

Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 [Japanese GAAP]



February 14, 2023

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 28, 2023
 Scheduled date of commencing dividend payments: March 29, 2023
 Scheduled date of filing annual securities report: March 29, 2023
 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, 2022 (January 1, 2022 to December 31, 2022)

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

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2022	5,421	-	645	115.1	664	87.3	719	92.4
December 31, 2021	4,090	(33.5)	299	-	355	-	373	-

(Note) Comprehensive income: Fiscal year ended December 31, 2022: ¥661 million [31.1%]
 Fiscal year ended December 31, 2021: ¥460 million [-%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Rate of return on Equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
December 31, 2022	8.00	-	9.4	6.4	11.9
December 31, 2021	4.12	-	5.1	3.7	7.3

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

Fiscal year ended December 31, 2022: ¥ - million

Fiscal year ended December 31, 2021: ¥ - million

- (Notes) 1. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards since the beginning of the current consolidated fiscal year. Therefore, for the net sales for the fiscal year ended December 31, 2022, the year-on-year change is not shown.
2. In the current consolidated fiscal year, provisional accounting treatment pertaining to business combination was finalized. The figures for the previous consolidated fiscal year reflected contents of the finalized provisional accounting treatment.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2022	10,753	7,895	73.3	87.64
As of December 31, 2021	9,932	7,527	75.5	82.95

(Reference) Equity: As of December 31, 2022: ¥7,877 million

As of December 31, 2021: ¥7,496 million

(Note) In the current consolidated fiscal year, provisional accounting treatment pertaining to business combination was finalized. The figures for the previous consolidated fiscal year reflected contents of the finalized provisional accounting treatment.

(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
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2022	271	(622)	(76)	4,219
December 31, 2021	(418)	(108)	(383)	4,648

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, 2021	-	0.00	-	1.00	1.00	90	24.3	1.23
December 31, 2022	-	1.00	-	1.00	2.00	179	25.0	2.34
Fiscal year ending December 31, 2023 (Forecast)	-	1.00	-	1.00	2.00		22.5	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2023 to December 31, 2023)

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	8,500	56.8	850	31.7	800	20.3	800	11.2	8.90

* 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: Next Relation, Inc.)

Exclusion: –

(Name: Robot Home Reinsurance 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: Yes

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 shares):

December 31, 2022: 91,127,000 shares

December 31, 2021: 91,127,000 shares

2) Total number of treasury shares at the end of the period:

December 31, 2022: 1,242,800 shares

December 31, 2021: 761,600 shares

3) Average number of shares during the period:

Fiscal year ended December 31, 2022: 89,949,947 shares

Fiscal year ended December 31, 2021: 90,665,193 shares

(Reference) Overview of Unconsolidated Financial Results

Unconsolidated results for the fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

(1) Unconsolidated financial results

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended December 31, 2022	4,533	-	680	297.0	790	181.2	774	166.5
December 31, 2021	3,677	(35.5)	171	-	281	-	290	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended December 31, 2022	8.61	-
December 31, 2021	3.20	-

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards since the beginning of the current fiscal year. Therefore, for the net sales for the fiscal year ended December 31, 2022, the year-on-year change is not shown.

(2) Unconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2022	10,639	8,095	75.9	89.89
As of December 31, 2021	9,691	7,672	78.8	84.56

(Reference) Equity: As of December 31, 2022: ¥8,079 million

As of December 31, 2021: ¥7,641 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, earnings steadily grew with stable stock business (subscription). In addition, the number of real properties delivered in the income club business increased in comparison with the actual result for the previous fiscal year.

As a result of the above, net sales, operating profit, ordinary profit, and profit attributable to owners of parent increased year on 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

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Accounting Standard”), etc. since the beginning of the current fiscal year. Therefore, the operating results for the current fiscal year are explained without the amount and the rate (%) of increase/decrease in net sales from the previous fiscal year.

The Japanese economy during the current fiscal year continued to show signs of recovery as efforts were made toward balancing measures against the COVID-19 and social activities, and restrictions on activities were eased. Meanwhile, uncertainty about the future persists as evidenced by the prolonged impact of the situation in Ukraine and rising prices resulting from the weaker yen and soaring resource prices, among 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, while making strategic IT investments to further enhance the system for DX (digital transformation). Meanwhile, the Group has promoted its environment-friendly initiatives such as reduction of CO₂ emissions to create a sustainable society. As an example of such initiatives, “CRASTINE +e,” an investment apartment with superior energy-efficiency performance developed by the Group, received the highest five-star rating in the Building-Housing Energy-efficiency Labeling System (BELS) under which a third-party organization evaluates the energy-efficiency performance of buildings in accordance with evaluation standards provided by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).

As a result, the performance for the current fiscal year was ¥5,421 million in net sales, ¥645 million in operating profit (up 115.1% year on year), ¥664 million in ordinary profit (up 87.3% year on year) and ¥719 million in profit attributable to owners of parent (up 92.4% year on year).

The performance of each segment is as follows.

Since the current fiscal year, the Company has changed the name of the reportable segment “real estate consulting business” to “income club business.” The only change was that of the reportable segment name and has no impact on segment information.

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 ¥368 million and operating profit was ¥212 million (up 17.3% 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 ¥2,600 million and operating profit was ¥1,261 million (up 7.8% year on year).

3) income club business

In the income club business, the Company started providing services that allow its users to view, examine and purchase real estate for investment on “income club,” its new real estate investment marketplace, and focused on measures to stabilize its profit foundations.

As a result, net sales for the current fiscal year were ¥2,487 million and operating profit was ¥214 million (operating loss of ¥83 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 ¥820 million from the end of the previous fiscal year to ¥10,753 million. This is mainly attributable to increases in real estate for sale of ¥601 million and real estate for sale in process of ¥132 million and a decrease in cash and deposits of ¥428 million.

(Liabilities)

Total liabilities at the end of the current fiscal year increased by ¥452 million from the end of the previous fiscal year to ¥2,858 million. This is mainly attributable to increases in short-term borrowings of ¥252 million and deposits received of ¥153 million.

(Net assets)

Total net assets at the end of the current fiscal year increased by ¥368 million from the end of the previous fiscal year to ¥7,895 million. This is mainly attributable to the recording of profit attributable to owners of parent of ¥719 million, the payment of a dividend of surplus of ¥180 million and the repurchase of Company shares worth ¥99 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 ¥428 million from the end of the previous fiscal year, to ¥4,219 million. Cash flows in each activity are as follows.

(Cash flows from operating activities)

Net cash used in operating activities was ¥271 million (¥418 million used in the previous fiscal year). This is mainly attributable to inflows of ¥599 million in profit before income taxes and ¥153 million in increase in deposits received, and an outflow due to an increase in inventories of ¥727 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥622 million (¥108 million used in the previous fiscal year). This is mainly attributable to inflows in proceeds from sale of investment securities of ¥78 million and proceeds from refund of leasehold and guarantee deposits of ¥58 million, and an outflow due to purchase of property, plant and equipment of ¥568 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥76 million (¥383 million used in the previous fiscal year). This is mainly attributable to an inflow in net increase in short-term borrowings of ¥252 million, while outflows consisted of dividends paid of ¥179 million and purchase of treasury shares of ¥99 million.

(4) Future outlook

As for the outlook for the fiscal year ending December 31, 2023, while the Japanese economy continued to show signs of recovery as efforts were made toward balancing measures against the COVID-19 and social activities, and restrictions on activities were eased, uncertainty about the future persists as evidenced by the prolonged impact of the situation in Ukraine and rising prices resulting from the weaker yen and soaring resource prices, among other factors.

Under these circumstances, in accordance with the management philosophy of “A life with Robot Home can change the world,” the Group will continue to develop its business to provide 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 and realize this philosophy.

With regard to consolidated financial results forecasts for the fiscal year ending December 31, 2023, the Company projects net sales of ¥8,500 million (increase of 56.8% year on year), an operating profit of ¥850 million (increase of 31.7% year on year), an ordinary profit of ¥800 million (increase of 20.3% year on year), and profit attributable to owners of parent of ¥800 million (increase of 11.2% 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, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	4,648,242	4,219,247
Accounts receivable - trade	461,314	430,947
Merchandise and finished goods	20,497	12,448
Real estate for sale	2,714,259	3,316,152
Real estate for sale in process	59,351	191,837
Supplies	4,602	3,966
Other	249,149	197,059
Allowance for doubtful accounts	(141,453)	(121,836)
Total current assets	8,015,963	8,249,823
Non-current assets		
Property, plant and equipment		
Buildings and structures	240,417	564,773
Accumulated depreciation	(60,218)	(48,233)
Buildings and structures, net	180,199	516,539
Machinery, equipment and vehicles	45,179	45,470
Accumulated depreciation	(30,628)	(32,637)
Machinery, equipment and vehicles, net	14,551	12,833
Construction in progress	291	-
Land	63,796	272,807
Leased assets	21,273	7,760
Accumulated depreciation	(13,315)	(1,988)
Leased assets, net	7,957	5,772
Other	13,304	35,385
Accumulated depreciation	(9,706)	(12,131)
Other, net	3,598	23,253
Total property, plant and equipment	270,394	831,205
Intangible assets		
Goodwill	206,960	194,025
Customer-related assets	80,623	75,248
Other	32,778	73,272
Total intangible assets	320,361	342,545
Investments and other assets		
Investment securities	1,022,503	919,328
Deferred tax assets	68,517	229,536
Other	235,200	181,222
Total investments and other assets	1,326,220	1,330,087
Total non-current assets	1,916,977	2,503,838
Total assets	9,932,	10,753,662

(Thousand yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	80,435	146,531
Short-term borrowings	-	252,900
Current portion of long-term borrowings	48,709	53,608
Income taxes payable	34,313	14,863
Deposits received	890,394	1,043,848
Provision for bonuses	36,620	-
Asset retirement obligations	27,797	-
Provision for loss on guarantees	556,638	573,912
Other	335,947	380,773
Total current liabilities	2,010,855	2,466,437
Non-current liabilities		
Long-term borrowings	318,360	265,722
Asset retirement obligations	17,985	78,343
Deferred tax liabilities	27,476	25,644
Other	31,011	22,071
Total non-current liabilities	394,833	391,781
Total liabilities	2,405,688	2,858,219
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,460,469	7,460,469
Retained earnings	149,478	688,663
Treasury shares	(199,990)	(299,986)
Total shareholders' equity	7,419,958	7,859,146
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	76,163	19,892
Foreign currency translation adjustment	-	(1,250)
Total accumulated other comprehensive income	76,163	18,642
Share acquisition rights	31,129	15,773
Non-controlling interests	-	1,880
Total net assets	7,527,251	7,895,443
Total liabilities and net assets	9,932,940	10,753,662

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Thousand yen)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Net sales	4,090,555	5,421,170
Cost of sales	1,727,308	2,471,759
Gross profit	2,363,247	2,949,411
Selling, general and administrative expenses	2,063,259	2,303,998
Operating profit	299,987	645,413
Non-operating income		
Interest income	774	662
Dividend income	5,025	9,836
Gain on investments in investment partnerships	42,707	12,777
Gain on insurance cancellation	-	14,733
Other	11,236	4,960
Total non-operating income	59,744	42,970
Non-operating expenses		
Interest expenses	100	7,328
Guarantee commission	-	4,133
Loss on investments in investment partnerships	1,012	1,000
Commission expenses	2,000	9,128
Foreign exchange losses	898	-
Other	669	1,850
Total non-operating expenses	4,681	23,441
Ordinary profit	355,050	664,943
Extraordinary income		
Gain on sale of non-current assets	19	-
Gain on sale of investment securities	7,641	33,078
Gain on reversal of share acquisition rights	220	-
Gain on reversal of asset retirement obligations	-	6,424
Total extraordinary income	7,880	39,503
Extraordinary losses		
Loss on sale of non-current assets	103	316
Loss on retirement of non-current assets	-	2,368
Loss on valuation of investment securities	40,646	102,601
Total extraordinary losses	40,750	105,286
Profit before income taxes	322,180	599,159
Income taxes – current	35,916	12,939
Income taxes – deferred	(87,649)	(133,093)
Total income taxes	(51,733)	(120,154)
Profit	373,913	719,313
Loss attributable to non-controlling interests	-	(119)
Profit attributable to owners of parent	373,913	719,433

Consolidated statements of comprehensive income

(Thousand yen)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Profit	373,913	719,313
Other comprehensive income		
Valuation difference on available-for-sale securities	89,045	(56,270)
Foreign currency translation adjustment	(2,286)	(1,250)
Total other comprehensive income	86,758	(57,520)
Comprehensive income	460,672	661,793
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	460,672	661,913
Comprehensive income attributable to non-controlling interests	-	(119)

(3) Consolidated statements of changes in net assets
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					
Dividends of surplus					-
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
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	Non-controlling interests	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						
Dividends of surplus						-
Capital reduction						-
Deficit disposition						-
Profit attributable to owners of parent						373,913
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

For the fiscal year ended December 31, 2022

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,000	7,460,469	149,478	(199,990)	7,419,958
Changes during period					
Dividends of surplus			(180,249)		(180,249)
Capital reduction					-
Deficit disposition					-
Profit attributable to owners of parent			719,433		719,433
Purchase of treasury shares				(99,995)	(99,995)
Net changes in items other than shareholders' equity					-
Total changes during period	-	-	539,184	(99,995)	439,188
Balance at end of period	10,000	7,460,469	688,663	(299,986)	7,859,146

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	76,163	-	76,163	31,129	-	7,527,251
Changes during period						
Dividends of surplus						(180,249)
Capital reduction						-
Deficit disposition						-
Profit attributable to owners of parent						719,433
Purchase of treasury shares						(99,995)
Net changes in items other than shareholders' equity	(56,270)	(1,250)	(57,520)	(15,356)	1,880	(70,997)
Total changes during period	(56,270)	(1,250)	(57,520)	(15,356)	1,880	368,191
Balance at end of period	19,892	(1,250)	18,642	15,773	1,880	7,895,443

(4) Consolidated statements of cash flows

(Thousand yen)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	322,180	599,159
Depreciation	67,263	77,378
Amortization of goodwill	-	12,935
Amortization of customer relationship	-	5,374
Share-based payment expenses	15,356	(15,356)
Loss on retirement of non-current assets	-	2,368
Gain on sale of non-current assets	(19)	-
Loss on sale of non-current assets	103	316
Gain on reversal of asset retirement obligations	-	(6,424)
Loss (gain) on valuation of investment securities	40,646	102,601
Interest and dividend income	(5,800)	(10,499)
Interest expenses	100	7,328
Loss (gain) on sale of investment securities	(7,641)	(33,078)
Loss (gain) on investments in investment partnerships	(41,695)	(11,777)
Gain on reversal of share acquisition rights	(220)	-
Decrease (increase) in trade receivables	59,068	30,367
Decrease (increase) in inventories	(802,894)	(727,800)
Increase (decrease) in trade payables	28,942	66,096
Decrease (increase) in advance payments to suppliers	(1,490)	2,141
Increase (decrease) in advances received	(35,119)	7,000
Increase (decrease) in deposits received	226,967	153,454
Increase (decrease) in long-term accounts payable - other	-	(2,457)
Increase (decrease) in allowance for doubtful accounts	24,284	(19,617)
Increase (decrease) in provision for bonuses	2,456	(36,620)
Increase (decrease) in provision for loss on guarantees	(94,529)	17,274
Decrease (increase) in other assets	(22,145)	41,684
Increase (decrease) in other liabilities	(194,985)	32,859
Other, net	15,157	7,790
Subtotal	(404,012)	302,499
Interest and dividends received	5,800	10,499
Interest paid	(60)	(7,161)
Income taxes paid	(29,440)	(35,350)
Income taxes refund	9,623	1,472
Net cash provided by (used in) operating activities	(418,090)	271,959

(Thousand yen)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	200,000	-
Purchase of property, plant and equipment	(120,059)	(568,098)
Payments for retirement of property, plant and equipment	-	(250)
Proceeds from sale of property, plant and equipment	329	397
Purchase of intangible assets	(2,461)	(45,415)
Purchase of investment securities	(524,671)	(140,591)
Proceeds from sale of investment securities	18,111	78,070
Proceeds from redemption of investment securities	55,047	21,184
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	77,509	-
Payments of leasehold and guarantee deposits	(129,853)	(2,125)
Proceeds from refund of leasehold and guarantee deposits	321,072	58,061
Payments for asset retirement obligations	(3,940)	(24,101)
Net cash provided by (used in) investing activities	(108,915)	(622,868)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	252,900
Repayments of long-term borrowings	(200,000)	(47,739)
Proceeds from issuance of share acquisition rights	15,993	-
Proceeds from share issuance to non-controlling shareholders	-	2,000
Purchase of treasury shares	(199,990)	(99,995)
Dividends paid	-	(179,619)
Repayments of lease liabilities	-	(4,380)
Net cash provided by (used in) financing activities	(383,996)	(76,834)
Effect of exchange rate change on cash and cash equivalents	(4,854)	(1,250)
Net increase (decrease) in cash and cash equivalents	(915,857)	(428,994)
Cash and cash equivalents at beginning of period	5,564,099	4,648,242
Cash and cash equivalents at end of period	4,648,242	4,219,247

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

(Application of accounting standard, etc. for revenue recognition)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Accounting Standard”), etc. since the beginning of the current fiscal year, and has adopted the policy of recognizing revenues at the time the control of promised goods or services has been transferred to customers in amounts expected to be received in exchange of said goods or services. Accordingly, for transactions in which the Company acts as an agent in providing goods or services to customers, it has changed its method of recognizing revenues: the Company uses net amounts, which it calculates by subtracting the amounts to be paid to its suppliers from the amounts to be received from customers. Previously, the Company recognized the total amount of consideration received from customers as a revenue.

The application of the Revenue Recognition Accounting Standard, etc. is subject to the transitional treatment provided for in the proviso of paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative monetary value of the effects of the retrospective application of a new accounting policy to periods prior to the beginning of the current fiscal year was added to or deducted from the opening balance of retained earnings as of the beginning of said fiscal year, and thus the new policy has been applied from such opening balance; provided, however, that the Company did not apply the new accounting policy retrospectively, by using the method provided for in paragraph 86 of the Revenue Recognition Accounting Standard, to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment prior to the beginning of said fiscal year.

As a result, net sales and cost of sales for the current fiscal year decreased by ¥1,124,365 thousand, respectively, which has no impact on the operating profit, ordinary profit and profit before income taxes. Accordingly, there is no impact on the opening balance of retained earnings.

Further, no information on disaggregation of revenue arising from contracts with customers during the previous fiscal year is disclosed in accordance with the transitional treatment provided for in paragraph 89-3 of the Revenue Recognition Accounting Standard.

(Application of accounting standard, etc. for fair value measurement)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Accounting Standard”), etc. since the beginning of the current fiscal year, and has determined to apply the new accounting policy provided for by the Fair Value Measurement Accounting Standard, etc. for its future accounting in accordance with the transitional measures provided for in paragraph 19 of the Fair Value Measurement Accounting Standard and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on the consolidated financial statements due to said change in the accounting policy.

(Additional information)

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

The Group has made an assumption that the impact of the spread of COVID-19 infections will gradually diminish, though a certain level of impact will continue to remain. Based on this assumption, the Group 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.

As there is a high degree of uncertainty regarding the impact of the spread of COVID-19, there is a possibility that the Company’s operating results and financial position will be affected in the future if there is a prolonged period until the pandemic abates.

(Business combination, etc.)

(Finalization of provisional accounting treatment of a business combination)

The business combination with IDC Inc., which took place on December 22, 2021, was provisionally accounted for at the end of the previous fiscal year, but the accounting treatment has been finalized in the current fiscal year.

As a result of the finalization of the provisional accounting treatment, the comparative information included in the consolidated financial statements for the current fiscal year reflects the revision of the initial allocation of the acquisition cost. Details of the revision are as follows.

(1) Details of the revision of the allocation

	(Thousand yen)
Revised account	Revision to goodwill
Goodwill (initial)	260,107
Customer-related assets	(80,623)
Deferred tax liabilities	27,476
Revision total	(53,146)
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Goodwill (revised)	206,960

(2) Amortization method and amortization period of goodwill

Amortized under the straight-line method over a 16-year period

(3) Weighted-average amortization period for all the intangible assets other than goodwill and by major type thereof

Customer-related assets	15 Years
<hr/>	
Total	15 years

(Matters related to revenue recognition)

The information on disaggregation of revenues from contracts with customers is as described in “(Segment information, etc.)” under “Notes to consolidated financial statements.”

(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 "income club 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 income club 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.

In accordance with the revision presented in "Finalization of provisional accounting treatment of a business combination" in "Business combination, etc.," the figures in the segment information for the previous fiscal year are those that reflect the revision.

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, 2021

1. 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	income club business	Total				
Net sales								
Net sales to external customers	394,981	3,114,916	580,657	4,090,555	-	4,090,555	-	4,090,555
Inter-segment sales or transfers	8,497	-	-	8,497	-	8,497	(8,497)	-
Total	403,479	3,114,916	580,657	4,099,053	-	4,099,053	(8,497)	4,090,555
Segment profit or loss	181,331	1,170,294	(83,665)	1,267,960	(8,450)	1,259,509	(959,522)	299,987
Assets	345,524	1,117,301	2,969,197	4,432,022	78,239	4,510,262	5,422,677	9,932,940
Other								
Depreciation	-	13,757	3,062	16,819	-	16,819	50,444	67,263
Amount of property, plant and equipment and intangible assets	-	2,752	119,418	122,170	-	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 ¥567,523 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.

II For the fiscal year ended December 31, 2022

1. Information on net sales and profit or loss by reportable segment and disaggregation of revenue

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustments (Note 2)	Amounts on consolidated financial statements (Note 3)
	AI/IoT business	PM platform business	income club business	Total				
Net sales								
Goods and services transferred at a point in time	111,736	-	2,388,586	2,500,323	-	2,500,323	-	2,500,323
Goods and services transferred for a certain period of time	249,245	2,158,401	-	2,407,647	-	2,407,647	-	2,407,647
Income generated by contracts with customers	360,982	2,158,401	2,388,586	4,907,970	-	4,907,970	-	4,907,970
Other income	-	417,313	95,886	513,200	-	513,200	-	513,200
Net sales to external customers	360,982	2,575,714	2,484,473	5,421,170	-	5,421,170	-	5,421,170
Inter-segment sales or transfers	7,486	24,714	2,866	35,068	-	35,068	(35,068)	-
Total	368,469	2,600,429	2,487,340	5,456,239	-	5,456,239	(35,068)	5,421,170
Segment profit or loss	212,747	1,261,303	214,280	1,688,330	(2,177)	1,686,153	(1,040,739)	645,413
Assets	437,434	1,014,613	3,985,122	5,437,170	166,920	5,604,090	5,149,571	10,753,662
Other								
Depreciation	854	16,616	14,346	31,817	-	31,817	45,560	77,378
Amount of property, plant and equipment and intangible assets	4,209	13,117	420,233	437,559	-	437,559	241,864	679,424

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

(Change of a reportable segment name)

Since the current fiscal year, the Company has changed the name of a reportable segment "real estate consulting business" to "income club business." The only change was that of the reportable segment name and has no impact on segment information.

The changed name is also used for the segment information for the fiscal year ended December 31, 2021.

(Application of accounting standard for revenue recognition, etc.)

As described in "Changes in accounting policies," the Company has applied the Revenue Recognition Accounting Standard, etc. since the beginning of the current fiscal year, and has changed the accounting processing method for revenue recognition. The method of calculating the profits or losses of business segments has also been changed accordingly.

Due to this change, the net sales of the PM platform business decreased by ¥1,119,696 thousand from the figure calculated in the conventional method. This difference has no impact on the segment profit. Similarly, the net sales of the income club business decreased by ¥4,669 thousand, which has no impact on the segment profit.

(Per share information)

Item	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Net assets per share	¥82.95	¥87.64
Basic earnings per share	¥4.12	¥8.00

(Notes) 1. Diluted earnings per share is not presented because there were no dilutive shares.

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

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Basic earnings per share		
Profit attributable to owners of parent (Thousand yen)	373,913	719,433
Amount not attributable to common shareholders (Thousand yen)	-	-
Profit attributable to owners of parent relating to common stock (Thousand yen)	373,913	719,433
Average number of shares of common stock outstanding during the period (Shares)	90,665,193	89,949,947
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)	