

Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 [Japanese GAAP]



February 14, 2022

Company name: Robot Home, Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 1435
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 Scheduled date of Annual General Meeting of Shareholders: March 29, 2022
 Scheduled date of commencing dividend payments: March 30, 2022
 Scheduled date of filing annual securities report: March 30, 2022
 Availability of supplementary briefing material on annual financial results: Available
 Schedule of annual financial results briefing session: Scheduled (for securities analysts and institutional investors)

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 (January 1, 2021 to December 31, 2021)

(1) Consolidated operating results (% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended December 31, 2021	4,090	(33.5)	299	-	355	-	373	-
December 31, 2020	6,147	(67.4)	(664)	-	(694)	-	(1,007)	-

(Note) Comprehensive income: Fiscal year ended December 31, 2021: ¥460 million [-%]
 Fiscal year ended December 31, 2020: ¥ (1,014) million [-%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2021	4.12	-	5.1	3.7	7.3
December 31, 2020	(11.14)	-	(13.0)	(6.4)	(10.8)

(Reference) Share of profit (loss) of entities accounted for using equity method:
 Fiscal year ended December 31, 2021: ¥ - million
 Fiscal year ended December 31, 2020: ¥ - million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	9,905	7,527	75.7	82.95
As of December 31, 2020	9,376	7,235	77.2	79.40

(Reference) Equity: As of December 31, 2021: ¥7,496 million
 As of December 31, 2020: ¥7,235 million

(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
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended December 31, 2021	(418)	(108)	(383)	4,648
December 31, 2020	2,037	187	(2,430)	5,564

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
December 31, 2020	-	0.00	-	0.00	0.00	-	-	-
December 31, 2021	-	0.00	-	1.00	1.00	90	24.3	1.23
Fiscal year ending December 31, 2022 (Forecast)	-	1.00	-	1.00	2.00		45.1	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2022 (January 1, 2022 to December 31, 2022)

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	7,000	71.1	500	66.7	450	26.7	400	7.0	4.43

* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes
 New: 2 companies (Name: income club, Inc.) Exclusion: -
 (Name: IDC Inc.)
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (3) Total number of shares outstanding (common stock)
 - 1) Total number of shares outstanding at the end of the period (including treasury stock):
 December 31, 2021: 91,127,000 shares
 December 31, 2020: 91,127,000 shares
 - 2) Total number of treasury stock at the end of the period:
 December 31, 2021: 761,600 shares
 December 31, 2020: - shares
 - 3) Average number of shares during the period:
 Fiscal year ended December 31, 2021: 90,665,193 shares
 Fiscal year ended December 31, 2020: 90,410,934 shares

(Reference) Overview of Unconsolidated Financial Results

Unconsolidated results for the fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)

(1) Unconsolidated financial results

(% indicates year-on-year changes)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2021	3,677	(35.5)	171	-	281	-	290	-
December 31, 2020	5,706	(68.0)	(196)	-	(188)	-	(1,073)	-

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2021	3.20	-
December 31, 2020	(11.88)	-

(2) Unconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	9,691	7,672	78.8	84.56
As of December 31, 2020	9,678	7,461	77.1	81.88

(Reference) Equity: As of December 31, 2021: ¥7,641 million

As of December 31, 2020: ¥7,461 million

* About the difference in the unconsolidated financial results for the current fiscal year from the actual results for the previous fiscal year

During the current fiscal year, the Company has been striving to strengthen its recurring income through continuous earning growth in the “stock business” (subscription). Moreover, it has been working to strengthen its financial position by enhancing its recurring income while reducing selling, general and administrative expenses through ongoing cost reviews.

As a result of the above, operating profit, ordinary profit and profit for the current fiscal year improved year on year although net sales underperformed the actual results for the previous fiscal year.

* These consolidated financial results are outside the scope of audits by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available and certain assumptions judged to be reasonable. The Company makes no warranty as to the achievability of these forecasts. Actual performance, etc. may differ significantly from these forecasts due to a wide range of factors.

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1. Summary of Operating Results, etc.

(1) Summary of operating results for the current fiscal year

During the current fiscal year, although the Japanese economy demonstrated a temporary recovery when the effectiveness of government policies and the vaccination roll-out prompted expectations that the COVID-19 pandemic would be contained, uncertainty about the future persists, as evidenced by stagnation in personal spending and economic activities due to the rapid spread of mutated virus strains and other factors.

Under these circumstances, the Group has proceeded to secure stable profit through the transformation to a stock business (subscription) that it has been focusing on since the previous fiscal year. Meanwhile, it has advanced its provision of highly convenient services suitable for diversifying lifestyles, with a variety of services in the real estate domain through DX (digital transformation) utilizing cutting-edge technologies such as AI and IoT. Efforts include being selected as a DX-certified operator conducting excellent initiatives under the DX Certification Initiative based on the Ministry of Economy, Trade and Industry guidelines, and the establishment of the DX Property Promotion Association with the aim of business model innovation in the real estate industry.

As a result, the performance for the current fiscal year was ¥4,090 million in net sales (down 33.5% year on year), ¥299 million in operating profit (operating loss of ¥664 million in the previous fiscal year), ¥355 million in ordinary profit (ordinary loss of ¥694 million in the previous fiscal year), and ¥373 million in profit attributable to owners of parent (loss attributable to owners of parent of ¥1,007 million in the previous fiscal year).

The performance of each segment is as follows.

From the current fiscal year, the Company partially changed the business segments to be presented as the reportable segments and business segment names. The comparison and analysis for the current fiscal year are based on the classification after the change.

1) AI/IoT business

In the AI/IoT business, the Company offers its DX (digital transformation) consulting service, drawing on its experience with the ongoing development and operation of its IoT platform for rental housing, “Residence kit,” which aims for the automation of real estate management. Together with making inroads into the DX domain through its accumulated in-house real estate and technological expertise, it caters not only to the real estate industry but to other industries as well.

As a result, net sales for the current fiscal year were ¥403 million (up 74.1% year on year) and operating profit was ¥181 million (up 211.8% year on year).

2) PM platform business

In the PM platform business, the Company strived to secure stable recurring income by conducting streamlined PM operations through the introduction of the rental management RPA system, “Residence kit for PM,” which uses core technologies such as AI and IoT.

Further, the Company focused its efforts on the sustainable expansion of its profit foundations through such initiatives as increasing brand recognition through the launch of an advertisement for the IoT platform for rental housing, “Residence kit,” to increase the number of contract management properties resulting from proposals to introduce IoT into rental housing properties, the provision of insurance services such as rental guarantees, and the expansion of its business domains into the maintenance domain.

As a result, net sales for the current fiscal year were ¥3,114 million (up 12.7% year on year) and operating profit amounted to ¥1,170 million (up 31.6% year on year).

3) Real estate consulting business

In the real estate consulting business, under the impact of the continued downturn in demand for accommodation due to COVID-19, occupancy rates of smart hotels remained low. On the other hand, the Company launched “income club,” its new real estate investment marketplace, and recommenced plot procurement and other measures to stabilize its profit foundations.

As a result, net sales for the current fiscal year were ¥580 million (down 81.6% year on year) and operating loss was ¥83 million (operating loss of ¥473 million in the previous fiscal year).

(2) Summary of financial position for the current fiscal year

(Assets)

Total assets at the end of the current fiscal year increased by ¥529 million from the end of the previous fiscal year, to ¥9,905 million. This is mainly attributable to increases in real estate for sale of ¥823 million and investment securities of ¥588 million, while cash and deposits declined by ¥1443 million. Assets also increased in line with a business combination, by ¥486 million.

(Liabilities)

Total liabilities at the end of the current fiscal year increased by ¥237 million from the end of the previous fiscal year, to ¥2,378 million. This is mainly attributable to an increase in deposits received of ¥226 million, while the current portion of long-term borrowings declined by ¥200 million and provision for loss on guarantees declined by ¥94 million. Liabilities also increased ¥497 million in line with a business combination.

(Net assets)

Total net assets at the end of the current fiscal year increased by ¥291 million from the end of the previous fiscal year, to ¥7,527 million. This is mainly attributable to the recording of profit attributable to owners of parent of ¥373 million, despite the repurchase of Company shares worth ¥199 million.

(3) Summary of cash flows for the current fiscal year

Cash and cash equivalents at the end of the current fiscal year decreased by ¥915 million from the end of the previous fiscal year, to ¥4,648 million. Cash flows in each activity are as follows.

(Cash flows from operating activities)

Net cash used in operating activities was ¥418 million (¥2,037 million provided in the previous fiscal year). This is mainly attributable to inflows of ¥322 million in profit before income taxes and ¥226 million in increase in deposits received, while outflows consisted of an increase in inventories of ¥802 million and a decrease in provision for loss on guarantees of ¥94 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥108 million (¥187 million provided in the previous fiscal year). This is mainly attributable to an inflow in proceeds from refund of leasehold and guarantee deposits of ¥321 million, while outflows consisted of purchase of investment securities of ¥524 million and payments of leasehold and guarantee deposits of ¥129 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥383 million (¥2,430 million used in the previous fiscal year).

This is mainly attributable to an inflow in proceeds from issuance of share acquisition rights of ¥15 million, while outflows consisted of repayments of long-term borrowings of ¥200 million and purchase of treasury shares of ¥199 million.

(4) Future outlook

The outlook for the fiscal year ending December 31, 2022 remains uncertain due to the stagnation of personal consumption and economic activities caused by the rapid spread of newly emerging COVID-19 variants, and other factors.

Under these circumstances, the Group has formulated a new management philosophy of “A life with Robot Home can change the world,” and will develop its business to realize this philosophy by providing highly convenient services, suitable for diversifying lifestyles, through various services in the real estate field based on DX (Digital Transformation) that relies on advanced technologies such as AI and IoT.

With regard to consolidated financial results forecasts for the fiscal year ending December 31, 2022, the Company projects net sales of ¥7,000 million (increase of 71.1% year on year), an operating profit of ¥500 million (increase of ¥66.7% year on year), an ordinary profit of ¥450 million (increase of 26.7% year on year), and profit attributable to owners of parent of ¥400 million (increase of 7.0% year on year).

2. Basic Stance on Selection of Accounting Standards

Taking into consideration the comparability of consolidated financial statements across periods and among companies, the Company will maintain the policy of preparing its consolidated financial statements under Japanese GAAP for the time being.

With regard to applying International Financial Reporting Standards, the Company’s policy is to take appropriate measures in consideration of the situation in Japan and overseas.

3. Consolidated Financial Statements and Primary Notes
(1) Consolidated balance sheets

(Thousand yen)

	As of December 31, 2020	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	5,764,099	4,648,242
Accounts receivable - trade	506,222	461,314
Merchandise and finished goods	18,714	20,497
Real estate for sale	1,890,433	2,714,259
Real estate for sale in process	83,656	59,351
Supplies	5,117	4,602
Other	531,385	249,149
Allowance for doubtful accounts	(117,169)	(141,453)
Total current assets	8,682,459	8,015,963
Non-current assets		
Property, plant and equipment		
Buildings	104,038	240,417
Accumulated depreciation	(2,401)	(60,218)
Buildings, net	101,636	180,199
Machinery, equipment and vehicles	10,001	45,179
Accumulated depreciation	(1,548)	(30,628)
Machinery, equipment and vehicles, net	8,453	14,551
Construction in progress	439	291
Land	-	63,796
Leased assets	-	21,273
Accumulated depreciation	-	(13,315)
Leased assets, net	-	7,957
Other	8,148	13,304
Accumulated depreciation	(512)	(9,706)
Other, net	7,635	3,598
Total property, plant and equipment	118,164	270,394
Intangible assets		
Goodwill	-	260,107
Other	38,866	32,778
Total intangible assets	38,866	292,885
Investments and other assets		
Investment securities	433,900	1,022,503
Deferred tax assets	21,144	68,517
Other	81,538	235,200
Total investments and other assets	536,582	1,326,220
Total non-current assets	693,614	1,889,500
Total assets	9,376,073	9,905,464

(Thousand yen)

	As of December 31, 2020	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	51,492	80,435
Current portion of long-term borrowings	200,000	48,709
Income taxes payable	74,758	34,313
Deposits received	611,748	890,394
Provision for bonuses	34,164	36,620
Asset retirement obligations	3,940	27,797
Provision for loss on guarantees	651,167	556,638
Other	475,989	335,947
Total current liabilities	2,103,260	2,010,855
Non-current liabilities		
Long-term borrowings	-	318,360
Asset retirement obligations	37,373	17,985
Other	-	31,011
Total non-current liabilities	37,373	367,357
Total liabilities	2,140,633	2,378,212
Net assets		
Shareholders' equity		
Share capital	7,296,022	10,000
Capital surplus	7,202,210	7,460,469
Retained earnings	(7,252,197)	149,478
Treasury shares	-	(199,990)
Total shareholders' equity	7,246,035	7,419,958
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(12,881)	76,163
Foreign currency translation adjustment	2,286	-
Total accumulated other comprehensive income	(10,595)	76,163
Share acquisition rights	-	31,129
Total net assets	7,235,439	7,527,251
Total liabilities and net assets	9,376,073	9,905,464

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Thousand yen)

	For the fiscal year ended December 31, 2020	For the fiscal year ended December 31, 2021
Net sales	6,147,103	4,090,555
Cost of sales	4,505,619	1,727,308
Gross profit	1,641,484	2,363,247
Selling, general and administrative expenses	2,305,925	2,063,259
Operating profit (loss)	(664,441)	299,987
Non-operating income		
Interest income	790	774
Dividend income	500	5,025
Gain on investments in investment partnerships	11,719	42,707
Subsidies for employment adjustment	6,236	-
Other	14,988	11,236
Total non-operating income	34,234	59,744
Non-operating expenses		
Interest expenses	35,117	100
Loss on investments in investment partnerships	1,512	1,012
Commission expenses	18,060	2,000
Foreign exchange losses	2,143	898
Other	7,339	669
Total non-operating expenses	64,172	4,681
Ordinary profit (loss)	(694,379)	355,050
Extraordinary income		
Gain on sale of non-current assets	4,938	19
Gain on sale of investment securities	-	7,641
Gain on reversal of share acquisition rights	1,020	220
Gain on reversal of asset retirement obligations	9,748	-
Total extraordinary income	15,707	7,880
Extraordinary losses		
Loss on sale of non-current assets	-	103
Loss on valuation of investment securities	292,745	40,646
Impairment losses	35,851	-
Loss on liquidation of subsidiaries and associates	2,315	-
Total extraordinary losses	330,913	40,750
Profit (loss) before income taxes	(1,009,585)	322,180
Income taxes - current	18,883	35,916
Income taxes - deferred	(21,144)	(87,649)
Total income taxes	(2,260)	(51,733)
Profit (loss)	(1,007,325)	373,913
Profit (loss) attributable to owners of parent	(1,007,325)	373,913

Consolidated statements of comprehensive income

(Thousand yen)

	For the fiscal year ended December 31, 2020	For the fiscal year ended December 31, 2021
Profit (loss)	(1,007,325)	373,913
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,653)	89,045
Foreign currency translation adjustment	1,004	(2,286)
Total other comprehensive income	(7,649)	86,758
Comprehensive income	(1,014,974)	460,672
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,014,974)	460,672

(3) Consolidated statements of changes in net assets
For the fiscal year ended December 31, 2020

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,286,422	7,192,610	(6,249,263)	-	8,229,769
Changes during period					
Issuance of new shares - exercise of share acquisition rights	9,600	9,600			19,200
Capital reduction					-
Deficit disposition					-
Profit attributable to owners of parent			(1,007,325)		(1,007,325)
Change in scope of consolidation			4,390		4,390
Purchase of treasury shares					-
Net changes in items other than shareholders' equity					-
Total changes during period	9,600	9,600	(1,002,934)	-	(983,734)
Balance at end of period	7,296,022	7,202,210	(7,252,197)	-	7,246,035

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(4,227)	1,282	(2,945)	1,020	8,227,844
Changes during period					
Issuance of new shares - exercise of share acquisition rights					19,200
Capital reduction					-
Deficit disposition					-
Profit attributable to owners of parent					(1,007,325)
Change in scope of consolidation					4,390
Purchase of treasury shares					-
Net changes in items other than shareholders' equity	(8,653)	1,004	(7,649)	(1,020)	(8,669)
Total changes during period	(8,653)	1,004	(7,649)	(1,020)	(992,404)
Balance at end of period	(12,881)	2,286	(10,595)	-	7,235,439

For the fiscal year ended December 31, 2021

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,296,022	7,202,210	(7,252,197)	-	7,246,035
Changes during period					
Issuance of new shares - exercise of share acquisition rights					-
Capital reduction	(7,286,022)	7,286,022			-
Deficit disposition		(7,027,763)	7,027,763		
Profit attributable to owners of parent			373,913		373,913
Change in scope of consolidation					-
Purchase of treasury shares				(199,990)	(199,990)
Net changes in items other than shareholders' equity					-
Total changes during period	(7,286,022)	258,259	7,401,676	(199,990)	173,922
Balance at end of period	10,000	7,460,469	149,478	(199,990)	7,419,958

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(12,881)	2,286	(10,595)	-	7,235,439
Changes during period					
Issuance of new shares - exercise of share acquisition rights					-
Capital reduction					-
Deficit disposition					
Profit attributable to owners of parent					373,913
Change in scope of consolidation					-
Purchase of treasury shares					(199,990)
Net changes in items other than shareholders' equity	89,045	(2,286)	86,758	31,129	117,888
Total changes during period	89,045	(2,286)	86,758	31,129	291,811
Balance at end of period	76,163	-	76,163	31,129	7,527,251

(4) Consolidated statements of cash flows

(Thousand yen)

	For the fiscal year ended December 31, 2020	For the fiscal year ended December 31, 2021
Cash flows from operating activities		
Profit(Loss) before income taxes	(1,009,585)	322,180
Depreciation	16,333	67,263
Share-based payment expenses	-	15,356
Gain on sale of non-current assets	(4,938)	(19)
Loss on sale of non-current assets	-	103
Gain on reversal of asset retirement obligations	(9,748)	-
Impairment losses	35,851	-
Loss (gain) on valuation of investment securities	292,745	40,646
Loss on liquidation of subsidiaries and associates	2,315	-
Interest and dividend income	(1,290)	(5,800)
Interest expenses	35,117	100
Loss (gain) on sale of investment securities	-	(7,641)
Loss (gain) on investments in investment partnerships	(10,206)	(41,695)
Gain on reversal of share acquisition rights	(1,020)	(220)
Decrease (increase) in trade receivables	8,312	59,068
Decrease (increase) in inventories	1,917,180	(802,894)
Increase (decrease) in trade payables	(106,877)	28,942
Decrease (increase) in advance payments to suppliers	(4,821)	(1,490)
Increase (decrease) in advances received	(14,040)	(35,119)
Increase (decrease) in deposits received	304,394	226,967
Increase (decrease) in allowance for doubtful accounts	81,487	24,284
Increase (decrease) in provision for bonuses	16,730	2,456
Increase (decrease) in provision for full occupancy responsibility	(4,189)	-
Increase (decrease) in provision for loss on guarantees	347,030	(94,529)
Decrease (increase) in other assets	327,294	(22,145)
Increase (decrease) in other liabilities	(170,067)	(194,985)
Other, net	9,660	15,157
Subtotal	2,057,670	(404,012)
Interest and dividends received	1,291	5,800
Interest paid	(41,184)	(60)
Income taxes paid	(8,799)	(29,440)
Income taxes refund	28,661	9,623
Net cash provided by (used in) operating activities	2,037,639	(418,090)

(Thousand yen)

	For the fiscal year ended December 31, 2020	For the fiscal year ended December 31, 2021
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	400,000	200,000
Purchase of property, plant and equipment	(87,356)	(120,059)
Proceeds from sale of property, plant and equipment	5,787	329
Purchase of intangible assets	(43,028)	(2,461)
Purchase of investment securities	(30,004)	(524,671)
Proceeds from sale of investment securities	-	18,111
Proceeds from redemption of investment securities	25,989	55,047
Purchase of shares of subsidiaries and associates	(490)	-
Proceeds from sale of shares of subsidiaries and associates	490	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	77,509
Payments of leasehold and guarantee deposits	(73,547)	(129,853)
Proceeds from refund of leasehold and guarantee deposits	45,338	321,072
Payments for asset retirement obligations	(55,509)	(3,940)
Other, net	80	-
Net cash provided by (used in) investing activities	187,750	(108,915)
Cash flows from financing activities		
Proceeds from long-term borrowings	100,000	-
Repayments of long-term borrowings	(2,550,000)	(200,000)
Proceeds from issuance of share acquisition rights	-	15,993
Purchase of treasury shares	-	(199,990)
Proceeds from issuance of shares	19,200	-
Net cash provided by (used in) financing activities	(2,430,800)	(383,996)
Effect of exchange rate change on cash and cash equivalents	(1,139)	(4,854)
Net increase (decrease) in cash and cash equivalents	(206,550)	(915,857)
Cash and cash equivalents at beginning of period	5,770,649	5,564,099
Cash and cash equivalents at end of period	5,564,099	4,648,242

(5) Notes to consolidated financial statements
(Notes on going concern assumption)
Not applicable.

(Additional information)

(Accounting estimates associated with the spread of COVID-19 infections)

As stated in the previous fiscal year's annual securities report in "Accounting estimates associated with the spread of COVID-19 infections" under "Additional information," the Group assumed that the impact of the growing COVID-19 pandemic would continue until June 2021. While having factored that into accounting estimates, due to the intermittent declarations of a states of emergency, the Company has determined that there will be no significant impact on the accounting estimates for the provision for loss on guarantees and the valuation of investment securities at this time, based on the assumption that a certain level of impact will continue until the end of the current consolidated fiscal year. However, there is a high degree of uncertainty regarding the impact of the spread of COVID-19, and there is a possibility that losses will be incurred in the future if there is a prolonged period until the pandemic abates.

(Notes to consolidated statements of cash flows)

Major components of assets and liabilities of companies that became newly consolidated subsidiaries through the acquisition of shares

The following is a breakdown of assets and liabilities at the time of the consolidation of IDC Inc. due to the acquisition of its shares. The acquisition price of the shares is not disclosed due to confidentiality obligations with the counterparty to the share acquisition.

	(Thousand yen)
Current assets	374,155
Non-current assets	112,744
Current liabilities	(143,256)
Non-current liabilities	(353,750)

(Business combination, etc.)

Business combination through acquisition

(1) Business combination overview

1) Name and business details of acquired company

Name of acquired company IDC Inc.

Business details Real estate development, real estate leasing and brokerage, and rental property management

2) Reason for business combination

We believe that we can use technology to transform IDC Inc.'s extensive real estate expertise accumulated over many years and further increase the Group's corporate value by providing the IoT rental management platform "Residence kit," which aims to automate the Group's real estate management.

3) Business combination dates

December 22, 2021 (share acquisition date)

December 31, 2021 (deemed acquisition date)

4) Legal framework of business combination

Share acquisition

- 5) Name of company after business combination

No change.

- 6) Percentage of voting rights acquired

100%

- 7) Main basis for determining the acquiring company

This is due to the Company's acquisition of shares in exchange for cash.

- (2) Period of financial results of the acquired company included in the consolidated financial statements

Since the deemed acquisition date is December 31, 2021, only the balance sheet is consolidated for the current fiscal year, and the results of the acquired company are not included in the statements of income.

- (3) Acquisition cost of the acquired company and breakdown by type of consideration

The acquisition price is not publicly disclosed due to confidentiality obligations with the seller, but it was acquired at a fair price.

- (4) Description and amount of major acquisition-related expenses

Fees and commissions for advisory services amounted to ¥58,965 thousand.

- (5) Amount of goodwill generated, reason for generation, amortization method and amortization period

- 1) Amount of goodwill generated

¥260,107 thousand

The above amount is provisionally calculated because the allocation of acquisition costs has not been completed due to the short period between the date of the business combination and the settlement date, and the identification of identifiable assets and liabilities and the estimation of their fair value at the time of the business combination have not yet been completed.

- 2) Cause of generation

Mainly due to excess earning capacity expected from future business development.

- 3) Amortization method and period

I repay it equally for the period when an effect develops.

In addition, about the repayment period, I am calculating it now.

- (6) Amount of assets received and liabilities assumed on the date of business combination and their major breakdown

	(Thousand yen)
Current assets	374,155
Non-current assets	112,744
Total assets	486,900
Current liabilities	143,256
Non-current liabilities	353,750
Total liabilities	497,007

- (7) Estimated impact on the consolidated statements of income for the fiscal year under review, assuming that the business combination was completed on the first day of the consolidated fiscal year, and its calculation method
- The estimated amount for the current consolidated fiscal year is not stated due to difficulties in calculation.

(Segment information, etc.)
[Segment information]

1. Summary of reportable segments

The Group's reportable segments represent constituent components of an entity for which separate financial information is available, and are subject to periodic consideration by the Board of Directors in order to determine the allocation of management resources and to perform business evaluation.

The Company has three reportable segments, namely "AI/IoT business," "PM platform business" and "Real estate consulting business" with classification based upon business content.

In the AI/IoT business, we provide DX consulting services to other companies by developing, operating, and providing services for the "Residence kit" and drawing upon our accumulated in-house real estate and technology expertise to expand into the DX domain. In the PM platform business, we will secure stable recurring income by implementing streamlined PM-related operations through the introduction of "Residence kit for PM," a rental management RPA system that utilizes AI, IoT, and other core technologies. The Real estate consulting business is engaged in the development and sale of revenue-generating real estate differentiated through the use of IoT for affluent clients, project development consulting themed on the intersection of technology and real estate, and business related to the "income club" real estate investment marketplace.

2. Calculation method for amount of net sales, profit and loss, assets, liabilities and other items for respective reportable segments

The accounting method for reportable segments is generally the same as stated in the important matters that serve as the basis for preparation of consolidated financial statements.

Profit or loss of reportable segments represents the operating profit or loss base, and is based on the market value of inter-segment sales or transfers.

3. Information concerning the amount of net sales, profit and loss, assets, liabilities and other items for respective reportable segments

I For the fiscal year ended December 31, 2020

Information on net sales and profit or loss by reportable segment

(Thousand yen)

	Reportable segment			Others (Note 1)	Total	Adjustments (Note 2)	Amounts on consolidated financial statements (Note 3)
	AI/IoT business	PM platform business	Real estate consulting business				
Net sales							
Net sales to external customers	231,182	2,763,795	3,152,101	24	6,147,103	-	6,147,103
Inter-segment sales or transfers	530	106	45	1,007	1,689	(1,689)	-
Total	231,712	2,763,902	3,152,146	1,031	6,148,792	(1,689)	6,147,103
Segment profit or loss	58,163	889,173	(473,947)	(25,220)	448,169	(1,112,610)	(664,441)
Assets	206,977	378,142	2,157,959	92,472	2,835,522	6,540,521	9,376,073
Other							
Depreciation	-	5,530	5,366	-	10,896	5,437	16,333
Impairment losses	-	-	35,851	-	35,851	-	35,851
Amount of property, plant and equipment and intangible assets	-	91,530	3,204	-	94,734	71,410	166,144

- (Notes)
1. Others refers to business segments not included in the reportable segments.
 2. The adjustment to segment profit or loss mainly represents companywide expenses which have not been allocated to each reportable segment.
 3. Segment profit or loss is adjusted with the operating profit under consolidated financial statements.

II For the fiscal year ended December 31, 2021
Information on net sales and profit or loss by reportable segment

(Thousand yen)

	Reportable segment			Others (Note 1)	Total	Adjustments (Note 2)	Amounts on consolidated financial statements (Note 3)
	AI/IoT business	PM platform business	Real estate consulting business				
Net sales							
Net sales to external customers	394,981	3,114,916	580,657	-	4,090,555	-	4,090,555
Inter-segment sales or transfers	8,497	-	-	-	8,497	(8,497)	-
Total	403,479	3,114,916	580,657	-	4,090,053	(8,497)	4,090,555
Segment profit or loss	181,331	1,170,294	(83,637)	(8,450)	1,259,509	(959,522)	299,987
Assets	345,524	829,718	2,969,197	78,239	4,222,679	5,682,784	9,905,464
Other							
Depreciation	-	13,757	3,062	-	16,819	50,444	67,263
Amount of property, plant and equipment and intangible assets	-	2,752	119,418	-	122,170	5,012	127,182

- (Notes)
1. Others refers to business segments not included in the reportable segments.
 2. The adjustment to segment profit or loss mainly represents companywide expenses which have not been allocated to each reportable segment.
 3. Segment profit or loss is adjusted with the operating profit under consolidated financial statements.
 4. IDC Inc. has been included in the scope of consolidation in the current consolidated fiscal year. As a result, segment assets in the PM platform business increased by ¥482,433 thousand. Since the date of business combination of IDC Inc. is December 31, 2021, only the balance sheet is consolidated in the current consolidated fiscal year.

4. Information on the changes, etc. to reportable segments

The Group's previous two reportable segments were "KANRY business" and "TATERU business." However, from the three months ended March 31, 2021, the Group's reportable segments have been classified into the three segments of "AI/IoT business," "PM platform business," and "Real estate consulting business."

These revisions are due to the fact that the Group's business development, decisions on allocation of management resources, and performance evaluation methods have been reviewed in line with actual conditions.

Segment information for the fiscal year ended December 31, 2020 is prepared from the segment classification after the change.

(Per share information)

Item	For the fiscal year ended December 31, 2020	For the fiscal year ended December 31, 2021
Net assets per share	¥79.40	¥82.95
Basic earnings (loss) per share	¥(11.14)	¥4.12

(Notes) 1. Diluted earnings per share is not presented for the fiscal year ended December 31, 2020 because there were no diluted shares. Diluted earnings per share is also not presented for the fiscal year ended December 31, 2021 because there were no diluted shares.

2. The basis for the calculation net income per share or net loss per share is as follows.

Item	For the fiscal year ended December 31, 2020	For the fiscal year ended December 31, 2021
Basic earnings (loss) per share		
Profit (loss) attributable to owners of parent (Thousand yen)	(1,007,325)	373,913
Amount not attributable to common shareholders (Thousand yen)	—	—
Profit (loss) attributable to owners of parent relating to common stock (Thousand yen)	(1,007,325)	373,913
Average number of shares of common stock outstanding during the period (Shares)	90,410,934	90,665,193
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect	—	The issue of subscription rights to shares approved by resolution of the board of Directors on July 16, 2021 3rd Stock Acquisition Rights 716,000 pieces (716,000 common stock)

(Significant subsequent events)

(Repurchase of the Company's own shares)

At the meeting of the Board of Directors held on February 14, 2022, the Company resolved the following matters concerning the repurchase of the Company's own shares under the provisions of Article 156 of the Companies Act, as applied by replacing the terms pursuant to Article 165, paragraph 3 of said Act.

1. Reason for repurchase of the Company's own shares

The Company's own shares will be repurchased to enable the flexible execution of capital policies in response to changes in the management environment and M&A strategy as part of the Company's shareholder return policy.

2. Details of matters regarding the repurchase

- | | |
|---|--|
| (1) Type of shares to be repurchased | Common stock of the Company |
| (2) Total number of shares to be repurchased
(0.6% of the total number of issued shares, excluding treasury stock) | Up to 550,000, shares |
| (3) Total amount of repurchase price | Up to ¥100,000,000 |
| (4) Repurchase period | From February 15, 2022 to March 14, 2022 |
| (5) Repurchase method | Market purchases based on the discretionary dealing contract |