Consolidated Financial Results for the Three Months Ended March 31, 2021 [Japanese GAAP]

May 13, 2021

Company name: Robot Home, Inc.
Stock exchange listing: Tokyo Stock Exchange
Code number: 1435
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Scheduled date of filing quarterly securities report: May 14, 2021
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, 2021 (January 1, 2021 to March 31, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2021	1,146	(43.7)	135	-	160	-	143	-
March 31, 2020	2,035	(56.3)	(201)	-	(224)	-	(227)	-

(Note) Comprehensive income: Three months ended March 31, 2021: ¥156 million [-%]
Three months ended March 31, 2020: ¥(239) million [-%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2021	1.57	-
March 31, 2020	(2.52)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2021	9,406	7,391	78.6
As of December 31, 2020	9,376	7,235	77.2

(Reference) Equity: As of March 31, 2021: ¥7,391 million
As of December 31, 2020: ¥7,235 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, 2020	-	0.00	-	0.00	0.00
Fiscal year ending December 31, 2021	-				
Fiscal year ending December 31, 2021 (Forecast)		0.00	-	0.00	0.00

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

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

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	4,500	(26.8)	350	-	370	-	280	-	3.07

(Note) Revision to the financial results forecast announced most recently: Yes

*** Notes:**

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

(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: No

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 stock):

March 31, 2021: 91,127,000 shares

December 31, 2020: 91,127,000 shares

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

March 31, 2021: - shares

December 31, 2020: - shares

3) Average number of shares during the period:

Three months ended March 31, 2021: 91,127,000 shares

Three months ended March 31, 2020: 90,167,000 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

Although the Japanese economy during the three months ended March 31, 2021 showed a temporary recovery when the effectiveness of government policies and the vaccination of healthcare workers prompted expectations for containment of the COVID-19 pandemic, uncertainty about the future persists as evidenced mainly by stagnating personal spending and economic activities due to a renewed issuing of a state of emergency declaration and other factors.

Under these circumstances, the Group has proceeded to secure stable profit through the transformation to a stock business (subscription) that it has been focusing on since the previous fiscal year. Meanwhile, it has advanced its provision of highly convenient services suitable for diversifying lifestyles, with a variety of services in the real estate domain through DX (digital transformation) utilizing cutting-edge technologies such as AI and IoT. Efforts include being selected as a DX-certified operator conducting excellent initiatives under the DX Certification Initiative based on the Ministry of Economy, Trade and Industry guidelines, and the establishment of the DX Property Promotion Association with the aim of business model innovation in the real estate industry.

As a result, the performance for the three months ended March 31, 2021 was ¥1,146 million in net sales (down 43.7% year on year), ¥135 million in operating profit (operating loss of ¥201 million for the same period of the previous fiscal year), ¥160 million in ordinary profit (ordinary loss of ¥224 million for the same period of the previous fiscal year) and ¥143 million in profit attributable to owners of parent (loss attributable to owners of parent of ¥227 million for the same period of the previous fiscal year).

The performance of each segment is as follows.

From the three months ended March 31, 2021, the Company partially changed the business segments to be presented as the reportable segments and business segment name. The comparison and analysis for the three months ended March 31, 2021 are based on the classification after the change.

1) AI/IoT business

In the AI/IoT business, the Company offered a comprehensive DX (digital transformation) support service, drawing on its experience of the ongoing development and running of its IoT platform for rental housing, “Residence kit,” which aims for the automation of real estate management, and the provision of services on that platform and of various in-house products combining real estate and IT. The comprehensive DX support service covers a wide range of activities, including management strategy planning, designing concepts, and defining requirements for service development, IT system development, and PR activities.

As a result, net sales for the three months ended March 31, 2021 were ¥77 million (down 14.6% year on year) and operating profit was ¥27 million (up 61.3% year on year).

2) PM platform business

In the PM platform business, the Company strived to secure stable stock income by conducting streamlined PM operations through the introduction of the rental management RPA system, “Residence kit for PM,” which uses core technologies such as AI and IoT.

Further, the Company focused its efforts on the sustainable expansion of its profit foundations through such initiatives as increasing brand recognition through the launch of an advertisement for the IoT platform for rental housing, “Residence kit,” to increase 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, 2021 were ¥843 million (up 17.6% year on year) and operating profit was ¥337 million (up 57.1% year on year).

3) Real estate consulting business

In the real estate consulting business, under the impact of the continued downturn in demand for accommodation due to COVID-19, occupancy rates of smart hotels remained low. On the other hand, the Company focused on expanding its lineup of new products, including the development and sale of revenue-generating real estate for affluent clients, differentiated through utilization of the IoT, and project development consulting on the concept of combining technology and real estate.

As a result, net sales for the three months ended March 31, 2021 were ¥225 million (down 81.7% year on year) and operating loss was ¥16 million (operating loss of ¥92 million for the same period of the previous fiscal year).

(2) Explanation of financial position

(Assets)

Total assets at the end of the three months ended March 31, 2021 increased by ¥30 million from the end of the previous fiscal year to ¥9,406 million. This is mainly attributable to increases in investment securities of ¥154 million and cash and deposits of ¥93 million.

(Liabilities)

Total liabilities at the end of the three months ended March 31, 2021 decreased by ¥126 million from the end of the previous fiscal year to ¥2,014 million. This is mainly attributable to decreases in current portion of long-term borrowings of ¥100 million and income taxes payable of ¥59 million.

(Net assets)

Total net assets at the end of the three months ended March 31, 2021 increased by ¥156 million from the end of the previous fiscal year to ¥7,391 million. This is mainly attributable to the recording of profit attributable to owners of parent of ¥143 million.

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

The consolidated financial results forecast for the year ending December 31, 2021 was revised on May 13, 2021. For details, please refer to the “Notice Concerning Revisions to the Consolidated Financial Results Forecast for the Full Year Ending December 31, 2021” announced today.

2. Consolidated Financial Statements and Primary Notes
(1) Consolidated balance sheets

(Thousand yen)

	As of December 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	5,764,099	5,857,443
Accounts receivable - trade	506,222	570,365
Merchandise and finished goods	18,714	22,015
Real estate for sale	1,890,433	1,924,810
Real estate for sale in process	83,656	88,931
Supplies	5,117	5,076
Other	531,385	245,171
Allowance for doubtful accounts	(117,169)	(147,599)
Total current assets	8,682,459	8,566,214
Non-current assets		
Property, plant and equipment	118,164	113,708
Intangible assets		
Other	38,866	36,719
Total intangible assets	38,866	36,719
Investments and other assets		
Investment securities	433,900	588,530
Deferred tax assets	21,144	21,144
Other	81,538	80,129
Total investments and other assets	536,582	689,804
Total non-current assets	693,614	840,231
Total assets	9,376,073	9,406,446

(Thousand yen)

	As of December 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	51,492	107,127
Current portion of long-term borrowings	200,000	100,000
Income taxes payable	74,758	15,727
Deposits received	611,748	704,995
Provision for bonuses	34,164	86,010
Asset retirement obligations	3,940	-
Provision for loss on guarantees	651,167	627,253
Other	475,989	334,651
Total current liabilities	2,103,260	1,975,766
Non-current liabilities		
Deferred tax liabilities	-	1,475
Asset retirement obligations	37,373	37,376
Total non-current liabilities	37,373	38,852
Total liabilities	2,140,633	2,014,618
Net assets		
Shareholders' equity		
Share capital	7,296,022	7,296,022
Capital surplus	7,202,210	7,202,210
Retained earnings	(7,252,197)	(7,108,715)
Total shareholders' equity	7,246,035	7,389,516
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(12,881)	2,311
Foreign currency translation adjustment	2,286	-
Total accumulated other comprehensive income	(10,595)	2,311
Total net assets	7,235,439	7,391,828
Total liabilities and net assets	9,376,073	9,406,446

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

Three months ended March 31, 2021

(Thousand yen)

	For the three months ended March 31, 2020	For the three months ended March 31, 2021
Net sales	2,035,893	1,146,059
Cost of sales	1,522,361	526,290
Gross profit	513,531	619,769
Selling, general and administrative expenses	715,454	483,804
Operating profit (loss)	(201,922)	135,964
Non-operating income		
Interest income	290	252
Gain on investments in investment partnerships	9,035	19,417
Other	3,349	7,243
Total non-operating income	12,676	26,912
Non-operating expenses		
Interest expenses	22,014	81
Loss on investments in investment partnerships	1,012	1,012
Commission expenses	10,362	-
Foreign exchange losses	425	898
Other	1,697	-
Total non-operating expenses	35,513	1,993
Ordinary profit (loss)	(224,759)	160,883
Extraordinary income		
Gain on sales of non-current assets	2,150	-
Gain on reversal of share acquisition rights	1,020	-
Total extraordinary income	3,170	-
Extraordinary losses		
Loss on valuation of investment securities	-	5,110
Total extraordinary losses	-	5,110
Profit (loss) before income taxes	(221,589)	155,773
Income taxes	5,862	12,291
Profit (loss)	(227,452)	143,481
Profit (loss) attributable to owners of parent	(227,452)	143,481

Consolidated statements of comprehensive income

Three months ended March 31, 2021

(Thousand yen)

	For the three months ended March 31, 2020	For the three months ended March 31, 2021
Profit (loss)	(227,452)	(143,481)
Other comprehensive income		
Valuation difference on available-for-sale securities	(12,098)	15,192
Foreign currency translation adjustment	(446)	(2,286)
Total other comprehensive income	(12,545)	12,906
Comprehensive income	(239,997)	156,388
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(239,997)	156,388

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Segment information, etc.)

[Segment information]

I For the three months ended March 31, 2020

1. Information on net sales and profit or loss by reportable segment

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustments (Note 2)	Amounts on consolidated statements of income (Note 3)
	AI/IoT business	PM platform business	Real estate consulting business	Total				
Net sales								
Net sales to external customers	87,417	717,589	1,230,877	2,035,884	8	2,035,893	-	2,035,893
Inter-segment sales or transfers	3,957	2	-	3,960	1,007	4,967	(4,967)	-
Total	91,375	717,592	1,230,877	2,039,845	1,016	2,040,861	(4,967)	2,035,893
Segment profit or loss	16,911	214,649	(92,336)	139,224	(7,935)	131,288	(333,211)	(201,922)

(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 loss under 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, 2021

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)
	AI/IoT business	PM platform business	Real estate consulting business	Total				
Net sales								
Net sales to external customers	76,985	843,987	225,086	1,146,059	-	1,146,059	-	1,146,059
Inter-segment sales or transfers	1,010	-	-	1,010	-	1,010	(1,010)	-
Total	77,996	843,987	225,086	1,147,070	-	1,147,070	(1,010)	1,146,059
Segment profit or loss	27,278	337,107	(16,844)	347,541	(6,705)	340,836	(204,872)	135,964

(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.

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

The Group's previous two reportable segments were "KANRY business," "TATERU business." However, from the three months ended March 31, 2021, the Group's reportable segments have been classified into "AI/IoT business," "PM platform business," and "Real estate consulting business."

These revisions are due to the fact that the Group's business development, decisions on allocation of management resources, and performance evaluation methods have been reviewed in line with actual conditions.

Segment information for the three months ended March 31, 2020 is prepared from the segment classification after the change.

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

Not applicable.

(Significant subsequent events)

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

At the meeting of the Board of Directors held on February 12, 2021, the Company resolved to submit a proposal to reduce its share capital and appropriate surplus at the 15th Annual General Meeting of Shareholders scheduled for March 24, 2021.

1. Purpose of reduction of share capital and appropriation of surplus

   The Company has decided to reduce its share capital and appropriate its surplus with a view to making up for its retained loss and improving its financial strength while enabling it to resume paying dividends and implement flexible capital policies. Specifically, the amount of share capital will be reduced and said amount will be transferred to other capital surplus pursuant to the provisions of Article 447, paragraph 1 of the Companies Act.

   Furthermore, the increase in other capital surplus will be transferred to retained earnings brought forward, thereby eliminating the entire amount of retained loss.

2. Details of reduction of share capital

   (1) Amount of reduction in share capital

   The amount of share capital, which is ¥7,296,022,700, will be reduced by ¥7,286,022,700 to ¥10,000,000. The entire amount of said reduction will be transferred to other capital surplus.

   (2) Method to reduce share capital

   Share capital will be reduced without compensation, and no share capital will be repaid. The total number of issued shares will remain unchanged.

3. Details of appropriation of surplus

   Subject to the effectuation of the reduction of share capital, the increase in other capital surplus caused by the reduction of share capital will be transferred to retained earnings brought forward to make up for retained loss, pursuant to the provisions of Article 452 of the Companies Act.

   The balance of retained earnings brought forward after said transfer will be ¥0.

   (1) Item of surplus to be reduced and amount thereof
   Other capital surplus ¥7,027,763,083

   (2) Item of surplus to be increased and amount thereof
   Retained earnings brought forward ¥7,027,763,083

4. Schedule for reduction of share capital and appropriation of surplus

(1) Date of Resolution of Board of Directors	February 12, 2021
(2) Date of Resolution of Annual General Meeting of Shareholders	March 24, 2021
(3) Date of Public Notice for Creditor Objections	March 29, 2021
(4) Deadline for Creditor Objections	April 30, 2021
(5) Effective Date	May 14, 2021 (planned)

(Repurchase of the Company's own shares)

At the meeting of the Board of Directors held on May 13, 2021, the Company resolved the following matters concerning the repurchase of the Company's own shares under the provisions of Article 156 of the Companies Act, as applied by replacing the terms pursuant to Article 165, paragraph 3 of said Act.

1. Reason for repurchase of the Company's own shares

   The Company's own shares will be repurchased to enable the flexible execution of capital policies in response to changes in the management environment and as part of the Company's shareholder return policy.

2. Details of matters regarding the repurchase

(1) Type of shares to be repurchased	Common stock of the Company
(2) Total number of shares to be repurchased	Up to 1,300,000 shares (1.4% of the total number of issued shares, excluding treasury stock)
(3) Total amount of repurchase price	Up to ¥200,000,000
(4) Repurchase period	From May 17, 2021 to June 30, 2021
(5) Repurchase method	Market purchases based on the discretionary dealing contract