

Consolidated Financial Results for the Six Months Ended June 30, 2023 [Japanese GAAP]



August 14, 2023

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 1435
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 Scheduled date of filing quarterly securities report: August 14, 2023
 Scheduled date of commencing dividend payments: September 4, 2023
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule of quarterly 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 Six Months Ended June 30, 2023 (January 1, 2023 to June 30, 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	%
Six months ended June 30, 2023	3,763	57.3	426	89.6	420	62.0	553	120.4
June 30, 2022	2,392	-	225	(6.0)	259	(2.5)	251	6.1

(Note) Comprehensive income: Six months ended June 30, 2023: ¥623 million [213.3%]
 Six months ended June 30, 2022: ¥199 million [(24.1)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2023	6.16	-
June 30, 2022	2.79	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	11,635	8,413	72.3
As of December 31, 2022	10,753	7,895	73.3

(Reference) Equity: As of June 30, 2023: ¥8,412 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
Fiscal year ended December 31, 2022	Yen	Yen	Yen	Yen	Yen
	-	1.00	-	1.00	2.00
Fiscal year ending December 31, 2023	-	1.00			
Fiscal year ending December 31, 2023 (Forecast)			-	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):

June 30, 2023: 91,127,000 shares

December 31, 2022: 91,127,000 shares

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

June 30, 2023: 1,242,800 shares

December 31, 2022: 1,242,800 shares

3) Average number of shares during the period:

Six months ended June 30, 2023: 89,884,200 shares

Six months ended June 30, 2022: 90,016,783 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 six months ended June 30, 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 six months ended June 30, 2023 was ¥3,763 million in net sales (up 57.3% year on year), ¥426 million in operating profit (up 89.6% year on year), ¥420 million in ordinary profit (up 62.0% year on year) and ¥553 million in profit attributable to owners of parent (up 120.4% 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 six months ended June 30, 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 six months ended June 30, 2023 were ¥193 million (up 4.3% year on year) and operating profit was ¥71 million (down 37.7% 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 six months ended June 30, 2023 were ¥3,571 million (up 61.8% year on year) and operating profit was ¥878 million (up 27.7% year on year).

(2) Explanation of financial position

(Assets)

Total assets at the end of the six months ended June 30, 2023 increased by ¥882 million from the end of the previous fiscal year to ¥11,635 million. This is mainly attributable to increases in real estate for sale of ¥549 million and cash and deposits of ¥307 million, and a decrease in real estate for sale in process of ¥125 million.

(Liabilities)

Total liabilities at the end of the six months ended June 30, 2023 increased by ¥364 million from the end of the previous fiscal year to ¥3,222 million. This is mainly attributable to an increase in short-term borrowings of ¥423 million.

(Net assets)

Total net assets at the end of the six months ended June 30, 2023 increased by ¥518 million from the end of the previous fiscal year to ¥8,413 million. This is mainly attributable to the recording of profit attributable to owners of parent of ¥553 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 June 30, 2023
Assets		
Current assets		
Cash and deposits	4,219,247	4,527,147
Accounts receivable - trade	430,947	432,726
Merchandise and finished goods	12,448	19,788
Real estate for sale	3,316,152	3,865,242
Real estate for sale in process	191,837	66,721
Supplies	3,966	4,349
Other	197,059	205,135
Allowance for doubtful accounts	(121,836)	(138,621)
Total current assets	8,249,823	8,982,490
Non-current assets		
Property, plant and equipment	831,205	1,030,295
Intangible assets		
Goodwill	194,025	187,557
Customer-related assets	75,248	72,560
Other	73,272	113,527
Total intangible assets	342,545	373,645
Investments and other assets		
Investment securities	919,328	881,959
Deferred tax assets	229,536	189,376
Other	181,222	178,084
Total investments and other assets	1,330,087	1,249,420
Total non-current assets	2,503,838	2,653,361
Total assets	10,753,662	11,635,851

(Thousand yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	146,531	135,815
Short-term borrowings	252,900	676,500
Current portion of long-term borrowings	53,608	49,753
Income taxes payable	14,863	21,821
Deposits received	1,043,848	1,089,710
Provision for loss on guarantees	573,912	531,527
Other	380,773	359,915
Total current liabilities	2,466,437	2,865,043
Non-current liabilities		
Long-term borrowings	265,722	240,246
Asset retirement obligations	78,343	78,407
Deferred tax liabilities	25,644	17,657
Other	22,071	20,868
Total non-current liabilities	391,781	357,179
Total liabilities	2,858,219	3,222,223
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,460,469	7,460,469
Retained earnings	688,663	1,152,080
Treasury shares	(299,986)	(299,986)
Total shareholders' equity	7,859,146	8,322,564
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,892	88,081
Foreign currency translation adjustment	(1,250)	1,544
Total accumulated other comprehensive income	18,642	89,625
Share acquisition rights	15,773	-
Non-controlling interests	1,880	1,438
Total net assets	7,895,443	8,413,628
Total liabilities and net assets	10,753,662	11,635,851

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

Six months ended June 30, 2023

(Thousand yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Net sales	2,392,555	3,763,252
Cost of sales	957,856	2,081,769
Gross profit	1,434,698	1,681,483
Selling, general and administrative expenses	1,209,610	1,254,827
Operating profit	225,087	426,656
Non-operating income		
Interest income	366	272
Dividend income	6,896	7,168
Gain on investments in investment partnerships	15,412	-
Gain on insurance cancellation	14,733	-
Gain on sale of goods	-	1,909
Other	3,114	3,348
Total non-operating income	40,523	12,698
Non-operating expenses		
Interest expenses	2,957	4,813
Guarantee commission	2,066	2,066
Commission expenses	600	7,050
Loss on investments in investment partnerships	-	2,203
Other	284	2,591
Total non-operating expenses	5,908	18,726
Ordinary profit	259,703	420,628
Extraordinary income		
Gain on sale of non-current assets	-	71
Gain on sale of investment securities	-	164,751
Gain on reversal of share acquisition rights	-	15,773
Gain on reversal of asset retirement obligations	6,424	-
Total extraordinary income	6,424	180,596
Extraordinary losses		
Loss on retirement of non-current assets	2,061	-
Loss on valuation of investment securities	3,271	29,999
Total extraordinary losses	5,332	29,999
Profit before income taxes	260,795	571,224
Income taxes	9,745	18,364
Profit	251,050	552,859
Loss attributable to non-controlling interests	-	(441)
Profit attributable to owners of parent	251,050	553,301

Consolidated statements of comprehensive income
Six months ended June 30, 2023

(Thousand yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Profit	251,050	552,859
Other comprehensive income		
Valuation difference on available-for-sale securities	(51,913)	68,188
Foreign currency translation adjustment	-	2,794
Total other comprehensive income	(51,913)	70,983
Comprehensive income	199,136	623,842
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	199,136	624,284
Comprehensive income attributable to non-controlling interests	-	(441)

(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 six months ended June 30, 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	62,386	819,914	882,301	-	882,301	-	882,301
Goods and services transferred for a certain period of time	122,341	1,122,407	1,244,749	-	1,244,749	-	1,244,749
Income generated by contracts with customers	184,728	1,942,321	2,127,050	-	2,127,050	-	2,127,050
Other income	-	265,504	265,504	-	265,504	-	265,504
Net sales to external customers	184,728	2,207,826	2,392,555	-	2,392,555	-	2,392,555
Inter-segment sales or transfers	1,237	-	1,237	-	1,237	(1,237)	-
Total	185,965	2,207,826	2,393,792	-	2,393,792	(1,237)	2,392,555
Segment profit or loss	114,634	687,954	802,589	(910)	801,678	(576,590)	225,087

(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 six months ended June 30, 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	85,883	2,139,859	2,225,742	-	2,225,742	-	2,225,742
Goods and services transferred for a certain period of time	105,890	1,117,618	1,223,509	-	1,223,509	-	1,223,509
Income generated by contracts with customers	191,773	3,257,477	3,449,251	-	3,449,251	-	3,449,251
Other income	-	314,001	314,001	-	314,001	-	314,001
Net sales to external customers	191,773	3,571,479	3,763,252	-	3,763,252	-	3,763,252
Inter-segment sales or transfers	2,201	-	2,201	-	2,201	(2,201)	-
Total	193,974	3,571,479	3,765,454	-	3,765,454	(2,201)	3,763,252
Segment profit or loss	71,414	878,853	950,268	(1,170)	949,098	(522,441)	426,656

(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 six months ended June 30, 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."