

Consolidated Financial Results for the Three Months Ended March 31, 2023 [Japanese GAAP]



May 12, 2023

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 Stock exchange listing: Tokyo Stock Exchange
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 Scheduled date of filing quarterly securities report: May 15, 2023
 Scheduled date of commencing dividend payments: -
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the Three Months Ended March 31, 2023 (January 1, 2023 to March 31, 2023)

(1) Consolidated operating results (% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended March 31, 2023	2,171	83.8	235	60.1	228	29.4	351	103.3
March 31, 2022	1,181	-	146	8.0	176	9.7	172	20.5

(Note) Comprehensive income: Three months ended March 31, 2023: ¥400 million [224.2%]
 Three months ended March 31, 2022: ¥123 million [(20.9)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2023	3.91	-
March 31, 2022	1.92	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2023	11,217	8,190	73.0
As of December 31, 2022	10,753	7,895	73.3

(Reference) Equity: As of March 31, 2023: ¥8,189 million
 As of December 31, 2022: ¥7,877 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2022	-	1.00	-	1.00	2.00
Fiscal year ending December 31, 2023	-				
Fiscal year ending December 31, 2023 (Forecast)		1.00	-	1.00	2.00

(Note) Revision to the forecast for dividends announced most recently: No

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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	8,500	56.8	850	31.7	800	20.3	800	11.2	8.90

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New: -

Exclusion: -

(2) Adoption of special accounting treatment for preparing quarterly consolidated financial statements: Yes

(3) 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

(4) Total number of shares outstanding (common stock)

1) Total number of shares outstanding at the end of the period (including treasury shares):

March 31, 2023: 91,127,000 shares

December 31, 2022: 91,127,000 shares

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

March 31, 2023: 1,242,800 shares

December 31, 2022: 1,242,800 shares

3) Average number of shares during the period:

Three months ended March 31, 2023: 89,884,200 shares

Three months ended March 31, 2022: 90,150,840 shares

* These quarterly consolidated financial results are outside the scope of quarterly 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. Qualitative Information of Quarterly Financial Results

(1) Explanation of operating results

The Japanese economy during the three months ended March 31, 2023 continued to show signs of recovery largely because various restrictions on activities imposed as measures against COVID-19 were eased, and the reception of foreign tourists resumed in earnest. Meanwhile, uncertainty about the future persists as evidenced by the prolonged impact of the situation in Ukraine and rising prices resulting from soaring resource prices, etc., among other factors.

Under these circumstances, the Group has proceeded to make strategic IT investments to provide next-generation rental housing, into which DX (digital transformation) is introduced, while focusing its efforts on the development of a platform, which aims for the automation of real estate management by connecting all players on the platform, and an investment property purchase and sale platform, which is capable of completing all the operations online.

As a result, the performance for the three months ended March 31, 2023 was ¥2,171 million in net sales (up 83.8% year on year), ¥235 million in operating profit (up 60.1% year on year), ¥228 million in ordinary profit (up 29.4% year on year) and ¥351 million in profit attributable to owners of parent (up 103.3% year on year).

The performance of each segment is as follows.

Since the three months ended March 31, 2023, the Company has partially changed the business segment stated as the reportable segment as well as the business segment name, and the comparison/analysis for the three months ended March 31, 2023 is based on the classification after the change.

1) AI/IoT business

In the AI/IoT business, the Company offers its DX (digital transformation) consulting service, drawing on its experience with the ongoing development and operation of its IoT platform for rental housing, “Residence kit,” which aims for the automation of real estate management for next-generation DX rental housing. 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 three months ended March 31, 2023 were ¥89 million (down 10.4% year on year) and operating profit was ¥31 million (down 43.8% year on year).

2) Robot Home business

In the Robot Home business, the Company strived to secure stable recurring income by 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 offering streamlined PM services through the use of “Residence kit,” its IoT platform for rental housing. Further, the Company focused its efforts on the sustainable expansion of its profit foundations through initiatives, for example, increasing 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 three months ended March 31, 2023 were ¥2,082 million (up 92.5% year on year) and operating profit was ¥481 million (up 24.8% year on year).

(2) Explanation of financial position

(Assets)

Total assets at the end of the three months ended March 31, 2023 increased by ¥463 million from the end of the previous fiscal year to ¥11,217 million. This is mainly attributable to increases in cash and deposits of ¥338 million and account receivable - trade of ¥61 million, and a decrease in real estate for sale of ¥143 million.

(Liabilities)

Total liabilities at the end of the three months ended March 31, 2023 increased by ¥168 million from the end of the previous fiscal year to ¥3,026 million. This is mainly attributable to increases in provision for bonuses of ¥60 million and accounts payable - trade of ¥57 million.

(Net assets)

Total net assets at the end of the three months ended March 31, 2023 increased by ¥295 million from the end of the previous fiscal year to ¥8,190 million. This is mainly attributable to the recording of profit attributable to owners of parent of ¥351 million and a decrease in retained earnings resulting from the payment of a dividend of surplus of ¥89 million.

(3) Explanation of consolidated financial results forecast and other forward-looking information

No revisions have been made to the consolidated financial results forecast announced on February 14, 2023.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated balance sheets

(Thousand yen)

	As of December 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	4,219,247	4,557,431
Accounts receivable - trade	430,947	492,503
Merchandise and finished goods	12,448	14,457
Real estate for sale	3,316,152	3,172,152
Real estate for sale in process	191,837	180,590
Supplies	3,966	3,796
Other	197,059	266,265
Allowance for doubtful accounts	(121,836)	(134,611)
Total current assets	8,249,823	8,552,586
Non-current assets		
Property, plant and equipment	831,205	981,338
Intangible assets		
Goodwill	194,025	190,791
Customer-related assets	75,248	73,904
Other	73,272	96,921
Total intangible assets	342,545	361,617
Investments and other assets		
Investment securities	919,328	943,714
Deferred tax assets	229,536	199,036
Other	181,222	178,777
Total investments and other assets	1,330,087	1,321,528
Total non-current assets	2,503,838	2,664,483
Total assets	10,753,662	11,217,070

(Thousand yen)

	As of December 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	146,531	204,514
Short-term borrowings	252,900	279,850
Current portion of long-term borrowings	53,608	50,467
Income taxes payable	14,863	13,565
Deposits received	1,043,848	1,075,322
Provision for bonuses	-	60,895
Provision for loss on guarantees	573,912	552,740
Other	380,773	417,958
Total current liabilities	2,466,437	2,655,315
Non-current liabilities		
Long-term borrowings	265,722	253,954
Asset retirement obligations	78,343	78,375
Deferred tax liabilities	25,644	18,115
Other	22,071	20,603
Total non-current liabilities	391,781	371,048
Total liabilities	2,858,219	3,026,364
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,460,469	7,460,469
Retained earnings	688,663	950,372
Treasury shares	(299,986)	(299,986)
Total shareholders' equity	7,859,146	8,120,856
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,892	69,198
Foreign currency translation adjustment	(1,250)	(851)
Total accumulated other comprehensive income	18,642	68,346
Share acquisition rights	15,773	-
Non-controlling interests	1,880	1,502
Total net assets	7,895,443	8,190,706
Total liabilities and net assets	10,753,662	11,217,070

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

Three months ended March 31, 2023

(Thousand yen)

	For the three months ended March 31, 2022	For the three months ended March 31, 2023
Net sales	1,181,081	2,171,075
Cost of sales	404,533	1,300,443
Gross profit	776,548	870,631
Selling, general and administrative expenses	629,751	635,556
Operating profit	146,796	235,074
Non-operating income		
Interest income	234	144
Dividend income	68	101
Gain on investments in investment partnerships	15,412	-
Gain on insurance cancellation	14,733	-
Gain on sale of goods	-	5,409
Other	2,091	2,216
Total non-operating income	32,540	7,872
Non-operating expenses		
Interest expenses	1,046	2,159
Guarantee commission	1,033	1,033
Commission expenses	600	7,000
Loss on investments in investment partnerships	-	2,203
Other	139	2,086
Total non-operating expenses	2,819	14,483
Ordinary profit	176,518	228,464
Extraordinary income		
Gain on sale of non-current assets	-	71
Gain on sale of investment securities	-	145,376
Gain on reversal of share acquisition rights	-	15,773
Total extraordinary income	-	161,221
Extraordinary losses		
Loss on valuation of investment securities	-	29,999
Total extraordinary losses	-	29,999
Profit before income taxes	176,518	359,685
Income taxes	3,575	8,468
Profit	172,942	351,216
Loss attributable to non-controlling interests	-	(377)
Profit attributable to owners of parent	172,942	351,594

Consolidated statements of comprehensive income
Three months ended March 31, 2023

(Thousand yen)

	For the three months ended March 31, 2022	For the three months ended March 31, 2023
Profit	172,942	351,216
Other comprehensive income		
Valuation difference on available-for-sale securities	(49,293)	49,305
Foreign currency translation adjustment	-	398
Total other comprehensive income	(49,293)	49,703
Comprehensive income	123,649	400,920
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	123,649	401,297
Comprehensive income attributable to non-controlling interests	-	(377)

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Changes in accounting policies)

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

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the "Fair Value Measurement Guidance") since the beginning of the three months ended March 31, 2023, and has determined to apply the new accounting policy provided for by the Fair Value Measurement Guidance for its future accounting in accordance with the transitional measures provided for in paragraph 27-2 of the Fair Value Measurement Guidance. There is no impact on the quarterly consolidated financial statements due to said change in the accounting policy.

(Segment information, etc.)

[Segment information]

I. For the three months ended March 31, 2022

1. Information on amounts of net sales and profit (loss) and disaggregated revenue by reportable segment

(Thousand yen)

	Reportable segment			Others (Note 1)	Total	Adjustments (Note 2)	Amounts on consolidated statements of income (Note 3)
	AI/IoT business	Robot Home business	Total				
Net sales							
Goods and services transferred at a point in time	38,874	350,781	389,656	-	389,656	-	389,656
Goods and services transferred for a certain period of time	60,249	589,279	649,529	-	649,529	-	649,529
Income generated by contracts with customers	99,124	940,061	1,039,186	-	1,039,186	-	1,039,186
Other income	-	141,895	141,895	-	141,895	-	141,895
Net sales to external customers	99,124	1,081,956	1,181,081	-	1,181,081	-	1,181,081
Inter-segment sales or transfers	577	-	577	-	577	(577)	-
Total	99,702	1,081,956	1,181,659	-	1,181,659	(577)	1,181,081
Segment profit or loss	56,503	386,030	442,534	(746)	441,787	(294,991)	146,796

(Notes) 1. "Others" refers to business segments not included in the reportable segments.

2. The adjustments to segment profits or losses mainly represent companywide expenses which have not been allocated to each reportable segment.

3. Segment profits or losses are adjusted with the operating profit on the quarterly consolidated statements of income.

2. Information on impairment loss of non-current assets or goodwill, etc. by reportable segment

Not applicable.

II. For the three months ended March 31, 2023

1. Information on amounts of net sales and profit (loss) and disaggregated revenue by reportable segment

(Thousand yen)

	Reportable segment			Others (Note 1)	Total	Adjustments (Note 2)	Amounts on consolidated statements of income (Note 3)
	AI/IoT business	Robot Home business	Total				
Net sales							
Goods and services transferred at a point in time	34,208	1,328,274	1,362,482	-	1,362,482	-	1,362,482
Goods and services transferred for a certain period of time	53,880	604,260	658,140	-	658,140	-	658,140
Income generated by contracts with customers	88,088	1,932,534	2,020,623	-	2,020,623	-	2,020,623
Other income	-	150,451	150,451	-	150,451	-	150,451
Net sales to external customers	88,088	2,082,986	2,171,075	-	2,171,075	-	2,171,075
Inter-segment sales or transfers	1,200	-	1,200	-	1,200	(1,200)	-
Total	89,289	2,082,986	2,172,276	-	2,172,276	(1,200)	2,171,075
Segment profit or loss	31,737	481,610	513,348	(921)	512,426	(277,351)	235,074

(Notes) 1. "Others" refers to business segments not included in the reportable segments.

2. The adjustments to segment profits or losses mainly represent companywide expenses which have not been allocated to each reportable segment.

3. Segment profits or losses are adjusted with the operating profit on the quarterly consolidated statements of income.

2. Matters concerning changes, etc. to reportable segments

The Group in the past had three reportable segments, namely "AI/IoT business," "PM platform business" and "income club business." Since the three months ended March 31, 2023, it has changed them to two reportable segments, namely "AI/IoT business" and "Robot Home business."

This change was made to better reflect how the Group actually develops the business, allocates the management resources and evaluates the performance.

The segment information for the three months ended March 31, 2022 is stated using the classification method after the change.

3. Information on impairment loss of non-current assets or goodwill, etc. by reportable segment

Not applicable.

(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 quarterly consolidated financial statements."