

Consolidated Financial Results for the Nine Months Ended September 30, 2023 [Japanese GAAP]



November 13, 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: November 14, 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 Nine Months Ended September 30, 2023 (January 1, 2023 to September 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	%
Nine months ended September 30, 2023	5,682	51.8	503	34.7	494	21.4	613	86.0
September 30, 2022	3,743	-	374	18.9	406	11.7	329	11.1

(Note) Comprehensive income: Nine months ended September 30, 2023: ¥666 million [146.2%]
 Nine months ended September 30, 2022: ¥270 million [(20.1)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended September 30, 2023	Yen 6.82	Yen -
September 30, 2022	3.67	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	11,974	8,366	69.9
As of December 31, 2022	10,753	7,895	73.3

(Reference) Equity: As of September 30, 2023: ¥8,365 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	-	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
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	8,500	56.8	850	31.7	800	20.3	800	11.2	8.90

(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: Yes

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):

September 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:

September 30, 2023: 1,242,800 shares

December 31, 2022: 1,242,800 shares

3) Average number of shares during the period:

Nine months ended September 30, 2023: 89,884,200 shares

Nine months ended September 30, 2022: 89,972,103 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 nine months ended September 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 and 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 nine months ended September 30, 2023 was ¥5,682 million in net sales (up 51.8% year on year), ¥503 million in operating profit (up 34.7% year on year), ¥494 million in ordinary profit (up 21.4% year on year) and ¥613 million in profit attributable to owners of parent (up 86.0% 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 nine months ended September 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 nine months ended September 30, 2023 were ¥309 million (up 7.4% year on year) and operating profit was ¥113 million (down 35.5% 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 nine months ended September 30, 2023 were ¥5,376 million (up 55.5% year on year) and operating profit was ¥1,218 million (up 22.1% year on year).

(2) Explanation of financial position

(Assets)

Total assets at the end of the nine months ended September 30, 2023 increased by ¥1,220 million from the end of the previous fiscal year to ¥11,974 million. This is mainly attributable to increases in cash and deposits of ¥900 million and real estate for sale in process of ¥159 million, and a decrease in real estate for sale of ¥358 million.

(Liabilities)

Total liabilities at the end of the nine months ended September 30, 2023 increased by ¥749 million from the end of the previous fiscal year to ¥3,607 million. This is mainly attributable to an increase in short-term borrowings of ¥623 million.

(Net assets)

Total net assets at the end of the nine months ended September 30, 2023 increased by ¥471 million from the end of the previous fiscal year to ¥8,366 million. This is mainly attributable to the recording of profit attributable to owners of parent of ¥613 million and a decrease in retained earnings resulting from the payment of a dividend of surplus of ¥179 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 September 30, 2023
Assets		
Current assets		
Cash and deposits	4,219,247	5,119,756
Accounts receivable - trade	430,947	429,123
Merchandise and finished goods	12,448	21,031
Real estate for sale	3,316,152	2,957,866
Real estate for sale in process	191,837	350,938
Supplies	3,966	4,027
Other	197,059	264,030
Allowance for doubtful accounts	(121,836)	(143,789)
Total current assets	8,249,823	9,002,984
Non-current assets		
Property, plant and equipment	831,205	1,074,324
Intangible assets		
Goodwill	194,025	184,324
Customer-related assets	75,248	71,216
Other	73,272	130,170
Total intangible assets	342,545	385,711
Investments and other assets		
Investment securities	919,328	1,055,640
Deferred tax assets	229,536	198,138
Other	181,222	257,858
Total investments and other assets	1,330,087	1,511,636
Total non-current assets	2,503,838	2,971,672
Total assets	10,753,662	11,974,657

(Thousand yen)

	As of December 31, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	146,531	217,542
Short-term borrowings	252,900	876,500
Current portion of long-term borrowings	53,608	51,151
Income taxes payable	14,863	24,747
Deposits received	1,043,848	1,115,562
Provision for bonuses	-	72,275
Asset retirement obligations	-	34,322
Provision for loss on guarantees	573,912	510,339
Other	380,773	395,881
Total current liabilities	2,466,437	3,298,321
Non-current liabilities		
Long-term borrowings	265,722	227,507
Asset retirement obligations	78,343	44,117
Deferred tax liabilities	25,644	17,199
Other	22,071	20,616
Total non-current liabilities	391,781	309,440
Total liabilities	2,858,219	3,607,761
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,460,469	7,460,469
Retained earnings	688,663	1,122,152
Treasury shares	(299,986)	(299,986)
Total shareholders' equity	7,859,146	8,292,636
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,892	70,206
Foreign currency translation adjustment	(1,250)	2,364
Total accumulated other comprehensive income	18,642	72,570
Share acquisition rights	15,773	-
Non-controlling interests	1,880	1,689
Total net assets	7,895,443	8,366,895
Total liabilities and net assets	10,753,662	11,974,657

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

Nine months ended September 30, 2023

(Thousand yen)

	For the nine months ended September 30, 2022	For the nine months ended September 30, 2023
Net sales	3,743,741	5,682,832
Cost of sales	1,605,509	3,227,082
Gross profit	2,138,231	2,455,749
Selling, general and administrative expenses	1,764,172	1,951,854
Operating profit	374,059	503,895
Non-operating income		
Interest income	534	419
Dividend income	6,896	7,168
Gain on investments in investment partnerships	17,777	160
Gain on insurance cancellation	14,733	-
Gain on sale of goods	-	2,136
Other	3,599	4,162
Total non-operating income	43,541	14,047
Non-operating expenses		
Interest expenses	5,084	9,431
Guarantee commission	3,099	2,066
Loss on investments in investment partnerships	1,000	2,203
Commission expenses	600	7,050
Other	823	3,098
Total non-operating expenses	10,607	23,850
Ordinary profit	406,992	494,091
Extraordinary income		
Gain on sale of non-current assets	-	130
Gain on sale of investment securities	33,078	164,751
Gain on reversal of share acquisition rights	-	15,773
Gain on reversal of asset retirement obligations	6,424	-
Total extraordinary income	39,503	180,655
Extraordinary losses		
Loss on retirement of non-current assets	2,061	-
Loss on valuation of investment securities	101,832	37,836
Total extraordinary losses	103,894	37,836
Profit before income taxes	342,601	636,911
Income taxes	13,096	23,844
Profit	329,504	613,066
Loss attributable to non-controlling interests	(244)	(190)
Profit attributable to owners of parent	329,748	613,257

Consolidated statements of comprehensive income
Nine months ended September 30, 2023

(Thousand yen)

	For the nine months ended September 30, 2022	For the nine months ended September 30, 2023
Profit	329,504	613,066
Other comprehensive income		
Valuation difference on available-for-sale securities	(58,552)	50,313
Foreign currency translation adjustment	-	3,614
Total other comprehensive income	(58,552)	53,928
Comprehensive income	270,952	666,994
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	271,196	667,185
Comprehensive income attributable to non-controlling interests	(244)	(190)

(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.

(Changes in accounting estimates)

Due to the decision made in the third quarter of the current fiscal year to relocate the head office, the useful lives of fixed assets not expected to be used after the relocation have been shortened and changed going forward. In addition, regarding the asset retirement obligations related to the restoration costs associated with the Company's real estate lease contracts, a change has been made such that asset retirement obligations will be fully expensed by the scheduled relocation date. As a result of this change in estimate, operating profit, ordinary profit, and profit before income taxes for the nine months ended September 30, 2023 decreased by ¥10,829 thousand, respectively, compared with the previous method.

(Segment information, etc.)

[Segment information]

I. For the nine months ended September 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	93,940	1,430,756	1,524,696	-	1,524,696	-	1,524,696
Goods and services transferred for a certain period of time	192,067	1,640,893	1,832,961	-	1,832,961	-	1,832,961
Income generated by contracts with customers	286,008	3,071,649	3,357,657	-	3,357,657	-	3,357,657
Other income	-	386,083	386,083	-	386,083	-	386,083
Net sales to external customers	286,008	3,457,733	3,743,741	-	3,743,741	-	3,743,741
Inter-segment sales or transfers	2,440	-	2,440	-	2,440	(2,440)	-
Total	288,448	3,457,733	3,746,181	-	3,746,181	(2,440)	3,743,741
Segment profit or loss	175,532	998,466	1,173,998	(1,430)	1,172,568	(798,509)	374,059

(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 nine months ended September 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	131,543	3,280,045	3,411,588	-	3,411,588	-	3,411,588
Goods and services transferred for a certain period of time	175,026	1,639,123	1,814,150	-	1,814,150	-	1,814,150
Income generated by contracts with customers	306,569	4,919,168	5,225,738	-	5,225,738	-	5,225,738
Other income	-	457,093	457,093	-	457,093	-	457,093
Net sales to external customers	306,569	5,376,262	5,682,832	-	5,682,832	-	5,682,832
Inter-segment sales or transfers	3,270	-	3,270	-	3,270	(3,270)	-
Total	309,840	5,376,262	5,686,102	-	5,686,102	(3,270)	5,682,832
Segment profit or loss	113,139	1,218,996	1,332,136	(1,472)	1,330,663	(826,768)	503,895

(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 nine months ended September 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."