

# Consolidated Financial Results for the Six Months Ended June 30, 2018 [Japanese GAAP]



August 3, 2018

Company name: TATERU, Inc.

Stock exchange listing: Tokyo Stock Exchange

Code number: 1435

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Scheduled date of filing quarterly securities report: August 10, 2018

Scheduled date of commencing dividend payments: September 5, 2018

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, 2018 (January 1, 2018 to June 30, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2018	37,352	41.2	2,308	19.9	2,187	17.2	1,420	17.0
June 30, 2017	26,454	83.5	1,925	41.0	1,866	36.5	1,214	40.7

(Note) Comprehensive income: Six months ended June 30, 2018: ¥1,427 million [17.4%]

Six months ended June 30, 2017: ¥1,215 million [42.0%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2018	17.51	15.84
June 30, 2017	15.88	13.89

(Notes) The Company conducted a five-for-one stock split of its common stock effective January 1, 2018. Basic earnings per share and diluted earnings per share are calculated on the assumption that those stock splits were conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2018	35,302	23,936	67.4
As of December 31, 2017	21,864	9,667	43.6

(Reference) Equity: As of June 30, 2018: ¥23,794 million

As of December 31, 2017: ¥9,531 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, 2017	-	20.00	-	25.00	45.00
Fiscal year ending December 31, 2018	-	5.00			
Fiscal year ending December 31, 2018 (Forecast)			-	5.00	10.00

- (Notes) 1. Revision to the forecast for dividends announced most recently: No  
2. Though the Company conducted a five-for-one stock split of its common stock effective January 1, 2018 dividends for the fiscal year ended December 31, 2017 shown are the amount actually paid.

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2018 (January 1, 2018 to December 31, 2018)

(% 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	76,611	14.3	7,113	20.6	7,099	21.1	4,815	20.5
								60.91

(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): Yes

New inclusion: 1

Name of company: TATERU Funding Co., Ltd.

- (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 stock):

June 30, 2018: 86,159,000 shares

December 31, 2017: 79,059,000 shares

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

June 30, 2018: - shares

December 31, 2017: - shares

3) Average number of shares during the period:

Six months ended June 30, 2018: 81,138,006 shares

Six months ended June 30, 2017: 76,451,000 shares

- (Note) The Company conducted a five-for-one stock split of its common stock effective January 1, 2018. Total number of shares outstanding (common stock) is calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended December 31, 2017.

\* 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, 2018 continued to show a moderate recovery trend with the increase of export backed by the recovery in the global economy, as well as the improvement of personal consumption and the continued increasing trend in capital investment. Nevertheless, the outlook remains unclear because of the uncertainty in the overseas economy including geopolitical risks in Europe and Asia, the direction of U.S. monetary policy, and economic trend in China.

In the real estate industry, with the backdrop of the favorable financing environment such as the Bank of Japan's continued negative interest rate policy, an inflow of funds to the real estate market is ongoing despite a decline in apartment loans for inheritance tax saving purposes due to regulatory tightening by the Financial Services Agency, and diversification of our investor base is expected.

Under these circumstances, with our Group management philosophy "Internet × Real: accelerating new services," our mainstay TATERU Apartment business is maintaining strong growth. In addition, our new TATERU Funding business, TATERU bnb business, and Robot Home businesses have achieved profitability.

As a result, the performance for the six months ended June 30, 2018 was ¥37,352 million in net sales (up 41.2% year on year), ¥2,308 million in operating profit (up 19.9% year on year), ¥2,187 million in ordinary profit (up 17.2% year on year) and ¥1,420 million in profit attributable to owners of parent (up 17.0% year on year).

The performance of each segment is as follows.

The Group's previous reportable segment was TATERU Apartment business only. From the three months ended March 31, 2018, the Group changed its reportable segment into four segments, namely, TATERU Apartment business, TATERU Funding business, TATERU bnb business and Robot Home business.

Year on year figures used in the descriptions below are prepared from the segment classification after the change.

#### 1) TATERU Apartment business

In TATERU Apartment business, the Group promoted the increase in its membership and the maintenance and improvement of contract rate by focusing on enhancing functions and its brand recognition. In addition, we actively engaged in various advertising activities including TV commercials to enhance our branding. As a result, the number of new membership increased by over 2,000 on average per month, with monthly contracts on an increasing trend.

As a result, net sales for the six months ended June 30, 2018 was ¥36,144 million (up 40.3% year on year) and ¥3,202 million in operating profit (up 9.4% year on year). Transaction of Selling apartments developed and operated by TATERU Funding business to the member of TATERU Apartment business is income of TATERU Funding business instead of TATERU Apartment business for reportable segment

#### 2) TATERU Funding business

The real estate investment-type crowdfunding TATERU Funding business commenced the operations of capital-oriented funds from the three months ended March 31, 2018, and commenced the operations of totaling 32 funds (total amount offered: ¥1,956 million) from the start of the said business to the six months ended June 30, 2018. In addition, the number of TATERU Funding's members passed the 60,000 mark, and it is continuing to grow.

As a result, net sales for the six months ended June 30, 2018 was ¥292 million (¥10 million for the same period of the previous fiscal year) and ¥136 million in operating profit (operating loss of ¥16 million for the same period of the previous fiscal year).

3) TATERU bnb business

In TATERU bnb business, which provides various Minpaku (private residence accommodation) operation services, the Private Lodging Business Act (New Private Lodging Business Act) was enforced in June 2018 and the Inns and Hotels Act was revised. With regard to TATERU bnb, an IoT Minpaku apartment, which is aimed at reducing costs, including personnel expenses, and improving profitability by utilizing bnb kit, an IoT device, eight apartment buildings were delivered during the six months ended June 30, 2018.

As a result, net sales for the six months ended June 30, 2018 was ¥266 million (up 476.0% year on year) and ¥112 million in operating profit (operating loss of ¥27 million for the same period of the previous fiscal year).

4) Robot Home business

In the Robot Home business, which concentrates on planning and development of IoT devices, provides Apartment kit, an IoT device. In order to provide occupants with greater security and convenience and to streamline rental property management for owners and management companies, we made an effort to enhance functions such as introduction of new service of Benefit, a service of Apartment kit for occupants, and release of Apartment kit for Owner, a rental management application.

As a result, net sales for the six months ended June 30, 2018 was ¥467 million (no recording for the same period of the previous fiscal year) and ¥136 million in operating profit (operating loss of ¥81 million for the same period of the previous fiscal year).

(2) Explanation of financial position

(Assets)

Total assets at the end of the six months ended June 30, 2018 increased by ¥13,437 million from the end of the previous fiscal year to ¥35,302 million. This is mainly attributable to increases in cash and deposits of ¥8,987 million, real estate for sale of ¥1,559 million and real estate for sale in process of ¥1,204 million.

(Liabilities)

Total liabilities at the end of the six months ended June 30, 2018 decreased by ¥831 million from the end of the previous fiscal year to ¥11,365 million. This is mainly attributable to decreases in short-term loans payable of ¥1,200 million, income taxes payable of ¥615 million and long-term loans payable of ¥203 million.

(Net assets)

Total net assets at the end of the six months ended June 30, 2018 increased by ¥14,268 million from the end of the previous fiscal year to ¥23,936 million. This is mainly attributable to increases in capital stock of ¥6,618 million and capital surplus of ¥6,618 million, which are resulting from issuance of new shares, as well as to an increase of retained earnings of ¥1,025 million due to the recording of profit attributable to owners of parent of ¥1,420 million, despite the payment of dividends from surplus of ¥395 million.

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

The consolidated financial results forecast for the full year ending December 31, 2018 have not been revised from the forecast announced on February 13, 2018.

## 2. Consolidated Financial Statements and Primary Notes

### (1) Consolidated balance sheets

(Thousand yen)

	As of December 31, 2017	As of June 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	9,888,330	18,875,429
Accounts receivable-trade	1,162,053	1,293,555
Merchandise and finished goods	81,529	104,050
Work in process	12,590	-
Real estate for sale	1,847,356	3,407,180
Real estate for sale in process	1,384,219	2,588,290
Supplies	6,596	11,812
Deferred tax assets	311,951	331,730
Other	819,728	1,314,283
Allowance for doubtful accounts	(2,482)	(3,731)
Total current assets	15,511,874	27,922,601
Non-current assets		
Property, plant and equipment	1,398,617	2,438,135
Intangible assets		
Goodwill	1,921,305	1,856,176
Other	167,901	271,827
Total intangible assets	2,089,207	2,128,004
Investments and other assets		
Investment securities	2,181,666	2,245,495
Deferred tax assets	62,966	65,564
Other	620,448	502,310
Total investments and other assets	2,865,081	2,813,369
Total non-current assets	6,352,905	7,379,509
Total assets	21,864,780	35,302,110
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	3,087,038	3,121,941
Short-term loans payable	3,000,000	1,800,000
Current portion of long-term loans payable	405,904	401,742
Income taxes payable	1,464,231	848,790
Provision for bonuses	44,699	56,704
Provision for full occupancy responsibility	200,111	174,341
Asset retirement obligations	29,655	-
Other	2,342,171	3,512,436
Total current liabilities	10,573,811	9,915,956
Non-current liabilities		
Long-term loans payable	1,604,312	1,401,220
Asset retirement obligations	18,889	48,217
Total non-current liabilities	1,623,201	1,449,437
Total liabilities	12,197,012	11,365,394
<b>Net assets</b>		
Shareholders' equity		
Capital stock	628,006	7,246,342
Capital surplus	533,502	7,151,838
Retained earnings	8,300,627	9,326,268
Total shareholders' equity	9,462,137	23,724,450
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	69,152	69,799
Total accumulated other comprehensive income	69,152	69,799

TATERU, Inc. (1435)

Consolidated Financial Results for the Three Months Ended March 31, 2018

Subscription rights to shares	1,530	1,530
Non-controlling interests	134,948	140,936
Total net assets	9,667,768	23,936,716
Total liabilities and net assets	21,864,780	35,302,110



(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

Six months ended June 30, 2018

(Thousand yen)

	For the six months ended June 30, 2017	For the six months ended June 30, 2018
Net sales	26,454,428	37,352,150
Cost of sales	22,047,621	30,861,575
Gross profit	4,406,806	6,490,575
Selling, general and administrative expenses	2,481,422	4,182,494
Operating profit	1,925,383	2,308,080
Non-operating income		
Interest income	44	472
Dividend income	1,350	26,691
Share of profit of entities accounted for using equity method	21,864	-
Gain on sales of goods	687	3,249
Other	140	3,983
Total non-operating income	24,087	34,395
Non-operating expenses		
Interest expenses	3,824	6,882
Loss on investments in partnership	1,369	1,368
Commission fee	77,016	10,156
Share issuance cost	-	62,568
Share of loss of entities accounted for using equity method	-	66,786
Foreign exchange losses	215	121
Other	609	7,475
Total non-operating expenses	83,035	155,360
Ordinary profit	1,866,435	2,187,116
Extraordinary income		
Gain on sales of non-current assets	1,060	-
Gain on sales of investment securities	-	1,009
Total extraordinary income	1,060	1,009
Profit before income taxes	1,867,495	2,188,125
Income taxes	653,074	761,201
Profit	1,214,421	1,426,924
Profit attributable to non-controlling interests	-	5,988
Profit attributable to owners of parent	1,214,421	1,420,936

Consolidated statements of comprehensive income

Six months ended June 30, 2018

(Thousand yen)

	For the six months ended June 30, 2017	For the six months ended June 30, 2018
Profit	1,214,421	1,426,924
Other comprehensive income		
Valuation difference on available-for-sale securities	960	646
Share of other comprehensive income of entities accounted for using equity method	116	-
Total other comprehensive income	1,076	646
Comprehensive income	1,215,497	1,427,571
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,215,497	1,421,582
Comprehensive income attributable to non-controlling interests	-	5,988

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

The Company issued new shares through an international offering as of May 9, 2018. As a result, capital stock and capital surplus increased by ¥6,618,336 thousand, respectively, in the six months ended June 30, 2018.

(Changes in accounting policies)

The Company applied the "Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Condition," (PITF No.36, January 12, 2018; hereinafter "PITF No.36"), etc. on and after April 1, 2018, and decided to apply accounting treatment conforming to the "Accounting Standard for Share-based Payment" (ASBJ Statement No. 8, December 27, 2005), etc. to transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions.

However, with regard to the application of PITF No.36, the Company follows the transitional measure stipulated in Paragraph 10 (3) of PITF No.36, and continues to apply the previously adopted accounting treatment to transactions in which it had granted employees and others stock acquisition rights, which involve considerations, with vesting conditions, before the day when PITF No.36 was applied.

(Segment information, etc.)

[Segment information]

I For the six months ended June 30, 2017

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

(Thousand yen)

	Reportable segment					Others (Note 1)	Total	Adjust- ments (Note 2)	Amounts on consolidated statements of income (Note 3)
	TATERU Apartment business	TATERU Funding business	TATERU bnb business	Robot Home business	Total				
Net sales									
Net sales to external customers	25,762,088	10,740	35,109	-	25,807,938	646,489	26,454,428	-	26,454,428
Inter-segment sales or transfers	676	-	11,100	-	11,776	-	11,776	(11,776)	-
Total	25,762,764	10,740	46,209	-	25,819,714	646,489	26,466,204	(11,776)	26,454,428
Segment profit or loss	2,925,758	(16,326)	(27,360)	(81,870)	2,800,201	(38,423)	2,761,777	(836,394)	1,925,383

- (Notes)
- Others refers to business segments not included in the reportable segments.
  - The adjustment to segment profit or loss mainly represents companywide expenses which have not been allocated to each reportable segment.
  - Segment profit or loss is adjusted with the operating profit 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 six months ended June 30, 2018

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

(Thousand yen)

	Reportable segment					Others (Note 1)	Total	Adjust- ments (Note 2)	Amounts on consolidated statements of income (Note 3)
	TATERU Apartment business	TATERU Funding business	TATERU bnb business	Robot Home business	Total				
Net sales									
Net sales to external customers	36,135,165	292,586	266,186	467,826	37,161,764	190,385	37,352,150	-	37,352,150
Inter- segment sales or transfers	9,726	-	-	113	9,839	26,074	35,914	(35,914)	-
Total	36,144,892	292,586	266,186	467,939	37,171,604	216,460	37,388,064	(35,914)	37,352,150
Segment profit or loss	3,202,172	136,356	112,078	136,297	3,586,905	1,284	3,588,189	(1,280,108)	2,308,080

- (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 reportable segment was "TATERU Apartment business" only. From the three months ended March 31, 2018, the Group changed its reportable segment into four segments, namely, "TATERU Apartment business," "TATERU Funding business," "TATERU bnb business" and "Robot Home business."

The changes are made due to the revision of the Group's business development, decision of allocation of management resources and method of performance evaluation that reflects the actual state with the full-scale launch of "TATERU Funding business," "TATERU bnb business" and "Robot Home business" during the three months ended March 31, 2018.

Segment information for the six months ended June 30, 2017 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

### 3. Others

#### Orders received

(Record of orders received)

The record of orders received about construction in TATERU Apartment business for the six months ended June 30, 2018 is as follows.

Name of the segment	Orders received (Thousand yen)	Changes from the previous corresponding period (%)	Order backlog (Thousand yen)	Changes from the previous corresponding period (%)
TATERU Apartment business	24,279,126	137.4	34,430,445	144.9

- (Notes)
1. Consumption taxes, etc. are not included in the above figures.
  2. As presentations regarding the record of orders received about construction in TATERU Funding business, TATERU bnb business and Robot Home business are not suitable due to the business characteristics, they are not stated.