

CRE Inc.
Summary of Consolidated Financial Statements (Unaudited)
For the Fiscal Year ending July 31, 2020
(Translated from the Japanese original)

Corporate Information

Code: 3458 Listing: First Section of the Tokyo Stock Exchange

(URL <https://www.cre-jpn.com/english/>)

Representative: Tadahide Kameyama, Representative Director, President

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Anticipated date of annual general meeting of shareholders: October 28, 2020

Expected date of payment for dividends: October 12, 2020

Anticipated date for filing Yuka Shoken Hokokusho (a Japanese-language business report): October 28, 2020

Preparation of supplementary explanation material for financial results: Yes

Presentation meeting for financial results: Yes (for institutional investors and analysts)

(Rounded down to the nearest million)

1. Consolidated Performance for Fiscal 2020 (August 1, 2019 through July 31, 2020)**(1) Consolidated Operating Results**

(Percentages represent changes from corresponding period of previous year)

	Net sales		Operating profit		Recurring profit		Net income attributable to owners of the parent company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2020	41,194	72.1	4,228	156.1	4,049	193.0	2,611	274.9
Fiscal 2019	23,941	(28.7)	1,651	(48.2)	1,382	(55.5)	696	(66.9)

(Note) Comprehensive income: 3,141 million yen (224.9 %) (Fiscal 2020), 966 million yen ((55.3) %) (Fiscal 2019)

	Net income per share	Fully diluted net income per share	Return (net income) on equity	Return (recurring profit) on assets	Return (operating profit) on sales
	Yen	Yen	%	%	%
Fiscal 2020	103.72	103.40	13.9	6.5	10.3
Fiscal 2019	27.86	27.68	4.1	2.9	6.9

(Reference) Equity in earnings or losses of affiliates: 112 million yen (Fiscal 2020), (48) million yen (Fiscal 2019)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2020	70,142	20,004	28.5	792.31
Fiscal 2019	54,712	17,545	31.9	696.15

(Reference) Equity capital: 20,002 million yen (July 31, 2020), 17,473 million yen (July 31, 2019)

(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 2020	7,725	(471)	(1,820)	14,466
Fiscal 2019	(13,350)	(1,529)	10,522	9,032

2. Payment of Dividends

	Dividends per share					Total dividends (For the year) Millions of yen	Dividend payout ratio (Consolidated) %	Dividends on net assets (Consolidated) %
	First quarter- end	At end of first half	Third quarter- end	Year-end	For the year			
	yen	yen	yen	yen	yen			
Fiscal 2019	—	0.00	—	21.00	21.00	527	75.4	3.1
Fiscal 2020	—	0.00	—	22.00	22.00	555	21.2	3.0
Fiscal 2021 (Estimated)	—	0.00	—	23.00	23.00		21.7	

3. Anticipated Consolidated Results for Fiscal 2021 (August 1, 2020 through July 31, 2021)

(Percentages represent changes from corresponding period of previous year)

	Net sales		Operating profit		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full year	54,700	32.8	5,000	18.2	4,500	11.1

	Net income attributable to owners of the parent company		Net income per share
	Millions of yen	%	Yen
Full year	2,900	11.0	105.88

(Note)

Calculation of net income per share (anticipated) for fiscal 2021, ending July 31, 2021, takes into consideration an increase in the number of shares associated with issuance of new shares through a third-party allocation of shares and public offering, for which payment was completed in August 2020, and also associated with disposal of treasury stock, in addition to an increase in the number of shares reflecting third-party allocation related to a secondary offering by way of over-allotment, for which payment was completed in September 2020.

*Notes:

(1) Major reclassifications of subsidiaries during the term (changes in specified subsidiaries resulting in change in scope of consolidation): None

(2) Changes in accounting policy, changes in accounting estimate and retrospective restatement

1. Changes associated with revision of accounting standards, etc: None
2. Changes other than 1: None
3. Changes in accounting estimates: None
4. Restatements: None

(3) Number of outstanding shares (common stock)

1. Number of outstanding shares, including treasury stock, at end of term:

26,309,200 shares (July 31, 2020)

26,161,300 shares (July 31, 2019)

2. Number of shares of treasury stock at end of term:

1,063,311 shares (July 31, 2020)

1,060,832 shares (July 31, 2019)

3. Average outstanding number of shares (during the fiscal year):

25,181,574 shares (July 31, 2020)

25,004,324 shares (July 31, 2019)

(Reference) Non-consolidated Financial Results for Fiscal 2020 (August 1, 2019 through July 31, 2020)**1. Non-consolidated Performance for Fiscal 2020 (August 1, 2019 through July 31, 2020)****(1) Non-consolidated Operating Results**

	Net sales		Operating profit		Recurring profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2020	35,720	74.4	3,905	131.7	3,341	153.6	1,870	214.4
Fiscal 2019	20,477	(24.4)	1,685	(39.6)	1,317	(51.0)	595	(64.1)

	Net income per share		Fully diluted net income per share	
	Yen		Yen	
Fiscal 2020	74.29		74.06	
Fiscal 2019	23.80		23.65	

(2) Non-consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
Fiscal 2020	66,445		18,871		28.4		747.49	
Fiscal 2019	50,700		16,768		33.1		668.07	

(Reference) Equity capital: 18,871 million yen (July 31, 2020), 16,768 million yen (July 31, 2019)

***Audit Status**

These materials are not subject to audit procedure requirements under Japan's Financial Instruments and Exchange Act which require auditing by certified public accountants or an accounting firm.

***Cautionary Note on Forward-Looking Statements and Other Important Matters**

This report contains forward-looking statements about plans and expectations pertaining to CRE's business activities, based on information available to management at the time of preparation and on certain assumptions that management believes to be reasonable. These forward-looking statements are not guarantees of future performance, and actual results, performance, achievements and financial position may differ materially from statements expressed or implied herein due to various factors.

Ratios for cash flow analysis are as follows:

	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Equity ratio (%)	30.4	42.7	39.9	31.9	28.5
Equity ratio (market value basis) (%)	37.7	52.9	56.4	52.2	51.5
Cash flow to interest-bearing debt ratio (years)	3.4	4.9	4.4	—	3.2
Interest coverage ratio (times)	33.7	20.0	27.5	—	40.7

Equity ratio: Equity capital / Total assets

Equity ratio (market-value basis): Total market value of stocks / Total assets

Cash flow to interest-bearing debt: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow / Interest payments

(Notes) 1. All indicators were calculated using consolidated financial statement data.

2. Total market value of stocks is based on the number of shares issued and outstanding, excluding treasury stock.

3. Cash flow draws on cash flow from operating activities.

4. "Interest-bearing debt" is all debt on the consolidated balance sheet on which interest is payable.

5. Neither cash flow to interest-bearing debt ratio nor interest coverage ratio for fiscal 2019 are provided because CRE posted negative cash flow from operating activities.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Fiscal 2019 As of July 31, 2019 Thousands of yen	Fiscal 2020 As of July 31, 2020 Thousands of yen
Assets		
Current assets		
Cash and deposits	9,032,949	14,466,126
Accounts receivable-trade	422,384	485,405
Notes receivable-trade and Accounts receivable from completed construction contracts	292,503	143,033
Real estate for sale	9,931,410	20,395,781
Real estate for sale in process	14,669,953	8,715,918
Advance payments-trade	55,779	3,374,710
Prepaid expenses	782,650	1,055,477
Others	1,082,975	703,577
Allowance for doubtful accounts	(25,260)	(15,963)
Total current assets	36,245,345	49,324,066
Fixed assets		
Tangible fixed assets		
Buildings and structures	3,604,049	4,155,207
Accumulated depreciation	(1,829,915)	(1,927,543)
Buildings and structures (net)	1,774,134	2,227,664
Machinery, equipment and vehicles	418,413	417,449
Accumulated depreciation	(197,261)	(246,911)
Machinery, equipment and vehicles (net)	221,151	170,538
Tools, furniture and fixtures	109,299	147,500
Accumulated depreciation	(79,442)	(96,202)
Tools, furniture and fixtures (net)	29,856	51,297
Land	1,558,832	1,877,030
Lease assets	480,631	472,388
Accumulated depreciation	(231,499)	(251,183)
Lease assets (net)	249,131	221,205
Construction in progress	71,478	14,013
Total tangible fixed assets	3,904,584	4,561,749
Intangible fixed assets		
Goodwill	1,533,085	1,296,836
Others	130,444	144,898
Total intangible assets	1,663,530	1,441,735
Investments and other fixed assets		
Investment securities	6,708,305	7,210,680
Claims provable in bankruptcy, claims provable in rehabilitation and other	37,476	62,468
Long-term prepaid expenses	345,155	1,245,391
Deferred tax assets	59,593	60,348
Lease and guarantee deposits	5,730,005	6,218,658
Others	59,092	83,564
Allowance for doubtful accounts	(40,726)	(65,718)
Total investments and other fixed assets	12,898,902	14,815,392
Total fixed assets	18,467,017	20,818,877
Total assets	54,712,362	70,142,943

	Fiscal 2019 As of July 31, 2019 Thousands of yen	Fiscal 2020 As of July 31, 2020 Thousands of yen
Liabilities		
Current liabilities		
Accounts payable-trade	1,917,810	11,994,136
Accounts payable for construction contracts	399,470	135,032
Short-term loans payable	25,000	1,000,000
Current portion of long-term loans payable	3,601,592	9,752,331
Lease obligations	28,045	28,804
Accrued corporate and other taxes	208,507	1,377,803
Deposits received	450,815	1,484,492
Unearned revenue	1,564,691	1,620,977
Allowance for employees' bonuses	47,242	49,799
Allowance for directors' bonuses	—	250,000
Allowance for sublease losses	42,274	70,275
Asset retirement obligations	119,124	587
Others	425,738	274,689
Total current liabilities	8,770,312	28,038,929
Fixed liabilities		
Long-term loans payable	20,913,299	13,703,300
Lease obligations	315,767	286,955
Liability for retirement benefits	236,960	238,808
Allowance for loss on guarantees	32,405	30,661
Asset retirement obligations	218,279	253,361
Allowance for sublease losses	—	21,552
Lease and guarantee deposits received	6,497,059	7,115,073
Others	183,037	450,217
Total fixed liabilities	28,396,809	22,099,930
Total liabilities	37,167,121	50,138,860
Net assets		
Shareholders' equity		
Common stock	2,195,714	2,240,348
Capital surplus	3,784,614	3,612,271
Retained earnings	12,085,463	14,170,090
Treasury stock	(955,107)	(955,171)
Total shareholders' equity	17,110,684	19,067,539
Accumulated other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	407,944	1,070,359
Deferred gains (losses) on hedges	(31,935)	(30,919)
Foreign currency translation adjustment	(12,997)	(104,317)
Total accumulated other comprehensive income	363,011	935,122
Non-controlling interests	71,545	1,420
Total net assets	17,545,241	20,004,083
Total liabilities and net assets	54,712,362	70,142,943

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**Consolidated Statements of Income**

	Fiscal 2019 (August 1, 2018 through July 31, 2019) Thousands of yen	Fiscal 2020 (August 1, 2019 through July 31, 2020) Thousands of yen
Net sales	23,941,977	41,194,446
Cost of sales	18,758,825	32,722,525
Gross profit	5,183,151	8,471,920
Selling, general and administrative expenses	3,531,864	4,243,173
Operating profit	1,651,286	4,228,747
Non-operating income		
Interest received	5,063	4,370
Equity in income of affiliates	—	112,917
Foreign exchange gains	6,794	—
Penalty income	—	67,437
Settlement received	4,000	—
Others	17,543	11,830
Total non-operating income	33,401	196,556
Non-operating expenses		
Interest paid	161,350	208,499
Commission fee	86,237	90,584
Removal expenses	—	60,000
Equity in loss of affiliates	48,607	—
Others	6,464	17,017
Total non-operating expenses	302,659	376,102
Recurring profit	1,382,028	4,049,201
Extraordinary income		
Gain on sales of investment securities	17,825	162,460
Reversal of allowance for doubtful accounts	112,000	—
Gain on reversal of asset retirement obligations	21,202	—
Others	17,941	1
Total extraordinary income	168,968	162,461
Extraordinary expenses		
Loss on valuation of investment securities	139,050	93,880
Impairment loss	19,791	75,005
Provision for loss on guarantees	32,405	—
Others	9,506	5,945
Total extraordinary expenses	200,753	174,831
Profit before dividend distribution from silent partnerships and income taxes	1,350,244	4,036,831
Dividends distribution from silent partnerships	—	915
Income before income taxes	1,350,244	4,035,915
Corporate, inhabitant and business taxes	593,486	1,764,798
Adjustments to corporate and other taxes	103,205	(296,816)
Total income taxes	696,692	1,467,982
Net income	653,552	2,567,933
Net income (loss) attributable to non-controlling interests	(43,036)	(43,803)
Net income attributable to owners of the parent company	696,588	2,611,737

Consolidated Statements of Comprehensive Income

	Fiscal 2019 (August 1, 2018 through July 31, 2019) Thousands of yen	Fiscal 2020 (August 1, 2019 through July 31, 2020) Thousands of yen
Net income	653,552	2,567,933
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	319,522	670,558
Foreign currency translation adjustment	936	9,114
Share of other comprehensive income of entities accounted for using equity method	(7,098)	(106,144)
Total other comprehensive income	313,361	573,529
Comprehensive income	966,913	3,141,463
Comprehensive income attributable to owners of the parent company	1,009,946	3,183,848
Comprehensive income attributable to non-controlling interests	(43,033)	(42,385)

(3) Consolidated statements of changes in shareholders' equity

Fiscal 2019 (August 1, 2018 through July 31, 2019)

(Thousands of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of fiscal year	2,145,976	3,734,876	11,886,295	(955,107)	16,812,040
Changes					
Issuance of new shares-exercise of subscription rights to shares	49,738	49,738			99,476
Dividends from surplus			(497,420)		(497,420)
Net income attributable to owners of the parent company			696,588		696,588
Net changes in items other than shareholders' equity during fiscal year					
Total changes	49,738	49,738	199,167	—	298,643
Balance at end of fiscal year	2,195,714	3,784,614	12,085,463	(955,107)	17,110,684

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized gains (losses) on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of fiscal year	88,860	(30,250)	(8,956)	49,653	114,251	16,975,944
Changes						
Issuance of new shares-exercise of subscription rights to shares						99,476
Dividends from surplus						(497,420)
Net income attributable to owners of the parent company						696,588
Net changes in items other than shareholders' equity during fiscal year	319,084	(1,685)	(4,040)	313,358	(42,705)	270,652
Total changes	319,084	(1,685)	(4,040)	313,358	(42,705)	569,296
Balance at end of fiscal year	407,944	(31,935)	(12,997)	363,011	71,545	17,545,241

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of fiscal year	2,195,714	3,784,614	12,085,463	(955,107)	17,110,684
Changes					
Issuance of new shares-exercise of subscription rights to shares	44,634	44,634			89,268
Dividends from surplus			(527,109)		(527,109)
Net income attributable to owners of the parent company			2,611,737		2,611,737
Purchase of treasury stock				(63)	(63)
Change in ownership interest of parent due to transactions with non-controlling interests		(216,976)			(216,976)
Net changes in items other than shareholders' equity during fiscal year					
Total changes	44,634	(172,342)	2,084,627	(63)	1,956,855
Balance at end of fiscal year	2,240,348	3,612,271	14,170,090	(955,171)	19,067,539

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized gains (losses) on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of fiscal year	407,944	(31,935)	(12,997)	363,011	71,545	17,545,241
Changes						
Issuance of new shares-exercise of subscription rights to shares						89,268
Dividends from surplus						(527,109)
Net income attributable to owners of the parent company						2,611,737
Purchase of treasury stock						(63)
Change in ownership interest of parent due to transactions with non-controlling interests						(216,976)
Net changes in items other than shareholders' equity during fiscal year	662,414	1,016	(91,320)	572,111	(70,124)	501,986
Total changes	662,414	1,016	(91,320)	572,111	(70,124)	2,458,842
Balance at end of fiscal year	1,070,359	(30,919)	(104,317)	935,122	1,420	20,004,083

(4) Consolidated statements of cash flows

	Fiscal 2019 (August 1, 2018 through July 31, 2019) Thousands of yen	Fiscal 2020 (August 1, 2019 through July 31, 2020) Thousands of yen
Cash flows from operating activities		
Income before income taxes	1,350,244	4,035,915
Depreciation and amortization	280,756	339,948
Impairment loss	19,791	75,005
Amortization of goodwill	280,671	236,249
Share of (profit) loss of entities accounted for using equity method	48,607	(112,917)
Increase (decrease) in allowance for doubtful accounts	(111,637)	15,695
Increase (decrease) in allowance for employees' bonuses	280	2,556
Increase (decrease) in allowance for sublease losses	(54,456)	49,553
Increase (decrease) in allowance for loss on guarantees	32,405	(1,744)
Increase (decrease) in allowance for directors' bonuses	(116,520)	250,000
Increase (decrease) in liability for retirement benefits	1,282	1,847
Interest and dividends received	(5,186)	(4,510)
Interest paid	161,350	208,499
Loss (gain) on sales of investment securities	(17,825)	(162,459)
Loss (gain) on valuation of investment securities	139,050	93,880
Gain on reversal of asset retirement obligations	(21,202)	—
(Increase) decrease in notes and accounts receivable	(169,777)	86,449
(Increase) decrease in inventories	(12,106,262)	(4,568,726)
Increase (decrease) in notes and accounts payable	(2,100,773)	9,871,887
Decrease (increase) in advance payments	549,136	(3,318,930)
(Increase) decrease in guarantee deposits	(67,488)	(484,539)
Increase (decrease) in lease and guarantee deposits received	(621)	600,306
Others	(339,317)	1,341,182
Subtotal	(12,247,491)	8,555,149
Proceeds from interest and dividend income	1,687	386
Payment of interest	(144,367)	(189,689)
Payment of income taxes	(959,986)	(640,738)
Net cash provided by operating activities	(13,350,157)	7,725,107
Cash flows from investing activities		
Purchase of marketable and investment securities	(449,921)	(433,871)
Proceeds from sales and redemption of marketable and investment securities	360,893	970,037
Purchase of shares of subsidiaries resulting from change of scope of consolidation	(864,092)	—
Purchase of property, plant and equipment	(685,317)	(768,473)
Purchase of intangible fixed assets	(67,272)	(132,578)
Payments for asset retirement obligations	—	(83,924)
Others	176,610	(23,091)
Net cash (used in) investing activities	(1,529,098)	(471,902)

	Fiscal 2019 (August 1, 2018 through July 31, 2019) Thousands of yen	Fiscal 2020 (August 1, 2019 through July 31, 2020) Thousands of yen
Cash flows from financing activities		
Proceeds from short-term loans	5,050,000	2,600,000
Repayment of short-term loans	(5,568,750)	(1,625,000)
Proceeds from long-term loans	16,162,071	8,296,852
Repayment of long-term loans	(4,627,907)	(10,511,260)
Repayment of lease obligations	(27,270)	(28,060)
Execution of stock option	32,298	18,228
Cash dividends paid	(497,854)	(526,898)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(244,715)
Others	—	200,780
Net cash provided by (used in) financing activities	10,522,587	(1,820,073)
Effect of exchange rate change on cash and cash equivalents	4,627	45
Net increase (decrease) in cash and cash equivalents	(4,352,040)	5,433,177
Cash and cash equivalents at beginning of fiscal year	13,384,989	9,032,949
Cash and cash equivalents at end of fiscal year	9,092,949	14,466,126

	Reporting Segments				Other Operations (Note 1)	Total	Adjustment (Note 2)	Consolidated statements of income amount (Note 3)
	Real estate management business	Logistics investment business	Asset management business	Total				
Sales External customers	21,537,610	1,599,994	784,217	23,921,822	20,154	23,941,977	—	23,941,977
Inter-segment	23,339	2,079	3,600	29,018	—	29,018	(29,018)	—
Total	21,560,949	1,602,073	787,817	23,950,840	20,154	23,970,995	(29,018)	23,941,977
Segment income	1,764,475	207,103	406,565	2,378,144	4,421	2,382,566	(731,279)	1,651,286
Segment assets	15,860,061	25,226,772	5,221,419	46,308,253	827,912	47,136,165	7,576,196	54,712,362
Other								
Depreciation and amortization	266,370	4,155	1,380	271,905	16	271,922	8,834	280,756
Amortization of goodwill	256,539	—	24,132	280,671	—	280,671	—	280,671
Impairment loss	19,791	—	—	19,791	—	19,791	—	19,791
Investment in affiliates accounted for by equity method	—	1,766,764	—	1,766,764	—	1,766,764	—	1,766,764
Increase on tangible fixed assets and intangible fixed assets	709,592	—	1,150	710,742	—	710,742	44,031	754,773

(Notes) 1. The classification “Other Operations” represents business segments not included under other reporting segments.

2. Adjustments are as follows:

(1) The (731,279) thousand yen segment income adjustment includes (2,071) thousand yen in inter-segment elimination and (733,351) thousand yen in corporate expenses not included in any segment. Primary corporate expenses are general administrative expenses which are not associated with reporting segments.

(2) The 7,576,196 thousand yen segment assets adjustment includes (332) thousand yen in inter-segment elimination and 7,576,529 thousand yen in corporate assets not included in any segment. Primary corporate assets are cash and deposits and general corporate assets which are not associated with reporting segments.

(3) The 8,834 thousand yen depreciation and amortization adjustment are corporate expenses which are not associated with reporting segments.

(4) The 44,031 thousand yen increase on tangible fixed assets and intangible fixed assets adjustment are amount of capital investments related to general corporate.

3. Segment income has been reconciled with operating income on the consolidated statements of income.

4. Increase paralleling the addition of a new consolidated subsidiary is not included in increase in tangible fixed assets and intangible fixed assets.

	Reporting Segments				Other Operations (Note 1)	Total	Adjustment (Note 2)	Consolidated statements of income amount (Note 3)
	Real estate management business	Logistics investment business	Asset management business	Total				
Sales								
External customers	22,563,437	17,645,230	966,712	41,175,380	19,066	41,194,446	—	41,194,446
Inter-segment	496,723	900	4,823	502,447	1,991	504,438	(504,438)	—
Total	23,060,160	17,646,131	971,536	41,677,828	21,057	41,698,885	(504,438)	41,194,446
Segment income	2,163,844	2,521,378	503,775	5,188,997	3,876	5,192,874	(964,126)	4,228,747
Segment assets	16,974,583	33,017,213	5,681,067	55,672,865	528,016	56,200,882	13,942,061	70,142,943
Other								
Depreciation and amortization	316,916	3,455	4,922	325,285	14	325,300	14,648	339,948
Amortization of goodwill	212,117	—	24,132	236,249	—	236,249	—	236,249
Impairment loss	75,005	—	—	75,005	—	75,005	—	75,005
Investment in affiliates accounted for by equity method	315,482	1,745,572	—	2,061,054	—	2,061,054	—	2,061,054
Increase on tangible fixed assets and intangible fixed assets	807,267	—	43,245	850,512	—	850,512	75,617	926,130

(Notes) 1. The classification “Other Operations” represents business segments not included under other reporting segments.

2. Adjustments are as follows:

- (1) The (964,126) thousand yen segment income adjustment includes (11,123) thousand yen in inter-segment elimination and (953,003) thousand yen in corporate expenses not included in any segment. Primary corporate expenses are general administrative expenses which are not associated with reporting segments.
 - (2) The 13,942,061 thousand yen segment assets adjustment includes (782,046) thousand yen in inter-segment elimination and 14,724,107 thousand yen in corporate assets not included in any segment. Primary corporate assets are cash and deposits and general corporate assets which are not associated with reporting segments.
 - (3) The 14,648 thousand yen depreciation and amortization adjustment are corporate expenses which are not associated with reporting segments.
 - (4) The 75,617 thousand yen increase on tangible fixed assets and intangible fixed assets adjustment are amount of capital investments related to general corporate.
3. Segment income has been reconciled with operating income on the consolidated statements of income.