Consolidated Financial Results for the Fiscal Year Ended December 31, 2018 [Japanese GAAP]

February 13, 2020

Company name: TATERU, Inc.
Stock exchange listing: Tokyo Stock Exchange
Code number: 1435
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Scheduled date of Annual General Meeting of Shareholders: March 17, 2020
Scheduled date of commencing dividend payments: -
Scheduled date of filing annual securities report: March 18, 2020
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, 2019 (January 1, 2019 to December 31, 2019)

(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, 2019	18,828	(76.2)	(9,671)	-	(10,122)	-	(14,536)	-
December 31, 2018	79,149	18.1	721	(87.8)	507	(91.3)	821	(79.4)

(Note) Comprehensive income: Fiscal year ended December 31, 2019: ¥(14,592) million [-%]
Fiscal year ended December 31, 2018: ¥755 million [(81.5)%]

	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, 2019	(163.11)	-	(93.9)	(45.3)	(51.4)
December 31, 2018	9.70	8.91	5.1	1.9	0.9

(Reference) Equity in earnings (losses) of associated companies: Fiscal year ended December 31, 2019: ¥(219)million
Fiscal year ended December 31, 2018: ¥(165) million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2019	12,290	8,227	66.9	91.24
As of December 31, 2018	32,445	22,881	70.1	256.28

(Reference) Equity: As of December 31, 2019: ¥8,226 million
As of December 31, 2018: ¥22,749 million

(Note) The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) and such, starting from the beginning of the first quarter of the current consolidated fiscal year. Accordingly, the figures for the consolidated fiscal year ended December 31, 2018 are presented following retrospective application of the aforementioned accounting standard and such.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2019	(5,173)	273	(723)	6,370
December 31, 2018	(6,668)	(2,016)	10,792	11,993

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, 2018	-	5.00	-	0.00	5.00	430	51.5	2.6
December 31, 2019	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending December 31, 2020 (Forecast)	-	0.00	-	0.00	0.00		-	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2020 (January 1, 2020 to December 31, 2020)

(% 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	5,962	(68.3)	(971)	-	(1,111)	-	(1,256)	-	(13.94)

*** 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, 2019: 90,167,000 shares

December 31, 2018: 88,767,000 shares

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

December 31, 2019: - shares

December 31, 2018: - shares

3) Average number of shares during the period:

Fiscal year ended December 31, 2019: 89,123,712 shares

Fiscal year ended December 31, 2018: 84,769,499 shares

(Reference) Overview of the Unconsolidated Financial Results

Unconsolidated results for the fiscal year ended December 31, 2019 (January 1, 2019 to December 31, 2019)

(1) Unconsolidated financial results

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2019	17,806	(77.0)	(9,077)	-	(9,235)	-	(14,109)	-
December 31, 2018	77,391	16.4	312	(94.9)	298	(95.0)	837	(78.6)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
December 31, 2019	(158.31)	-
December 31, 2018	9.89	9.09

(2) Unconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
Fiscal year ended	Million yen	Million yen	%	Yen
December 31, 2019	12,719	8,660	68.1	96.04
December 31, 2018	31,714	22,748	71.7	256.25

(Reference) Equity: As of December 31, 2019: ¥8,659 million
As of December 31, 2018: ¥22,746 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 sold real estate for sale collectively in order to secure business funds, and also set a more stringent procedure to check the contract suitability of factors including purchase from or sale to a customer when concluding a purchase and sale agreement with the customer, as a measure to prevent recurrence of the series of issues discovered during the fiscal year ended December 31, 2018. Therefore, the number of apartment buildings delivered decreased from the previous fiscal year. On the other hand, the Company promoted cost reduction in selling, general and administrative expenses, as well as selling shares of subsidiaries and associates, applying impairment accounting to non-current assets and implementing an early retirement incentive program, to improve its financial position. Accordingly, ¥1,933 million in loss on sales of shares of subsidiaries and associates, ¥1,536 million in impairment loss, ¥242 million in special retirement expenses, etc. were recorded as extraordinary losses.

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

* These consolidated financial results are outside the scope of review 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 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 remains unclear on account of uncertainty in the world economy with the impact of prolonged trade friction between the U.S. and China.

In the real estate industry, although there are concerns with regard to financial institutions tightening their policies on loans for real estate due to changing lending attitudes, as well as surging development site prices and construction costs, real estate demand is expected to remain strong against a backdrop of a low interest rate environment buoyed by an ongoing easy monetary policy, as well as the growing demand for accommodation driven by an increasing number of foreign visitors, and other factors.

Under these circumstances, the Group has proceeded with structural reforms for sustainable future growth with the intent to rebuild the TATERU Apartment business, and to entrench and expand the Smart hotel and Robot Home businesses. In addition, as measures to improve profitability and realize the early recovery of business performance, the Company took measures such as the collective sale of real estate for sale in order to secure new business funds, the implementation of an early retirement incentive program to assist in the diverse life plans of employees, and the sale of stocks of subsidiaries and associates, among other efforts to strengthen the Company's financial footing and enhance asset efficiency.

As a result, performance for the current fiscal year was ¥18,828 million in net sales (down 76.2% year on year), an operating loss of ¥9,671 million (operating profit of ¥721 million in the previous fiscal year) due to the recording of ¥6,300 million in loss on valuation of inventories (cost of sales of ¥5,751 million, extraordinary losses of ¥549 million), ordinary loss of ¥10,122 million (ordinary profit of ¥507 million in the previous fiscal year), and loss attributable to owners of parent of ¥14,536 million (profit attributable to owners of parent of ¥821 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.

(TATERU Apartment business)

In TATERU Apartment business, the Company completed delivery procedures with regard to the collective sale of real estate for sale so as to secure business funds. In addition, as a measure to prevent recurrence of the series of issues discovered during the fiscal year ended December 31, 2018, we have put in place a more stringent procedure to check contract suitability, including for a purchase from, or sale to, a customer when concluding a purchase and sale agreement with that customer.

As a result, net sales for the current fiscal year amounted to ¥17,706 million (down 76.9% year on year) and operating loss was ¥6,987 million (operating profit of ¥2,299 million in the previous fiscal year).

(Smart hotel business)

In Smart hotel business, which provides accommodation management services, the Company introduced smart accommodation management services by utilizing ICT* such as smart lock and check-in tablets at 25 accommodation facilities and MUSUBI HOTEL, a concept hotel.

As a result, net sales for the current fiscal year amounted to ¥558 million (up 2.4% year on year) and operating loss was ¥362 million (operating profit of ¥117 million in the previous fiscal year).

(Robot Home business)

The Robot Home business, which concentrates on the planning and development of IoT devices, provides Apartment kit, an IoT device. We enhanced and strengthened functions of Apartment kit to provide tenants with greater security and convenience and to improve efficiency of rental management operations for owners and management companies.

As a result, net sales for the current fiscal year amounted to ¥510 million (down 61.3% year on year) and operating profit was ¥2 million (down 99.5% year on year).

*ICT: Information and Communication Technology

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

(Assets)

Total assets at the end of the current fiscal year decreased by ¥20,154 million from the end of the previous fiscal year to ¥12,290 million. This is mainly attributable to decreases in cash and deposits of ¥5,623 million, real estate for sale of ¥7,374 million and goodwill of ¥1,791 million.

(Liabilities)

Total liabilities at the end of the current fiscal year decreased by ¥5,500 million from the end of the previous fiscal year to ¥4,062 million. This is mainly attributable to decreases in accounts payable-trade of ¥2,666 million and short-term loans payable of ¥1,800 million.

(Net assets)

Total net assets at the end of the current fiscal year decreased by ¥14,653 million from the end of the previous fiscal year to ¥8,227 million. This is mainly attributable to the recording of loss attributable to owners of parent of ¥14,536 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 ¥5,623 million from the end of the previous fiscal year to ¥6,370 million. Cash flows in each activity are as follows.

(Cash flows from operating activities)

Net cash used in operating activities was ¥5,173 million (¥6,668 million used in the previous fiscal year). This is mainly attributable to loss before income taxes of ¥14,496 million and a decrease in notes and accounts payable-trade of ¥2,666 million, while inflows consisted of decrease in inventories of ¥8,737 million, amortization of goodwill of ¥1,628 million, and an impairment loss of ¥1,851 million.

(Cash flows from investing activities)

Net cash provided by investing activities was ¥273 million (¥2,016 million used in the previous fiscal year). This is mainly attributable to inflows in proceeds from sales of investment securities of ¥1,032 million and proceeds from sales of shares of subsidiaries and associates of ¥400 million, while outflows consisted of purchase of property, plant and equipment of ¥772 million, decrease in crowdfunding deposits received of ¥259 million, and purchase of intangible assets of ¥151 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥723 million (¥1,079 million used in the previous fiscal year). This is mainly attributable to outflows of net decrease in short-term loans payable of ¥1,800 million and repayments of long-term loans payable of ¥1,800 million, while inflows consisted of proceeds from long-term loans payable of ¥2,850 million.

(4) Future outlook

Although the world economy remains in an increasingly uncertain situation, there continues to be a favorable environment in which to procure funds owing to the Bank of Japan's easy monetary policy. Given this, and against the backdrop of rising demand for accommodation driven by an increasing number of foreign national visitors, and other factors, the Company anticipates that trends in the real estate industry will continue to be brisk in the fiscal year ending December 31, 2020.

In light of these conditions, the Group has formulated a new management philosophy, "Value into life," whereby utilizing technology we provide an array of services 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, 2020, the Company projects net sales of ¥5,962 million (decrease of 68.3% year on year), an operating loss of ¥971 million (operating loss of ¥9,671 million in the previous fiscal year), an ordinary loss of ¥1,111 million (ordinary loss of ¥10,122 million in the previous fiscal year), and loss attributable to owners of parent of ¥1,256 million (loss attributable to owners of parent of ¥14,536 million in the previous fiscal year).

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

In the current consolidated fiscal year, in our mainstay TATERU Apartment business, the Group prioritized its response to the inappropriate actions by an employee of the Company, which were discovered during the fiscal year ended December 31, 2018. The Company has put in place a more stringent procedure to check contract suitability, including with the purchase from, or sale to, a customer when concluding a purchase and sale agreement with that customer, as a measure to prevent recurrence. In addition, the Company recorded ¥3,198 million in loss on collective sale of real estate for sale. According to this and other factors, the Company recorded gross loss, operating loss, ordinary loss and loss attributable to owners of parent for the current consolidated fiscal year.

Due to this situation, a significant doubt exists with regard to going concern assumption. However, as a result of considering the situation with the balance of funds as of the end of current consolidated fiscal year, as well as that for future financing, we have determined that at the moment there is no concern with regard to the continuity of business activities, and that there are no major uncertainties associated with going concern assumption.

By attending to the rebuilding of the TATERU Apartment business, and entrenching and expanding the Robot Home and Smart hotel businesses, the Company aims to ensure stable revenue 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 have 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, 2018	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	11,993,824	6,370,649
Accounts receivable-trade	841,190	514,535
Merchandise and finished goods	299,951	38,820
Real estate for sale	11,105,828	3,730,949
Real estate for sale in process	1,618,758	140,612
Supplies	10,566	4,720
Other	458,140	396,265
Allowance for doubtful accounts	(15,451)	(35,681)
Total current assets	26,312,808	11,160,871
Non-current assets		
Property, plant and equipment		
Buildings	420,240	41,924
Accumulated depreciation	(51,564)	(1,984)
Buildings, net	368,675	39,940
Vehicles	67,271	-
Accumulated depreciation	(48,578)	-
Vehicles, net	18,692	-
Land	559,544	-
Construction in progress	3,156	-
Other	170,423	-
Accumulated depreciation	(127,339)	-
Other, net	43,084	-
Total property, plant and equipment	993,154	39,940
Intangible assets		
Goodwill	1,791,047	-
Other	365,348	-
Total intangible assets	2,156,396	-
Investments and other assets		
Investment securities	2,351,533	721,757
Deferred tax assets	106,298	-
Other	524,821	368,230
Total investments and other assets	2,982,653	1,089,988
Total non-current assets	6,132,203	1,129,928
Total assets	32,445,011	12,290,799

(Thousand yen)

	As of December 31, 2018	As of December 31, 2019
Liabilities		
Current liabilities		
Accounts payable-trade	2,824,725	158,370
Short-term loans payable	1,800,000	-
Current portion of long-term loans payable	401,154	400,000
Income taxes payable	568,023	42,110
Provision for bonuses	55,749	17,433
Provision for full occupancy responsibility	319,021	4,189
Provision for loss on guarantees	-	304,136
Other	2,345,720	821,853
Total current liabilities	8,314,393	1,748,094
Non-current liabilities		
Long-term loans payable	1,200,860	2,250,000
Asset retirement obligations	48,269	64,861
Total non-current liabilities	1,249,129	2,314,861
Total liabilities	9,563,522	4,062,955
Net assets		
Shareholders' equity		
Capital stock	7,272,422	7,286,422
Capital surplus	7,178,610	7,192,610
Retained earnings	8,296,419	(6,249,263)
Total shareholders' equity	22,747,452	8,229,769
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,575	(4,227)
Foreign currency translation adjustment	22	1,282
Total accumulated other comprehensive income	1,598	(2,945)
Share acquisition rights	1,530	1,020
Non-controlling interests	130,908	-
Total net assets	22,881,489	8,227,844
Total liabilities and net assets	32,445,011	12,290,799

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Thousand yen)

	For the fiscal year ended December 31, 2018	For the fiscal year ended December 31, 2019
Net sales	79,149,341	18,828,288
Cost of sales	70,524,349	22,920,140
Gross profit (loss)	8,624,992	(4,091,851)
Selling, general and administrative expenses	7,903,125	5,579,369
Operating profit (loss)	721,866	(9,671,221)
Non-operating income		
Interest income	1,436	1,183
Dividend income	26,691	751
Gain on investments in partnership	-	9,868
Gain on sales of goods	3,865	-
Gain on insurance cancellation	13,945	-
Insurance fee	-	10,000
Other	4,748	1,207
Total non-operating income	50,686	23,011
Non-operating expenses		
Interest expenses	12,555	49,360
Loss on investments in partnership	2,675	2,560
Commission expenses	10,156	178,376
Share issuance cost	62,568	-
Share of loss of entities accounted for using equity method	165,575	219,915
Other	11,272	24,275
Total non-operating expenses	264,803	474,487
Ordinary profit (loss)	507,749	(10,122,698)
Extraordinary income		
Gain on sales of investment securities	2,448,315	-
Gain on reversal of share acquisition rights	-	510
Gain on sales of shares of subsidiaries and associates	-	60,511
Gain on reversal of asset retirement obligations	-	50,420
Total extraordinary income	2,448,315	111,442
Extraordinary losses		
Loss on valuation of investment securities	100,008	154,385
Impairment loss	-	1,851,862
Special retirement expenses	-	281,000
Special survey costs, etc.	184,335	-
Amortization of goodwill	-	1,530,913
Loss on liquidation of subsidiaries and associates	-	2,201
Loss on cancellation of rental contracts	-	115,007
Loss on valuation of inventories	-	549,760
Total extraordinary losses	284,344	4,485,129
Profit (loss) before income taxes	2,671,721	(14,496,384)
Income taxes - current	1,549,795	(11,481)
Income taxes - deferred	298,492	102,922
Total income taxes	1,848,288	91,441
Profit (loss)	823,433	(14,587,826)
Profit (loss) attributable to non-controlling interests	1,551	(51,164)
Profit (loss) attributable to owners of parent	821,881	(14,536,662)

Consolidated statements of comprehensive income

(Thousand yen)

	For the fiscal year ended December 31, 2018	For the fiscal year ended December 31, 2019
Profit (loss)	823,433	(14,587,826)
Other comprehensive income		
Valuation difference on available-for-sale securities	(67,577)	(5,803)
Foreign currency translation adjustment	22	1,259
Total other comprehensive income	(67,554)	(4,544)
Comprehensive income	755,878	(14,592,370)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	754,327	(14,541,206)
Comprehensive income attributable to non-controlling interests	1,551	(51,164)

(3) Consolidated statements of changes in net assets
For the fiscal year ended December 31, 2018

(Thousand yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of current period	628,006	533,502	8,300,627	9,462,137
Changes of items during period				
Issuance of new shares	6,618,336	6,618,336		13,236,672
Issuance of new shares - exercise of share acquisition rights	26,080	26,080		52,160
Dividends of surplus			(826,090)	(826,090)
Profit (loss) attributable to owners of parent			821,881	821,881
Change of scope of consolidation				-
Purchase of shares of consolidated subsidiaries		691		691
Net changes of items other than shareholders' equity				
Total changes of items during period	6,644,416	6,645,107	(4,208)	13,285,314
Balance at end of current period	7,272,422	7,178,610	8,296,419	22,747,452

	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 current period	69,152	-	69,152	1,530	134,948	9,667,768
Changes of items during period						
Issuance of new shares						13,236,672
Issuance of new shares - exercise of share acquisition rights						52,160
Dividends of surplus						(826,090)
Profit (loss) attributable to owners of parent						821,881
Change of scope of consolidation						-
Purchase of shares of consolidated subsidiaries						691
Net changes of items other than shareholders' equity	(67,577)	22	(67,554)	-	(4,039)	(71,594)
Total changes of items during period	(67,577)	22	(67,554)	-	(4,039)	13,213,720
Balance at end of current period	1,575	22	1,598	1,530	130,908	22,881,489

For the fiscal year ended December 31, 2019

(Thousand yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of current period	7,272,422	7,178,610	8,296,419	22,747,452
Changes of items during period				
Issuance of new shares				-
Issuance of new shares - exercise of share acquisition rights	14,000	14,000		28,000
Dividends of surplus				-
Profit (loss) attributable to owners of parent			(14,536,662)	(14,536,662)
Change of scope of consolidation			(9,020)	(9,020)
Purchase of shares of consolidated subsidiaries				-
Net changes of items other than shareholders' equity				
Total changes of items during period	14,000	14,000	(14,545,682)	(14,517,682)
Balance at end of current 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 current period	1,575	22	1,598	1,530	130,908	22,881,489
Changes of items during period						
Issuance of new shares						-
Issuance of new shares - exercise of share acquisition rights			-			28,000
Dividends of surplus			-			-
Profit (loss) attributable to owners of parent			-			(14,536,662)
Change of scope of consolidation						(9,020)
Purchase of shares of consolidated subsidiaries			-			-
Net changes of items other than shareholders' equity	(5,803)	1,259	(4,544)	(510)	(130,908)	(135,962)
Total changes of items during period	(5,803)	1,259	(4,544)	(510)	(130,908)	(14,653,644)
Balance at end of current period	(4,227)	1,282	(2,945)	1,020	-	8,227,844

(4) Consolidated statements of cash flows

(Thousand yen)

	For the fiscal year ended December 31, 2018	For the fiscal year ended December 31, 2019
Cash flows from operating activities		
Profit (loss) before income taxes	2,671,721	(14,496,384)
Depreciation	200,546	87,577
Amortization of goodwill	130,258	1,628,606
Gain on reversal of asset retirement obligations	-	(50,420)
Share issuance cost	62,568	-
Impairment loss	-	1,851,862
Loss on valuation of inventories	-	549,760
Loss (gain) on valuation of investment securities	100,008	154,385
Interest and dividend income	(28,127)	(1,934)
Interest expenses	12,555	49,360
Loss (gain) on sales of investment securities	(2,448,315)	-
Loss (gain) on investments in partnership	2,675	(7,308)
Share of loss (profit) of entities accounted for using equity method	165,575	219,915
Loss (gain) on sales of shares of subsidiaries and associates	-	(60,511)
Gain on reversal of share acquisition rights	-	(510)
Decrease (increase) in notes and accounts receivable - trade	320,863	242,290
Decrease (increase) in inventories	(5,742,361)	8,737,758
Increase (decrease) in notes and accounts payable - trade	(262,313)	(2,666,355)
Decrease (increase) in advance payments	359,578	225,048
Increase (decrease) in advances received	(75,949)	(167,245)
Increase (decrease) in allowance for doubtful accounts	12,969	20,230
Increase (decrease) in provision for bonuses	11,049	(18,077)
Increase (decrease) in provision for full occupancy responsibility	118,909	(314,832)
Increase (decrease) in provision for loss on guarantees	-	304,136
Decrease (increase) in other assets	(21,027)	(189,202)
Increase (decrease) in other liabilities	239,493	(841,901)
Other, net	9,168	(1,541)
Subtotal	(4,160,153)	(4,745,294)
Interest and dividend income received	28,052	1,936
Interest expenses paid	(11,691)	(43,882)
Income taxes paid	(2,525,014)	(386,417)
Net cash provided by (used in) operating activities	(6,668,808)	(5,173,658)

	For the fiscal year ended December 31, 2018	For the fiscal year ended December 31, 2019
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,366,649)	(772,019)
Proceeds from sales of property, plant and equipment	2,821,526	20,030
Purchase of intangible assets	(278,104)	(151,802)
Purchase of investment securities	(423,025)	(133,120)
Proceeds from sales of investment securities	2,636,087	1,032,981
Proceeds from redemption of investment securities	-	16,500
Purchase of shares of subsidiaries	(4,900)	-
Purchase of shares of subsidiaries and associates	(300,460)	-
Proceeds from sales of shares of subsidiaries and associates	-	400,000
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	85,882
Net decrease (increase) in short-term loans receivable	402	134
Payments for leasehold and guarantee deposits	(100,288)	(133,816)
Proceeds from collection of leasehold and guarantee deposits	196,411	200,584
Increase (decrease) in crowdfunding deposits received	(180,530)	(259,530)
Payments for asset retirement obligations	(15,870)	(31,003)
Other, net	(1,588)	(1,588)
Net cash provided by (used in) investing activities	(2,016,989)	273,231
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,200,000)	(1,800,000)
Proceeds from long-term loans payable	-	2,850,000
Repayments of long-term loans payable	(408,202)	(1,800,974)
Proceeds from issuance of common shares	13,226,263	28,000
Cash dividends paid	(825,596)	(677)
Net cash provided by (used in) financing activities	10,792,464	(723,651)
Effect of exchange rate change on cash and cash equivalents	(1,172)	903
Net increase (decrease) in cash and cash equivalents	2,105,493	(5,623,175)
Cash and cash equivalents at beginning of period	9,888,330	11,993,824
Cash and cash equivalents at end of period	11,993,824	6,370,649

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(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 "TATERU Apartment business," "Smart hotel business," and "Robot Home business," with classification based upon business content.

The TATERU Apartment business operates apartment platforms, the Smart hotel business provides accommodation management services, and the Robot Home business conducts planning and development of IoT devices.

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, 2018

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)
	TATERU Apartment business	Smart hotel business	Robot Home business	Total				
Net sales								
Net sales to external customers	76,586,671	544,796	1,199,469	78,330,936	818,404	79,149,341	-	79,149,341
Inter-segment sales or transfers	10,910	-	118,376	129,286	278,469	407,756	(407,756)	-
Total	76,597,581	544,796	1,317,846	78,460,223	1,096,874	79,557,097	(407,756)	79,149,341
Segment profit or loss	2,299,033	117,312	520,753	2,937,099	441,714	3,378,814	(2,656,948)	721,866
Assets	16,339,809	658,343	1,180,032	18,178,185	1,122,298	19,300,484	13,149,094	32,449,578
Other								
Depreciation	45,240	41,548	48,578	135,367	18,591	153,959	46,587	200,546
Amortization of goodwill	130,258	-	-	130,258	-	130,258	-	130,258
Amount of Property, plant and equipment and Intangible assets	14,950	49,012	155,964	219,927	6,303,156	6,523,084	213,745	6,736,829

(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, 2019

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)
	TATERU Apartment business	Smart hotel business	Robot Home business	Total				
Net sales								
Net sales to external customers	17,701,283	557,831	507,902	18,767,017	61,270	18,828,288	-	18,828,288
Inter-segment sales or transfers	5,198	180	2,500	7,878	77,078	84,957	(84,957)	-
Total	17,706,481	558,012	510,402	18,774,896	138,348	18,913,245	(84,957)	18,828,288
Segment profit or loss	(6,987,427)	(362,017)	2,398	(7,347,046)	(143,423)	(7,490,470)	(2,180,751)	(9,671,221)
Assets	3,713,691	377,970	240,542	4,332,205	774,136	5,106,342	7,184,457	12,290,799
Other								
Depreciation	29,942	11,460	16,017	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								
Amount of Property, plant and equipment and Intangible assets	211,147	932,206	217,844	1,361,199	179,246	1,540,445	311,416	1,851,862
	71,974	416,670	58,731	547,376	245,754	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.

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

The Group's previous four reportable segments were "TATERU Apartment business," "TATERU Funding business," "TATERU bnb business" and "Robot Home business." However, from the current consolidated fiscal year, the TATERU bnb business segment name has been changed to the Smart hotel business. In addition, as the TATERU Funding business has diminished in importance, it is now included in "Others."

Segment information for the previous consolidated fiscal year is prepared from the segment classification after the change.

(Per share information)

Item	For the fiscal year ended December 31, 2018	For the fiscal year ended December 31, 2019
Net assets per share	¥256.28	¥91.24
Basic earnings (loss) per share	¥9.70	¥(163.11)
Diluted earnings per share	¥8.91	—

(Notes) 1. Despite the existence of diluted shares, diluted net income per share is not presented as a net loss was posted for the current consolidated fiscal year.

2. The basis for the calculation of basic earnings per share, or basic loss per share, and diluted earnings per share are as follows.

Item	For the fiscal year ended December 31, 2018	For the fiscal year ended December 31, 2019
Basic earnings per share		
Profit (loss) attributable to owners of parent (Thousand yen)	821,881	(14,536,662)
Amount not attributable to common shareholders (Thousand yen)	—	—
Profit (loss) attributable to owners of parent relating to common stock (Thousand yen)	821,881	(14,536,662)
Average number of shares of common stock outstanding during the period (Shares)	84,769,499	89,123,712
Diluted earnings per share		
Adjustment for profit attributable to parent (Thousand yen)	—	—
Increase in number of shares of common stock (Shares)	7,424,777	—
(Stock acquisition rights to shares included in the above (Shares))	(7,424,777)	—
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 May 15, 2017 765,000 common stock	—

(Significant subsequent events)

Not applicable.