulated depreciation	(2,032)	(2,158)
Buildings and structures, net	2,549	2,432
Machinery, equipment and vehicles	78	49
Accumulated depreciation	(75)	(47)
Machinery, equipment and vehicles, net	2	2
Tools, furniture and fixtures	245	281
Accumulated depreciation	(165)	(197)
Tools, furniture and fixtures, net	80	84
Land	4,416	4,770
Leased assets	496	517
Accumulated depreciation	(322)	(354)
Leased assets, net	173	162
Construction in progress	—	15
Total property, plant and equipment	7,222	7,467
Intangible assets		
Goodwill	848	636
Other	204	272
Total intangible assets	1,052	908
Investments and other assets		
Investment securities	8,394	10,560
Distressed receivables	46	150
Long-term prepaid expenses	1,203	789
Deferred tax assets	82	135
Leasehold and guarantee deposits	7,548	7,999
Other	451	1,290
Allowance for doubtful accounts	(46)	(150)
Total investments and other assets	17,679	20,774
Total non-current assets	25,954	29,150

(Millions of yen)

	As of July 31, 2022	As of July 31, 2023
Deferred assets		
Bond issuance costs	19	12
Total deferred assets	19	12
Total assets	118,248	138,821

(Millions of yen)

	As of July 31, 2022	As of July 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	8,534	9,412
Accounts payable for construction contracts	597	510
Short-term borrowings	374	360
Current portion of long-term borrowings	3,055	20,389
Lease liabilities	53	60
Income taxes payable	2,928	299
Accrued consumption taxes	1,837	51
Deposits received	263	1,274
Unearned revenue	1,788	1,970
Provision for bonuses	386	381
Provision for bonuses for directors (and other officers)	348	295
Provision for loss on subleases	46	22
Provision for loss on construction contracts	8	7
Asset retirement obligations	10	—
Other	462	323
Total current liabilities	20,695	35,357
Non-current liabilities		
Bonds payable	3,000	3,000
Long-term borrowings	48,790	51,946
Lease liabilities	290	248
Deferred tax liabilities	58	0
Provision for loss on guarantees	33	37
Provision for loss on subleases	9	2
Retirement benefit liability	274	281
Asset retirement obligations	300	299
Leasehold and guarantee deposits received	7,975	8,899
Deposits received from silent partnerships	446	—
Other	215	269
Total non-current liabilities	61,394	64,986
Total liabilities	82,090	100,344
Net assets		
Shareholders' equity		
Share capital	5,217	5,295
Capital surplus	7,177	6,008
Retained earnings	22,311	25,979
Treasury shares	(0)	(0)
Total shareholders' equity	34,706	37,283
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,400	1,012
Deferred gains or losses on hedges	(18)	(7)
Foreign currency translation adjustment	63	166
Total accumulated other comprehensive income	1,446	1,172
Non-controlling interests	5	21
Total net assets	36,157	38,477
Total liabilities and net assets	118,248	138,821

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

(Millions of yen)

	Fiscal year ended July 31, 2022 (August 1, 2021 to July 31, 2022)	Fiscal year ended July 31, 2023 (August 1, 2022 to July 31, 2023)
Net sales	62,734	52,159
Cost of sales	47,017	39,322
Gross profit	15,717	12,837
Selling, general and administrative expenses	5,534	5,689
Operating profit	10,182	7,147
Non-operating income		
Interest income	6	2
Foreign exchange gains	1	13
Insurance claim income	20	67
Share of profit of entities accounted for using equity method	—	552
Other	6	19
Total non-operating income	34	656
Non-operating expenses		
Interest expenses	316	494
Commission expenses	529	565
Share of loss of entities accounted for using equity method	96	—
Other	86	46
Total non-operating expenses	1,029	1,106
Ordinary profit	9,187	6,697
Extraordinary income		
Gain on sale of non-current assets	0	8
Penalty income from real estate sales contract breach	565	—
Gain on change in equity	0	1
Total extraordinary income	566	10
Extraordinary losses		
Loss on retirement of non-current assets	42	18
Loss on sale of investment securities	16	—
Loss on valuation of investment securities	—	28
Impairment losses	341	91
Amortization of goodwill	184	—
Other	2	3
Total extraordinary losses	586	142
Profit before distributions of profit or loss on silent partnerships and income taxes	9,168	6,565
Distributions of profit or loss on silent partnerships	12	6
Profit before income taxes	9,155	6,558
Income taxes - current	3,671	2,097
Income taxes - deferred	(212)	57
Total income taxes	3,458	2,155
Profit	5,696	4,403
Profit (loss) attributable to non-controlling interests	(78)	16
Profit attributable to owners of parent	5,775	4,387

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended July 31, 2022 (August 1, 2021 to July 31, 2022)	Fiscal year ended July 31, 2023 (August 1, 2022 to July 31, 2023)
Profit	5,696	4,403
Other comprehensive income		
Valuation difference on available-for-sale securities	(59)	(385)
Foreign currency translation adjustment	17	(23)
Share of other comprehensive income of entities accounted for using equity method	84	134
Total other comprehensive income	43	(273)
Comprehensive income	5,740	4,129
(Breakdown)		
Comprehensive income attributable to owners of parent	5,819	4,113
Comprehensive income attributable to non-controlling interests	(78)	16

(3) Consolidated statement of changes in equity

Fiscal year ended July 31, 2022 (August 1, 2021 to July 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,071	5,031	17,157	(0)	25,260
Cumulative effects of changes in accounting policies			9		9
Restated balance	3,071	5,031	17,167	(0)	25,270
Changes during period					
Issuance of new shares	2,146	2,146			4,292
Dividends of surplus			(631)		(631)
Profit attributable to owners of parent			5,775		5,775
Net changes in items other than shareholders' equity					
Total changes during period	2,146	2,146	5,144	—	9,436
Balance at end of period	5,217	7,177	22,311	(0)	34,706

	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	1,470	(25)	(41)	1,402	83	26,746
Cumulative effects of changes in accounting policies						9
Restated balance	1,470	(25)	(41)	1,402	83	26,756
Changes during period						
Issuance of new shares						4,292
Dividends of surplus						(631)
Profit attributable to owners of parent						5,775
Net changes in items other than shareholders' equity	(69)	7	105	43	(78)	(35)
Total changes during period	(69)	7	105	43	(78)	9,401
Balance at end of period	1,400	(18)	63	1,446	5	36,157

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
Cumulative effects of changes in accounting policies					—
Restated balance	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
Cumulative effects of changes in accounting policies						—
Restated balance	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

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended July 31, 2022 (August 1, 2021 to July 31, 2022)	Fiscal year ended July 31, 2023 (August 1, 2022 to July 31, 2023)
Cash flows from operating activities		
Profit before income taxes	9,155	6,558
Depreciation	327	369
Impairment losses	341	91
Amortization of goodwill	442	212
Share of loss (profit) of entities accounted for using equity method	96	(552)
Increase (decrease) in allowance for doubtful accounts	5	89
Increase (decrease) in provision for bonuses	318	(5)
Increase (decrease) in provision for loss on subleases	26	(30)
Increase (decrease) in provision for loss on construction contracts	(0)	(1)
Increase (decrease) in provision for loss on guarantees	3	3
Increase (decrease) in provision for bonuses for directors (and other officers)	48	(53)
Increase (decrease) in retirement benefit liability	18	7
Interest and dividend income	(6)	(2)
Interest expenses	316	494
Foreign exchange losses (gains)	(34)	(46)
Loss (gain) on sale of investment securities	16	3
Loss (gain) on valuation of investment securities	—	28
Loss on retirement of non-current assets	42	18
Loss (gain) on sale of property, plant and equipment and intangible assets	(0)	(8)
Loss (gain) on change in equity	(0)	(1)
Decrease (increase) in trade receivables	(1)	(441)
Decrease (increase) in inventories	7,696	(28,273)
Increase (decrease) in trade payables	1,955	791
Decrease (increase) in advance payments to suppliers	(3,834)	4,780
Decrease (increase) in consumption taxes refund receivable	(114)	(1,968)
Increase (decrease) in accrued consumption taxes	1,748	(1,786)
Increase (decrease) in deposits received	(1,234)	1,011
Decrease (increase) in leasehold and guarantee deposits	(486)	(448)
Increase (decrease) in leasehold and guarantee deposits received	28	910
Other, net	985	607
Subtotal	17,858	(17,642)
Interest and dividends received	3	0
Interest paid	(302)	(486)
Income taxes paid	(1,870)	(4,661)
Net cash provided by (used in) operating activities	15,689	(22,790)
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(644)	(2,176)
Proceeds from sale and redemption of short-term and long-term investment securities	66	160
Purchase of property, plant and equipment	(4,849)	(609)
Proceeds from sale of property, plant and equipment	25	31
Purchase of intangible assets	(165)	(187)
Loan advances	(328)	(799)
Other, net	14	(27)
Net cash provided by (used in) investing activities	(5,881)	(3,609)

(Millions of yen)

	Fiscal year ended July 31, 2022 (August 1, 2021 to July 31, 2022)	Fiscal year ended July 31, 2023 (August 1, 2022 to July 31, 2023)
Cash flows from financing activities		
Proceeds from short-term borrowings	374	860
Repayments of short-term borrowings	(600)	(874)
Proceeds from long-term borrowings	22,170	37,281
Repayments of long-term borrowings	(17,297)	(16,950)
Repayments of lease liabilities	(45)	(57)
Proceeds from contributions by silent partners	187	—
Payments for distribution of silent partnership contributions	(803)	(442)
Proceeds from issuance of shares	4,151	—
Proceeds from exercise of employee share options	1	7
Purchase of treasury shares	—	(1,246)
Dividends paid	(631)	(718)
Net cash provided by (used in) financing activities	7,507	17,859
Effect of exchange rate change on cash and cash equivalents	16	25
Net increase (decrease) in cash and cash equivalents	17,331	(8,514)
Cash and cash equivalents at beginning of period	19,457	36,788
Cash and cash equivalents at end of period	36,788	28,274

(5) Notes to consolidated financial statements

(Notes to going concern assumptions)

There is no relevant information.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has adopted the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the “Implementation Guidance on Accounting Standard for Fair Value Measurement”) from the beginning of the current consolidated fiscal year. Accordingly, the Company has decided to apply the new accounting policies prescribed by the Implementation Guidance on Accounting Standard for Fair Value Measurement into the future, in accordance with the transitional treatment set forth in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. This change has no impact on the consolidated financial statements for the current fiscal year.

(Additional information)

(Accounting estimates in relation to the COVID-19 pandemic)

The impact of the spread of COVID-19 continues to be uncertain. However, the Group sees that the impact on the logistics real estate market, to which we belong, will be limited.

The accounting estimates are therefore based on the assumption that the impact will be limited, although inventory valuation, non-current asset valuation, and estimated investment items may be affected.

However, the impact of the spread of COVID-19 is highly uncertain and could have a material effect on the financial position, operating results, and cash flows of the Group for the next consolidated fiscal year.

(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 three reportable segments: the Real Estate Management segment, the Logistics Investment segment, and the Asset Management segment. 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, leasing, and operation and management of commercial real estate, centered on logistics and commercial facilities. The Logistics Investment segment primarily handles the entire process from logistics facility planning, site selection and acquisition, development, to sales. It is also involved in planning, design, and other operations, mainly for logistics and commercial facilities. The Asset Management segment is mainly engaged in the formation and management of real estate funds.

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, 2022 (August 1, 2021 to July 31, 2022)

(Millions of yen)

	Reportable segments				Other* ¹	Total	Adjustments* ²	Amount recorded on consolidated financial statements* ³
	Real Estate Management	Logistics Investment	Asset Management	Total				
Sales								
Sales to external customers	28,058	33,260	1,408	62,726	7	62,734	—	62,734
Intersegment sales and transfers	597	2	25	625	18	643	(643)	—
Total	28,655	33,262	1,434	63,351	26	63,378	(643)	62,734
Segment profit	2,892	7,796	847	11,536	2	11,539	(1,356)	10,182
Segment assets	21,836	53,003	6,526	81,366	866	82,233	36,014	118,248
Other items								
Depreciation	286	6	13	306	0	306	20	327
Amortization of goodwill	442	—	—	442	—	442	—	442
Impairment losses	341	—	—	341	—	341	—	341
Investment in equity method affiliates	97	2,716	—	2,813	—	2,813	—	2,813
Increase in property, plant and equipment and intangible assets	4,997	24	43	5,065	1	5,067	105	5,172

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

2. Adjustments are as follows:

- (1) The (1,356) million yen adjustment to segment profit includes (58) million yen in elimination of intersegment transactions and corporate-wide expenses of (1,298) million yen not allocated to each reportable segment. Primary corporate-wide expenses are general and administrative expenses not attributable to reportable segments.
- (2) The 36,014 million yen adjustment on segment assets includes (1,074) million yen in elimination of intersegment transactions and corporate-wide assets of 37,089 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 20 million yen adjustment to depreciation is corporate-wide expenses not allocated to reportable segments.
- (4) The 105 million yen adjustment on increase in property, plant and equipment and intangible assets is capital investment associated with head office functions.

3. Segment profit is adjusted to operating profit on consolidated financial statements.

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	Total				
Sales								
Sales to external customers	28,205	22,411	1,536	52,153	6	52,159	—	52,159
Intersegment sales and transfers	354	4	20	378	9	388	(388)	—
Total	28,559	22,416	1,556	52,532	15	52,547	(388)	52,159
Segment profit	2,286	5,302	968	8,557	(99)	8,457	(1,309)	7,147
Segment assets	21,235	81,591	6,850	109,677	201	109,879	28,942	138,821
Other items								
Depreciation	326	14	6	346	0	346	22	369
Amortization of goodwill	212	—	—	212	—	212	—	212
Impairment losses	91	—	—	91	—	91	—	91
Investment in equity method affiliates	181	5,140	—	5,321	—	5,321	—	5,321
Increase in property, plant and equipment and intangible assets	683	—	2	685	—	685	107	792

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

2. Adjustments are as follows:

- (1) The (1,309) million yen adjustment to segment profit includes 81 million yen in elimination of intersegment transactions and corporate-wide expenses of (1,391) million yen not allocated to each reportable segment. Primary corporate-wide expenses are general and administrative expenses not attributable to reportable segments.
- (2) The 28,942 million yen adjustment on segment assets includes (23) million yen in elimination of intersegment transactions and corporate-wide assets of 28,965 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 22 million yen adjustment to depreciation is corporate-wide expenses not allocated to reportable segments.
- (4) The 107 million yen adjustment on increase in property, plant and equipment and intangible assets is capital investment associated with head office functions.

3. Segment profit is adjusted to operating profit on consolidated financial statements.

(Per share information)

	Fiscal year ended July 31, 2022 (August 1, 2021 to July 31, 2022)	Fiscal year ended July 31, 2023 (August 1, 2022 to July 31, 2023)
Net assets per share	1,206.51 yen	1,314.43 yen
Earnings per share	196.82 yen	149.41 yen
Diluted earnings per share	196.58 yen	149.30 yen

Note 1: The basis for calculating earnings per share and diluted earnings per share is as follows.

	Fiscal year ended July 31, 2022 (August 1, 2021 to July 31, 2022)	Fiscal year ended July 31, 2023 (August 1, 2022 to July 31, 2023)
Earnings per share		
Profit attributable to owners of parent (millions of yen)	5,775	4,387
Amount not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent relating to common shares (millions of yen)	5,775	4,387
Average number of shares outstanding during period (shares)	29,345,622	29,365,217
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (millions of yen)	—	—
Increase in number of common shares (shares)	36,163	21,648
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect	—————	—————

Note 2: The basis for calculating net assets per share is as follows.

	As of July 31, 2022	As of July 31, 2023
Net assets (millions of yen)	36,157	38,477
Amount to be deducted from net assets (millions of yen)	5	21
(Of which, share acquisition rights) (millions of yen)	(—)	(—)
Net assets relating to common shares at end of period (millions of yen)	36,152	38,455
Number of common shares used in calculation of net assets per share at end of period (shares)	29,964,326	29,256,755

(Significant subsequent events)

There is no relevant information.