



TATERU, Inc.

# FY2020 2Q FINANCIAL RESULTS

August 2020 TATERU, Inc. (TSE1:1435)

# Contents

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1. | FY2020 2Q Financial Results Overview
2. | TATERU Growth Strategy
3. | APPENDIX

# 1. | FY2020 2Q Financial Results Overview

# Company overview

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Name	TATERU, Inc.
Head office	1-5-8, Jingumae, Shibuya-ku, Tokyo
Established	January 23, 2006
Representative	Daisaku Furuki, Representative Director/CEO
Capital	7,286 million yen
Employees	179 persons (consolidated basis / full-time employees / as of June 30, 2020)

Businesses	AI/IoT business*  KANRY business  TATERU business  * Included in the KANRY business in FY2020 1Q.
Subsidiaries	Robot Home Co., Ltd.  TABICT, Inc.  Sunassu Co., Ltd.

## FY2020 2Q Highlights

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- In addition to revenue improvement in the KANRY business, transfer of real estate for sale in the TATERU business performed favorably. Reduction in selling, general and administrative expenses progressed as planned.
- Transformation of the revenue structure from flow business to stock business progressed steadily. Going forward, will work to strengthen the AI/IoT business.
- In the smart hotel business that was affected by the COVID-19 pandemic, recorded provision for loss on guarantees of ¥395 million and loss on valuation of investment securities of ¥282 million.

# Consolidated statements of income

(Unit: million yen)

	FY2019 2Q	FY2020 2Q		
	2Q (Cumulative)	1Q	2Q	2Q (Cumulative)
Net sales	14,273	2,035	1,994	4,030
Gross profit	▲3,014	513	218	731
Selling, general and administrative expenses	3,488	715	508	1,224
Operating profit	▲6,502	▲201	▲290	▲492
Ordinary profit	▲6,885	▲224	▲304	▲529
Profit attributable to owners of parent	▲8,939	▲227	▲628	▲855

¥395 million in provision for loss on guarantees recorded

Reduction of ¥2,264 million in selling, general and administrative expenses through cost structure reform

¥282 million in loss on valuation of investment securities recorded

## Segment Information

(Unit: million yen)

KANRY business			
	FY2019 2Q	FY2020 2Q	YoY Change
Net sales	1,502	1,519	17
Operating profit	190	464	274

### ○AI/IoT business (included in the KANRY business)

- Net sales: ¥148million
- Operating profit: ¥46million

- Increase in operating profit due to stock income growth
- Reduction in selling, general and administrative expenses through cost structure reform

TATERU business			
	FY2019 2Q	FY2020 2Q	YoY Change
Net sales	12,773	2,511	▲10,262
Operating profit	▲5,157	▲361	4,796

- ¥3,198 million in losses on collective sale of real estate for sale recorded in FY2019 1Q
- Reduction in selling, general and administrative expenses through cost structure reform
- ¥395 million in provision for loss on guarantees recorded

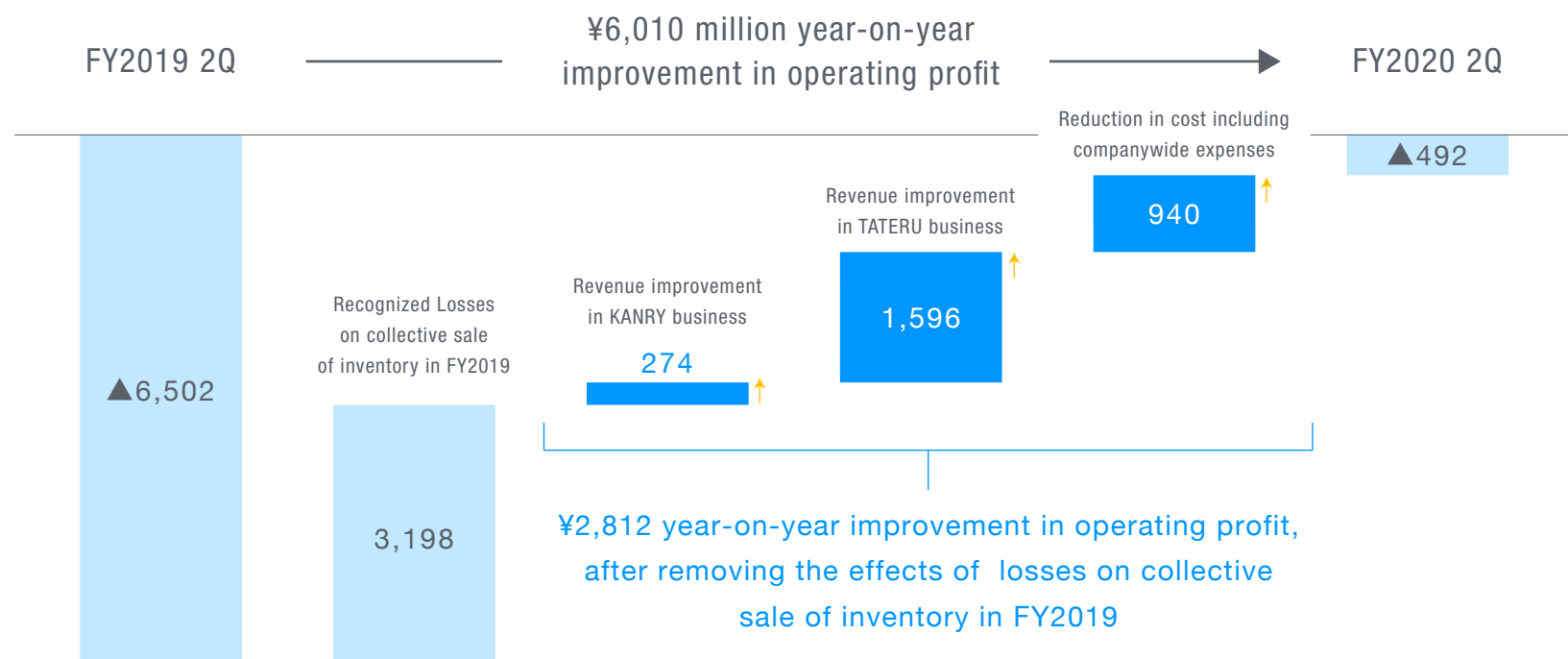
## Consolidated balance sheets

(Unit: million yen)

	December 31, 2019	End 2Q FY2020	YoY change	
Current assets	11,160	8,818	▲2,342	
Inventories	3,915	2,056	▲1,859	Decrease due to transfer of real estate for sale
Non-current assets	1,129	899	▲229	
Total assets	12,290	9,718	▲2,572	
Liabilities	4,062	2,361	▲1,701	Decrease of ¥2,014 million in borrowings
Net assets	8,227	7,357	▲870	Equity ratio: 75.7%
Total liabilities and net assets	12,290	9,718	▲2,572	



# Factors contributing to change in consolidated operating income



## <Details>

(Unit: million yen)

Revenue improvement in KANRY business		Revenue improvement in TATERU business		Reduction in cost including companywide expenses	
Increase in net sales	9	Improvement in gross profit ratio	1,445	Greater efficiency in personnel and subcontract expenses	175
Improvement in gross profit ratio	41	Provision for loss on guarantees	▲395	Reduction in advertising expenses	129
Reduction in selling, general and administrative expenses	223	Reduction in selling, general and administrative expenses	427	Reduction in land and building rent	87
		Impact of IO Company* being excluded from consolidation	119	Reduction in other cost items	549
<b>Total</b>	<b>274</b>	<b>Total</b>	<b>1,596</b>	<b>Total</b>	<b>940</b>

\*Invest Online, Inc.

## Building a sustainable business structure in preparation for the post-COVID-19 business environment

- Promoting remote work and building satellite offices to respond to a highly uncertain business environment. Reduction in selling, general and administrative expenses is progressing as planned through restructuring the operational structure.

### <Promoting optimization of office configuration>

Currently... Large centralized office with many functions

#### Head office function

Many business functions and staff allocated in the office in Jingumae

Going forward... Satellite offices with distributed functions

#### Community space

(to be created in October 2020)

An IoT model room will be created in the new head office (Ebisu).

#### Working space

(to be created in October 2020)

A small office will be created in Ryogoku assuming increased remote work.

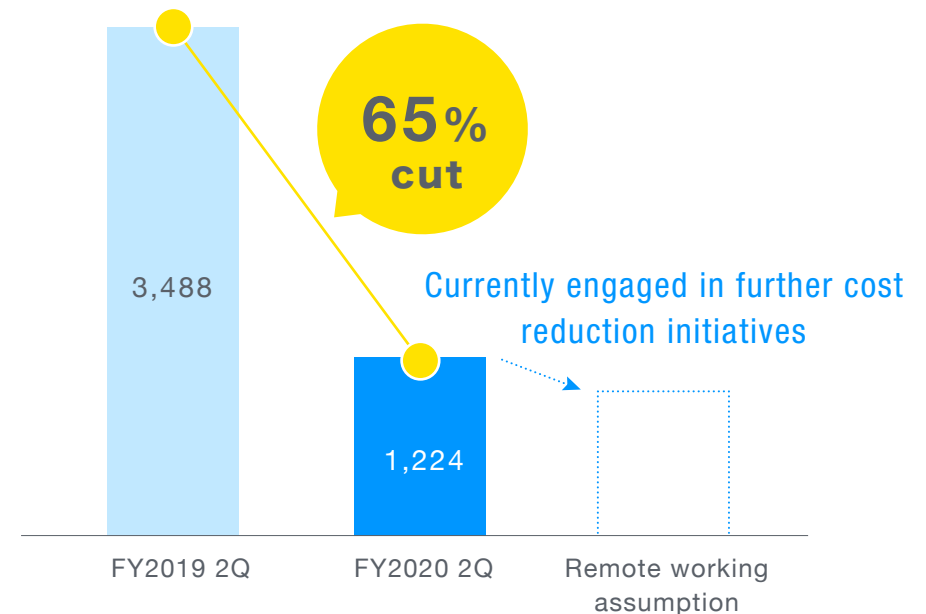


Images of the model room in Ebisu

➡ **Reduction in rent: More than ¥100 million per annum**

### < Selling, general and administrative expenses >

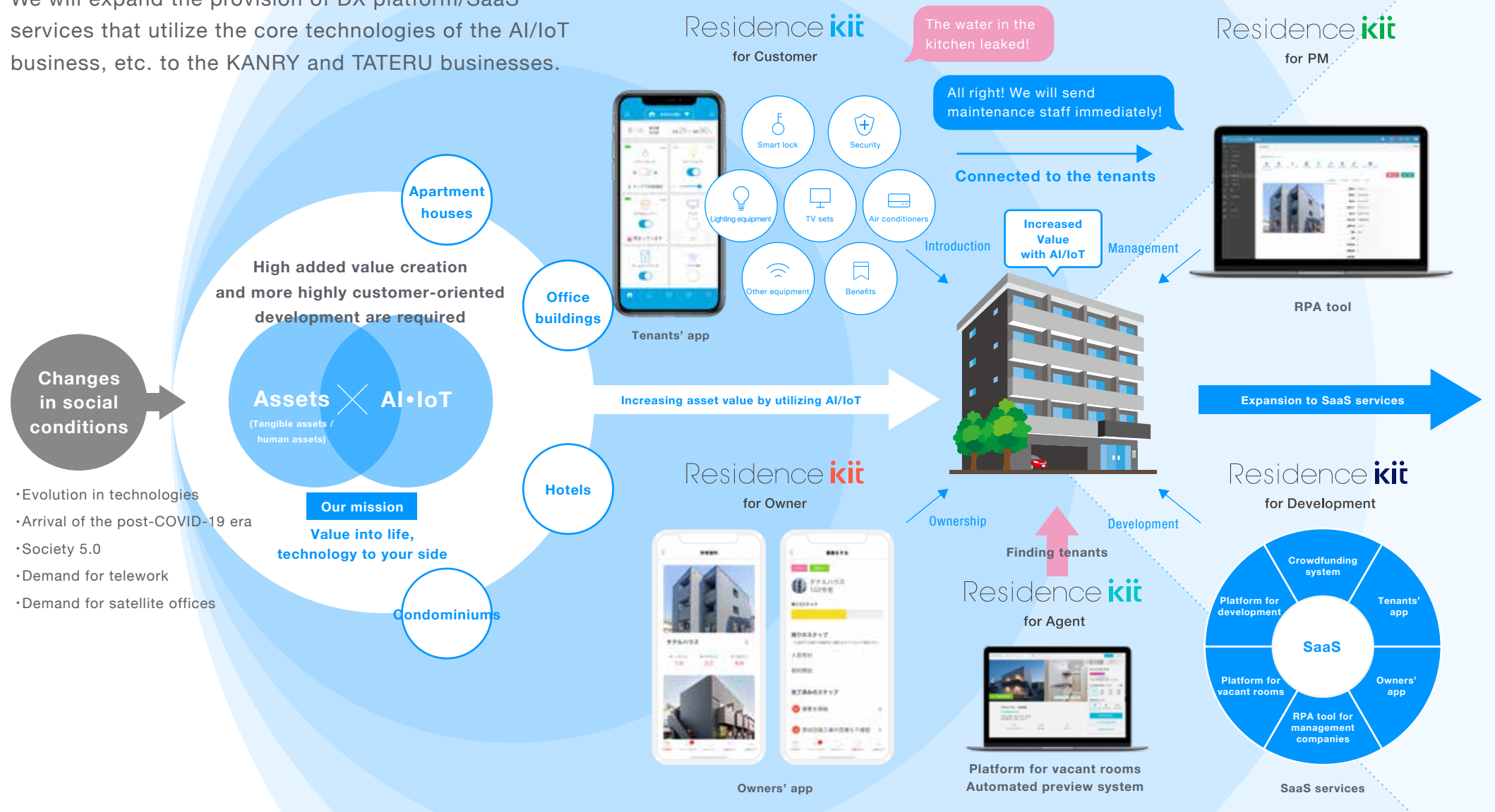
(Unit: million yen)



## 2. | TATERU Growth Strategy

# Our business model

We will expand the provision of DX platform/SaaS services that utilize the core technologies of the AI/IoT business, etc. to the KANRY and TATERU businesses.



# AI/IoT business

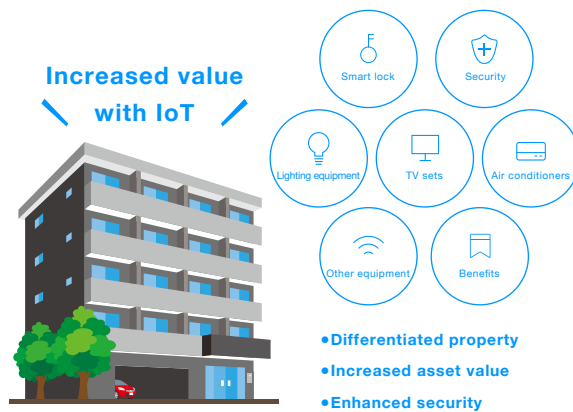
**Net sales** \_\_\_\_\_ **¥148million**

**Operating profit** \_\_\_\_\_ **¥46million**

# Revenue structure of the AI/IoT business

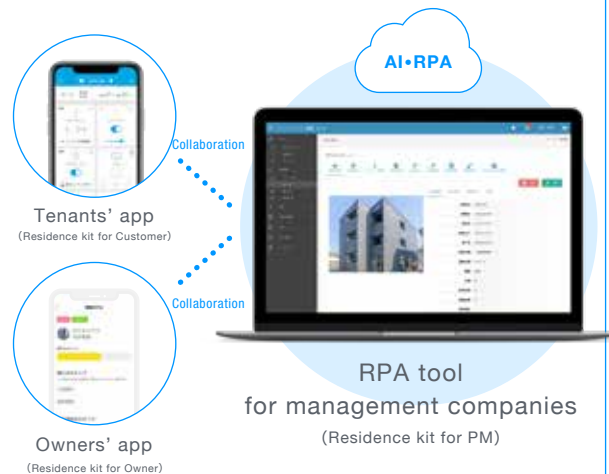
## Three-domain revenue structure that utilizes technologies including AI/IoT

### 1. IoT domain



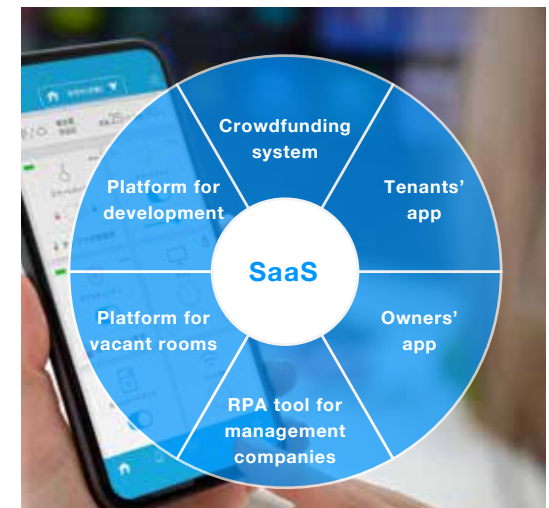
IoT introduction consulting for real estate development/planning, etc.

### 2. PM domain utilizing RPA



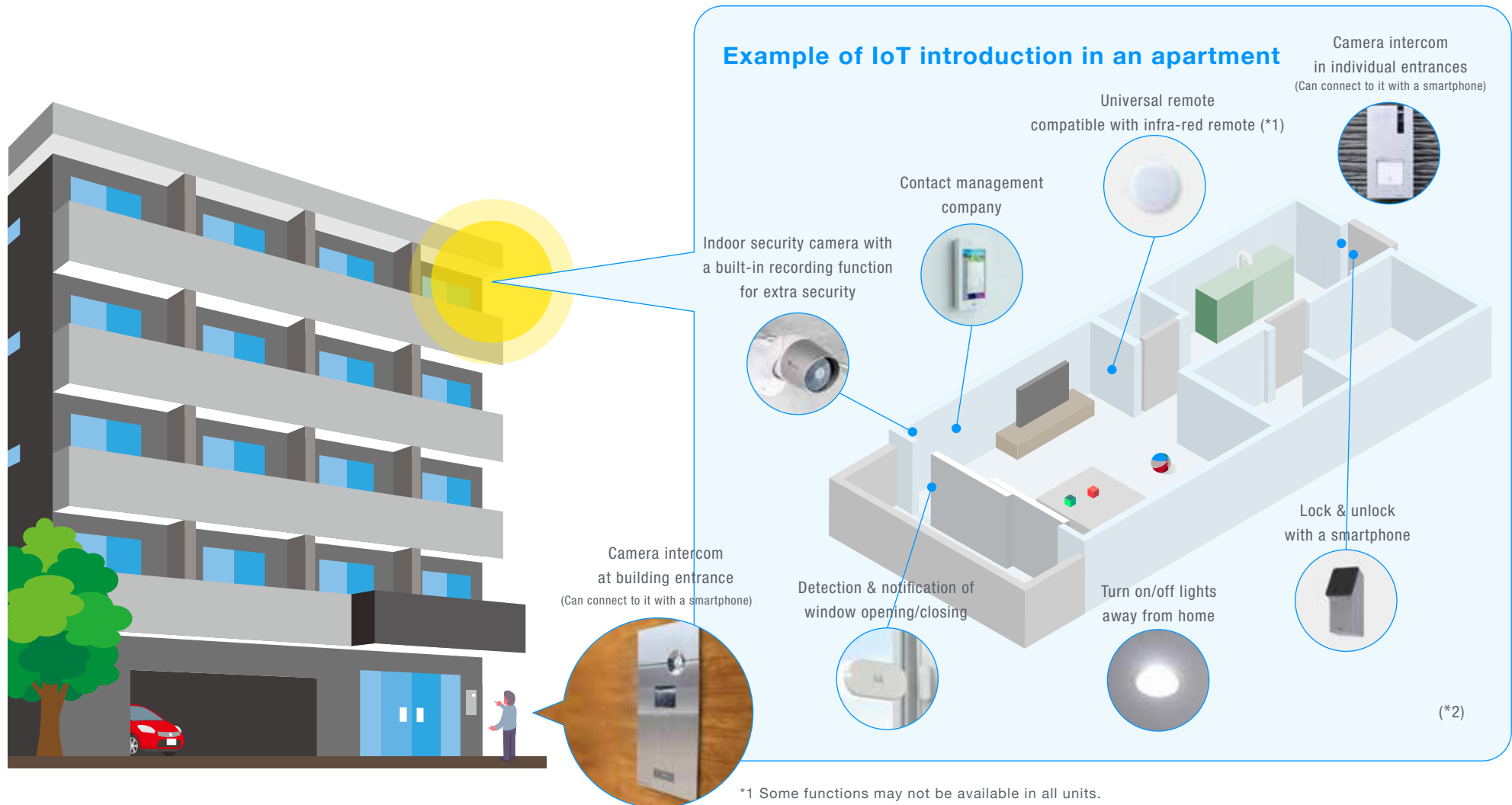
Contracts of PM work streamlined by RPA

### 3. SaaS domain



Convert DX platform with Residence kit into SaaS

## IoT introduction consulting for real estate development/planning, etc.

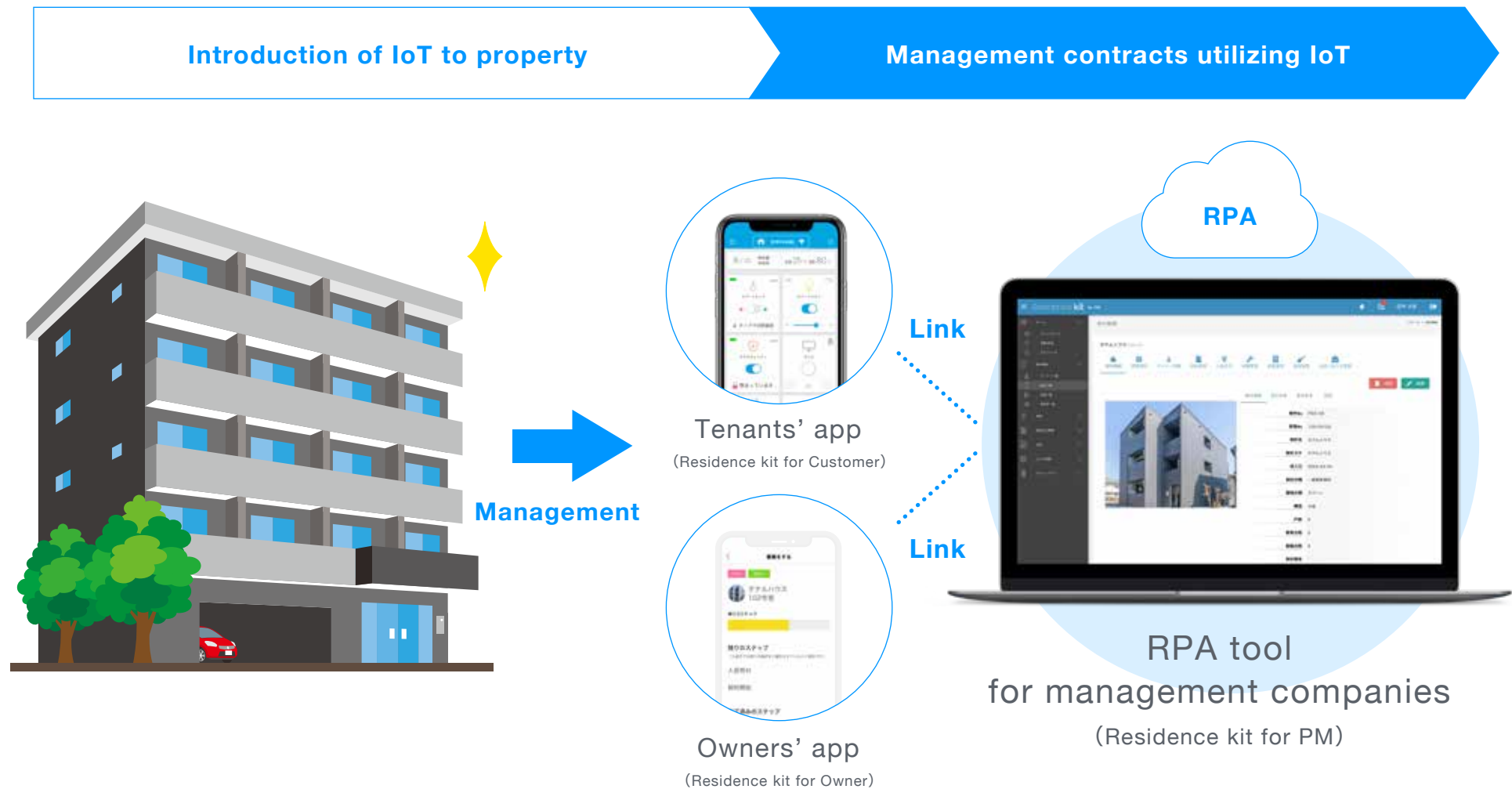


\*1 Some functions may not be available in all units.

\*2 The apartment layout is an image.

## AI/IoT business (2) PM domain utilizing RPA

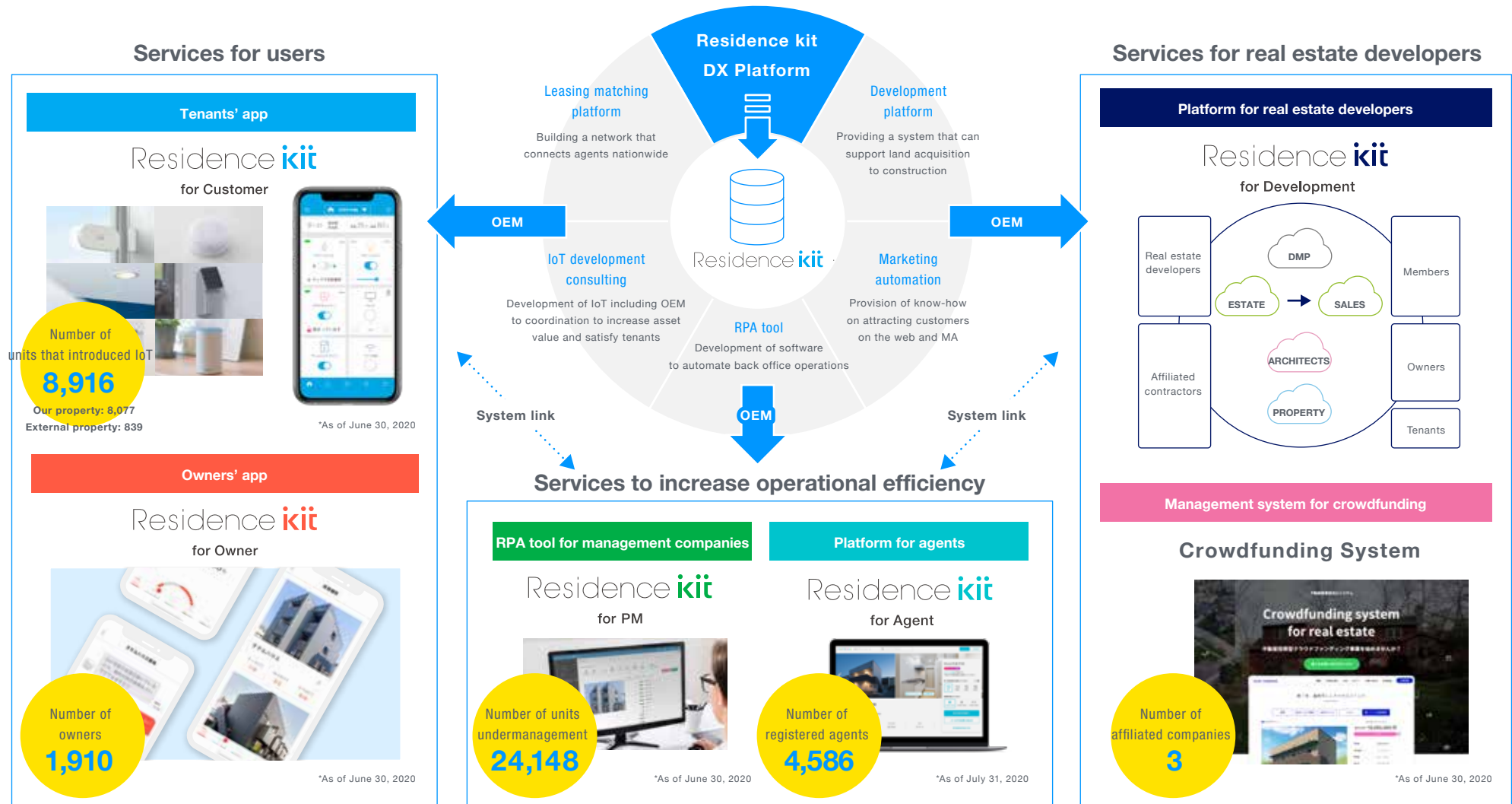
### Contracts of PM work streamlined by RPA





# AI/IoT business (3) SaaS domain

## Convert DX platform with Residence kit into SaaS



# KANRY business

**Net sales** \_\_\_\_\_ **¥1,371**million

**Operating profit** \_\_\_\_\_ **¥418**million

\*Excluding AI/IoT business

# KANRY business: PM business utilizing technologies including AI/IoT

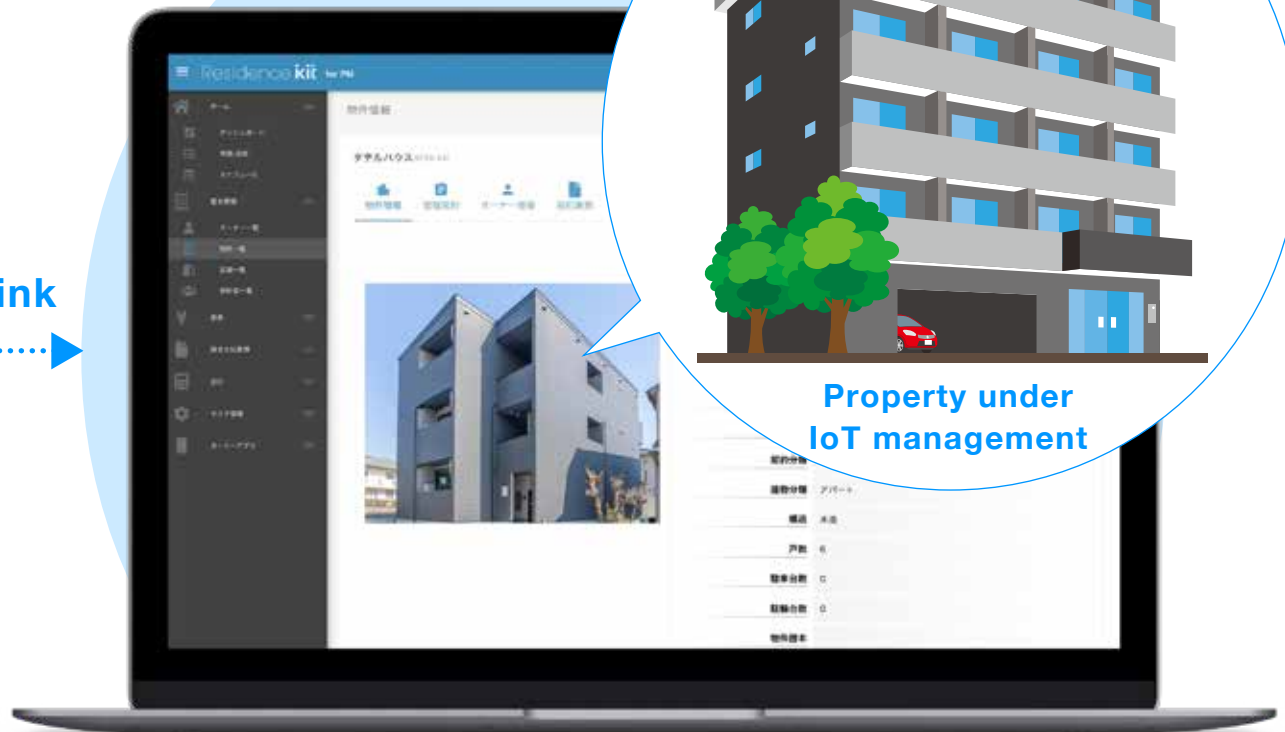


Tenants' app  
(Residence kit for Customer)



Owners' app  
(Residence kit for Owner)

Link  
.....▶



RPA tool for management companies  
(Residence kit for PM)

# KANRY business: Stable recurring income that maintains high occupancy rate

- Occupancy rate of 98.8%

- Keep high occupancy rates

- Zero subleasing

Properties constructed and managed by the Company

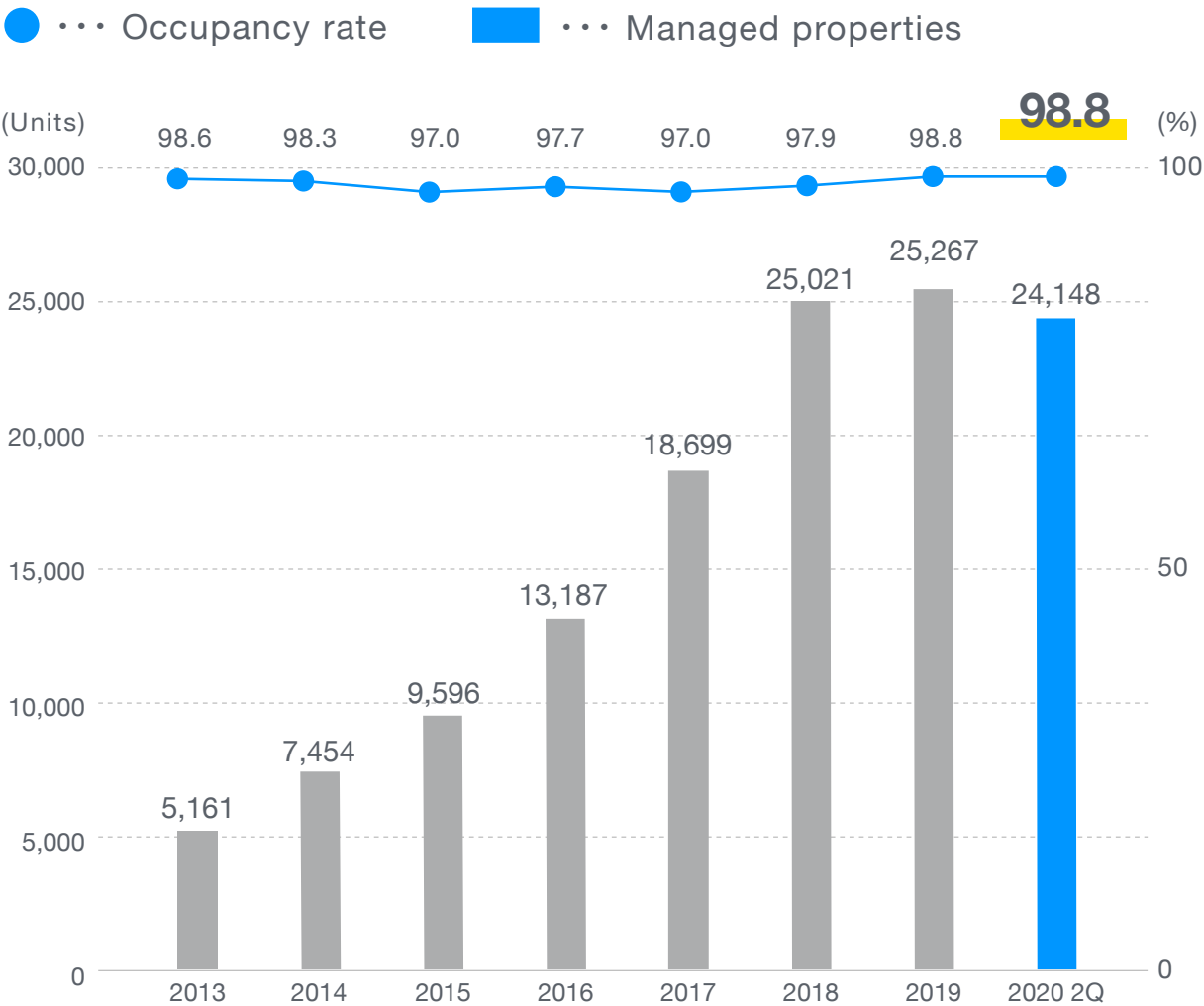
Units managed      — 23,048 units

Occupancy rate      — 98.8%

Contract management properties

Units managed      — 1,100 units

Occupancy rate      — 91.7%



\*As of June 30, 2020

- Measures to increase units under management

- Management contracts following proposals of IoT utilization to real estate developers
- Management contracts following sales of IoT to real estate owners
- Planned expansion of properties under management to cover 47 prefectures in Japan by December 31, 2022

- Currently increasing share of IoT deployment

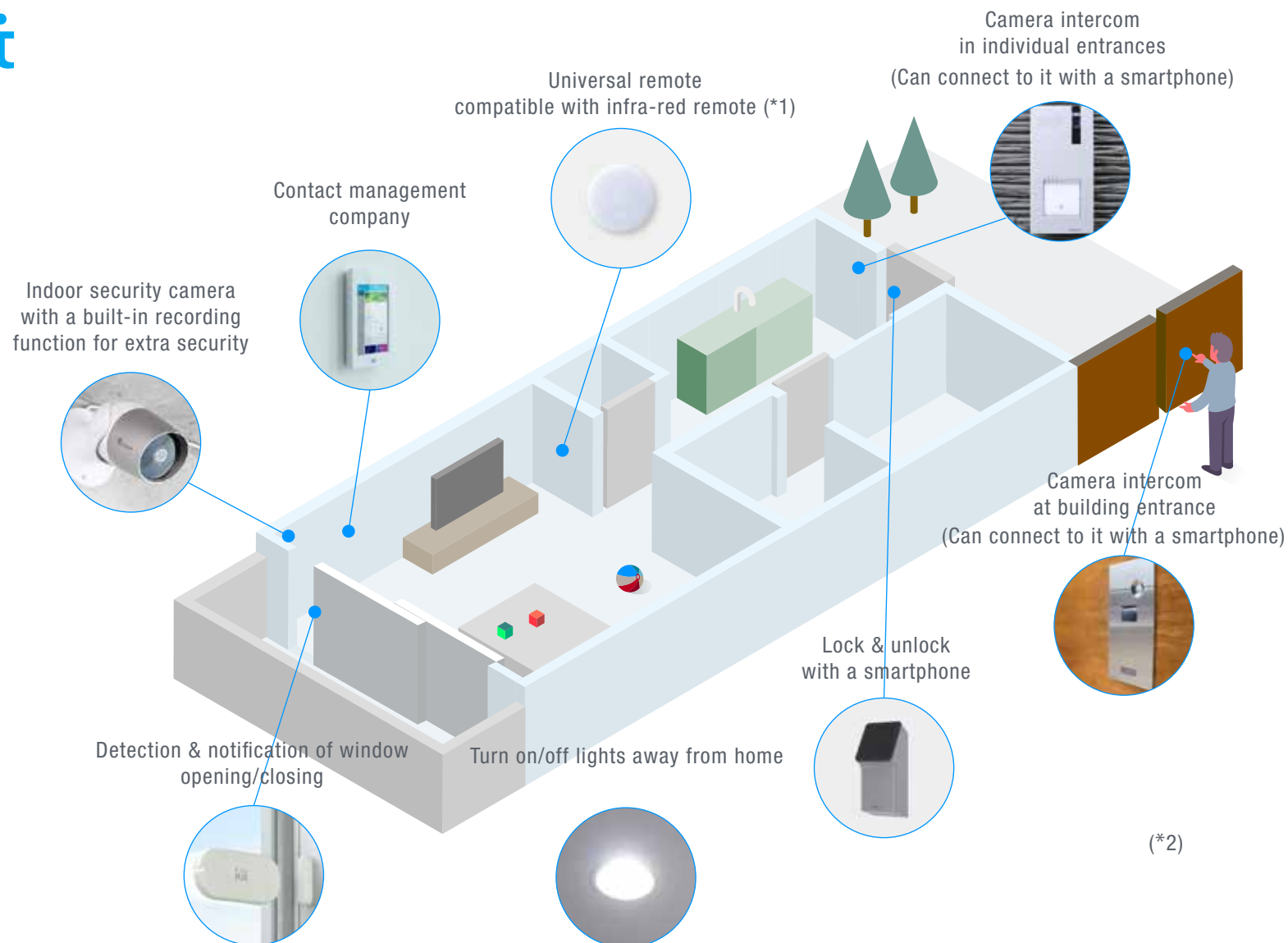
(8,077 units/24,148 units)

- At present expanding Company-guaranteed share

(13,773 units/24,148 units)

\*As of June 30, 2020

## Residence **kit** for Customer

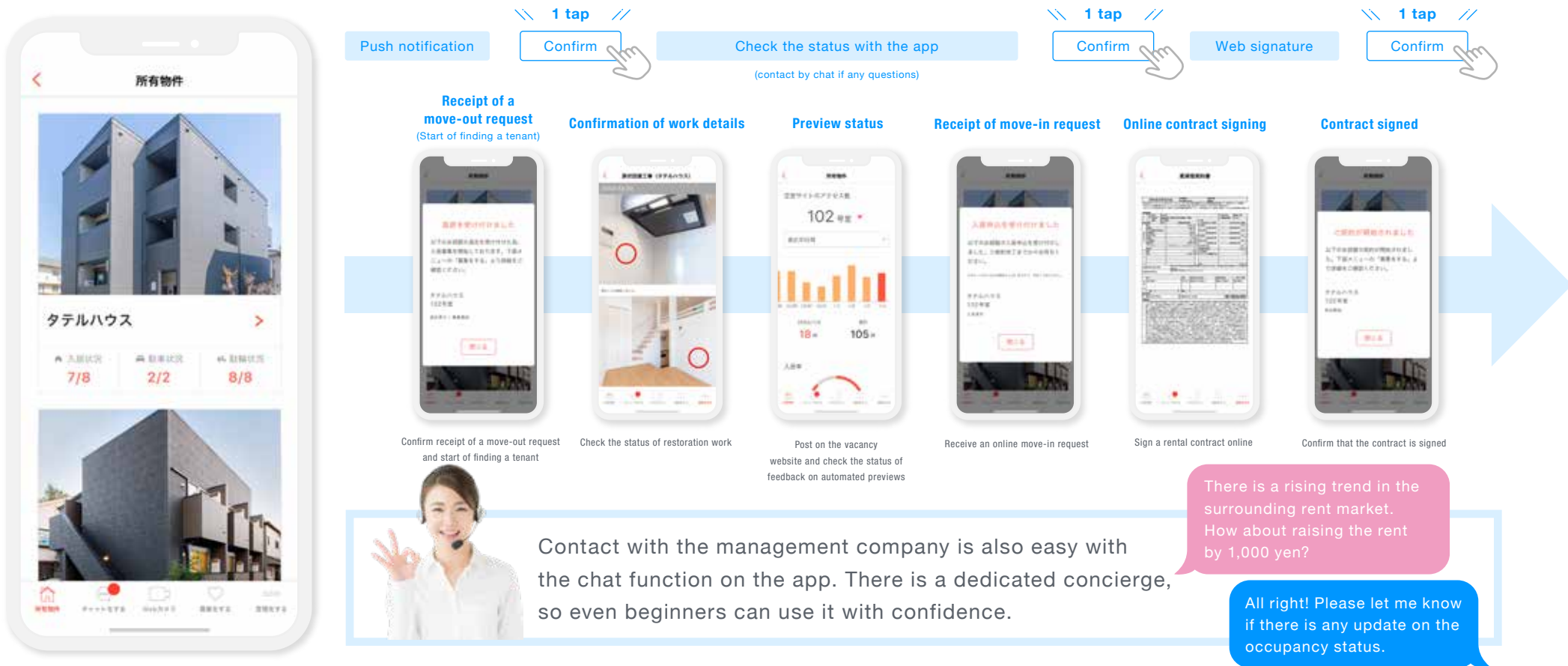


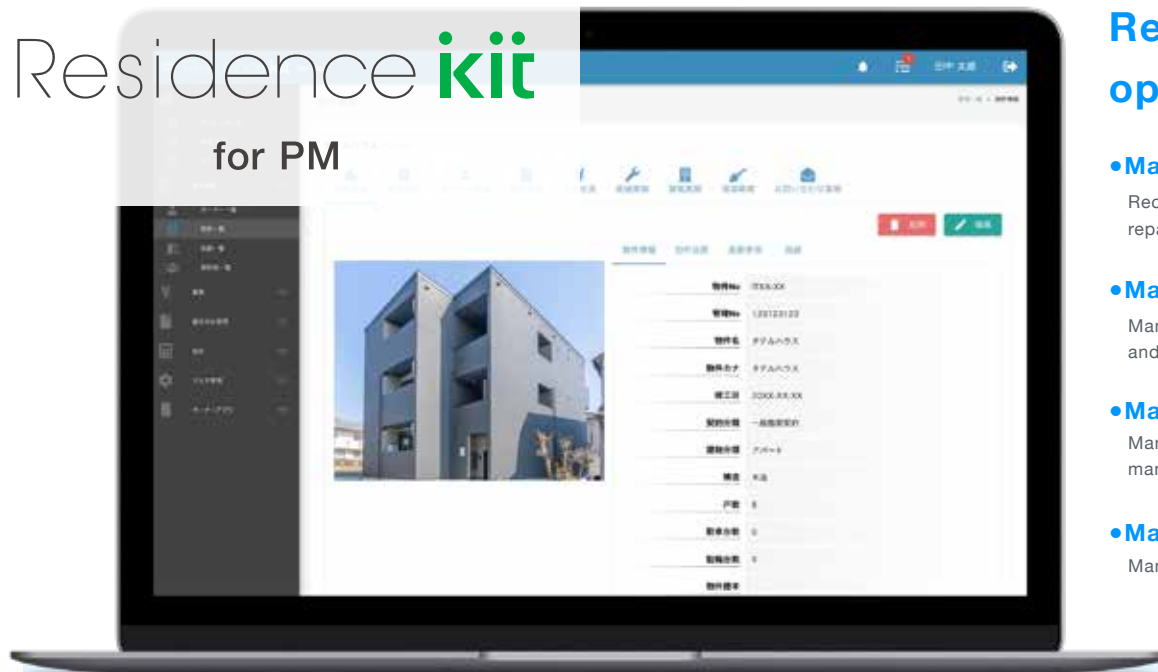
\*1 Some functions may not be available in all units.

\*2 The apartment layout is a sample.

# Residence kit for Owner

**Started offering a new owners' app of SaaS model  
that automates real estate management on July 13, 2020**





## Reducing vacancies risk by streamlining operations utilizing RPA

### •Manage moving-in/moving-out

Receipt of move-in/move-out requests, receipt of repair requests, making orders, management of history

### •Manage information

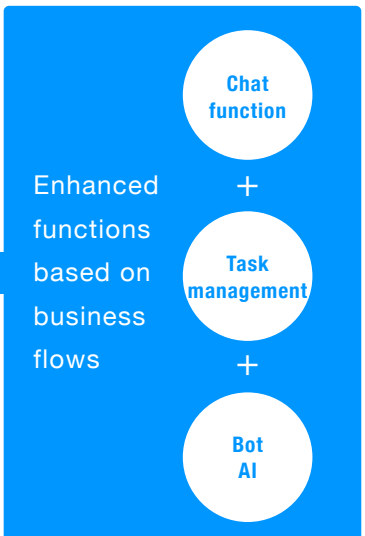
Management of property information, management of and search for owner information

### •Management of remittance history

Management of rent payment, remittance to owners, management of vendor billing

### •Management of documents

Management of contracts, remittance statements, and bills



It has no unnecessary functions as it is an RPA tool developed in-house by us, who operates a management business.

### •Smooth communication by utilizing a chat function and push notifications

- Reduce vacancies risk due to lack of communication with tenants
- Reduce vacancies risk by smooth communication with the owners at the time of moving in and out

### •Stable and improved service quality by utilizing fixed phrases and chatbot AI

- Increase the number of properties that can be taken care of by a person by stabilizing service quality and improving operational efficiency
- Easy to standardize operations, which reduces the time required for training



Bot AI Screen



Residence **kit**

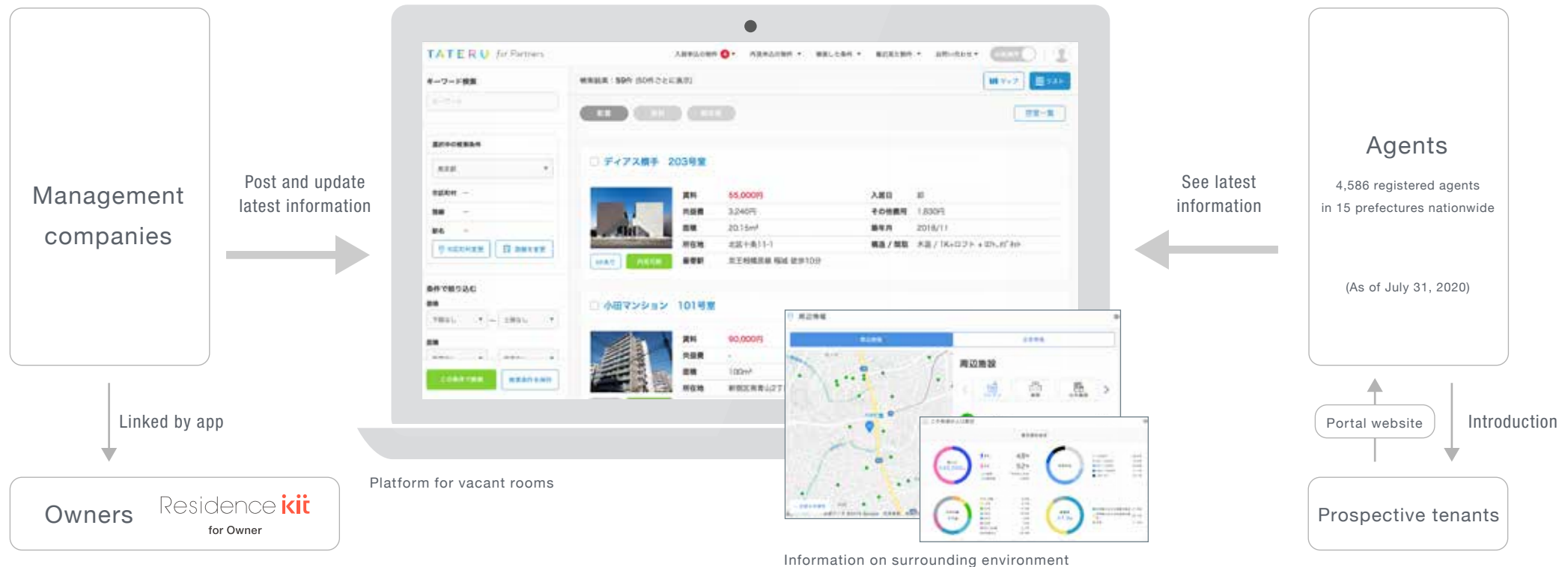
for Agent

(Platform for vacant rooms)

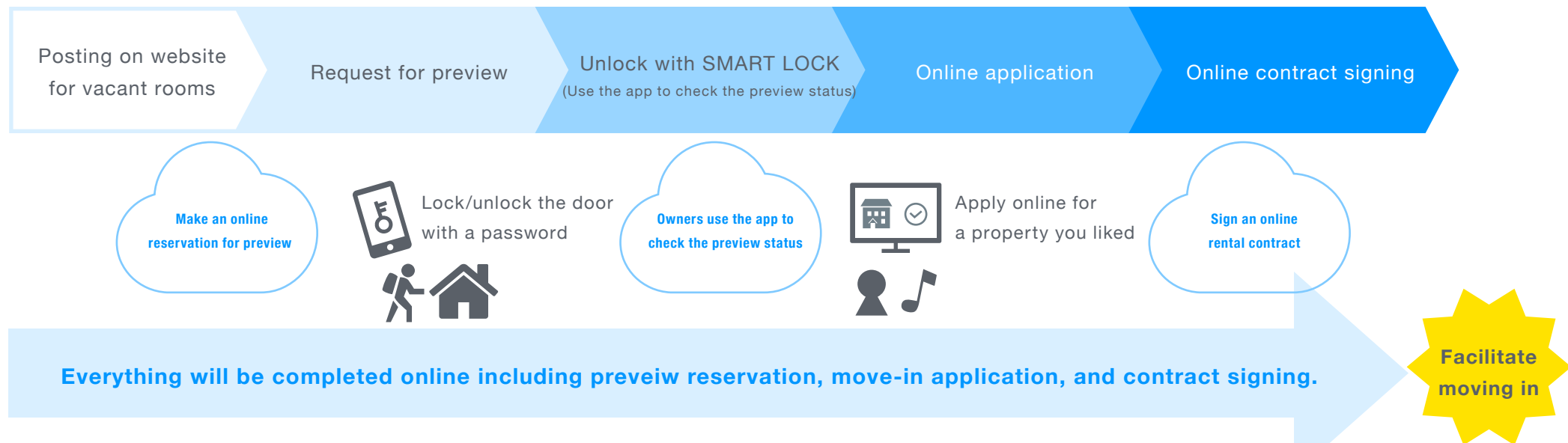
**4,586 registered agents in 15 prefectures nationwide**

(As of July 31, 2020)

It is a vacant room sharing system that introduces properties to agents. Agents can search for vacant properties on the website immediately, making it possible to find tenants more efficiently.



## Automated preview system to be introduced on October 1, 2020



Visit the website for vacant rooms and make a reservation  
(The screen is an image of the screen currently under development.)



No need to hand over keys as it is a SMART LOCK.



Check the preview status with a security camera  
→ Use the Owners' app to check.

# TATERU business

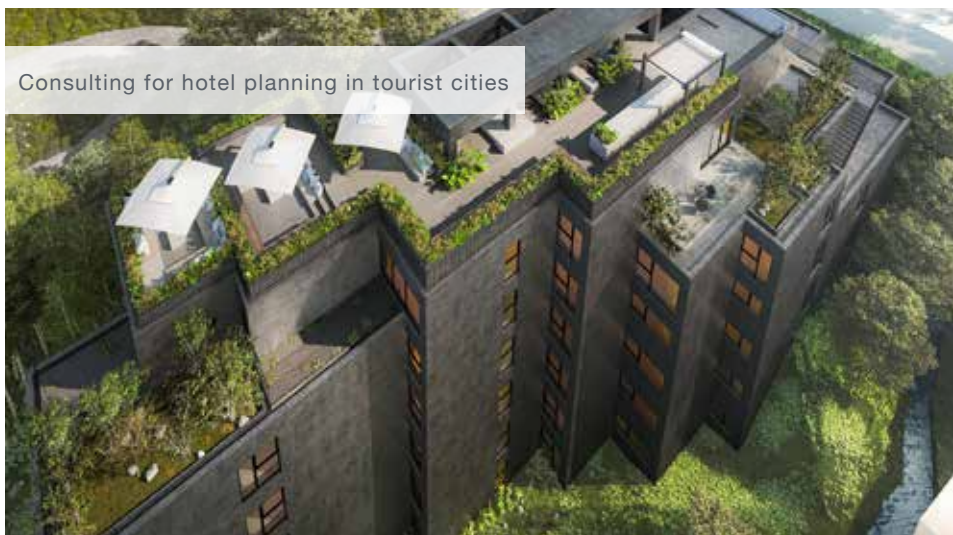
Net sales \_\_\_\_\_ **¥2,511** million

Operating profit \_\_\_\_\_ **▲¥361** million

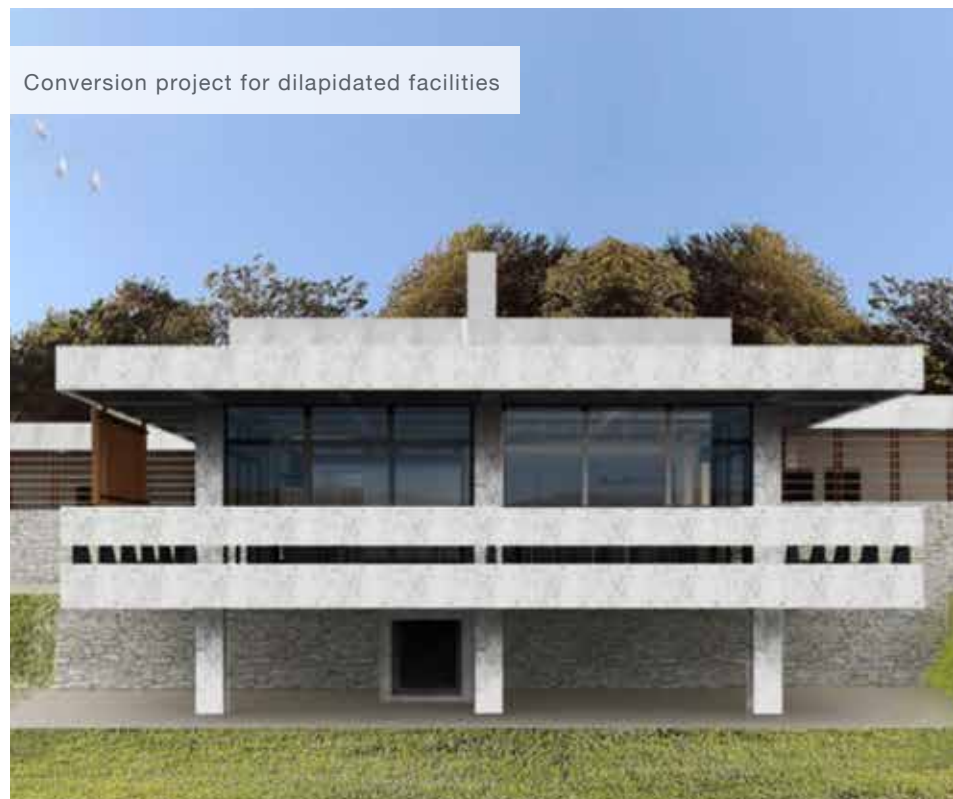
- Sale of revenue-generating real estate, differentiated through utilization of the IoT, for affluent clients
- Consulting business themed on combining technology with real estate development
- Started to offer an open-platform real estate development system using Residence kit for Development

## TATERU business: Consulting business themed on combining technology with real estate development

Consulting for hotel planning in tourist cities



Conversion project for dilapidated facilities



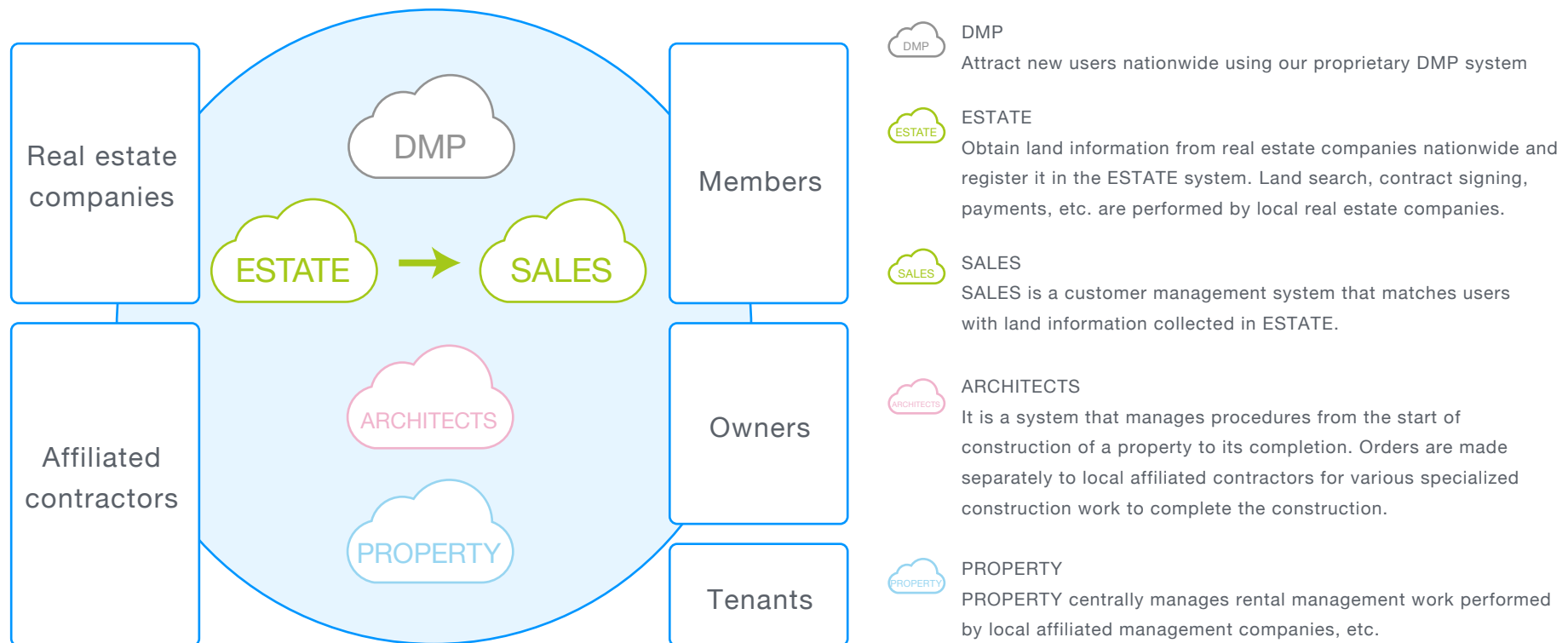
\*Images are perspective drawings of facilities currently being planned

# TATERU business: Offering a platform for real estate development

## Residence **kit** for Development

### Started offering a real estate development platform for developers through OEM

We provide a system for developers that can support various tasks in development. From attracting customers to construction and management, we support with our know-how and system developed in-house.





# Growth image toward the achievement of the medium-term business plan



## 3. | APPENDIX

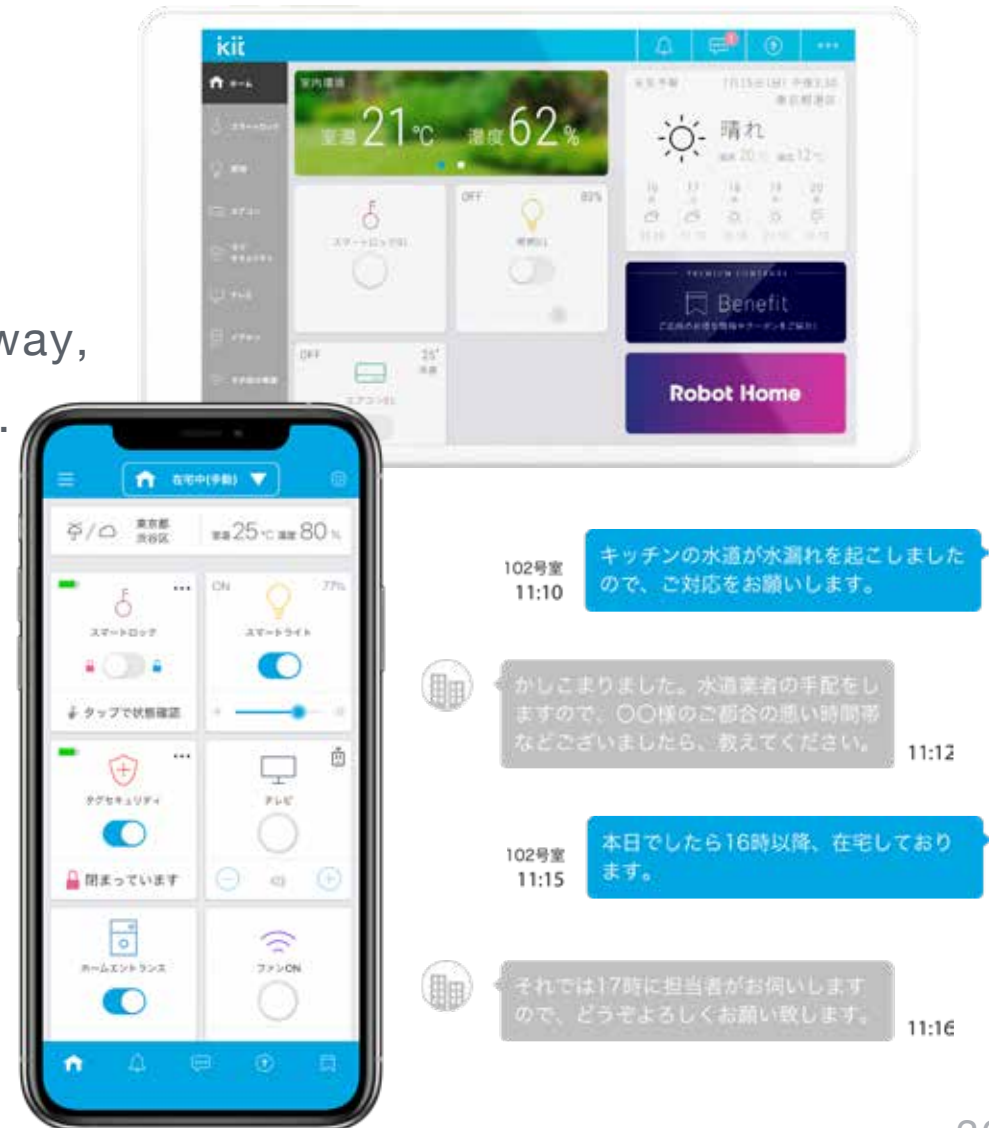


## Chat concierge

### CENTRAL CONTROLLER TABLET

This tablet offers rental housing concierge services. Functioning as an IoT device gateway, it enables operation from a smartphone app.

- Chat concierge
- Responds to trouble, such as with water, gas, etc.
- Functions to provide everyday life information
- Delivers other useful lifestyle-related contents



## HOME ENTRANCE

Intercom with camera for multiple dwelling or individual entrances capable of reception from a smartphone



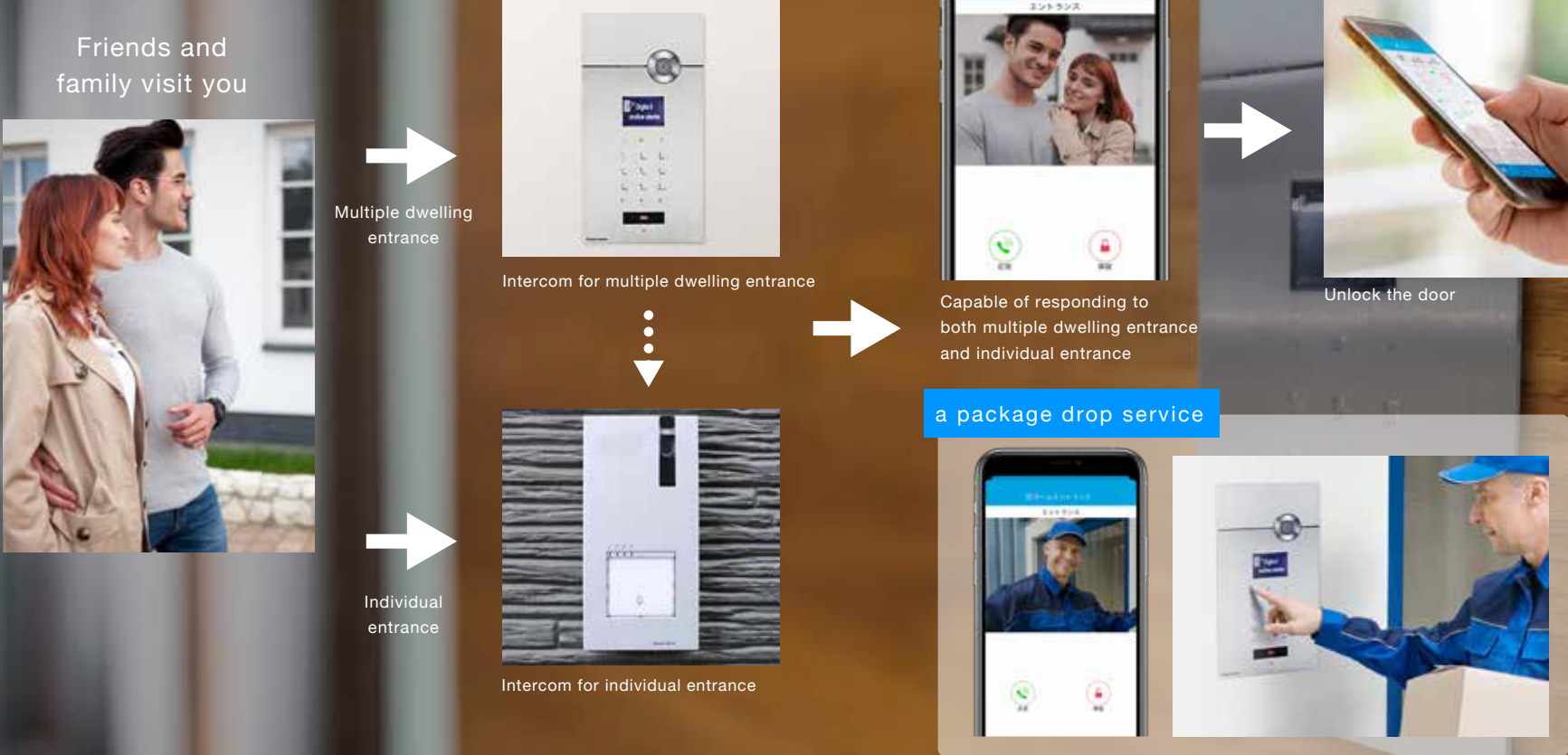
Device with camera for individual entrance



Device with camera for multiple dwelling entrance



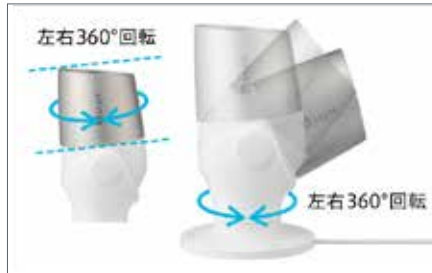
When friends and family visit you while away from home



## SECURITY CAMERA

- Surveillance camera for crime prevention -

Even when you cannot check in real time, such as when you are away from home or sleeping, it continues to record automatically to the app or a microSD card.



### 1. Live check function

Use the app to check the status of the property in real time



### 2. Video saving function

Images taken can be saved for two weeks



### 3. Snipping function

Only the necessary part of the image can be snipped out



Submit the video taken as evidence

You can use the app to check

#### Daytime

You can clearly see the situation in the room with high-quality images.

#### Night time\*

You can see clearly even in the dark with the automated night vision mode.

\*The image was taken in a very dark room to see what it is like at night.





# IoT product introduction

## SMART LOCK

Features special processing that does not come off or fall 4 ways to unlock

(App, ten key, IC cards for transportation or conventional keys)



SMART LOCK is used to prevent unlocked doors and windows. If it is fraudulently unlocked, an alarm will be activated and an entry record can be checked via the app. When it runs out of battery, power can be fed from outside the door.

## SENSOR

Detects window open, close, vibration, and informs via app even when away from home



SENSOR installed in the window detects opening and closing, or vibration, and enables confirmation of abnormalities in the room by using a smartphone from a remote location.

## NATURE SENSOR REMOTE CONTROLLER

This remote control device can operate home appliances via a smartphone\*

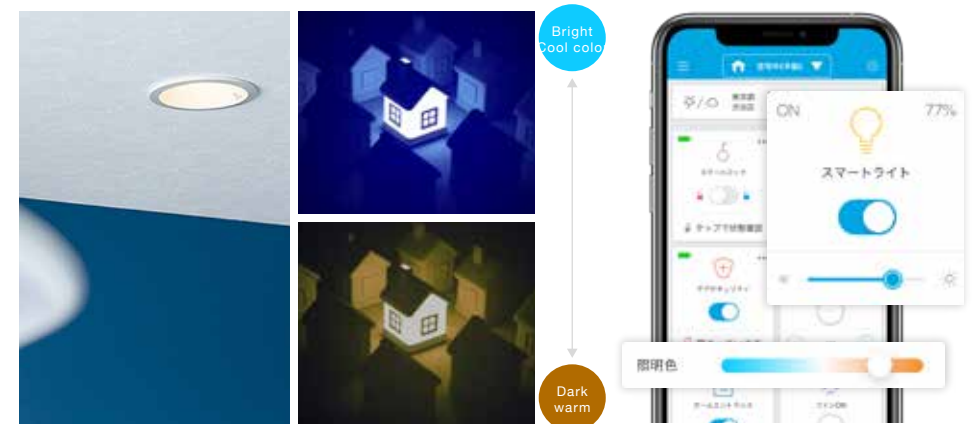
\*Activation of all home appliances is not guaranteed.



Acquires information on indoor room temperature and humidity, and enables operation of air conditioning, TV or other appliances with a single tap of your smartphone.

## SMART LIGHT

Turns on and off the light, controls its color or dims freely



\*Illustration

If you are away from home, and realize that you forgot to turn off a home light, you can turn it off from a remote location with a single tap on your smartphone.

## Disclaimer regarding forward-looking statements

The materials and information presented in this release include “forward-looking statements.” These statements are based on expectations, forecasts, and assumptions that are subject to risks at the time of release, and include uncertainties that may cause outcomes to differ in substance from these statements.

These risks and uncertainties include industries in general, market conditions, and general domestic and international economic conditions such as interest rate and foreign exchange fluctuations.

TATERU undertakes no obligation to update or revise the “forward-looking statements” included in this release, even in the event of new information, future events, or other circumstances.