

# Consolidated Financial Results for the Nine Months Ended September 30, 2018 [Japanese GAAP]



November 12, 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: November 13, 2018  
 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, 2018 (January 1, 2018 to September 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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended September 30, 2018	50,814	20.1	2,551	(12.6)	2,403	(16.2)	3,212	72.4
September 30, 2017	42,326	76.9	2,919	30.0	2,868	27.7	1,863	32.0

(Note) Comprehensive income: Nine months ended September 30, 2018: ¥3,150 million [69.1%]  
 Nine months ended September 30, 2017: ¥1,862 million [32.6%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2018	38.51	35.15
September 30, 2017	24.18	21.30

(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 September 30, 2018	36,929	25,281	68.1
As of December 31, 2017	21,864	9,667	43.6

(Reference) Equity: As of September 30, 2018: ¥25,141 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	72,238	7.8	3,060	△48.1	2,909	△50.4	3,389	△15.2
								39.98

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

### \* Notes:

- (1) Changes in significant subsidiaries during the period under review: 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):  
September 30, 2018: 88,767,000 shares  
December 31, 2017: 79,059,000 shares  
2) Total number of treasury stock at the end of the period:  
September 30, 2018: - shares  
December 31, 2017: - shares  
3) Average number of shares during the period:  
Nine months ended September 30, 2018: 83,422,355 shares  
Nine months ended September 30, 2017: 77,043,293 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 nine months ended September 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 new TATERU Funding business, TATERU bnb business, and Robot Home businesses have achieved profitability, although our mainstay TATERU Apartment business posted an increase in sales and a decrease in profit.

As a result, the performance for the nine months ended September 30, 2018 was ¥50,814 million in net sales (up 20.1% year on year), ¥2,551 million in operating profit (down 12.6% year on year), and ¥2,403 million in ordinary profit (down 16.2% year on year). In addition, profit attributable to owners of parent amounted to ¥3,212 million (up 72.4% year on year), partly due to the recording of gain on sales of investment securities of ¥2,425 million.

It was discovered that an employee of the Company manipulated deposit balance data received from a client to make it easier for the client to pass a loan screening by making the amount of balance seem higher than it is and submitted the data to a financial institution (the "Matter"). As a result, on September 4, 2018, the Company established a "Special Investigation Committee" consisting primarily of external expert advisors in order to confirm whether any similar manipulation of documents occurred in this or other cases, and to receive advice on preventing reoccurrence, taking into consideration any facts discovered as a result of the investigation. The Company once again wishes to extend its sincerest apologies for the considerable inconvenience caused to all parties, including shareholders.

The Company will steadily implement measures to prevent reoccurrence and ensure thorough awareness of compliance as we unite as a Company in our endeavors to regain trust at the earliest opportunity.

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 worked to enhance our branding by engaging in various advertising activities including TV commercials. In view of the impact of the Matter on the parties concerned and various other circumstances, we have refrained from running advertisements since September, 2018. Delays in the delivery of apartments and the cancelation of orders have also occurred as a result of the Matter.

As a result, net sales for the nine months ended September 30, 2018 was ¥49,080 million (up 18.7% year on year) and operating profit was ¥3,896 million (down 14.7% 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 50 funds (total amount offered: ¥3,193million) from the start of the said business to the nine months ended September 30, 2018. As well as canceling the management of three funds that were scheduled to commence on October 1, 2018, we have suspended the formation of new funds.

As a result, net sales for the nine months ended September 30, 2018 was ¥486 million (¥15 million for the same period of the previous fiscal year) and operating profit was ¥200 million (operating loss of ¥34 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, 12 apartment buildings were delivered during the nine months ended September 30, 2018.

As a result, net sales for the nine months ended September 30, 2018 was ¥438 million (up 609.1% year on year) and operating profit was ¥159 million (operating loss of ¥53 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 nine months ended September 30, 2018 was ¥688 million (¥2 million for the same period of the previous fiscal year) and operating profit was ¥233 million (operating loss of ¥167 million for the same period of the previous fiscal year).

## (2) Explanation of financial position

### (Assets)

Total assets at the end of the nine months ended September 30, 2018 increased by ¥15,064 million from the end of the previous fiscal year to ¥36,929 million. This is mainly attributable to a decrease in cash and deposits of ¥2,836 million, despite increases in real estate for sale of ¥13,075 million and real estate for sale in process of ¥3,550 million.

### (Liabilities)

Total liabilities at the end of the nine months ended September 30, 2018 decreased by ¥548 million from the end of the previous fiscal year to ¥11,648 million. This is mainly attributable to decreases in short-term loans payable of ¥1,200 million, income taxes payable of ¥798 million and long-term loans payable of ¥303 million.

### (Net assets)

Total net assets at the end of the nine months ended September 30, 2018 increased by ¥15,613 million from the end of the previous fiscal year to ¥25,281 million. This is mainly attributable to respective increases in capital stock and capital surplus of ¥6,644 million, which are resulting from issuance of new shares, as well as an increase in retained earnings of ¥2,386 million due to the payment of dividends from surplus of ¥826 million, despite the recording of profit attributable to owners of parent of ¥3,212 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 been revised from

the forecast announced on February 13, 2018 in light of the most recent performance trends.

For details, please refer to the “Notice Concerning Revisions to the Consolidated Financial Results Forecast for the Full Year Ending December 31, 2018” announced today (November 12, 2018).

## 2. Consolidated Financial Statements and Primary Notes

### (1) Consolidated balance sheets

(Thousand yen)

	As of December 31, 2017	As of September 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	9,888,330	7,051,712
Accounts receivable-trade	1,162,053	1,093,797
Merchandise and finished goods	81,529	151,071
Work in process	12,590	-
Real estate for sale	1,847,356	14,922,375
Real estate for sale in process	1,384,219	4,934,596
Supplies	6,596	11,706
Deferred tax assets	311,951	359,982
Other	819,728	1,282,271
Allowance for doubtful accounts	(2,482)	(7,303)
Total current assets	15,511,874	29,800,209
Non-current assets		
Property, plant and equipment	1,398,617	1,851,492
Intangible assets		
Goodwill	1,921,305	1,823,612
Other	167,901	338,204
Total intangible assets	2,089,207	2,161,816
Investments and other assets		
Investment securities	2,181,666	2,508,241
Deferred tax assets	62,966	97,568
Other	620,448	510,143
Total investments and other assets	2,865,081	3,115,952
Total non-current assets	6,352,905	7,129,261
Total assets	21,864,780	36,929,471
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	3,087,038	3,735,868
Short-term loans payable	3,000,000	1,800,000
Current portion of long-term loans payable	405,904	401,448
Income taxes payable	1,464,231	666,093
Provision for bonuses	44,699	179,313
Provision for full occupancy responsibility	200,111	192,132
Asset retirement obligations	29,655	-
Other	2,342,171	3,323,963
Total current liabilities	10,573,811	10,298,818
Non-current liabilities		
Long-term loans payable	1,604,312	1,301,040
Asset retirement obligations	18,889	48,243
Total non-current liabilities	1,623,201	1,349,283
Total liabilities	12,197,012	11,648,101
<b>Net assets</b>		
Shareholders' equity		
Capital stock	628,006	7,272,422
Capital surplus	533,502	7,177,918
Retained earnings	8,300,627	10,686,904
Total shareholders' equity	9,462,137	25,137,245
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	69,152	4,203
Foreign currency translation adjustment	-	(6)



(Thousand yen)

	As of December 31, 2017	As of September 30, 2018
Total accumulated other comprehensive income	69,152	4,196
Subscription rights to shares	1,530	1,530
Non-controlling interests	134,948	138,397
Total net assets	9,667,768	25,281,369
Total liabilities and net assets	21,864,780	36,929,471

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

Nine months ended September 30, 2018

(Thousand yen)

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2018
Net sales	42,326,199	50,814,590
Cost of sales	35,489,713	42,049,377
Gross profit	6,836,486	8,765,213
Selling, general and administrative expenses	3,917,434	6,213,518
Operating profit	2,919,052	2,551,694
Non-operating income		
Interest income	421	1,431
Dividend income	1,351	26,691
Share of profit of entities accounted for using equity method	33,727	-
Gain on sales of goods	691	3,249
Gain on insurance cancellation	-	13,945
Other	485	4,284
Total non-operating income	36,678	49,602
Non-operating expenses		
Interest expenses	6,448	9,658
Share issuance cost	-	62,568
Loss on investments in partnership	2,716	2,876
Commission fee	77,520	10,156
Foreign exchange losses	200	-
Share of loss of entities accounted for using equity method	-	102,702
Other	777	9,839
Total non-operating expenses	87,664	197,801
Ordinary profit	2,868,065	2,403,495
Extraordinary income		
Gain on sales of non-current assets	1,060	-
Gain on sales of investment securities	-	2,425,815
Total extraordinary income	1,060	2,425,815
Extraordinary losses		
Special survey costs, etc.	-	33,741
Total extraordinary losses	-	33,741
Profit before income taxes	2,869,126	4,795,569
Income taxes	1,007,551	1,579,754
Profit	1,861,574	3,215,815
Profit (loss) attributable to non-controlling interests	(1,626)	3,449
Profit attributable to owners of parent	1,863,200	3,212,366

Consolidated statements of comprehensive income  
Nine months ended September 30, 2018

(Thousand yen)

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2018
Profit	1,861,574	3,215,815
Other comprehensive income		
Valuation difference on available-for-sale securities	1,004	(64,949)
Foreign currency translation adjustment	-	(6)
Share of other comprehensive income of entities accounted for using equity method	204	-
Total other comprehensive income	1,208	(64,956)
Comprehensive income	1,862,782	3,150,859
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,864,408	3,147,410
Comprehensive income attributable to non-controlling interests	(1,626)	3,449

(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 nine months ended September 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 nine months ended September 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 consolidate d 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	41,353,818	15,244	50,753	-	41,419,816	906,383	42,326,199	-	42,326,199
Inter-segment sales or transfers	868	-	11,100	2,402	14,370	-	14,370	(14,370)	-
Total	41,354,687	15,244	61,853	2,402	41,434,187	906,383	42,340,570	(14,370)	42,326,199
Segment profit or loss	4,568,615	(34,359)	(53,731)	(167,119)	4,313,404	(33,277)	4,280,126	(1,361,074)	2,919,052

- (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 nine months ended September 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 consolidate d 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	49,067,337	435,557	438,632	675,762	50,617,290	197,300	50,814,590	-	50,814,590
Inter- segment sales or transfers	13,235	51,349	-	12,941	77,526	45,798	123,324	(123,324)	-
Total	49,080,573	486,907	438,632	688,703	50,694,817	243,098	50,937,915	(123,324)	50,814,590
Segment profit or loss	3,896,531	200,693	159,649	233,904	4,490,779	3,306	4,494,085	(1,942,390)	2,551,694

- (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 nine months ended September 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 nine months ended September 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	21,419,186	76.6	23,747,891	86.8

- (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.
  3. The orders received and the order backlog reflect adjustments for order cancelations and order changes. Of the orders received and the order backlog as of June 30, 2018, orders received of ¥5,207,564 thousand and order backlog of ¥6,974,043 thousand were cancelled during the third quarter ended September 30, 2018.