

Consolidated Financial Results for the Fiscal Year Ended December 31, 2020 [Japanese GAAP]



February 12, 2021

Company name: TATERU, Inc.

Stock exchange listing: Tokyo Stock Exchange

Code number: 1435

URL: <https://corp.tateru.co/>

Representative: Daisaku Furuki, Representative Director/CEO

Contact: Shinji Yasui, Executive Officer/CFO

Phone: +81-3-6447-0651

Scheduled date of Annual General Meeting of Shareholders: March 24, 2021

Scheduled date of commencing dividend payments: -

Scheduled date of filing annual securities report: March 25, 2021

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, 2020 (January 1, 2020 to December 31, 2020)

(1) Consolidated operating results

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen
December 31, 2020	6,147	(67.4)	(664)	-	(694)	-	(1,007)
December 31, 2019	18,828	(76.2)	(9,671)	-	(10,122)	-	(14,536)

(Note) Comprehensive income: Fiscal year ended December 31, 2020: ¥(1,014) million [-%]
Fiscal year ended December 31, 2019: ¥(14,592) 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, 2020	(11.14)	-	(13.0)	(6.4)	(10.8)
December 31, 2019	(163.11)	-	(93.9)	(45.3)	(51.4)

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

Fiscal year ended December 31, 2020: ¥ - million

Fiscal year ended December 31, 2019: ¥(219) million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2020	9,376	7,235	77.2	79.40
As of December 31, 2019	12,290	8,227	66.9	91.24

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

As of December 31, 2019: ¥8,226 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
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2020	2,037	187	(2,430)	5,564
December 31, 2019	(5,173)	(326)	(723)	5,770

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, 2019	-	0.00	-	0.00	0.00	-	-	-
December 31, 2020	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending December 31, 2021 (Forecast)	-	0.00	-	0.00	0.00		-	

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

(% 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	4,500	(26.8)	100	-	90	-	70	-	0.77

* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (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, 2020: 91,127,000 shares
 - December 31, 2019: 90,167,000 shares
 - 2) Total number of treasury stock at the end of the period:
 - December 31, 2020: - shares
 - December 31, 2019: - shares
 - 3) Average number of shares during the period:
 - Fiscal year ended December 31, 2020: 90,410,934 shares
 - Fiscal year ended December 31, 2019: 89,123,712 shares

(Reference) Overview of Unconsolidated Financial Results

Unconsolidated results for the fiscal year ended December 31, 2020 (January 1, 2020 to December 31, 2020)

(1) Unconsolidated financial results

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2020	5,706	(68.0)	(196)	-	(188)	-	(1,073)	-
December 31, 2019	17,806	(77.0)	(9,077)	-	(9,235)	-	(14,243)	-

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
December 31, 2020	(11.88)	-
December 31, 2019	(159.82)	-

(2) Unconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2020	9,678	7,461	77.1	81.88
As of December 31, 2019	12,719	8,526	67.0	94.55

(Reference) Equity: As of December 31, 2020: ¥7,461 million

As of December 31, 2019: ¥8,525 million

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

In the current fiscal year, the Company made efforts to strengthen its “stock income” (subscription-based income) by working to transform the revenue structure from “flow business” (pay-per use) to “stock business” (subscription). The Company has also been working to improve financial standing by reducing companywide expenses and other selling, general and administrative expenses.

As a result of the above, operating loss, ordinary loss and loss 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.

Table of Contents of the Attachments

1. Summary of Operating Results, etc.	2
(1) Summary of operating results for the current fiscal year	2
(2) Summary of financial position for the current fiscal year.....	3
(3) Summary of cash flows for the current fiscal year.....	3
(4) Future outlook	4
(5) Significant events, etc. on going concern assumption	4
2. Basic Stance on Selection of Accounting Standards	4
3. Consolidated Financial Statements and Primary Notes	5
(1) Consolidated balance sheets.....	5
(2) Consolidated statements of income and comprehensive income	7
(3) Consolidated statements of changes in net assets.....	9
(4) Consolidated statements of cash flows.....	11
(5) Notes to consolidated financial statements	13
(Notes on going concern assumption)	13
(Additional information)	13
(Segment information, etc.).....	14
(Per share information).....	17
(Significant subsequent events).....	17

1. Summary of Operating Results, etc.

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

The Japanese economy during the current fiscal year continued to show a moderate recovery due to improved employment and income situations, as well as an uptick in personal consumption and continued increases in capital investment, backed by the government's economic policy and the Bank of Japan's ongoing monetary policy. Nevertheless, the outlook is expected to remain unfavorable due to the impact of the spread of COVID-19 on the world economy, and uncertainty persists regarding factors such as movements in the financial and capital markets.

In the rental housing market in the real estate industry, as it is not easily affected by economic trends and COVID-19, both occupancy rates and rent levels have remained high. In addition, while there are calls for operational efficiency utilizing technologies and change to a highly transparent real estate business, a variety of services in the real estate domain have been commercialized through DX (digital transformation) utilizing cutting-edge technologies such as AI and IoT, and demand for highly convenient services including realization of smart homes suitable for diversifying lifestyles through the use of various IoT devices is expected to increase further.

As a result, the performance for the current fiscal year was ¥6,147 million in net sales (down 67.4% year on year), ¥664 million in operating loss (operating loss of ¥9,671 million in the previous fiscal year), ¥694 million in ordinary loss (ordinary loss of ¥10,122 million in the previous fiscal year), and ¥1,007 million in loss attributable to owners of parent (loss attributable to owners of parent of ¥14,536 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 name. The comparison and analysis for the current fiscal year are based on the classification after the change.

1) KANRY business

In the KANRY business, the Company enhanced and strengthened functions of Residence kit and promoted external sales, with the aim of increasing our rental housing units under management with the utilization of core technologies including AI/IoT and continuously increasing our share of IoT deployment. On July 13, 2020, the Company launched "Residence kit for Owner" as a new service to automate real estate management. Also, a review of the cost structure of the KANRY business was carried out, through promotion of the deployment of "Residence kit for PM," an in-house developed rental management RPA system, and the Company strived to enhance earning capacity. In addition, in the guarantee service business, the Company focused on expanding the Company-guaranteed share.

As a result, net sales for the current fiscal year were ¥2,995 million (up 10.4% year on year) and operating profit was ¥949 million (up 168.5% year on year), which included AI/IoT related net sales of ¥231 million and AI/IoT related operating profit of ¥81 million.

2) TATERU business

In the TATERU business, under the impact of the dramatic downturn in demand for accommodation due to COVID-19, the Company halted development of new smart hotels and recorded provision for loss on guarantees of ¥395 million to provide for further decline in demand for accommodation. As for revenue-generating real estate, on the other hand, the Company has recommenced plot procurement, carefully choosing well-located

properties, and focused on planning and development aimed at promoting sale of revenue-generating real estate for affluent clients, differentiated through utilization of the IoT, as well as at enhancement of its lineup of new products. In addition, in the conversion project for dilapidated facilities, etc., using technology combined with real estate consulting, the Company produced the general design for AddElm Chillout Village (CHILL VIL.), which is a sports and fashion complex that opened in Village of Yamanakako on September 19, 2020.

As a result, net sales for the current fiscal year were ¥3,152 million (down 80.5% year on year) and operating loss was recorded of ¥473 million (operating loss of ¥7,549 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 decreased by ¥2,914 million from the end of the previous fiscal year to ¥9,376 million. This is mainly attributable to decreases in real estate for sale of ¥1,840 and cash and deposits of ¥606 million.

(Liabilities)

Total liabilities at the end of the current fiscal year decreased by ¥1,922 million from the end of the previous fiscal year to ¥2,140 million. This is mainly attributable to a decrease in long-term borrowings of ¥2,250 million despite increases in provision for loss on guarantees of ¥347 million and deposits received of ¥304 million.

(Net assets)

Total net assets at the end of the current fiscal year decreased by ¥992 million from the end of the previous fiscal year to ¥7,235 million. This is mainly attributable to the recording of loss attributable to owners of parent of ¥1,007 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 ¥206 million from the end of the previous fiscal year to ¥5,564 million. Cash flows in each activity are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥2,037 million (¥5,173 million used in the previous fiscal year). This is mainly attributable to a decrease in inventories of ¥1,917 million and an increase in provision for loss on guarantees of ¥347 million, while outflows consisted of loss before income taxes of ¥1,009 million and a decrease in trade payables of ¥106 million.

(Cash flows from investing activities)

Net cash provided by investing activities was ¥187 million (¥326 million used in the previous fiscal year). This is mainly attributable to inflows in proceeds from withdrawal of time deposits of ¥400 million, while outflows consisted of purchase of property, plant and equipment of ¥87 million and payments of leasehold and guarantee deposits of ¥73 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,430 million (¥723 million used in the previous fiscal year). This is mainly attributable to outflows of repayments of long-term borrowings of ¥2,550 million.

(4) Future outlook

While the world economy remains embroiled in increasing uncertainties due to the spread of COVID-19, the rental housing market in the real estate industry is relatively less susceptible to the impact of COVID-19, and therefore both occupancy rates and rent levels are expected to remain high in the fiscal year ending December 31, 2021.

In light of these conditions, the Group has formulated a new management philosophy, “Value into life,” whereby we provide an array of services utilizing technology to develop business that delivers value to people’s lives.

For implementation of this management philosophy, we have set forth the medium-term business plan, “NEXT TATERU VISION,” and are working to strengthen our PM platform business with an eye toward expanding stock income, while TATERU’s business thrives into the future.

With regard to consolidated financial results forecasts for the fiscal year ending December 31, 2021, the Company projects net sales of ¥4,500 million (decrease of 26.8% year on year), an operating profit of ¥100 million (operating loss of ¥664 million a year earlier), an ordinary profit of ¥90 million (ordinary loss of ¥694 million a year earlier), and Profit attributable to owners of parent of ¥70 million (loss attributable to owners of parent of ¥1,007 million a year earlier).

(5) Significant events, etc. on going concern assumption

The Group recorded gross loss, operating loss, ordinary loss and loss attributable to owners of parent for the fiscal year ended December 31, 2019. For the fiscal year ended December 31, 2020, while the Group recorded gross profit, all other items were negative, i.e. operating loss, ordinary loss and loss attributable to owners of parent.

As the situation gives rise to conditions that may cast significant doubt on the Company’s ability to continue as a going concern, the Company studied its year-end fund balance and future funding situation. As a result, the Company determines that there are no concerns over the continuity of business activity for the foreseeable future, and that there are no significant uncertainties on going concern assumption.

By further expanding the KANRY business, which targets stock income, and improving the profitability of the TATERU business, which targets flow income, the Company will aim to ensure stable profit as a going concern.

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, 2019	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	6,370,649	5,764,099
Accounts receivable - trade	514,535	506,222
Merchandise and finished goods	38,820	18,714
Real estate for sale	3,730,949	1,890,433
Real estate for sale in process	140,612	83,656
Supplies	4,720	5,117
Other	396,265	531,385
Allowance for doubtful accounts	(35,681)	(117,169)
Total current assets	11,160,871	8,682,459
Non-current assets		
Property, plant and equipment		
Buildings	82,704	104,268
Accumulated depreciation	(42,764)	(2,401)
Buildings, net	39,940	101,636
Vehicles	13,698	10,001
Accumulated depreciation	(13,698)	(1,548)
Vehicles, net	-	8,453
Construction in progress	-	439
Other	97,898	8,148
Accumulated depreciation	(97,898)	(512)
Other, net	-	7,635
Total property, plant and equipment	39,940	118,164
Intangible assets		
Other	-	38,866
Total intangible assets	-	38,866
Investments and other assets		
Investment securities	721,757	433,900
Deferred tax assets	-	21,144
Other	368,230	81,538
Total investments and other assets	1,089,988	536,582
Total non-current assets	1,129,928	693,614
Total assets	12,290,799	9,376,073

(Thousand yen)

	As of December 31, 2019	As of December 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	158,370	51,492
Current portion of long-term borrowings	400,000	200,000
Income taxes payable	42,110	74,758
Deposits received	307,353	611,748
Provision for bonuses	17,433	34,164
Provision for full occupancy responsibility	4,189	-
Asset retirement obligations	-	3,940
Provision for loss on guarantees	304,136	651,167
Other	514,500	475,989
Total current liabilities	1,748,094	2,103,260
Non-current liabilities		
Long-term borrowings	2,250,000	-
Asset retirement obligations	64,861	37,373
Total non-current liabilities	2,314,861	37,373
Total liabilities	4,062,955	2,140,633
Net assets		
Shareholders' equity		
Share capital	7,286,422	7,296,022
Capital surplus	7,192,610	7,202,210
Retained earnings	(6,249,263)	(7,252,197)
Total shareholders' equity	8,229,769	7,246,035
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(4,227)	(12,881)
Foreign currency translation adjustment	1,282	2,286
Total accumulated other comprehensive income	(2,945)	(10,595)
Share acquisition rights	1,020	-
Total net assets	8,227,844	7,235,439
Total liabilities and net assets	12,290,799	9,376,073

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Thousand yen)

	For the fiscal year ended December 31, 2019	For the fiscal year ended December 31, 2020
Net sales	18,828,288	6,147,103
Cost of sales	22,920,140	4,505,619
Gross profit (loss)	(4,091,851)	1,641,484
Selling, general and administrative expenses	5,579,369	2,305,925
Operating profit (loss)	(9,671,221)	(664,441)
Non-operating income		
Interest income	1,183	790
Dividend income	751	500
Gain on investments in investment partnerships	9,868	11,719
Subsidies for employment adjustment	-	6,236
Insurance fee income	10,000	-
Other	1,207	14,988
Total non-operating income	23,011	34,234
Non-operating expenses		
Interest expenses	49,360	35,117
Loss on investments in investment partnerships	2,560	1,512
Commission expenses	178,376	18,060
Share of loss of entities accounted for using equity method	219,915	-
Other	24,275	9,482
Total non-operating expenses	474,487	64,172
Ordinary profit (loss)	(10,122,698)	(694,379)
Extraordinary income		
Gain on sales of non-current assets	-	4,938
Gain on reversal of share acquisition rights	510	1,020
Gain on sales of shares of subsidiaries and associates	60,511	-
Gain on reversal of asset retirement obligations	50,420	9,748
Total extraordinary income	111,442	15,707
Extraordinary losses		
Loss on valuation of investment securities	154,385	292,745
Impairment loss	1,851,862	35,851
Extra retirement payments	281,000	-
Amortization of goodwill	1,530,913	-
Loss on liquidation of subsidiaries and associates	2,201	2,315
Loss on cancellation of rental contracts	115,007	-
Loss on valuation of inventories	549,760	-
Total extraordinary losses	4,485,129	330,913
Profit (loss) before income taxes	(14,496,384)	(1,009,585)
Income taxes - current	(11,481)	18,883
Income taxes - deferred	102,922	(21,144)
Total income taxes	91,441	(2,260)
Profit (loss)	(14,587,826)	(1,007,325)
Profit (loss) attributable to non-controlling interests	(51,164)	-
Profit (loss) attributable to owners of parent	(14,536,662)	(1,007,325)

Consolidated statements of comprehensive income

(Thousand yen)

	For the fiscal year ended December 31, 2019	For the fiscal year ended December 31, 2020
Profit (loss)	(14,587,826)	(1,007,325)
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,803)	(8,653)
Foreign currency translation adjustment	1,259	1,004
Total other comprehensive income	(4,544)	(7,649)
Comprehensive income	(14,592,370)	(1,014,974)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(14,541,206)	(1,014,974)
Comprehensive income attributable to non-controlling interests	(51,164)	-

(3) Consolidated statements of changes in net assets
For the fiscal year ended December 31, 2019

(Thousand yen)

	Shareholders' equity			
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of period	7,272,422	7,178,610	8,296,419	22,747,452
Changes during period				
Issuance of new shares - exercise of share acquisition rights	14,000	14,000		28,000
Loss attributable to owners of parent			(14,536,662)	(14,536,662)
Change in scope of consolidation			(9,020)	(9,020)
Net changes in items other than shareholders' equity				
Total changes during period	14,000	14,000	(14,545,682)	(14,517,682)
Balance at end of period	7,286,422	7,192,610	(6,249,263)	8,229,769

	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	1,575	22	1,598	1,530	130,908	22,881,489
Changes during period						
Issuance of new shares - exercise of share acquisition rights						28,000
Loss attributable to owners of parent						(14,536,662)
Change in scope of consolidation						(9,020)
Net changes in items other than shareholders' equity	(5,803)	1,259	(4,544)	(510)	(130,908)	(135,962)
Total changes during period	(5,803)	1,259	(4,544)	(510)	(130,908)	(14,653,644)
Balance at end of period	(4,227)	1,282	(2,945)	1,020	-	8,227,844

For the fiscal year ended December 31, 2020

(Thousand yen)

	Shareholders' equity			
	Share capital	Capital surplus	Retained earnings	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
Loss attributable to owners of parent			(1,007,325)	(1,007,325)
Change in scope of consolidation			4,390	4,390
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	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	(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
Loss attributable to owners of parent						(1,007,325)
Change in scope of consolidation						4,390
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

(4) Consolidated statements of cash flows

(Thousand yen)

	For the fiscal year ended December 31, 2019	For the fiscal year ended December 31, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	(14,496,384)	(1,009,585)
Depreciation	87,577	16,333
Gain on sales of non-current assets	-	(4,938)
Amortization of goodwill	1,628,606	-
Gain on Reversal of Asset Retirement Obligations	(50,420)	(9,748)
Impairment loss	1,851,862	35,851
Loss on valuation of inventories	549,760	-
Loss (gain) on valuation of investment securities	154,385	292,745
Loss on liquidation of subsidiaries and associates	-	2,315
Interest and dividend income	(1,934)	(1,290)
Interest expenses	49,360	35,117
Loss (gain) on investments in investment partnerships	(7,308)	(10,206)
Share of loss (profit) of entities accounted for using equity method	219,915	-
Loss (gain) on sales of shares of subsidiaries and associates	(60,511)	-
Gain on reversal of share acquisition rights	(510)	(1,020)
Decrease (increase) in trade receivables	242,290	8,312
Decrease (increase) in inventories	8,737,758	1,917,180
Increase (decrease) in trade payables	(2,666,355)	(106,877)
Decrease (increase) in advance payments - trade	225,048	(4,821)
Increase (decrease) in advances received	(167,245)	(14,040)
Increase (decrease) in deposits received	(46,307)	304,394
Increase (decrease) in allowance for doubtful accounts	20,230	81,487
Increase (decrease) in provision for bonuses	(18,077)	16,730
Increase (decrease) in provision for full occupancy responsibility	(314,832)	(4,189)
Increase (decrease) in provision for loss on guarantees	304,136	347,030
Decrease (increase) in other assets	(189,202)	327,762
Increase (decrease) in other liabilities	(795,594)	(170,067)
Other, net	(1,541)	9,660
Subtotal	(4,745,294)	2,057,670
Interest and dividends received	1,936	1,291
Interest paid	(43,882)	(41,184)
Income taxes paid	(386,417)	(8,799)
Income taxes refund	-	28,661
Net cash provided by (used in) operating activities	(5,173,658)	2,037,639

(Thousand yen)

	For the fiscal year ended December 31, 2019	For the fiscal year ended December 31, 2020
Cash flows from investing activities		
Payments into time deposits	(600,000)	-
Proceeds from withdrawal of time deposits	-	400,000
Purchase of property, plant and equipment	(772,019)	(87,356)
Proceeds from sales of property, plant and equipment	20,030	5,787
Purchase of intangible assets	(151,802)	(43,028)
Purchase of investment securities	(133,120)	(30,004)
Proceeds from sales of investment securities	1,032,981	-
Proceeds from redemption of investment securities	16,500	25,989
Purchase of shares of subsidiaries and associates	-	(490)
Proceeds from sales of shares of subsidiaries and associates	400,000	490
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	85,882	-
Net decrease (increase) in short-term loans receivable	134	-
Payments of leasehold and guarantee deposits	(133,816)	(73,547)
Proceeds from refund of leasehold and guarantee deposits	200,584	45,338
Increase (decrease) in crowdfunding deposits received	(259,530)	-
Payments for asset retirement obligations	(31,003)	(55,509)
Other, net	(1,588)	80
Net cash provided by (used in) investing activities	(326,768)	187,750
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,800,000)	-
Proceeds from long-term borrowings	2,850,000	100,000
Repayments of long-term borrowings	(1,800,974)	(2,550,000)
Proceeds from issuance of shares	28,000	19,200
Dividends paid	(677)	-
Net cash provided by (used in) financing activities	(723,651)	(2,430,800)
Effect of exchange rate change on cash and cash equivalents	903	(1,139)
Net increase (decrease) in cash and cash equivalents	(6,223,175)	(206,550)
Cash and cash equivalents at beginning of period	11,993,824	5,770,649
Cash and cash equivalents at end of period	5,770,649	5,564,099

(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)

Due to the restrictions on travel, requests to avoid nonessential and non-urgent outings and refrain from holding events, etc. in response to the spread COVID-19, the Group has been affected by the decline in demand for accommodation. Though the timing when the impact of the spread of COVID-19 is brought under control remains uncertain, we made accounting estimates for provision for loss on guarantees and valuation of investment securities based on the assumption that the impact will continue until June 2021.

This assumption is of highly uncertainty, and if the containment is delayed and occurrence of a third wave, etc. further prolongs the situation, losses may occur in the future.

(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 two reportable segments, namely "KANRY business" and "TATERU business" with classification based upon business content.

The KANRY business operates apartment platforms and conducts planning and development of AI/IoT devices. The TATERU business provides accommodation management services and is involved in the conversion project for dilapidated facilities, etc., using technology combined with real estate consulting.

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, 2019

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 statements of income (Note 3)
	KANRY business	TATERU business	Total				
Net sales							
Net sales to external customers	2,711,889	16,114,563	18,826,453	1,834	18,828,288	-	18,828,288
Inter-segment sales or transfers	2,502	5,376	7,878	77,078	84,957	(84,957)	-
Total	2,714,391	16,119,940	18,834,332	78,912	18,913,245	(84,957)	18,828,288
Segment profit or loss	353,554	(7,549,140)	(7,195,586)	(173,231)	(7,368,818)	(2,302,403)	(9,671,221)
Assets	401,320	3,930,884	4,332,205	744,136	5,106,342	7,184,457	12,290,799
Other							
Depreciation	28,921	28,499	57,420	11,555	68,976	18,601	87,577
Amortization of goodwill	-	1,628,606	1,628,606	-	1,628,606	-	1,628,606
Impairment loss	217,844	1,143,354	1,361,199	179,246	1,540,445	311,416	1,851,862
Amount of property, plant and equipment and intangible assets	58,731	732,240	790,971	2,159	793,130	76,358	869,489

- (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 statements of income.

II For the fiscal year ended December 31, 2020

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 statements of income (Note 3)
	KANRY business	TATERU business	Total				
Net sales							
Net sales to external customers	2,994,977	3,152,101	6,147,079	24	6,147,103	-	6,147,103
Inter-segment sales or transfers	636	45	681	1,007	1,689	(1,689)	-
Total	2,995,614	3,152,146	6,147,761	1,031	6,148,792	(1,689)	6,147,103
Segment profit or loss	949,130	(473,947)	475,183	(26,674)	448,508	(1,112,949)	(664,441)
Assets	211,472	1,650,773	1,862,245	594,414	2,456,660	6,919,413	9,376,073
Other							
Depreciation	7,983	5,366	13,349	-	13,349	2,984	16,333
Impairment loss	-	35,851	35,851	-	35,851	-	35,851
Amount of property, plant and equipment and intangible assets	91,530	3,204	94,734	-	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 statements of income.

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

The Group's previous three reportable segments were "TATERU Apartment business," "Smart hotel business" and "Robot Home business." However, from the three months ended March 31, 2020, the Group's reportable segments have been classified into "KANRY business," targeting stock income, and "TATERU business," targeting flow income (pay-per use income).

The allocation of companywide expenses has also been revised, and they have been included in segment adjustments.

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, 2019 is prepared from the segment classification after the change.

(Per share information)

Item	For the fiscal year ended December 31, 2019	For the fiscal year ended December 31, 2020
Net assets per share	¥91.24	¥79.40
Basic loss per share	¥163.11	¥11.14
Diluted earnings per share	—	—

(Notes) 1. Diluted earnings per share is not presented because, for the fiscal year ended December 31, 2019, a loss was posted despite the existence of diluted shares, while for the fiscal year ended December 31, 2020, there were no diluted shares.

2. The basis for the calculation of basic loss per share is as follows.

Item	For the fiscal year ended December 31, 2019	For the fiscal year ended December 31, 2020
Basic loss per share		
Loss attributable to owners of parent (Thousand yen)	14,536,662	1,007,325
Amount not attributable to common shareholders (Thousand yen)	—	—
Loss attributable to owners of parent relating to common stock (Thousand yen)	14,536,662	1,007,325
Average number of shares of common stock outstanding during the period (Shares)	89,123,712	90,410,934
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect	—	—

(Significant subsequent events)

(Notice Concerning Reduction of Share Capital and Appropriation of Surplus)

At the meeting of the Board of Directors held today, the Company resolved to submit a proposal to reduce its share capital and appropriate surplus at the 15th Annual General Meeting of Shareholders scheduled for March 24, 2021.

For details, please refer to the “Notice Concerning Reduction of Share Capital and Appropriation of Surplus” disclosed today.