

TATERU, Inc.

FY2019 3Q

FINANCIAL RESULTS



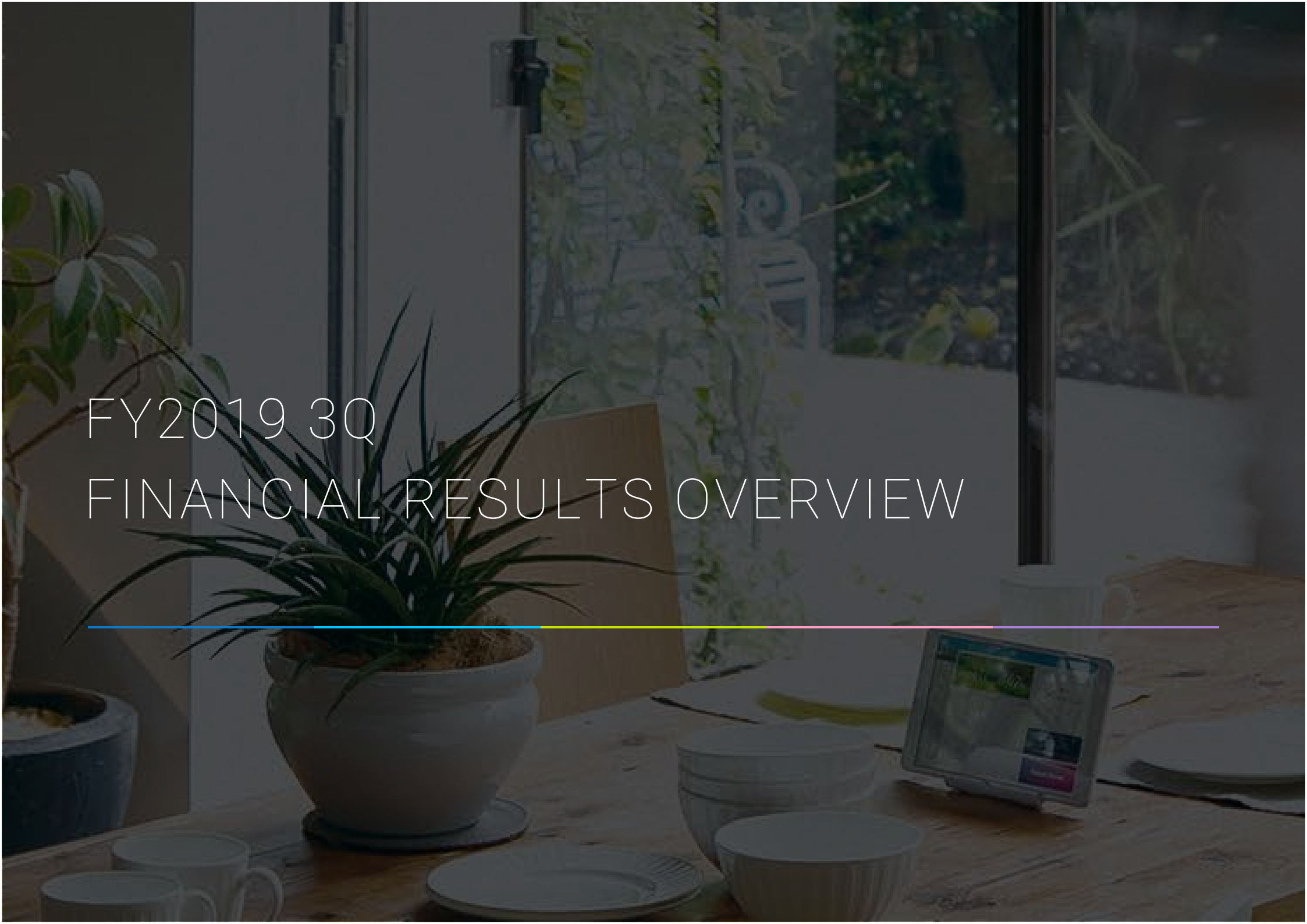
FY2019 3Q Financial Results Briefing Materials

November 2019 TATERU, Inc. (TSE1:1435)



FY2019 3Q Financial Results Overview _____ P. 02

TATERU Growth Strategy _____ P. 10

The background image is a dimly lit interior scene. In the foreground, a wooden table is set with a white ceramic bowl, a white plate, and a white mug. A potted plant with long, dark green leaves sits on the table. In the background, a tablet is propped up, displaying a presentation with a green header and a blue footer. The text "FY2019 3Q FINANCIAL RESULTS OVERVIEW" is overlaid on the image in a white, sans-serif font. A horizontal line with a rainbow gradient is positioned below the text.

FY2019 3Q FINANCIAL RESULTS OVERVIEW

Company overview

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	368 persons (consolidated basis / full-time employees / as of September 30, 2019)
Businesses	Apartment platform business IoT business Smart hotel business
Subsidiaries	Robot Home Co., Ltd. TABICT, Inc. TATERU Funding, Inc. TATERU-UZ LLC TATERU TECH LAB PTE. LTD. Invest Online, Inc. (*) IO Funding Co., Ltd. (*)

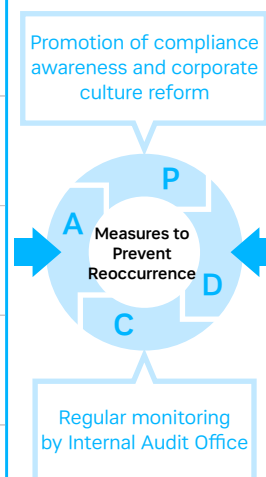
(*) It is planned to exclude Invest Online, Inc. and IO Funding Co., Ltd. from the scope of consolidation beginning from FY2019 4Q..

Regarding Measures to Prevent Reoccurrence on Inappropriate Actions

Due to the series of issues in TATERU Apartment business, the Company received a suspension order as of June 28, 2019 from the Kanto Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism based on the provisions of Article 65, Paragraph 2 of the Real Estate Brokerage Act. The Company wishes to extend its sincerest apologies for the considerable concern and trouble caused to persons concerned. The Company takes this disposition to heart and will continue its efforts to take measures to prevent reoccurrence and restore confidence. Moving forward, the Company will steadily implement measures to prevent reoccurrence and ensure thorough awareness of compliance of all officers and employees in an effort to restore trust as a whole (*). Below is the outline of the measures and the status of our initiative to prevent reoccurrence.

● Regarding measures to prevent reoccurrence on inappropriate actions

Measures to prevent reoccurrence	Status of our initiative
1. Modifying Operational Workflows	An Administrative Section will be newly established in a department independent of sales representatives, and workflows will be modified to perform receipt of loan-related documentation from clients and submission to financial institutions will be handled only by the Administrative Section. Completed
2. Stricter Contract Suitability Procedures	The Company will ensure stricter procedures for confirming client contract suitability for sale and purchase, etc. of clients, while the Administrative Section will be required to confirm original copies of balance data for these clients, such as deposit passbooks. Completed
3. Operational Monitoring	Monitoring (spot inspections) will be implemented by the Internal Audit Office regarding the state of compliance with 1. and 2. above. Completed
4. Revision of Compliance Structures	Strengthening compliance education and training structures as well as revising compliance structures by establishing General Compliance Division. Completed
5. Enrichment of Whistleblowing System	While once again thoroughly raising awareness of the existence of the whistleblowing system and its purpose among all officers and employees, the Company will establish a compliance hotline for related parties (clients and transaction partners) outside of the Company. Completed



● Initiatives on recommendations from Special Investigation Committee

Recommendations from Special Investigation Committee	Status of our initiative
Corporate culture reform	Continue on this initiative earnestly such as formulation of training plan for all directors, officers and employees Ongoing
Enhancement of Compliance Committee	Initiate operation centered on General Compliance Division Completed
Establishment of General Compliance Division	Established General Compliance Division in February 2019 Completed
Appointment and nomination of Outside Directors (other than Directors serving as Audit and Supervisory Committee Members) who involve in business execution	Appointed at the 13th Annual General Meeting of Shareholders Completed
Activation of Harassment Prevention Committee and whistleblowing contact	Strengthen awareness by performing trainings, etc. by external specialists and inform whistleblowing contact once again Completed

(*) For further details, please refer to "Measurements to Prevent Reoccurrence" posted on our website.
<https://corp.tateru.co/company/compliance>

- Implemented an early retirement incentive program, received applications from 136 employees, and recorded extraordinary losses of ¥281 million as a result.
- Concluded a share transfer agreement with Aeria Investment No. 2 KK on October 31, 2019, to transfer the shares of Invest Online, Inc., and recorded an extraordinary loss of ¥1,540 million from the share transfer.
- Resolved to cancel the transition to a holding company system on November 11, 2019, after comprehensive consideration of perspectives including business selection and concentration.

Consolidated statements of income

(Unit: million yen)

	FY2018 3Q	FY2019 3Q			
	3Q (Cumulative)	1Q	2Q	3Q	3Q (Cumulative)
Net sales	50,814	4,663	9,610	3,334	17,607
Gross profit	8,765	▲2,624	▲389	515	▲2,498
Selling, general and administrative expenses	6,213	2,079	1,409	1,280	4,768
Operating income	2,551	▲4,704	▲1,798	▲765	▲7,267
Ordinary income	2,403	▲4,893	▲1,992	▲811	▲7,697
Profit attributable to owners of parent	3,212	▲6,045	▲2,894	▲1,524	▲10,463

Loss of ¥3,198 million
due to promotion of
collective sale

Impairment loss of ¥886
million
Special retirement
allowances of ¥281
million
Amortization of goodwill
of ¥1,540 million

Segment information

(Unit: million yen)

	TATERU Apartment	Smart hotel	Robot Home	Others	Total	Consolidated PL
Net sales	16,665	440	454	119	17,680	17,607
Operating income	▲5,376	23	14	▲119	▲5,458	▲7,267

Consolidated balance sheets

(Unit: million yen)

	December 31, 2018	End 3Q FY2019	YoY change
Current assets	26,312	14,502	▲11,810
Inventories	13,035	5,315	▲7,719
Non-current assets	6,132	2,648	▲3,483
Total assets	32,445	17,150	▲15,294
Liabilities	9,563	4,763	▲4,799
Net assets	22,881	12,387	▲10,494
Total liabilities and net assets	32,445	17,150	▲15,294

Decrease in inventories
due to promotion of
collective sale

Earnings forecasts

(Unit: million yen)

	13th Fiscal Period FY2018 (Result)	14th Fiscal Period FY2019	
		3Q	Full-year (forecast)
Net sales	79,149	17,607	19,492
Operating income	721	▲7,267	▲7,916
Ordinary income	507	▲7,697	▲8,311
Profit attributable to owners of parent	821	▲10,463	▲10,599

A person's hand is pointing at a tablet computer on a desk. A smartphone is also visible on the desk. The background is a blurred indoor setting with a plant. The text 'TATERU GROWTH STRATEGY' is overlaid on the image.

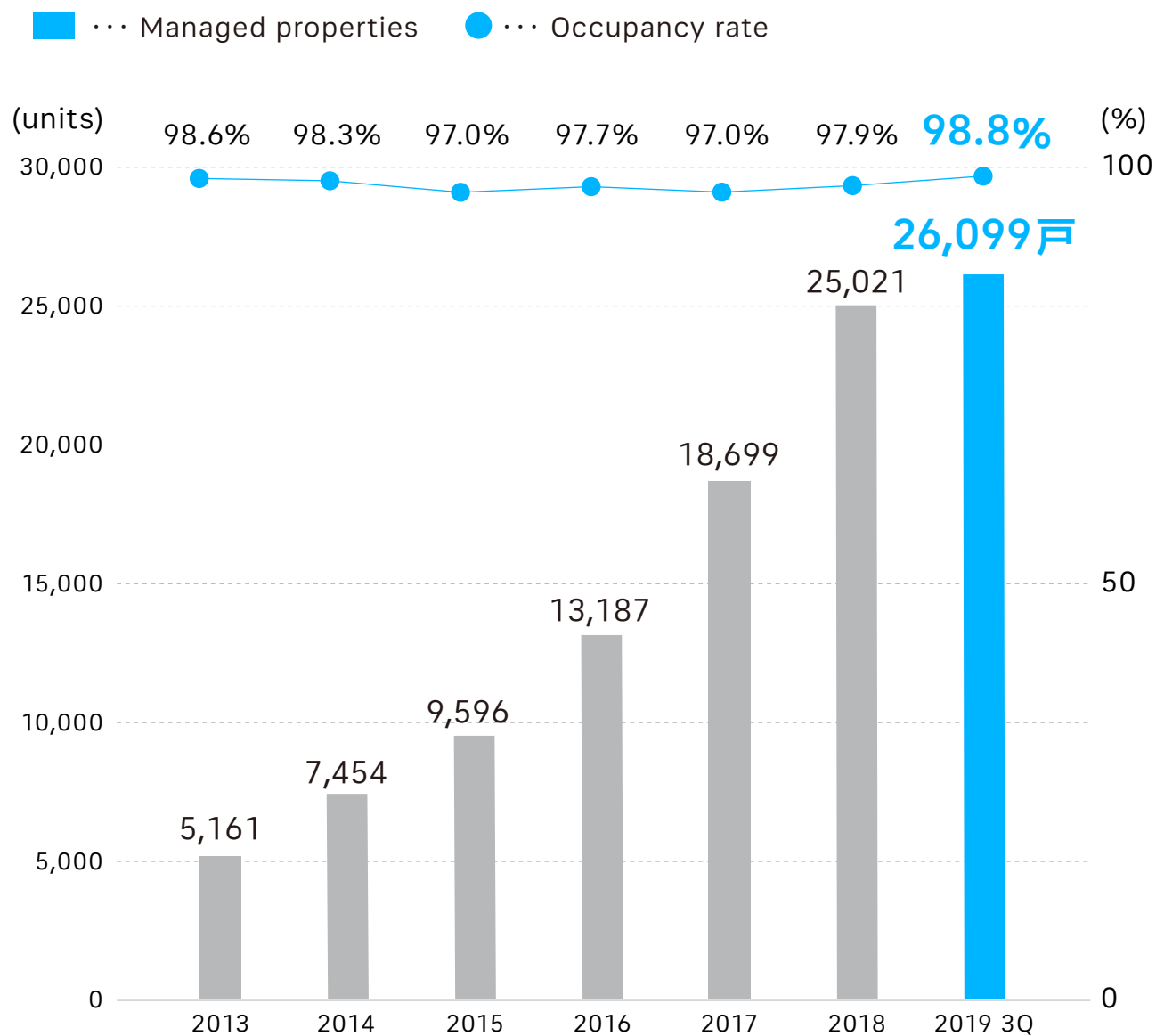
TATERU GROWTH STRATEGY



Apartment platform business

[Apartment sales business / PM platform business]

Apartment platform business



Occupancy rate

98.8%

Managed properties

26,099 units

Zero
sub-
leasing

Centering on in-demand urban areas



Fukuoka area
4,420
units

Osaka area
6,671
units

Nagoya area
5,686
units

Tokyo area
7,804
units

Sendai area
826
units

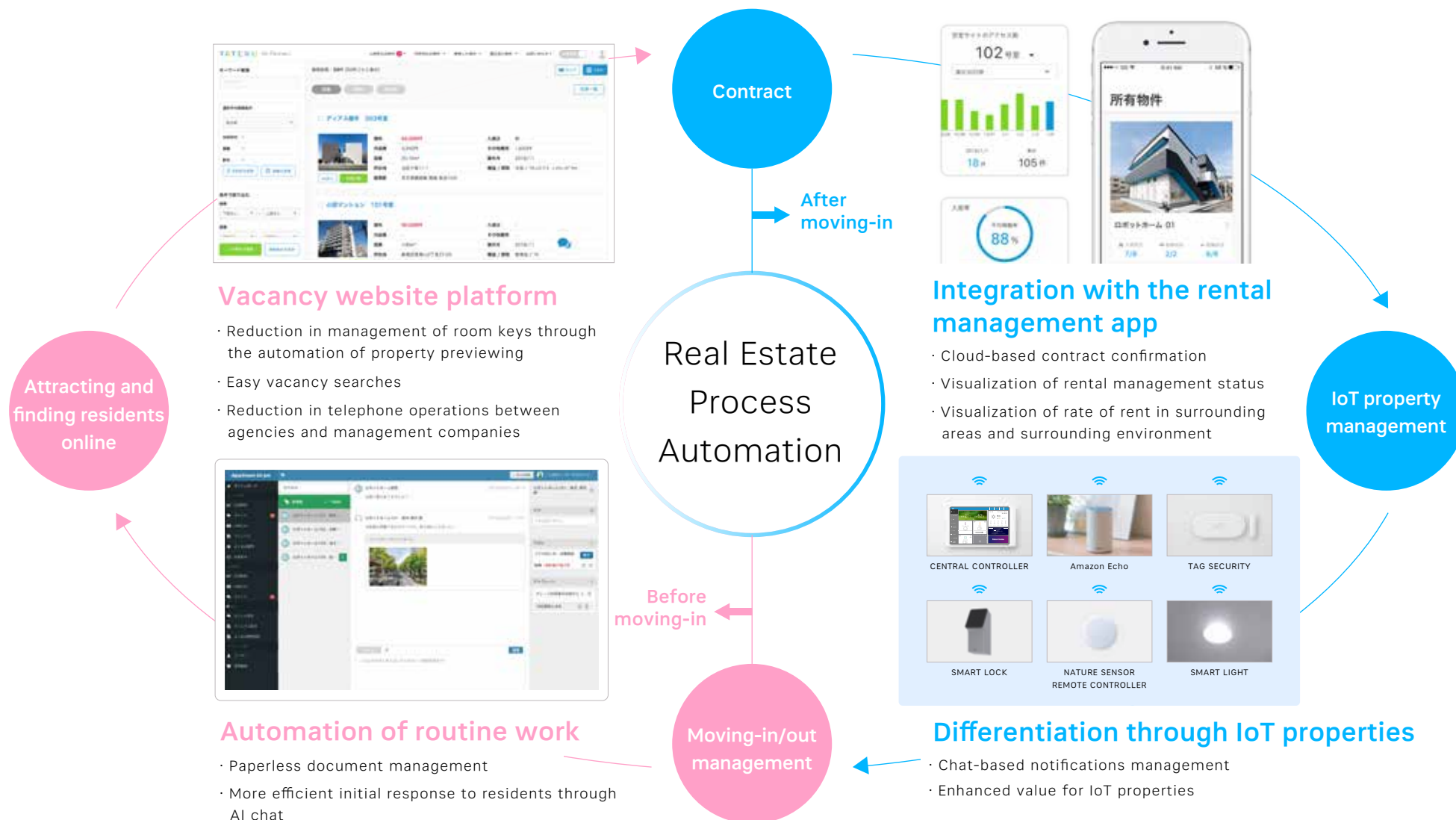
Why choose us?


- Properties within 15 minutes' walk from the closest train station
- Centering on areas where demand for apartments is high
- Properties differentiated by integration of IoT as a standard feature

+

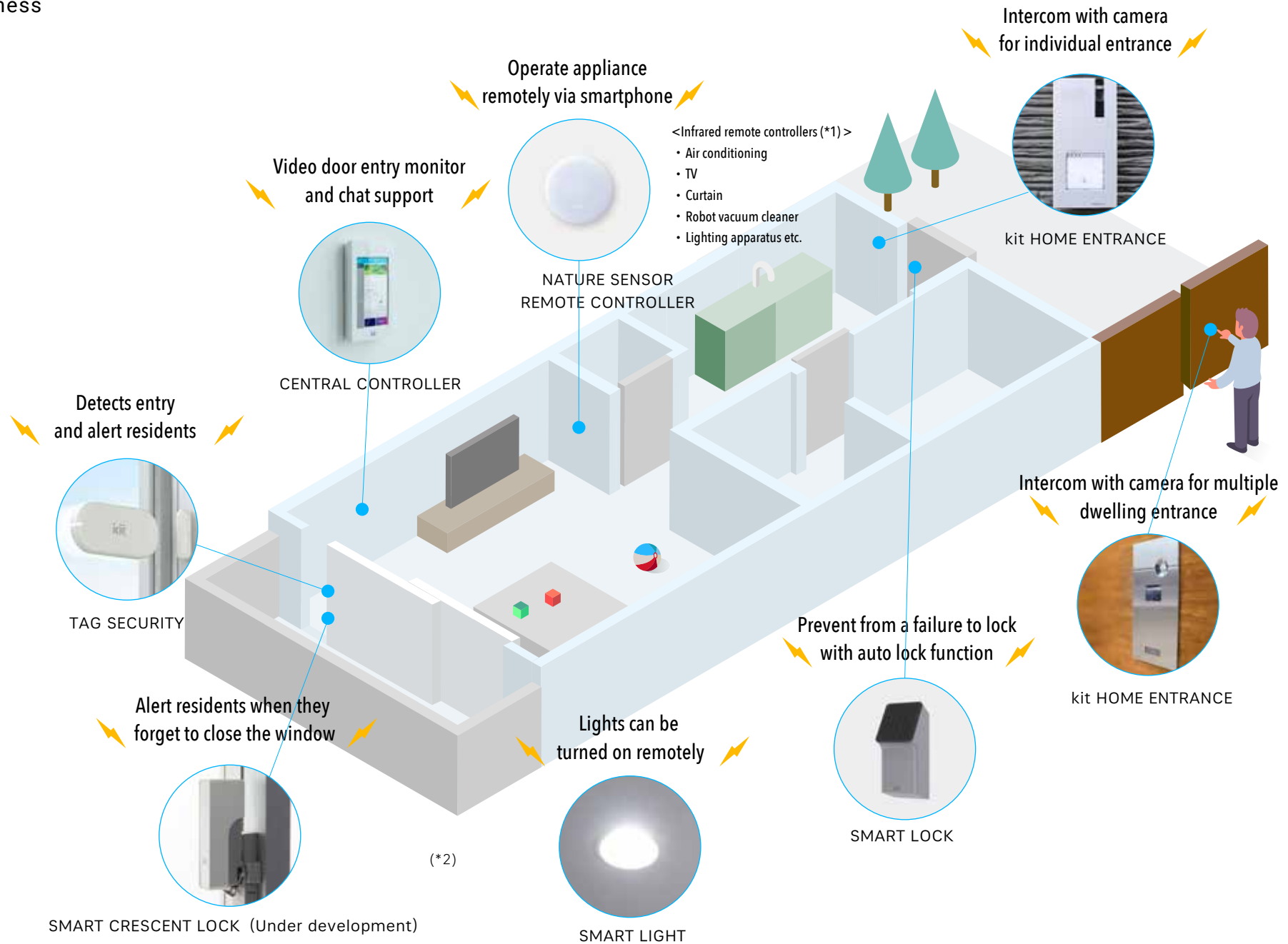
- Improve services for residents with enhanced RPA systems

Automating the processes of real estate operation with RPA (Real Estate Process Automation)



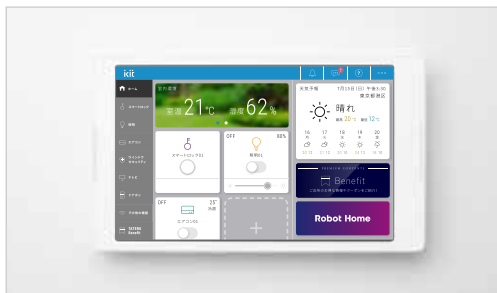


| IoT business



*1 It doesn't guarantee action of every home electric. *2 Floor plan is an example.

Providing internally-developed IoT devices



CENTRAL CONTROLLER

Tablet type gateways that can be equipped with various functions



SMART LOCK

Offers *four ways to unlock doors in a simple and convenient manner

*Smartphones / Keypads / NFC such as card keys / physical keys



TAG SECURITY

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



NATURE SENSOR

REMOTE CONTROLLER

Remote controller that acquires the status of the home environment and can control devices remotely



SMART LIGHT

Turn on/off lights and adjust colors/tone of lighting

Raising resident satisfaction through IoT

With these features, apartments will
rent out at above local market rates

2019 ranking of most popular features
for properties targeting single persons

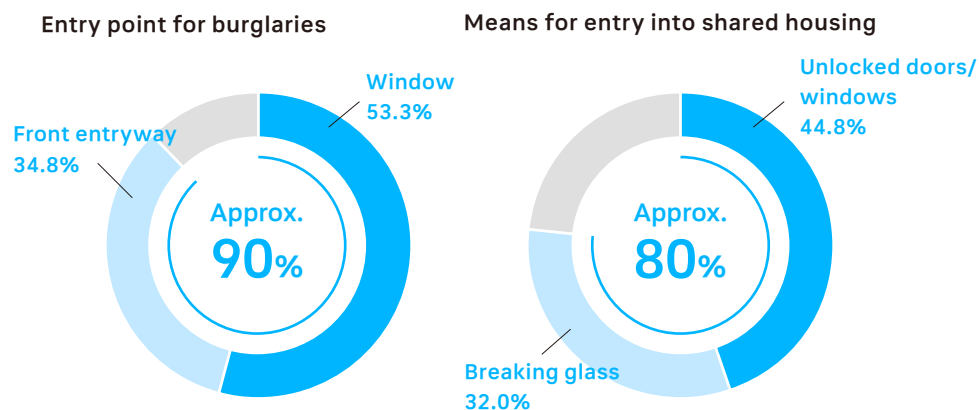
Rank	Feature	Produced by TATERU	
1st → Last time: 1	Free Internet	○	OK!
2nd ↑ Last time: 3	Entrance with an auto-lock	○	OK!
3rd ↓ Last time: 2	Parcel delivery box	kit HOME ENTRANCE can be used to manage deliveries via smartphone	OK!
4th ↑ Last time: 5	Bathroom drying ventilators	○	OK!
5th ↑ Last time: 6	Home security	○	OK!
6th ↑ Last time: 7	Independent washstand	○	OK!
7th Last time: not listed	24-hour garbage disposal	—	
8th (tie) → Last time: 8	Walk-in closet	○	OK!
8th (tie) Last time: not listed	Garage	—	
10th Last time: not listed	Bath water reheating function	○	OK!

* Compiled by the Company from the Oct. 21, 2019 edition of the National Rental Housing Newspaper

* Not all features are available at all properties

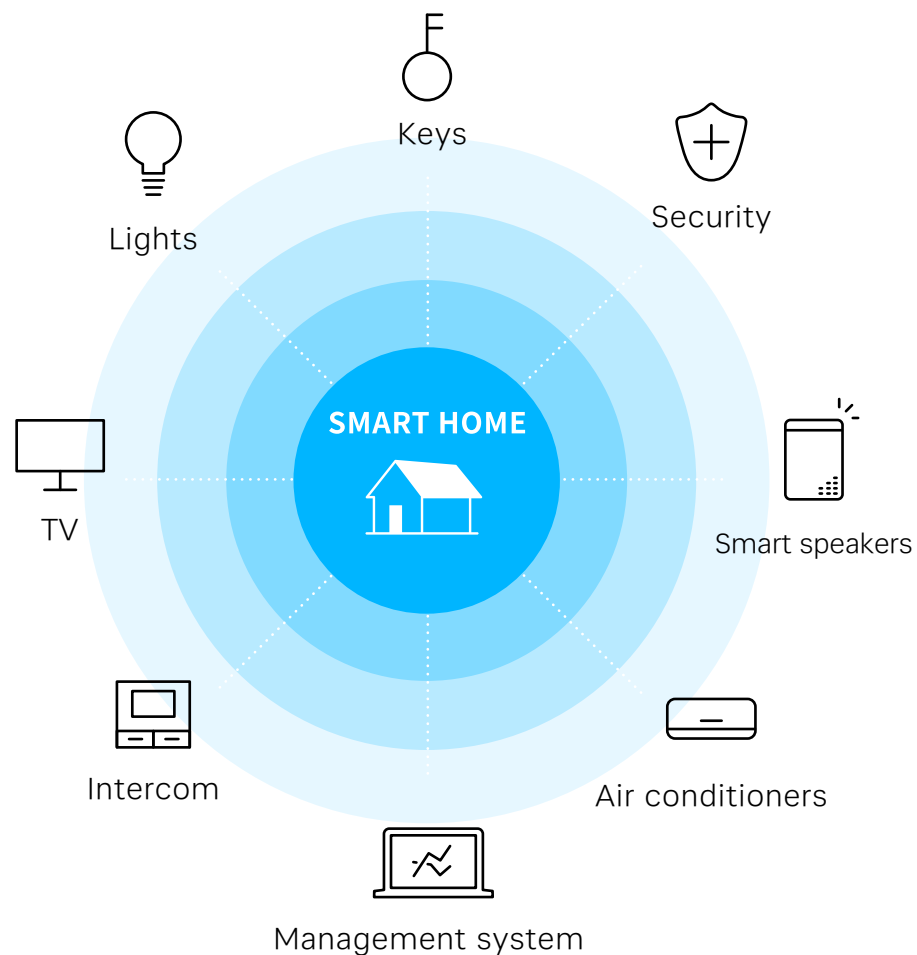
Enhanced security
= resident satisfaction

- Number of burglaries committed in 2018: 31,505 cases (approx. 86 cases per day)
- Windows and front entryway account for approx. 90% of entry points for burglaries
- For shared housing, unlocked doors/windows and breaking glass account for approx. 90% of means of entry



* Compiled by the Company from "Smile (Home) Crime Prevention #110" issued by National Police Agency

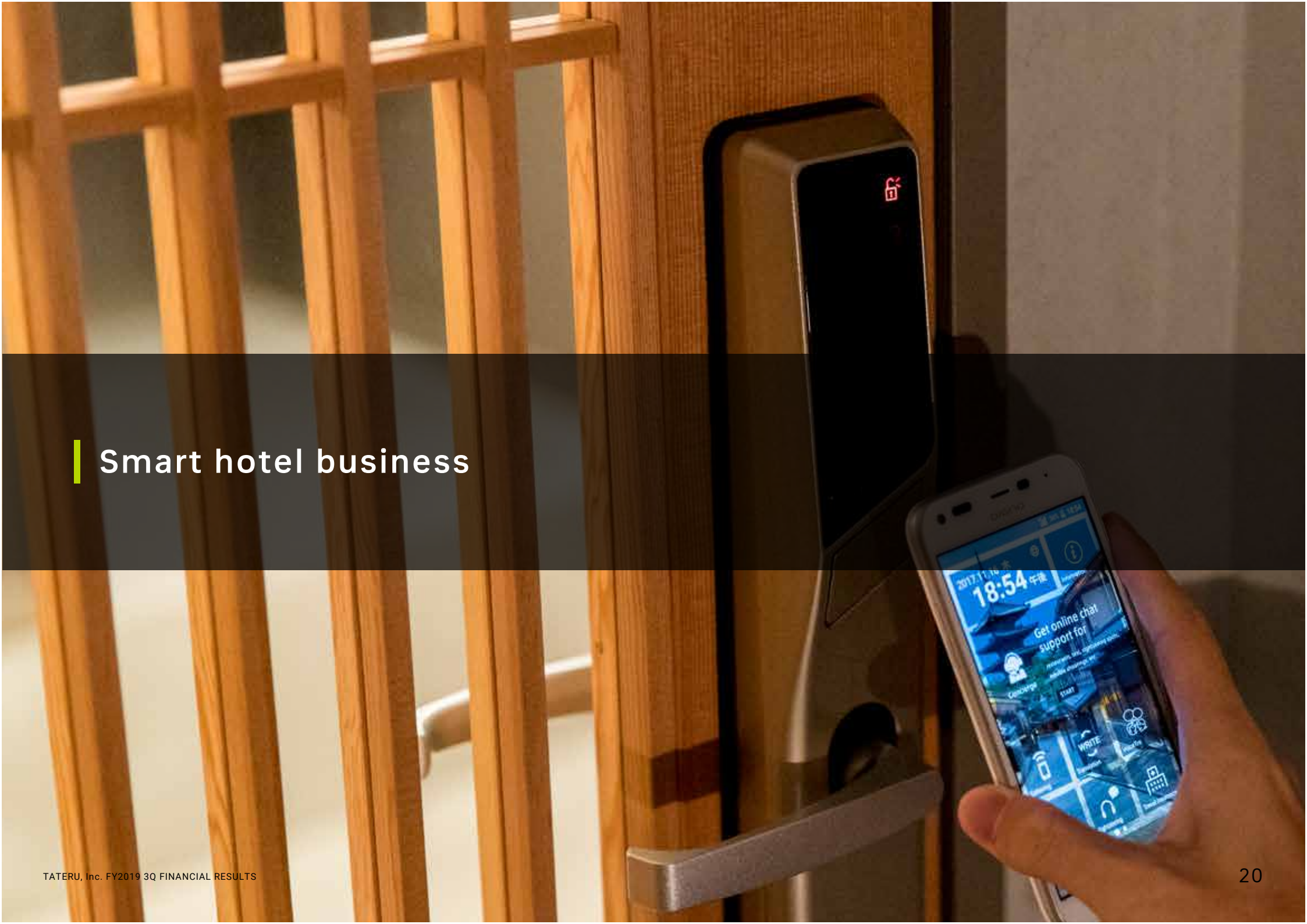
Patented proprietary technologies



Utilizing patented technologies to provide safe and secure SMART HOMES

The Group aims to enhance living convenience and safety through proprietary IoT devices, as well as telecommunications standards and security, utilizing patented technologies.

Patent No. 6240838

A photograph of a modern hotel room door with a wooden lattice design. A black smart lock is mounted on the door, displaying a red digital lock icon. A hand is holding a smartphone in front of the lock, using it to unlock the door. The phone screen shows a blue-themed interface with the time 18:54 and various app icons.

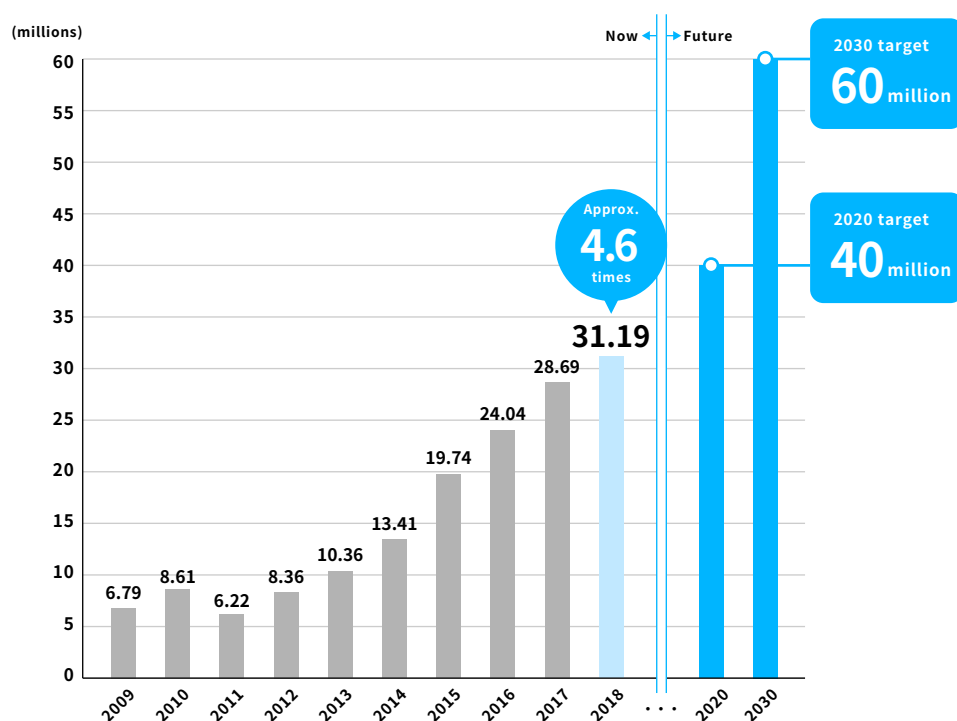
Smart hotel business

Providing a new guest platform to enrich regional economies



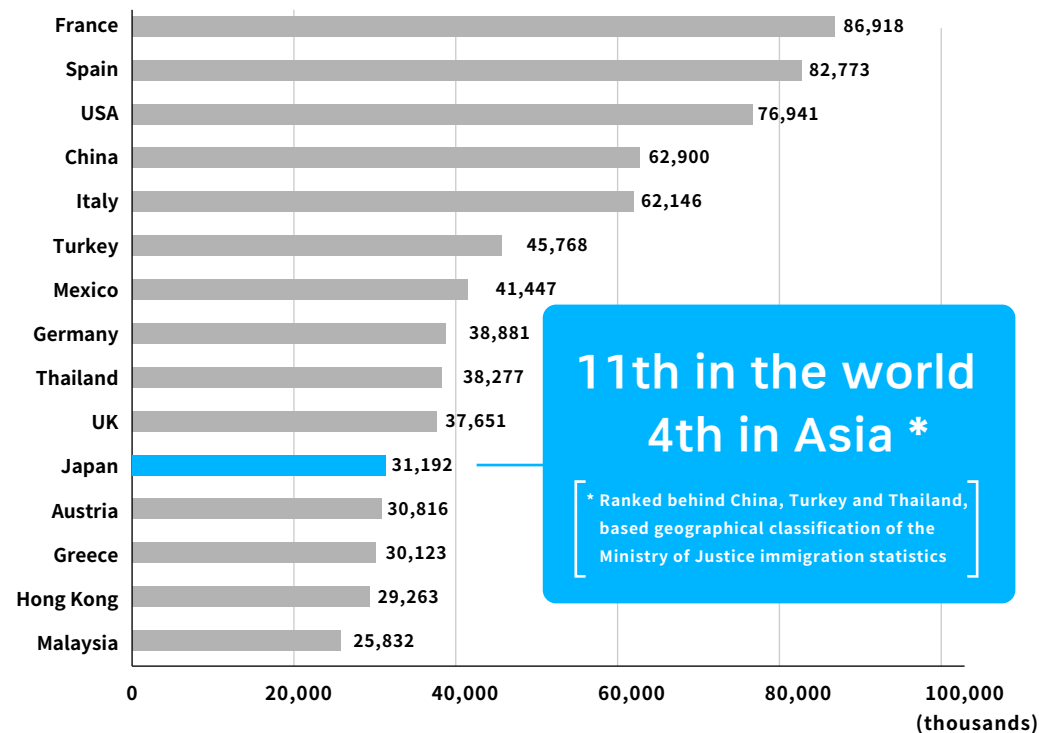
The heightened focus on Japan as a tourist destination, reflected in the increasing number of foreign tourists

Number of foreign tourists to Japan



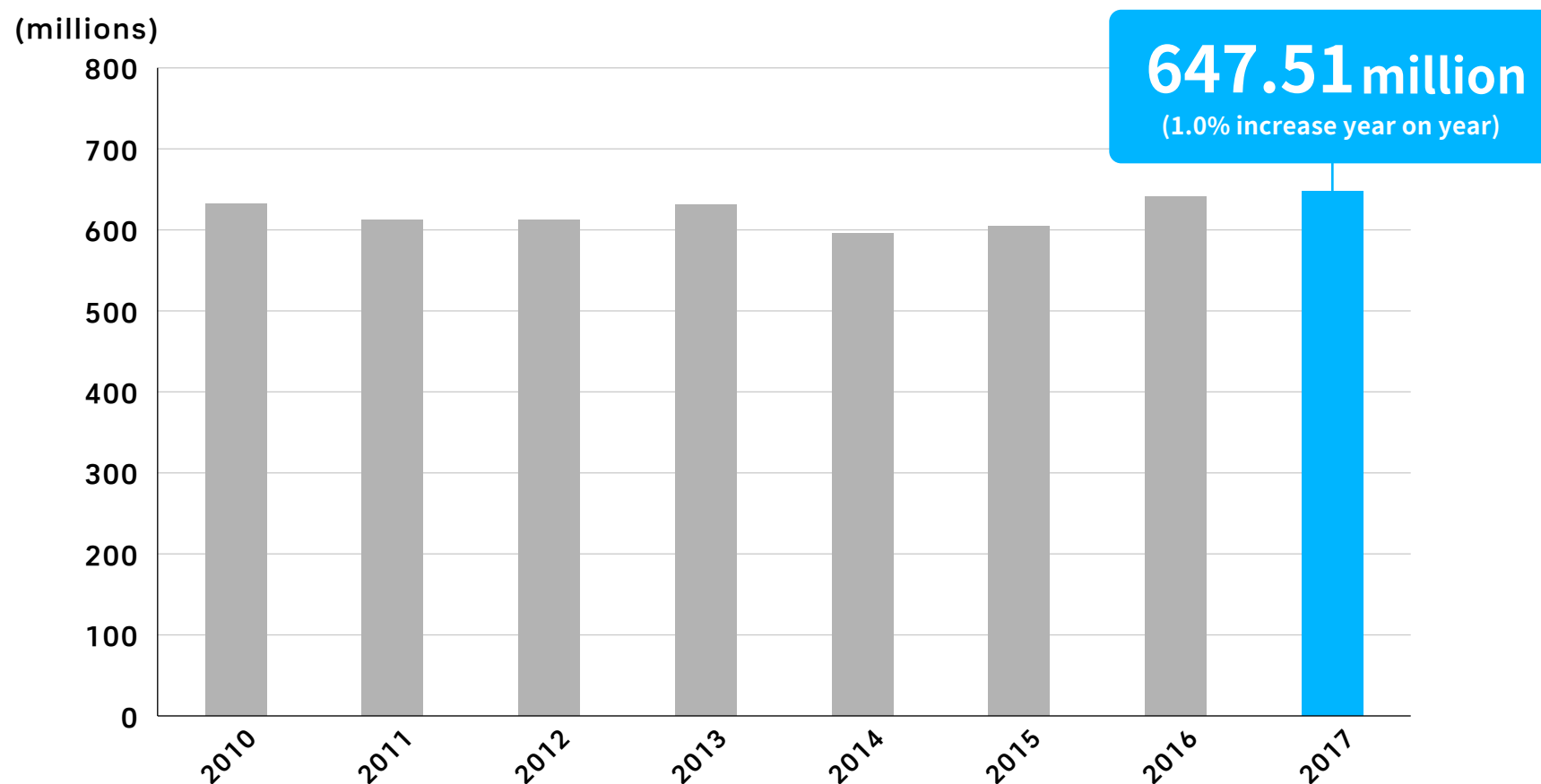
* Compiled by the Company from the website of the Japan National Tourism Organization

Number of foreign tourists to each country/region (2018, top 40)



The number of Japanese domestic travelers also remains high

Trend in the number of Japanese domestic travelers



* Compiled by the Company from "Travel and Tourism Consumption Trend Survey" issued by the Japan Tourism Agency

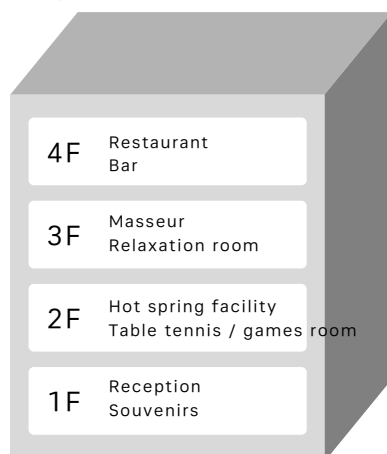
Decentralized accommodation facilities: a new form of accommodation facility that expands accommodation services beyond the limits of the facility

Conventional accommodation facilities

Self contained accommodation facilities, with their own restaurants, bars and hot springs on site

Unlikely to promote consumption at other outlets in the area

Self-contained facilities

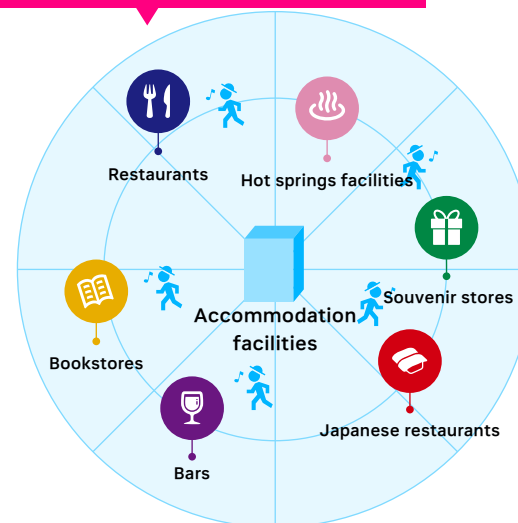


Decentralized accommodation facilities

Promote consumption in the area by providing information on local restaurants, bars and shopping streets and encouraging the patronage of guests, thus revitalizing the local economy

Contributing to the regional economy!

Purchasing in the region

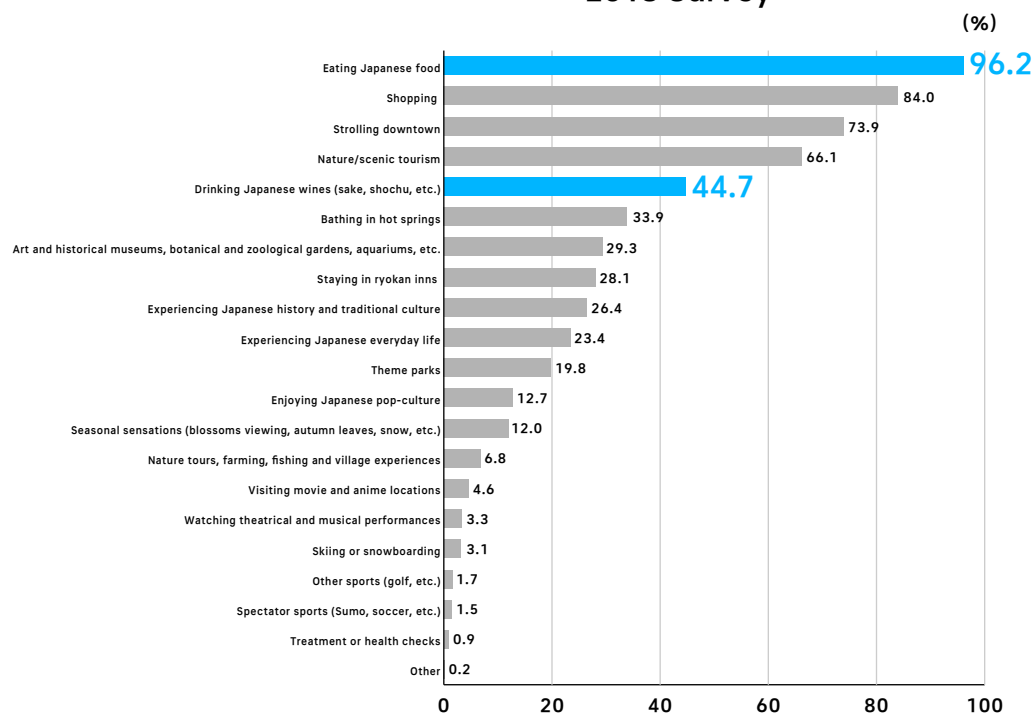


The trend towards separate lodging and meals

Among the activities engaged in by foreign visitors to Japan, 96.2% of foreign visitors eat Japanese cuisine, while approximately half drink Japanese wines. In term of Japanese cuisine, cultural experiences of the kind not generally available at ryokan inns or hotels, such as eating yakiniku or ramen, were seen as the most important. For this reason, the Japan Tourism Agency is promoting separate lodging and meals, where accommodation and dining facilities are separated.

Activities engaged in while visiting Japan (multiple responses)

2018 Survey



Most satisfying meal in Japan

2018 Survey

1st	Meat dishes
2nd	Ramen
3rd	Sushi
4th	Fish dishes
5th	Other Japanese dishes
6th	Soba and udon noodles
7th	Other cuisine
8th	Confectionary
9th	Flour dishes
10th	Other dishes and drinks

The ranking includes many of Hakata's famous dishes!



Compiled by the Company from "International Visitor Survey" issued by the Japan Tourism Agency

Compiled by the Company from "International Visitor Survey and analyses" issued by the Japan Tourism Agency

Operational across Japan, 365 days

**New
Minpaku Law**

Operating days: no more than 180 days/year
May be reduced by local government

**Special zone
private lodging**

Osaka City, Kitakyushu City
and Ota-ku, Tokyo (stays of 2 nights, 3 days)
Only in a limited area

**Inns and
Hotels Act**

**Can operate 365 days,
all over Japan**

**The Company's smart hotel business makes
the best of the Inns and Hotels Act**

Features of the Company's MUSUBI HOTEL

New house rental accommodation facilities utilizing ICT



Unassisted check-in is made possible by the dedicated check-in system, facilitating stress-free travel. Everything from trip planning to support during the trip can be done using the dedicated app.

House rentals can accommodate 4 or more people



Unlike in a hotel, where the family is split between separate rooms, here families traveling together can spend time together. Groups are also welcome, and the facility can be used for student trips and by friends traveling together.

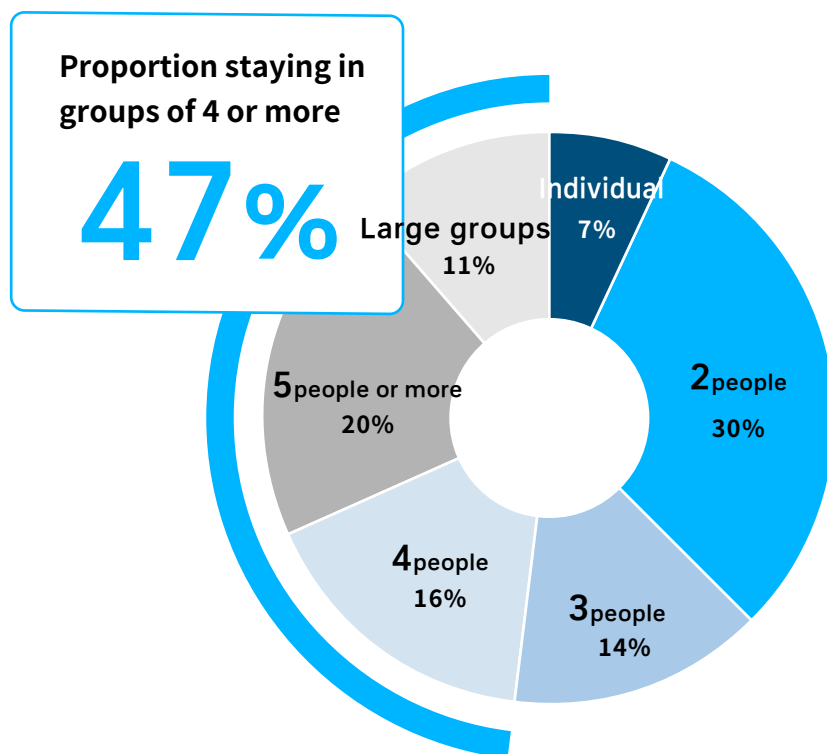
Experience a Japanese lifestyle in townhouse-style accommodation



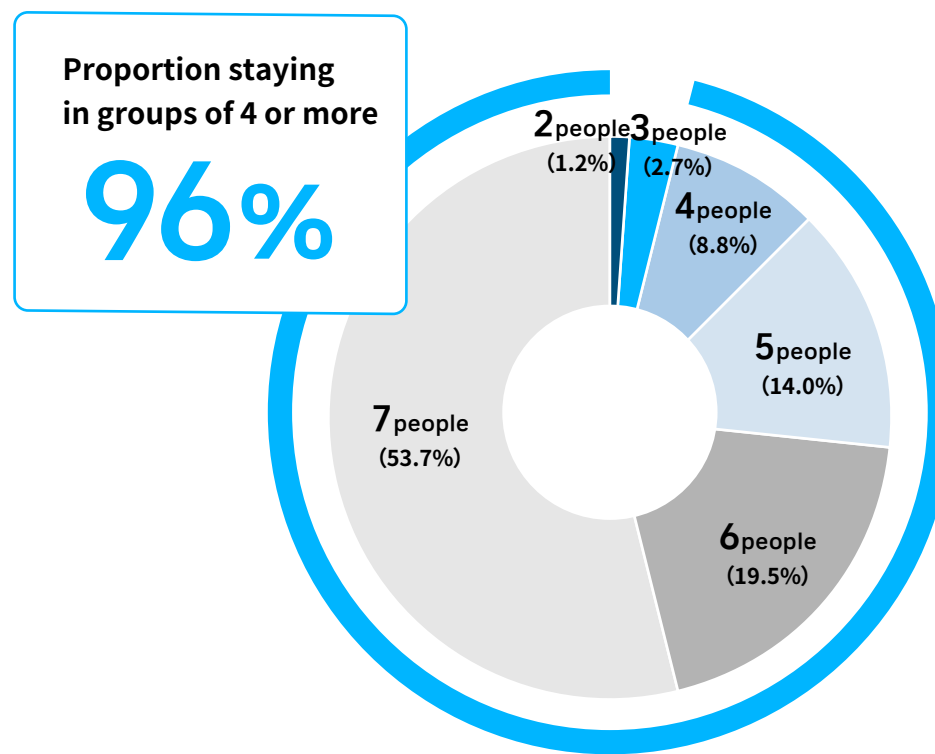
Guests can experience an authentic Japanese lifestyle in accommodation in the style of a traditional townhouse, such as those that are seen in old Japanese towns. This style of accommodation is also popular with foreign visitors to Japan, with their relaxed atmosphere featuring earth floors and inner gardens. The facilities also feature beautiful kitchens and tableware, allowing visitors to make the most of local ingredients.

Focus on the large number of traveling groups with 4 or more people

● Details of guest numbers for Japanese domestic travelers



● Details of guest numbers for facilities operated by the Company January 2018 to September 2019

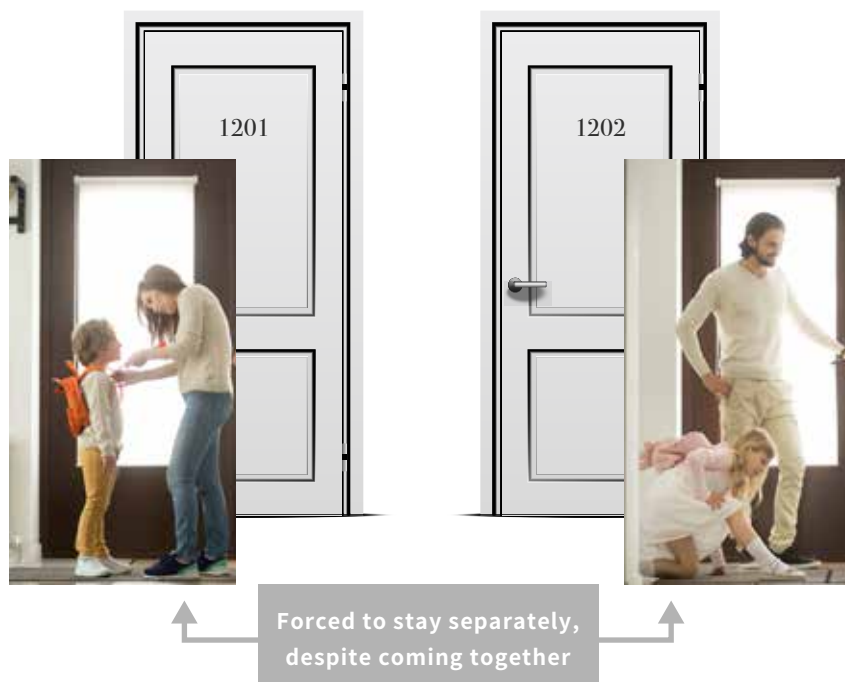


Compiled by the Company from the 2016 Travel and Tourism Consumption Trend Survey (confirmed)

Spending time together at house rental accommodation facilities

Conventional accommodation facilities

In conventional accommodation facilities such as hotels, rooms generally cater to two or three guests, except in the case of some luxury rooms. When families of four or more travel together, they are sometimes forced to book into two separate rooms.



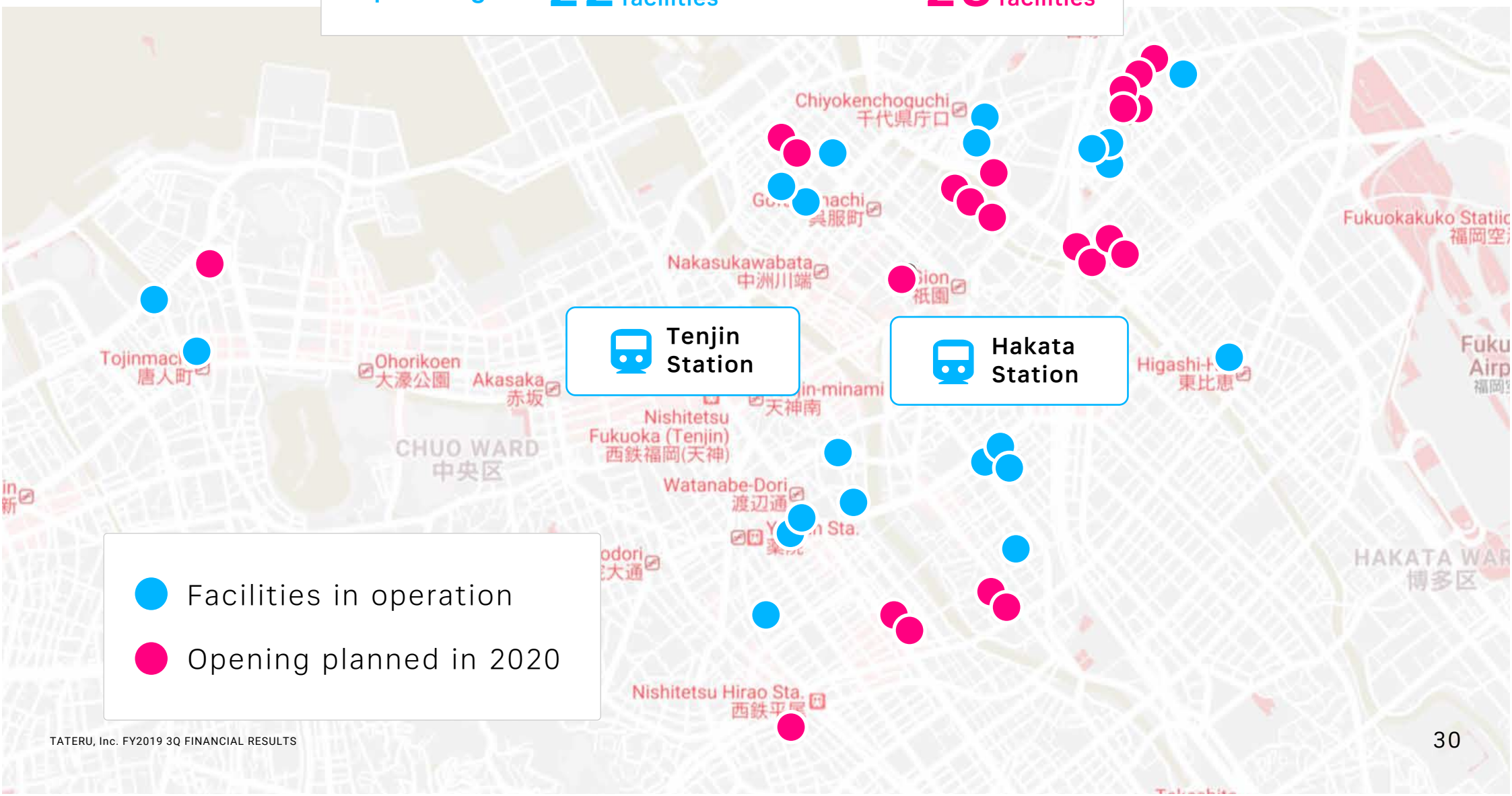
MUSUBI HOTEL

Because groups of four or more can stay together, families and groups traveling together can spend time together in the same room. In addition, because it is a stand-alone house, guests can enjoy themselves without having to worry about other guests.



Successfully deploying smart hotel centering on Fukuoka city

Operating — **22** facilities Planned — **23** facilities



Providing stress-free travel using ICT

Easy check-in, in just 3 steps

STEP1

Arrive at the accommodation:
information on door key is
supplied beforehand

Easy to install, keyless

SMART LOCK



STEP2

Check in on the tablet inside

Tablet for check-in without
face-to-face contact

CHECK-IN PAD



STEP3

Enjoy a comfortable trip with
the concierge service

Concierge available for
24 hours in 5 languages

TRIP CONCIERGE





Real estate planning and development business

Real estate planning and development Technology

Increase values of existing development business models
by incorporating IoT during planning



Project No.1



Name of property	Maison Du Miel Ebisu	Structure	Three-story reinforced concrete
Address	3-chome Ebisu, Shibuya-ku, Tokyo	Number of units	5 units
Built in	May 2016	<div>Three-story maisonette at each unit</div> <div>73.41㎡ - 74.23㎡ / unit</div> <div>1LDK + hall + rooftop terrace</div>	
Access	12 min. on foot from JR Yamanote line Ebisu station		
Land area	272.02㎡	Price	¥460,000,000
Floor area	358.94㎡	Gross rate of return	4.04%

IoT added-value features

- 1 Install the kit HOME ENTRANCE intercom for multiple dwelling entrance



- 2 Install the kit HOME ENTRANCE intercom for individual entrance



- 3 Replace existing door locks with electric locks in each unit



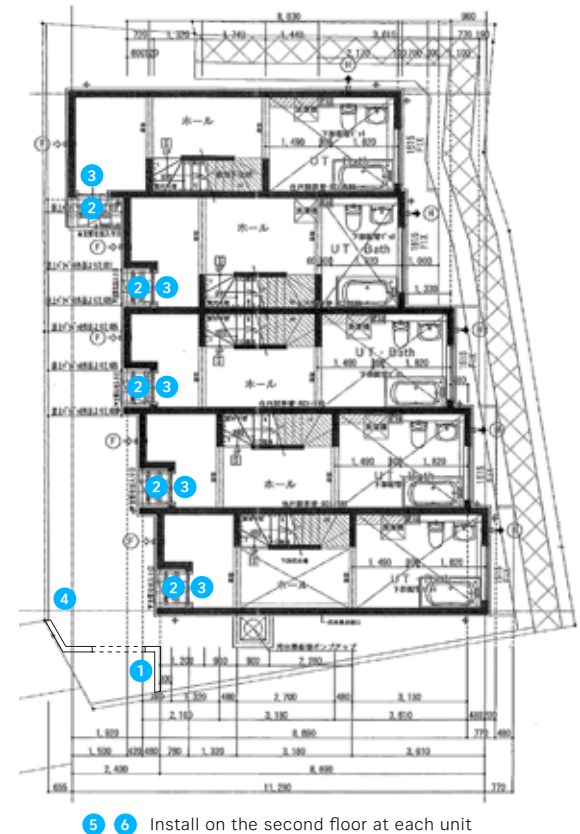
- 4 Install a parcel delivery box



- 5 Mount the Central Controller

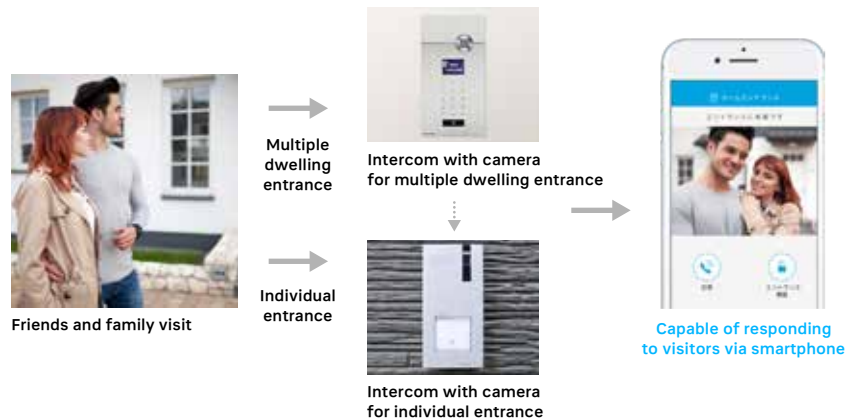


- 6 Place the Nature Sensor Remote Controller

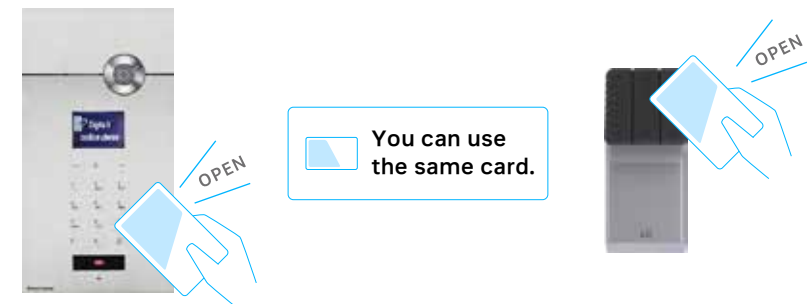


5 6 Install on the second floor at each unit

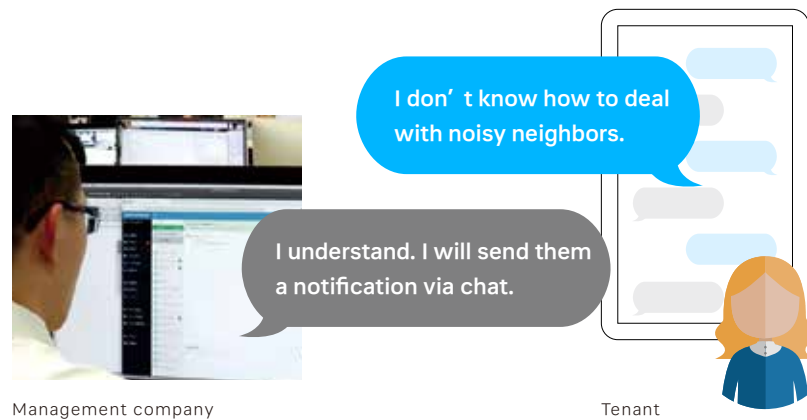
Capable of responding to visitors via smartphone



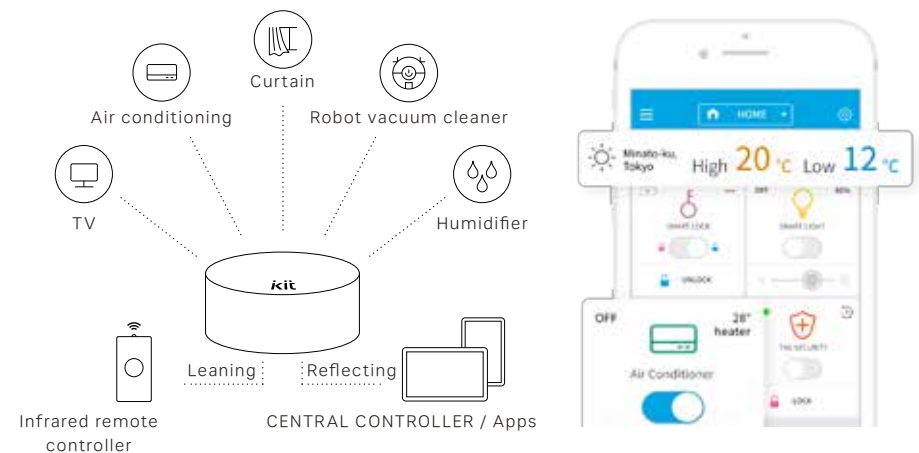
Capable of unlocking both multiple dwelling entrance and entrance door using the same card key



Capable of chat communication between tenants and management companies



Tenants can operate home appliances by infrared signal through apps.



*Limited to the operation within a reach of Bluetooth and infrared signal.

*It doesn't guarantee action of every home electric.

Points to increase values (Use case)

CASE:01	A parcel is delivered, or visitors come when away from home.	➔	Residents can unlock multiple dwelling entrance from a remote location.
CASE:02	Residents want to accept parcels safely while they are not home.	➔	Residents can respond to delivery driver via monitor and guide the driver to place the goods in parcel delivery box.
CASE:03	Visitors came when residents are on the third floor.	➔	Residents can respond to visitors from any floor via smartphone.
CASE:04	There is a need for introducing an electric lock system.	➔	Residents can unlock both multiple dwelling entrance and entrance door using the same card key.
CASE:05	Handing of telephone inquiries at management companies appears to be troublesome.	➔	AI chatbot communication is available.
CASE:06	Residents want to set their rooms at a comfortable temperature before returning home.	➔	Residents can control IoT home appliances such as air-conditioning remotely.

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.