TATERU, Inc.
FY2019 2Q
FINANCIAL RESULTS

FY2019 2Q Financial Results Briefing Materials

August 2019 TATERU, Inc. (TSE1:1435)

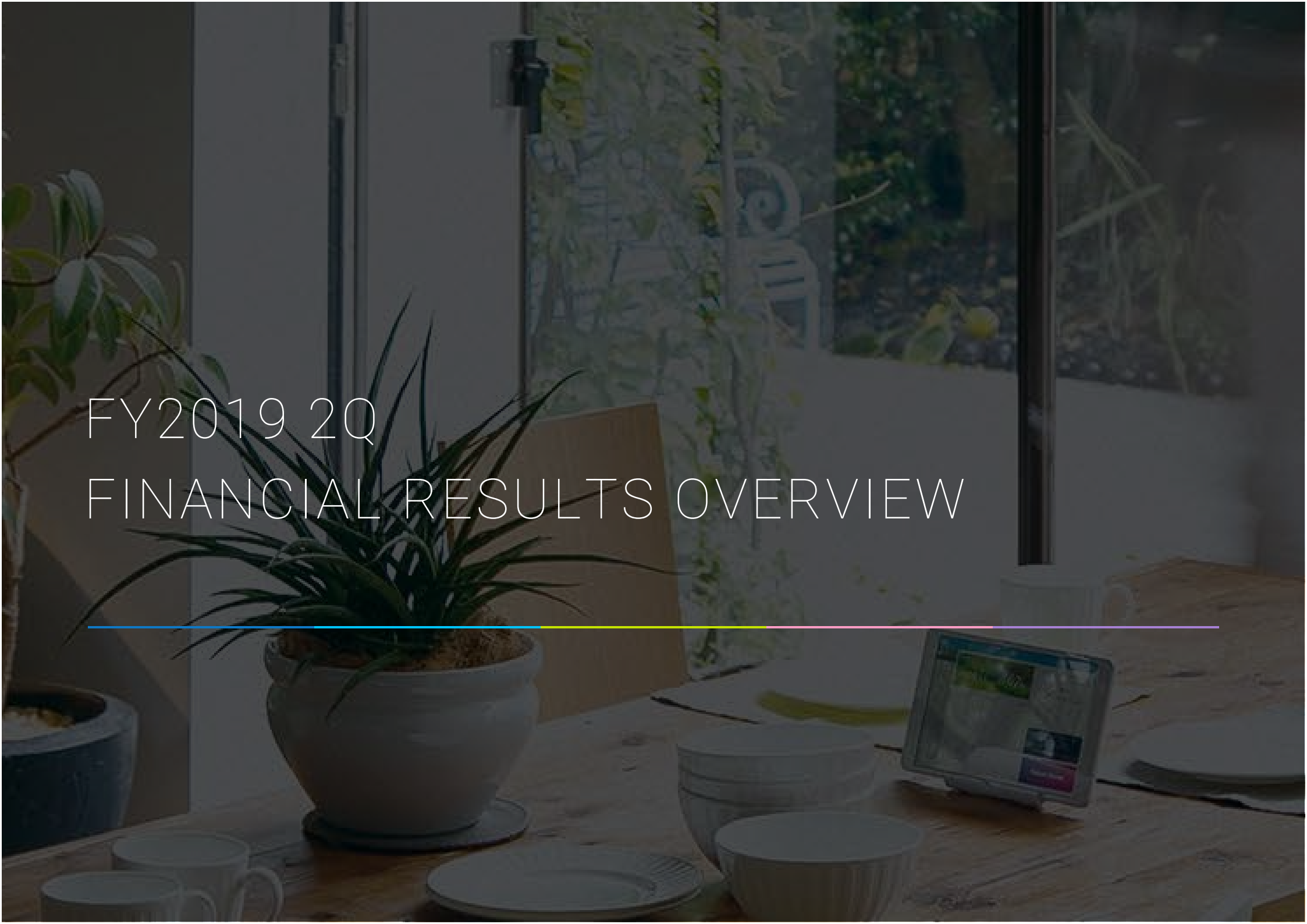
COPYRIGHT © TATERU, Inc. All rights reserved.

Contents

TATERU

FY2019 2Q Financial Results Overview P. 02

TATERU Growth Strategy P. 10



FY2019 2Q
FINANCIAL RESULTS OVERVIEW

Name	TATERU, Inc.
Head office	21F, 1-5-8, Jingumae, Shibuya-ku, Tokyo
Established	January 23, 2006
Representative	Daisaku Furuki, Representative Director/CEO
Capital	7,272 million yen
Employees	402 persons (consolidated basis / full-time employees / as of June 30, 2019)
Businesses	Development and operation of IoT apartment management app “TATERU Apartment” Planning and operation of real estate investment-type crowdfunding “TATERU Funding”
Subsidiaries	Robot Home Co., Ltd. (IoT business) TABICT, Inc. (Smart hotel business) TATERU Funding, Inc. (Crowdfunding business) Invest Online, Inc.(Apartment platform business) IO Funding Co., Ltd. (Crowdfunding business) TATERU TECH LAB PTE. LTD. TATERU Company Split Preparatory Company Ltd.

- Received a suspension order for 7 days from July 12, 2019 to July 18, 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.

- Recorded ¥874 million in impairment loss of non-current assets.

- Transferred the shares of TRASTA Co., Ltd., an equity-method affiliate of the Company. As a result of this transfer, TRASTA has been excluded from the Company's equity-method affiliates and the Company recorded an extraordinary income of ¥60 million.

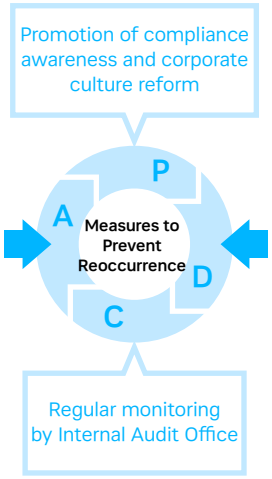
- Concluded an agreement to cancel the share transfer agreement with Invest Online, Inc.

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

Consolidated statements of income

(Unit: million yen)

	FY2018 2Q	FY2019 2Q		
	2Q (Cumulative)	1Q	2Q	2Q (Cumulative)
Net sales	37,352	4,663	9,610 *1	14,273
Gross profit	6,490	▲2,624	▲389	▲3,014 *3
Selling, general and administrative expenses	4,182	2,079	1,409	3,488
Operating income	2,308	▲4,704	▲1,798	▲6,502
Ordinary income	2,187	▲4,893	▲1,992	▲6,885
Profit attributable to owners of parent	1,420	▲6,045	▲2,894 *2	▲8,939

*1 Collective sale of real estate for sale

*2 Recording of ¥874 million in impairment loss

Provision of the reserve for capital loss of related companies remain unchanged from 1Q

*3 Recording of temporary loss due to promotion of collective sale

Segment information

(Unit: million yen)

	TATERU Apartment	Smart hotel	Robot Home	Others	Total	Consolidated PL
Net sales	13,524	369	340	94	14,328	14,273
Operating income	▲5,232	102	35	▲86	▲5,180	▲6,502

Consolidated balance sheets

(Unit: million yen)

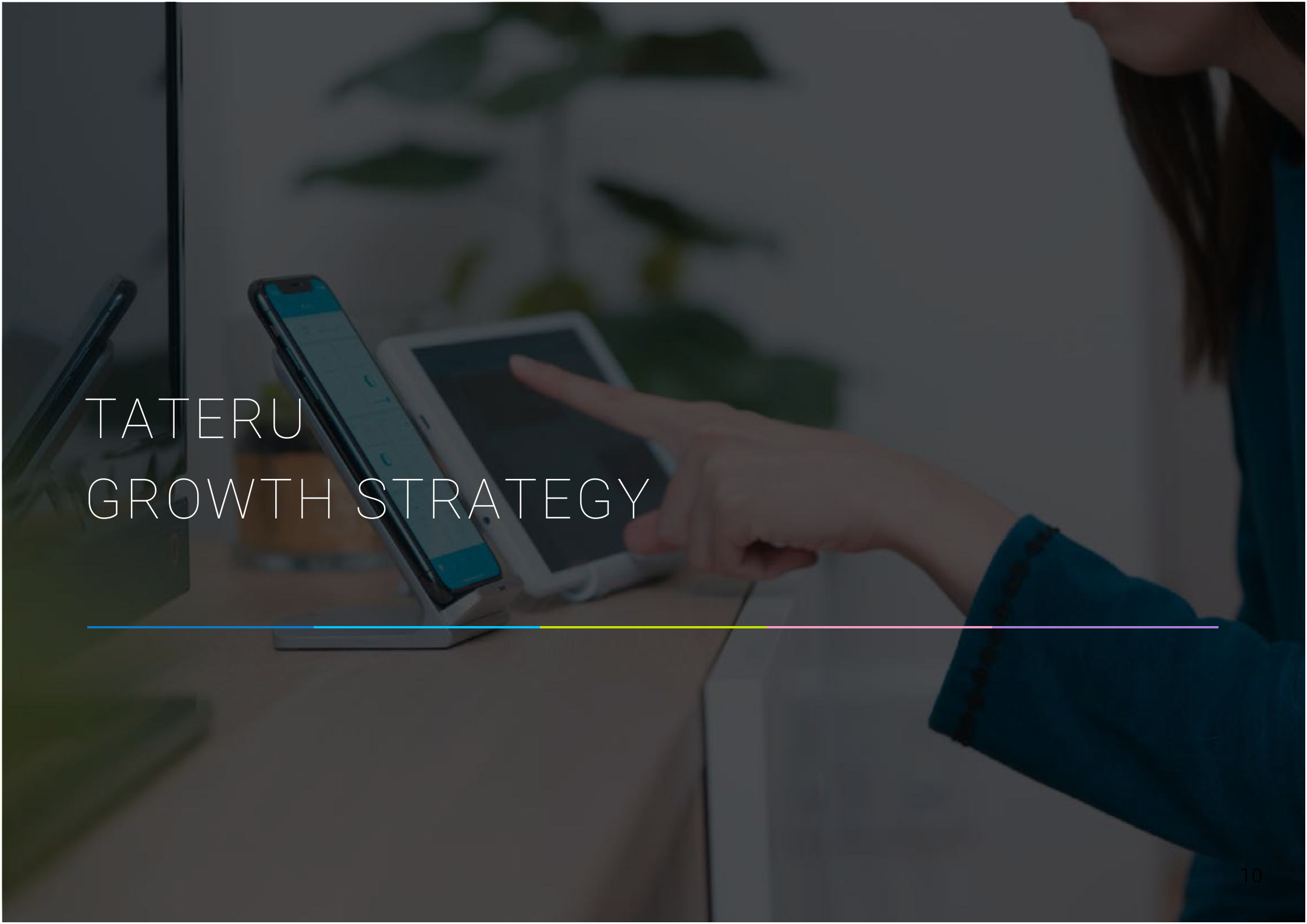
	December 31, 2018	End 2Q FY2019	YoY change
Current assets	26,312	19,178	▲7,134
Inventories	13,035	7,673	▲5,361
Non-current assets	6,132	4,221	▲1,910
Total assets	32,445	23,400	▲9,044
Liabilities	9,563	9,497	▲65
Net assets	22,881	13,902	▲8,978
Total liabilities and net assets	32,445	23,400	▲9,044

Decrease in inventories due to promotion of collective sale

Earnings forecasts

(Unit: million yen)

	13th Fiscal Period FY2018 (Result)	14th Fiscal Period FY2019	
		2Q	Full-year (forecast)
Net sales	79,149	14,273	19,492
Operating income	721	▲6,502	▲7,916
Ordinary income	507	▲6,885	▲8,311
Profit attributable to owners of parent	821	▲8,939	▲10,599



TATERU GROWTH STRATEGY

Apartment platform business

TATERU Apartment

Introducing IoT apartment management with the “TATERU Apartment" app

Membership	162,864 persons	(20,081 persons)
Owners	2,369 persons	
Managed properties	26,897 units	
Occupancy rate	99.1 %	



as of June 30, 2019

()・・・The numbers inside the parentheses show the number in Invest Online, Inc.

Centering on in-demand urban areas







Sendai area
826 units

Tokyo area
8,170 units

Osaka area
6,838 units

Nagoya area
6,065 units

Fukuoka area
4,387 units

Why choose us?

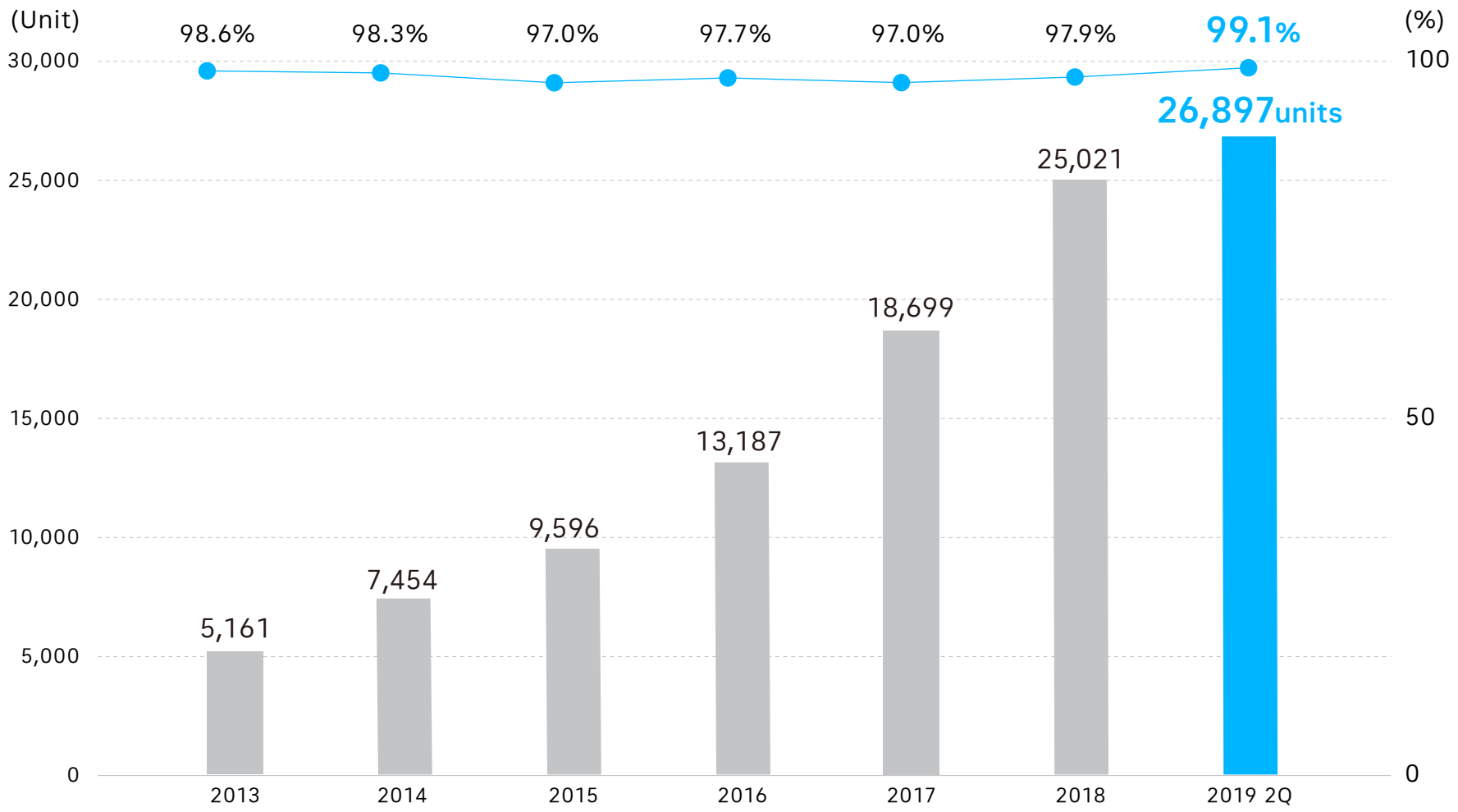
- Properties within 15 minutes' walk from the closest train station
- Centering on areas where demand for apartments is high
- Properties differentiated by integration of IoT as a standard feature

+

- Improve services for residents with enhanced system for management operation

→See page 23

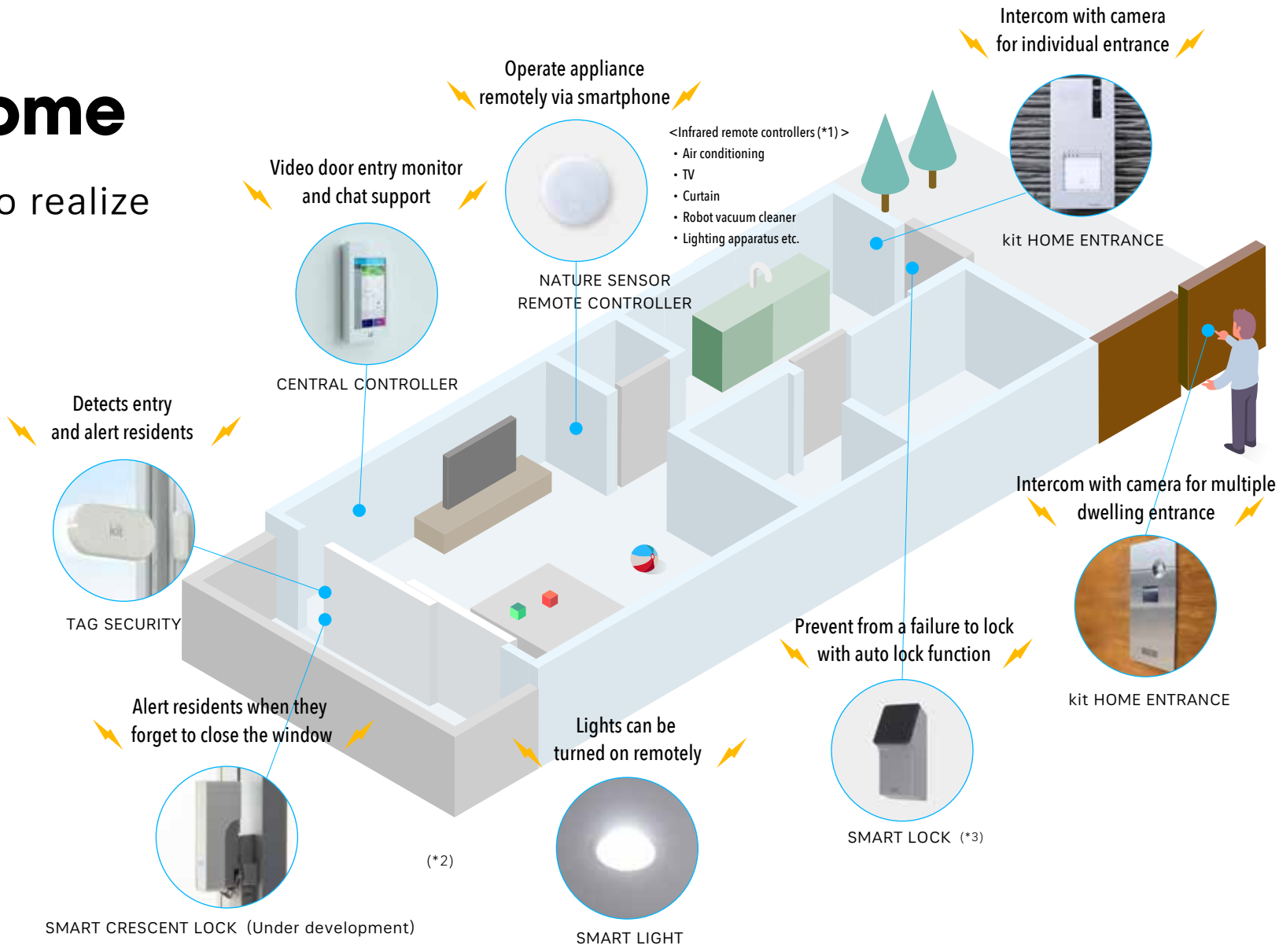
Maintaining high occupancy rates while the number of managed properties rises



IoT business

Robot Home

IoT apartment to realize a smart life



*1 It doesn't guarantee action of every home electric. *2 Floor plan is an example. *3 The design may differ from currently installed devices.

CENTRAL CONTROLLER wall-mounted type / kit HOME ENTRANCE

Wall-mounted central controller for entry panel of multiple dwelling entrance / Intercom with camera

Wall-mounted central controller for entry panel of multiple dwelling entrance called "kit HOME ENTRANCE". It is equipped with various functions such as connections to various IoT devices and home appliances, chat service support and receiving and answering function for the intercom call.





Intercom with camera for individual entrance



Intercom with camera for multiple dwelling entrance



SMART LOCK

Rich in safety functions. Features special processing that does not come off or fall

When the door closes, it is automatically locked and you can unlock the door through the app, ten key, IC cards for public transportation or conventional keys. Moreover, 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.







* The design may differ from currently installed devices.

TAG SECURITY

Detects a problem quickly and notifies you via smartphone.

TAG SECURITY installed in the window detects opening and closing or vibration and you can identify a problem using your smartphone from a remote location. As the main unit can be fixed with a removable sticker, no special construction work is necessary. In addition, when it detects a problem, an alarm within the device will be activated.



Changes to “Go out mode” automatically by leaving home





SMART LIGHT

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

You can control lighting as you like. Depending on your mood, you can control its color or intensity. If you realize that you forgot to turn off the light outside the home, you can turn it off using the central controller and your smartphone from a remote location.









Images of controlling color and lighting

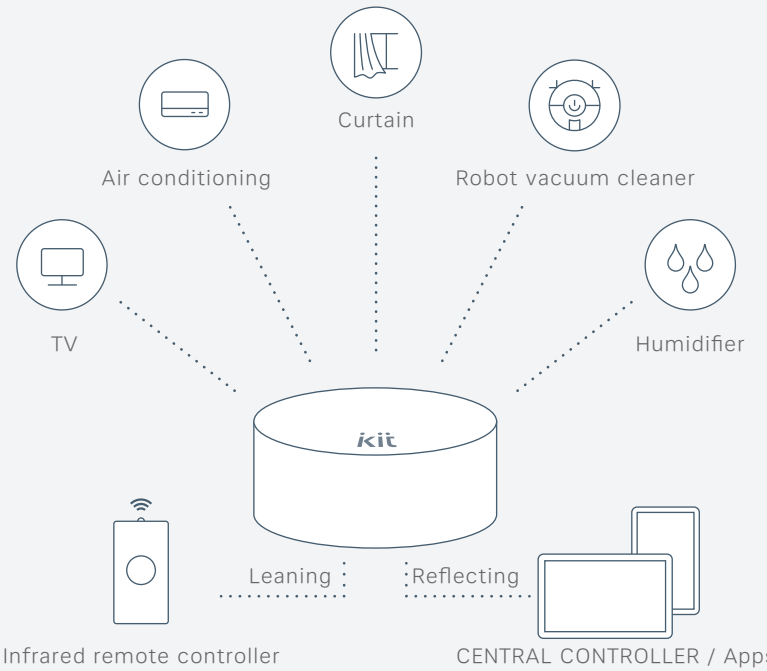
NATURE SENSOR REMOTE CONTROLLER

Gets information on an indoor environment to make your life even more convenient and comfortable.

Obtains information about the temperature or humidity in the room to allow you to control various home appliances such as an air conditioner and TV through the central controller and smartphone with a single tap. In addition, you can operate infrared-equipped appliances, such as an air conditioner, from a remote location.



Control various remote controllers at home(*)





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

Apartment kit

for Customer Chat

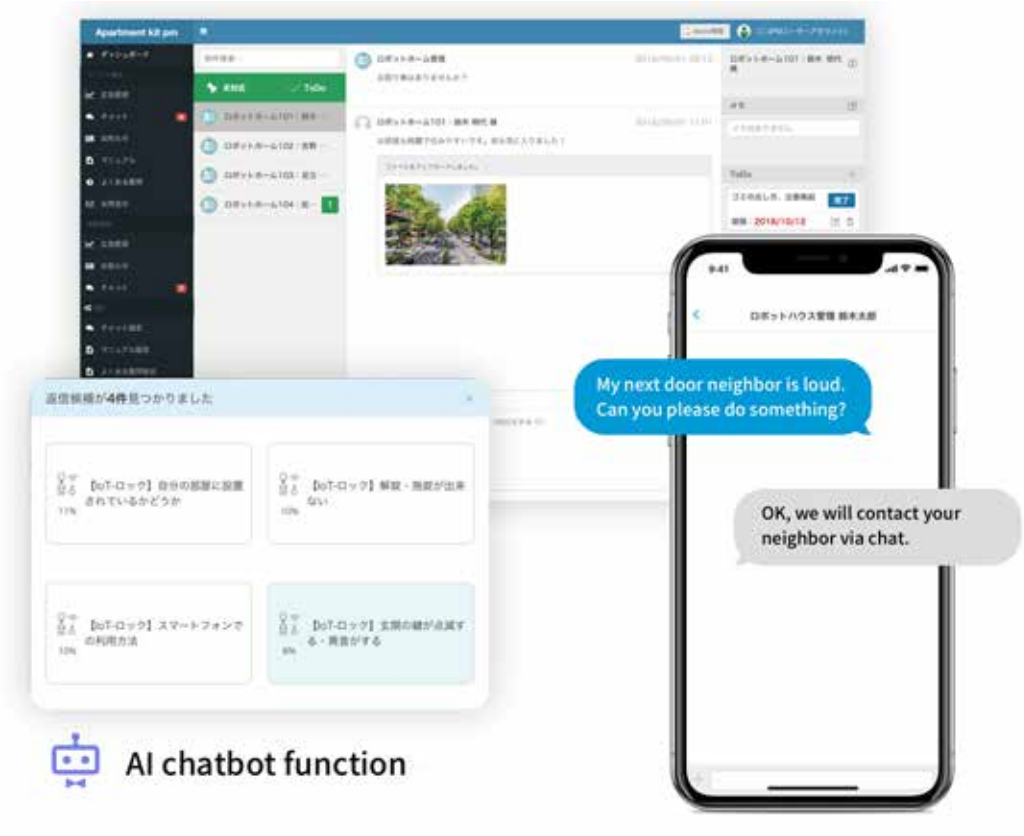
Provides convenience and safety by chat communication between the tenants and the management companies.

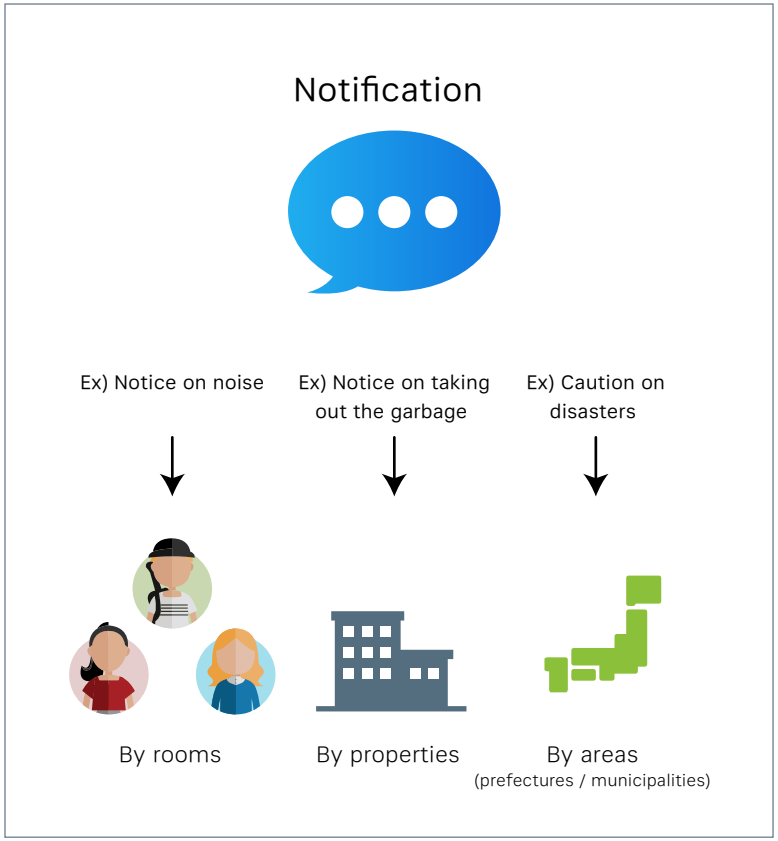
Major function

Chat Bot

Points

・Able to implement without changing the usual management style
・Saves labor for the burden of local postings
・Reduces enormous telephone correspondence operations





□ ··· Introduction of services is scheduled to be completed within a year

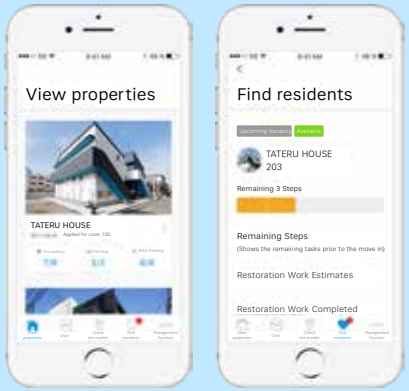
(for Customer have already been developed)

for Owner

Providing an app that gives owners full control, from resident search to overall management

Develop an owner solution app leveraging the accumulated database of TATERU business





App screen designed for owners

Apartment kit

Owner

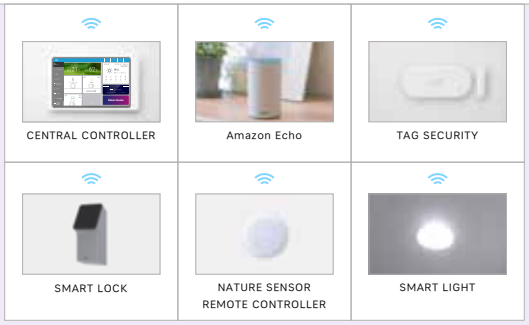
Residents

Management company

for Customer

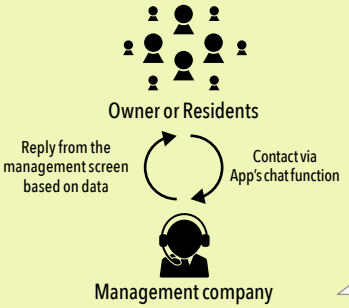
Providing IoT rental housing

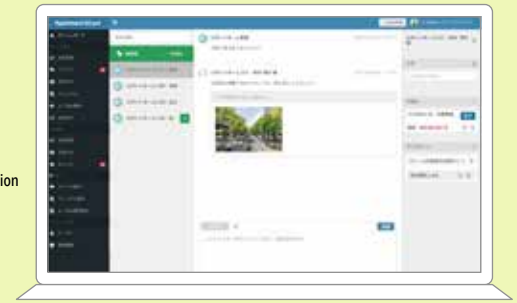




for Property Management

Accelerating communication with owners
Providing management tools





Management screen designed for management companies

Apartment kit

for Property Management

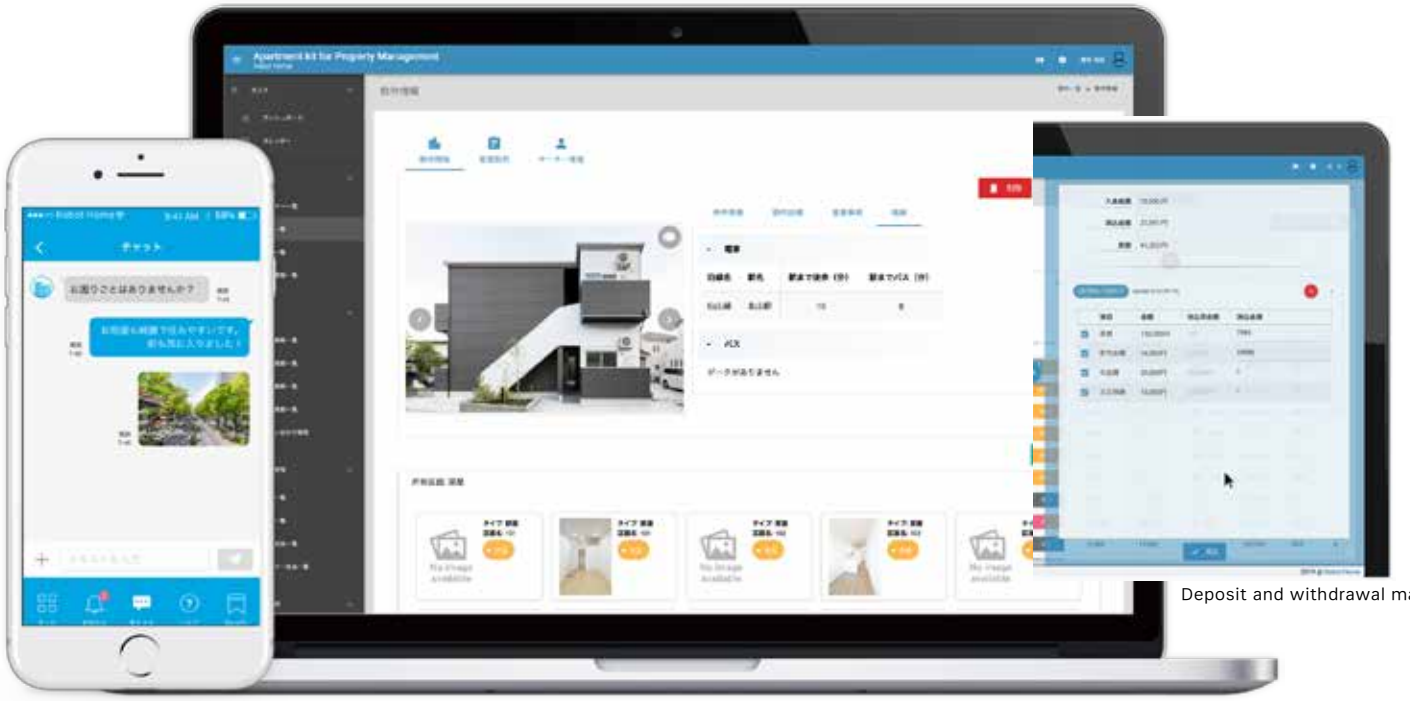
Thoroughly smarter real estate management business via cloud. Correspond to preparing and submitting documents such as owner account statements and monthly reports as well as renting operation/management operation. On the system, consolidate management of documents, which tend to be complicated.

Major functions

Data management (property management / room (unit) management / contract data management)
Bill payment management (bill management / payment management / deposit and withdrawal management)
Operation management (contracts / cancellation / finding tenants / repair / cleaning / inquiries)
Other functions (CSV input and output)

Points

- Developed in-house a company that carries out operation business, the tool has no unnecessary functions
- The tool enables simplified communication by utilizing chat function and push notifications
- Stabilizes and improves service quality offered by people through applying formatted texts and Bot AI



Resident chat screen

Property management screen

Deposit and withdrawal management screen

Apartment kit

for Owner

Optimize the whole communication including moving-in/moving-out /finding residents between real estate owners and management companies. Confirmation matters from management companies will be given by push notifications, which prevent the confirmation omission and reduce time loss by phones and Emails.

Major functions

View properties / Chat function / Analyze local market / View preview status / Find residents function / Various document management function

Points

・Flow for finding residents easier than ever
・Data utilization-type rental management enable differentiation of real estate management
・Discuss any daily issues via chat







View properties



Chat



Find residents



Check the market



Management function

Apartment kit

Vacant room website platform

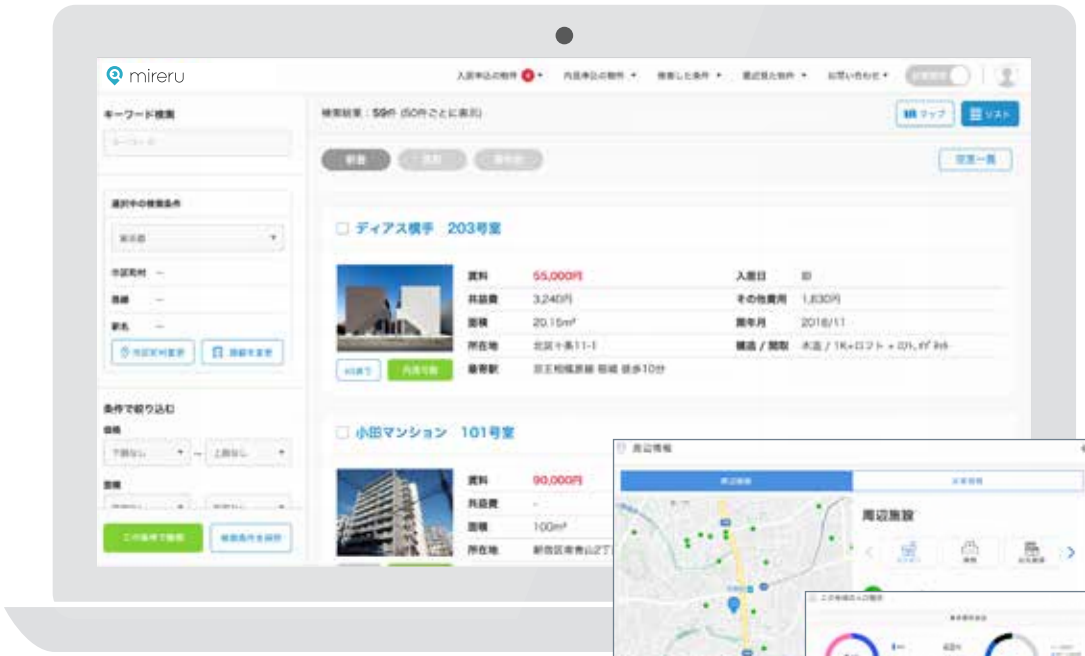
A system to find properties to introduce them to agencies. We made a vacant room website platform for management companies that cannot have their own vacant room website but want to increase views from agencies.

Major functions

Web preview & application / chat function / URL issuance function that can be used in SNS / property information registration / output references by rooms / preview management / online contract

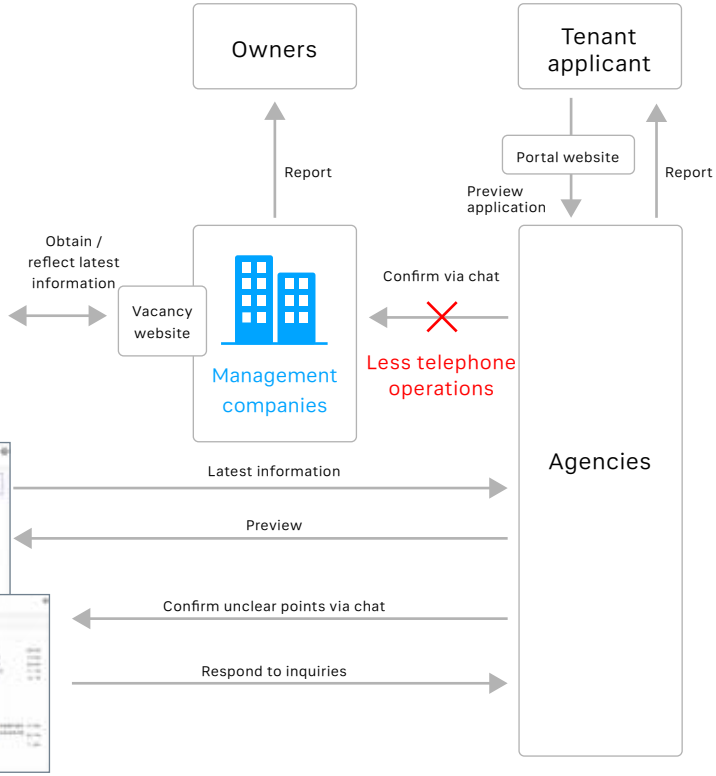
Points

・Able to chat on agency correspondence (* also available to post telephone numbers)
・Easy document sharing by file transmission via chat
・Omit burden of FAX transmission by function of web preview/move-in application
・Significantly reduce operations such as key delivery by issuance of one-time password for smart lock



Vacancy website platform

Local environment information



Management operation that can be efficient by automation

Workflow of RPA utilization

Find residents via vacancy websites → **Preview by smart lock** → **Conclude contract** → **Manage IoT properties** → **Find residents from moving-out**

Vacancy platform

Issuance of one time password of keys

Open & close by smart lock

Completion of online contract

Bot chat

Visualization of management condition

Cloud management for documents

Residents · Management Companies · Owners

Communicate moving-out via chat

Disable keys

Restoration construction

Owner reports

Apartment kit for Business (RPA tool)



Vacancy website platform



Integration management website

Smart hotel business

Example of revenue and expenses for 1 building type

Number of guests:
7

Average occupancy rate:
Approx. 70%

Room charge:
¥31,600

Average net yield:
Approx. 6.0%

● **In case of a total operating cost of ¥60 million**

Room charge per room
¥31,600

Annual average occupancy rate
70% (occupied for 255.5 days out of 365 days)

Annual sales
¥8,073,800 (¥31,600 (room charge) × 70% (occupancy rate) × 365 days)

Net yield
6.0% (¥3,520,177 ÷ ¥60,000,000 × 100)

Expense rate (*) : 56.4% = ¥4,553,623

Cash flow rate: 43.6% = ¥3,520,177

* Expense rate includes property tax and fire insurance premium.

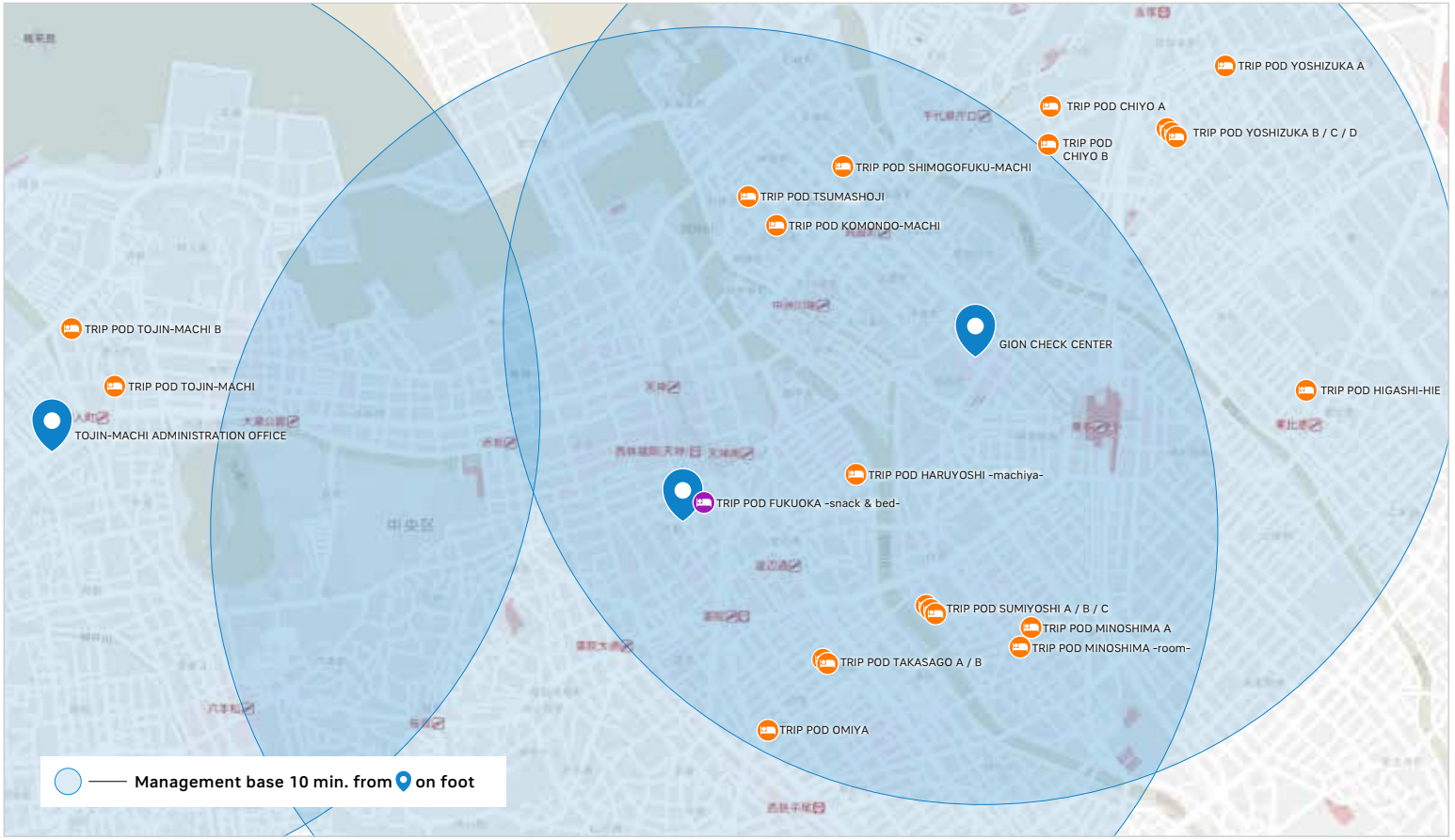
* The room charge, average occupancy rate, expense rate, cash flow rate, property tax, and fire insurance premium are calculated according to the Company's past management results.


TRIP POD HARUYOSHI -machiya-





Successfully deploying smart hotel centering on Fukuoka city









Launched properties in Fukuoka & Hakata areas (as of June 30, 2019 Excluding properties under development)

- TRIP POD FUKUOKA -snack & bed-
- TRIP POD HARUYOSHI -machiya-
- TRIP POD MINOSHIMA -room-
- TRIP POD OMIYA
- TRIP POD KOMONDO-MACHI
- TRIP POD TSUMASHOJI
- TRIP POD SHIMOGOFUKU-MACHI
- TRIP POD SUMIYOSHI A
- TRIP POD SUMIYOSHI B
- TRIP POD SUMIYOSHI C
- TRIP POD TAKASAGO A
- TRIP POD TAKASAGO B
- TRIP POD MINOSHIMA A
- TRIP POD TOJIN-MACHI
- TRIP POD CHIYO A
- TRIP POD YOSHIZUKA A
- TRIP POD YOSHIZUKA B
- TRIP POD YOSHIZUKA C
- TRIP POD YOSHIZUKA D
- TRIP POD CHIYO B
- TRIP POD TOJIN-MACHI B
- TRIP POD HIGASHI-HIE

⋮ Under development

Total of **22** facilities

Easy to install, keyless

SMART LOCK



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

CHECK-IN PAD



Concierge available for 24 hours in 5 languages

TRIP CONCIERGE



Cloud-based PMS

bnb BOOK



Smart cleaning agency service

bnb CLEANING



Real estate planning and development business launch announcement

Real estate planning and development × **Technology**

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

Launched the 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		Three-story maisonette at each unit 73.41㎡ - 74.23㎡ /unit 1LDK + hall + rooftop terrace
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



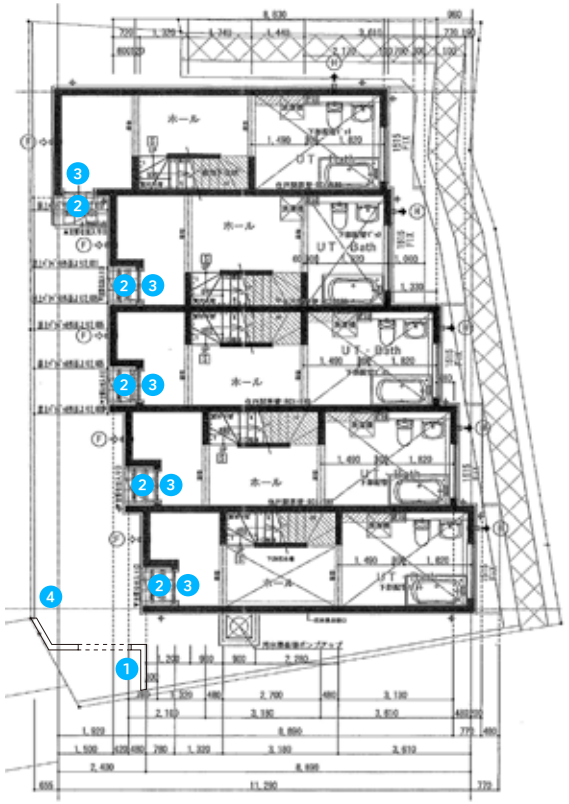
4. Install a parcel delivery box



5. Mount the Central Controller

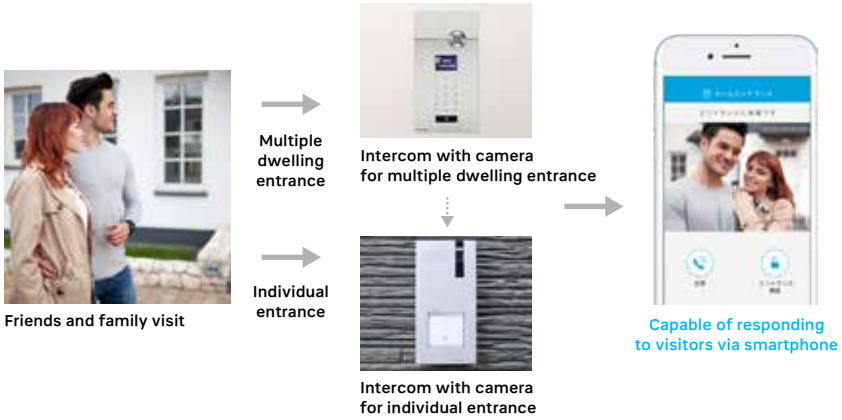


6. Place the Nature Sensor Remote Controller

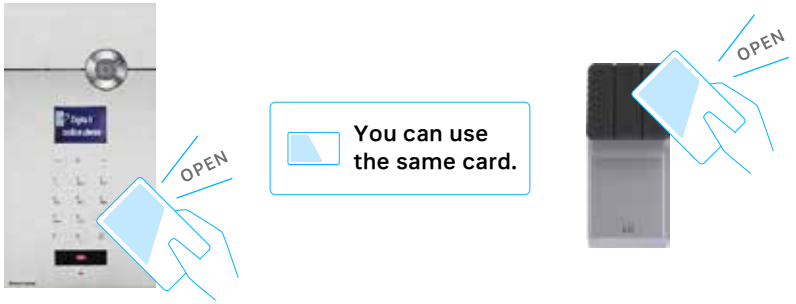


5 6 Install on the second floor at each unit

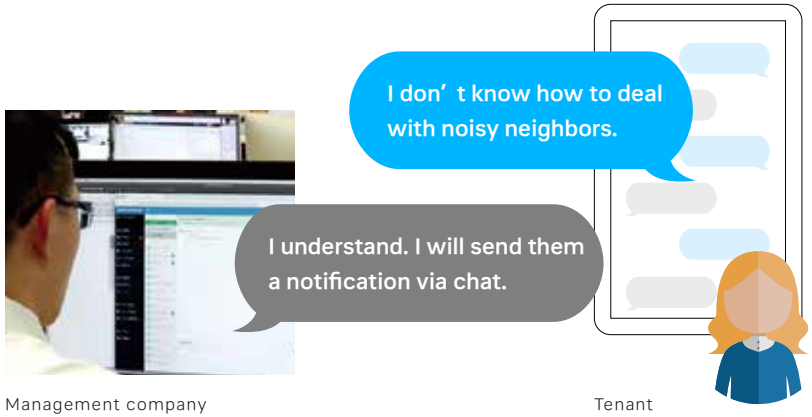
Capable of responding to visitors via smartphone



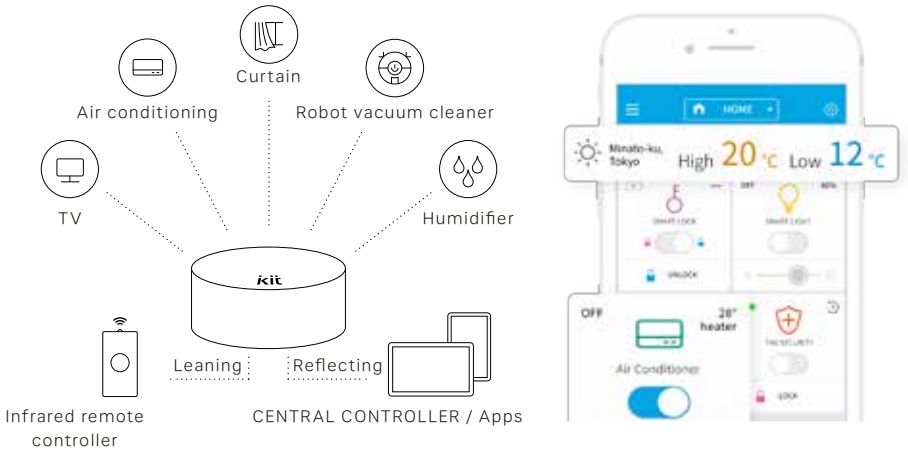
Capable of unlocking both multiple dwelling entrance and entrance door using the same card key



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.