TATERU, Inc.

FY2020 3Q FINANCIAL RESULTS

November 2020 TATERU, Inc. (TSE1:1435)

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1. FY2020 3Q Financial Results Overview

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Company overview

Name	TATERU, Inc.
Head office	3-4-14, Ebisu Minami, Shibuya-ku, Tokyo *The address changed on October 12, 2020.
Established	January 23, 2006
Representative	Daisaku Furuki, Representative Director/CEO
Capital	7,296 million yen
Employees	167 persons (consolidated basis / full-time employees / as of September 30, 2020)
Businesses	AI/IoT business* KANRY business TATERU business * Included in the KANRY business in FY2020 1Q.
Subsidiaries	Robot Home Co., Ltd. TABICT, Inc. Sunassu Co., Ltd.

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FY2020 3Q Highlights

- Transformation of the revenue structure from flow business to stock business progressed steadily. Operating profit in the KANRY business increased 275% year on year.

- Significantly reduced operating loss by improving profitability and reforming the cost structure of the KANRY business and the TATERU business.
  (Operating loss in FY2020 2Q ¥290 million -> Operating loss in FY2020 3Q ¥39 million)

- The AI/IoT business developed solidly. Through the business alliance between Robot Home Co., Ltd., our subsidiary, and Keynote Co., Ltd., a subsidiary of Prospect Co., Ltd., it was decided that Residence kit, one of our IoT products, will be introduced to residences as standard equipment. In addition, we have achieved stronger coordination with other companies, including our decision to participate in JEITA's initiative to create example applications of the Smart Home Data Catalog.

*The company name of Keynote Co., Ltd. was changed to Glo-Bels Co., Ltd. on October 1, 2020.

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Consolidated statements of income

(Unit: million yen)

	FY2019 3Q	FY2020 3Q			
	3Q (Cumulative)	1Q	2Q	3Q	3Q (Cumulative)
Net sales	17,607	2,035	1,994	1,197	5,227
Gross profit	▲2,498	513	218	486	1,218
Selling, general and administrative expenses	4,768	715	508	525	1,749
Operating profit	▲7,267	▲201	▲290	▲39	▲531
Ordinary profit	▲7,697	▲224	▲304	▲35	▲564
Profit attributable to owners of parent	▲10,463	▲227	▲628	▲44	▲900

¥395 million in provision for loss on guarantees recorded in FY2020 2Q

Reduction of ¥3,019 million in selling, general and administrative expenses through cost structure reform

¥282 million in loss on valuation of investment securities recorded in FY2020 2Q

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Segment Information

(Unit: million yen)

KANRY business

	FY2019 3Q	FY2020 3Q	YoY Change
Net sales	2,146	2,249	103
Operating profit	263	723	460

◯AI/IoT business
(included in the KANRY business)
・Net sales: ¥192million
・Operating profit: ¥61million

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

TATERU business

	FY2019 3Q	FY2020 3Q	YoY Change
Net sales	15,465	2,978	▲12,487
Operating profit	▲5,426	▲407	5,019

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

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Consolidated balance sheets

(Unit: million yen)

	December 31, 2019	End 3Q FY2020	YoY change
Current assets	11,160	8,571	▲2,589
Cash and deposits	6,370	6,017 *A	▲353
Inventories	3,915	1,873	▲2,041
Non-current assets	1,129	921	▲208
Total assets	12,290	9,492	▲2,798
Liabilities	4,062	2,149	▲1,913
Interest-bearing debt	2,650	300 *B	▲2,350
Net assets	8,227	7,343	▲884
Total liabilities and net assets	12,290	9,492	▲2,798

Virtually debt-free
(Cash and deposits*A - interest-bearing debt*B)

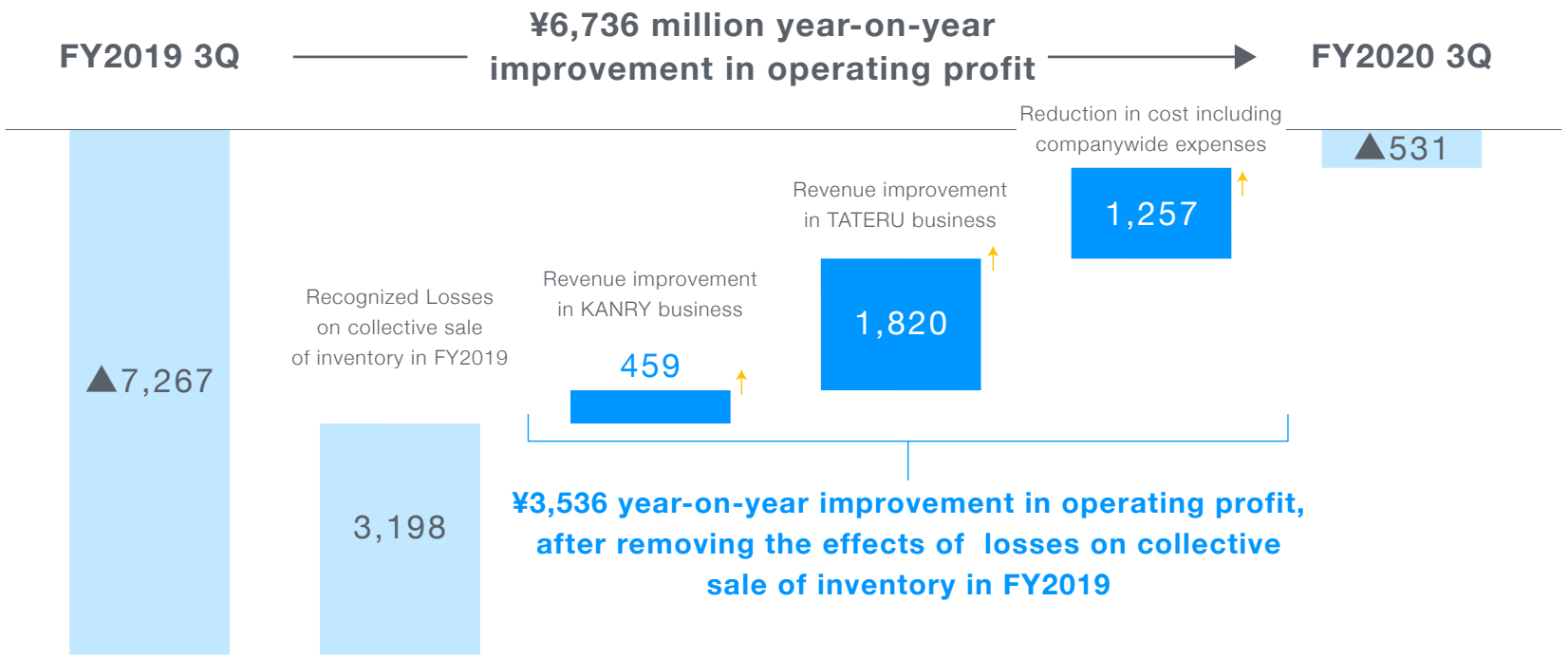
Decrease due to transfer of real estate for sale

Decrease of ¥2,350 million in borrowings

Equity ratio: 77.4%

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Factors contributing to change in consolidated operating income



<Details>

(Unit: million yen)

Revenue improvement in KANRY business		Revenue improvement in TATERU business		Reduction in cost including companywide expenses	
Increase in net sales	56	Improvement in gross profit ratio	1,451	Greater efficiency in personnel and subcontract expenses	233
Improvement in gross profit ratio	94	Provision for loss on guarantees	▲395	Reduction in advertising expenses	166
Reduction in selling, general andadministrative expenses	308	Reduction in selling, general andadministrative expenses	584	Reduction in land and building rent	121
		Impact of IO Company* being excluded from consolidation	180	Reduction in other cost items	737
Total	459	Total	1,820	Total	1,257

*Invest Online, Inc.

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2. TATERU Growth Strategy

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Speaking at the CEATEC 2020 ONLINE talk session

Katsuki Matsuzono, our Director and Executive Officer/CTO, addressed a talk session at CEATEC 2020 ONLINE, one of Asia's largest international exhibitions

Katsuki Matsuzono, our Director and Executive Officer/CTO, delivered a talk on the business concept of the AI/IoT business and co-creation through data linkage, as part of a talk session entitled "The Smart Home Market Created by Data Linkage - The Birth of a Smart Home Industry through Data Coordination -" at CEATEC 2020 ONLINE.

Details of the CEATEC 2020 ONLINE Conference

◎Date and time: 1:00pm-3:00pm, Thursday October 22, 2020

◎Channel: CEATEC 2020 ONLINE New Normal Channel

◎Audience URL: https://reg.jesa.or.jp/?act=Conferences&func=Detailed&event_id=13&conference_id=1317&mode=iframe

◎Title: The Smart Home Market Created by Data Linkage



Image from the CEATEC official website

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Participating in JEITA's initiative to create example applications of the Smart Home Data Catalog

We decided to participate in an initiative to create example applications of the Smart Home Data Catalog Web service launched by the Japan Electronics and Information Technology Industries Association (JEITA), and commence verification tests utilizing Web API coordination



The Smart Home Data Catalog is a Web service provided by JEITA, which classifies data items according to specific item names, and allows users to search and view data items in a catalog format, in order to promote greater data utilization between the appliance manufacturers that supply data, and service providers that aim to create new services utilizing appliance usage data.

This enables service providers to search for and view a variety of equipment usage data gathered from IoT-capable home appliances and housing equipment, based on the application, and directly make inquiries to appliance manufacturers. Prior to the release of the Smart Home Data Catalog, JEITA, AIoT Cloud, Inc. and Sharp Corporation collaborated with five service providers, including TATERU, in an initiative to create new example service applications utilizing data from AIoT* home appliances. Through collaboration between our Residence kit and Sharp Corporation's AIoT home appliances, we aim to enhance services by validating usability, coordinating hardware, and collecting data.

[Service providers participating in the initiative to create example applications]

anamne Inc. / WFrontier Inc. / NeuralX, Inc. / mui Lab, Inc. / TATERU, Inc.

*"AIoT" is a combination of AI (artificial intelligence) and IoT (the Internet of things). It is a vision of linking all things with artificial intelligence on the cloud, and giving them a greater bond with their owners. "AIoT" is a registered trademark of Sharp Corporation.

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Concluding a Robot Home business alliance with Keynote, a subsidiary of Prospect

The standard installation of Residence kit is decided for all residences developed by Keynote*

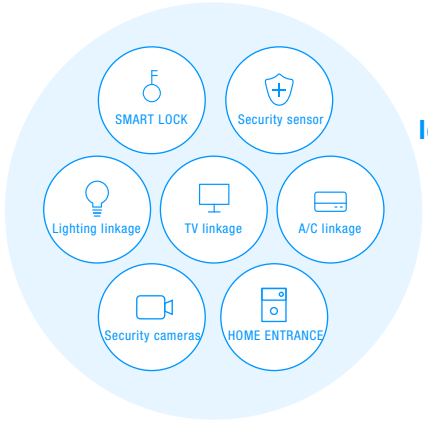
*Keynote Co., Ltd. changed its trade name to Gro-Bels Co., Ltd. on October 1, 2020. It is hereinafter referred to as “gro-bels.”

Residence kit, a Wi-Fi model provided by Robot Home, is an IoT product that can be installed regardless of the property’s structure or layout. By installing Residence kit as standard in the multiple dwelling residences and detached houses developed by gro-bels, including wooden, reinforced concrete and other structures, we will be able to provide IoT residences that achieve unprecedented lifestyle ideals and embody refined living through a combination of convenience and security.

Robot Home × gro-bels

Robot Home IoT Products
(Residence kit for Customer)

Gro-bels IoT residences
(Making IoT installation standard when developing all concrete condominiums, apartments and detached houses)



IoT installation support



IoT products to enrich lifestyles

Combining convenience and security to produce a higher grade of refined living

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Opening the Residence kit IoT Showroom

We have opened a showroom where users can experience our proposals for “new lifestyles” utilizing IoT

The newly-established IoT Showroom displays and features a range of different IoT appliances, such as “kit HOME ENTRANCE,” which allows residents to unlock the door using the dedicated app, SMART LOCKs that can be opened using card keys or ten keys, SMART LIGHTS with adjustable brightness and hue to create a variety of moods, sensors that can detect whether windows are open or closed and alert the user, and universal remotes that can sense temperature and humidity, and combine the functions of multiple remote controls into a single app.
Users can experience smart living brought about by “Residence kit.”

*IoT Showroom visits are by appointment only, and are limited to developers and real estate companies



[Overview of the IoT Showroom]

Address: 3-4-14, Ebisu Minami, Shibuya-ku, Tokyo (inside TATERU, Inc.)

Open: 10:00am – 6:00pm

Booking form: https://www.robothome.co.jp/form/contact.html

Featured functions: kit HOME ENTRANCE, SMART LOCK, SMART LIGHT, open/close sensor, universal remote, sensor camera, sensor camera, operation of a variety of home appliances linked to IoT devices (air conditioners, TVs, robotic vacuum cleaners, humidifiers, etc.)

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AI/IoT business

Net sales ¥192million

Operating profit ¥61million

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Residence kit

IoT Platform for Real Estate Management

Providing a platform that leverages AI/IoT technologies to connect all players - residents, owners, leasing agents and leasing management companies – with the aim of automating real estate management.

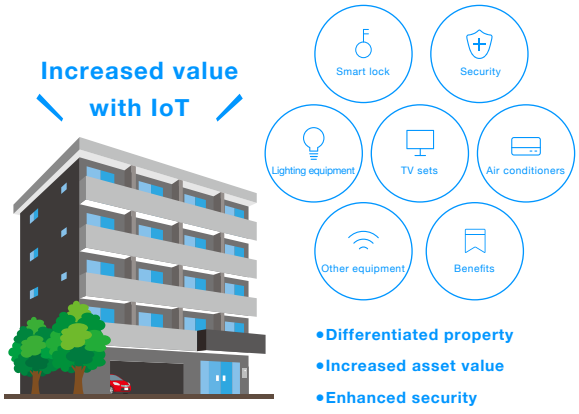


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Revenue structure of the AI/IoT business

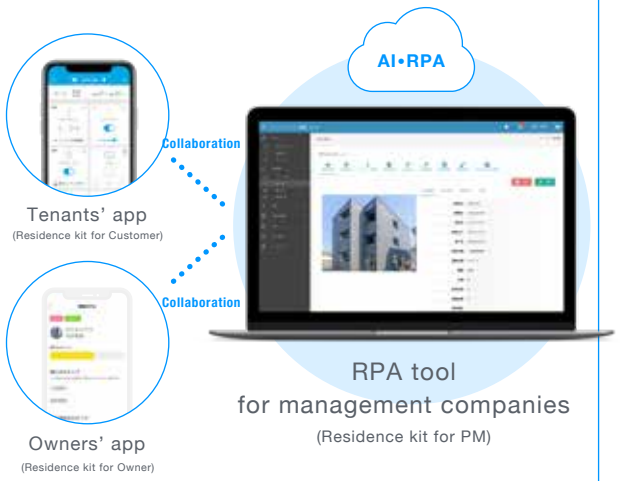
Three-domain revenue structure that utilizes technologies including AI/IoT

1. IoT domain



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

2. PM domain utilizing RPA



Contracts of PM work streamlined by RPA

3. SaaS domain



Convert DX platform with Residence kit into SaaS

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

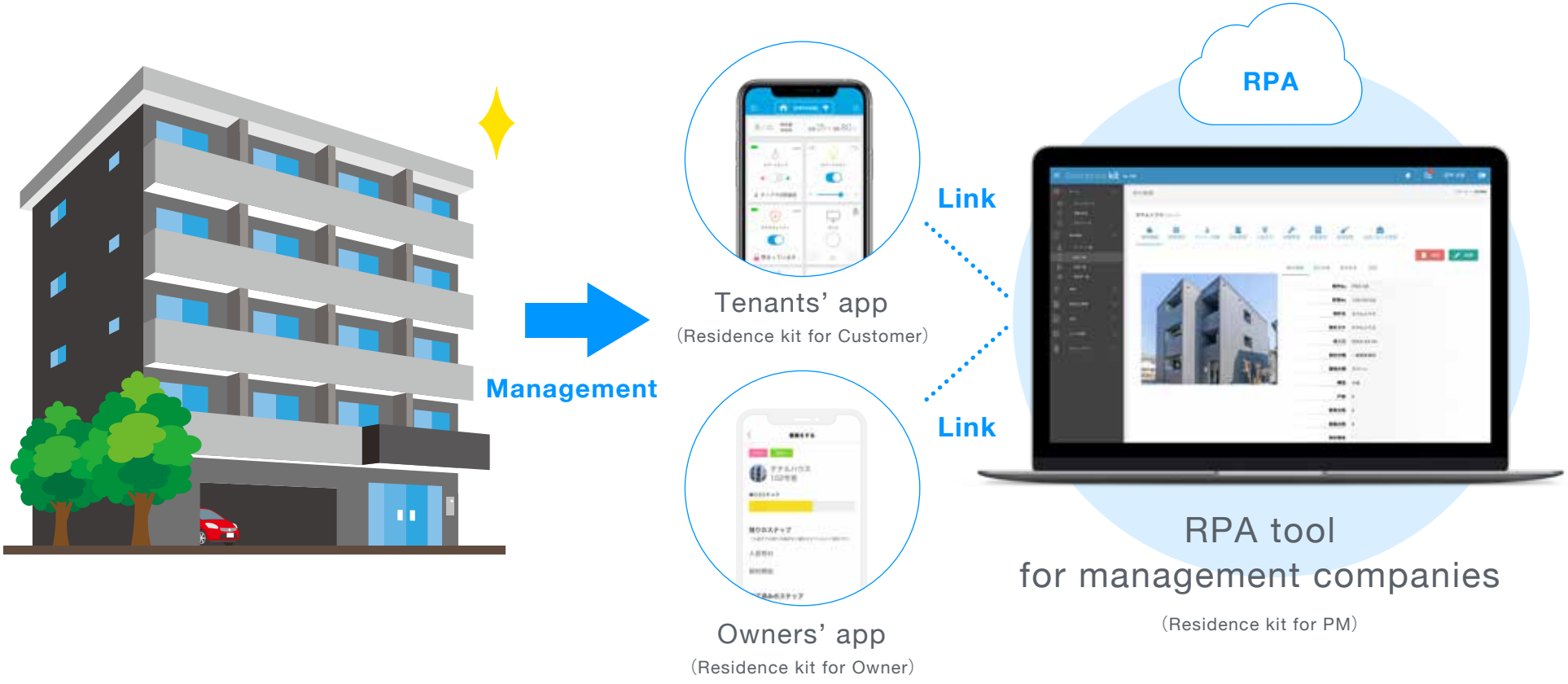


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AI/IoT business (2) PM domain utilizing RPA

Contracts of PM work streamlined by RPA

Introduction of IoT to property → **Management contracts utilizing IoT**



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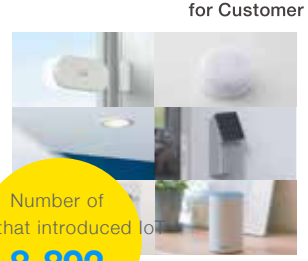
AI/IoT business (3) SaaS domain

Convert DX platform with Residence kit into SaaS

Services for users

Tenants' app

Residence kit for Customer





Number of units that introduced IoT
8,892
Our property: 8,061
External property: 831

*As of September 30, 2020

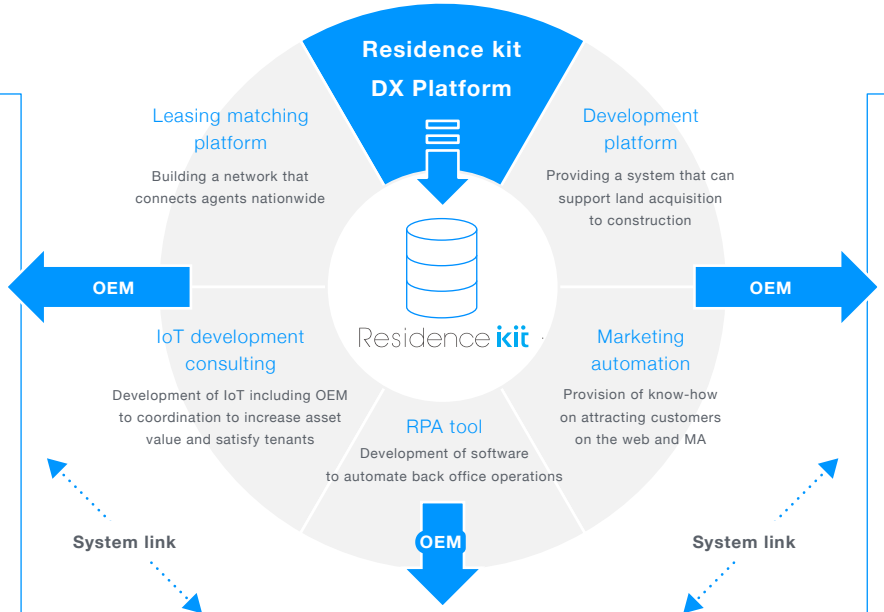
Owners' app

Residence kit for Owner



Number of owners
1,902

*As of September 30, 2020



Services to increase operational efficiency

RPA tool for management companies

Residence kit for PM



Number of units undermanagement
24,409

*As of September 30, 2020

Platform for agents

Residence kit for Agent



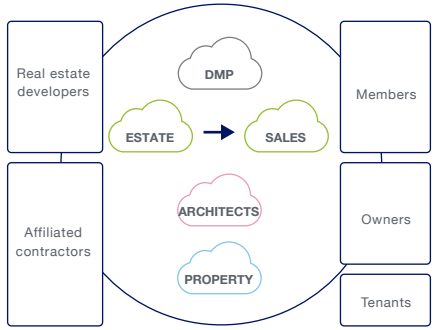
Number of registered agents
4,884

*As of October 31, 2020

Services for real estate developers

Platform for real estate developers

Residence kit for Development



Management system for crowdfunding

Crowdfunding System



Number of affiliated companies
3

*As of September 30, 2020

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KANRY business

Net sales ¥2,056million

Operating profit ¥662million

*Excluding AI/IoT business

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KANRY business: PM business utilizing technologies including AI/IoT



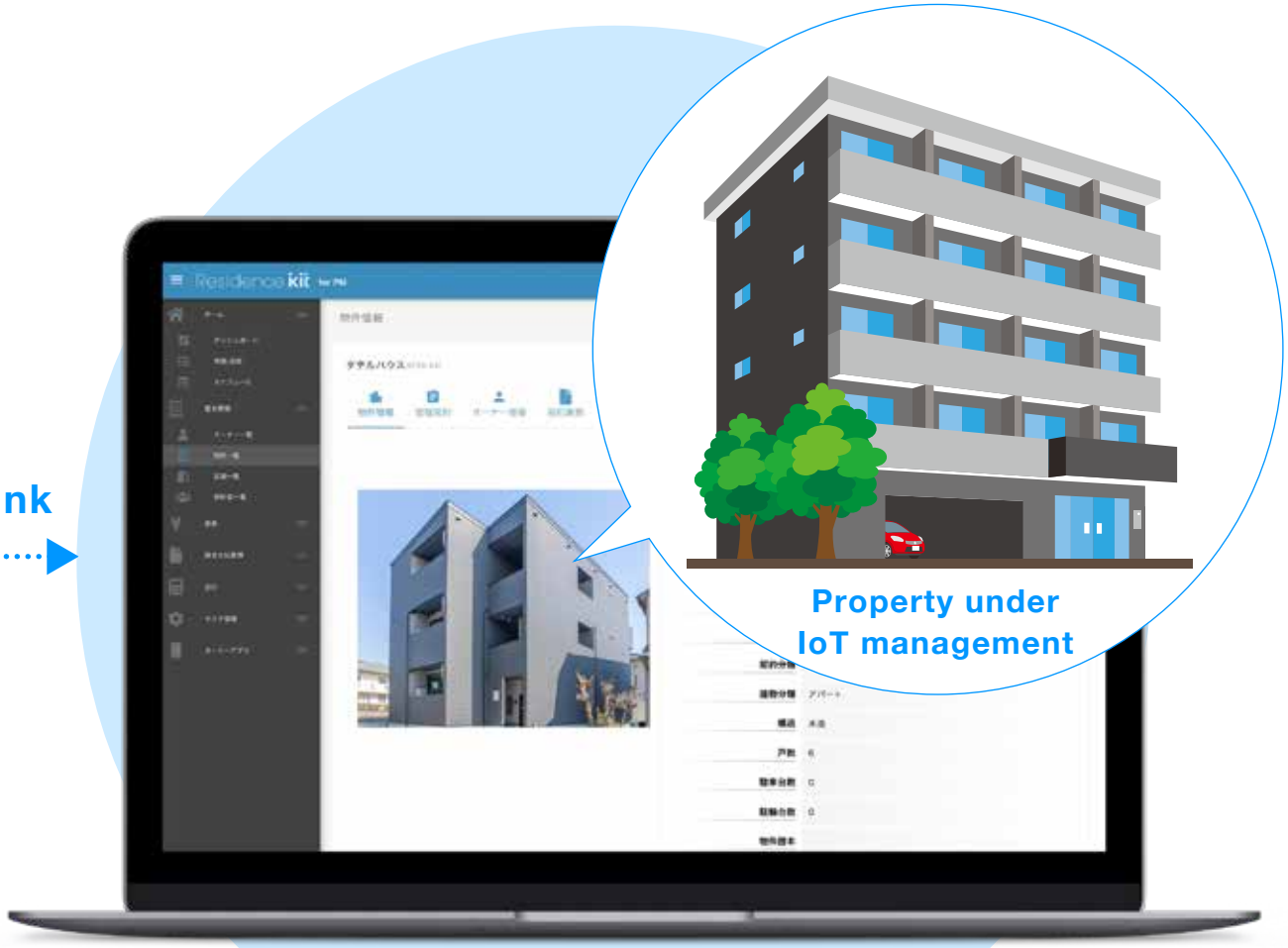
Tenants' app

(Residence kit for Customer)

Owners' app

(Residence kit for Owner)

Link



RPA tool for management companies

(Residence kit for PM)

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KANRY business: Stable recurring income that maintains high occupancy rate

●Occupancy rate of 98.3%

・Keep high occupancy rates

Properties constructed and managed by the Company

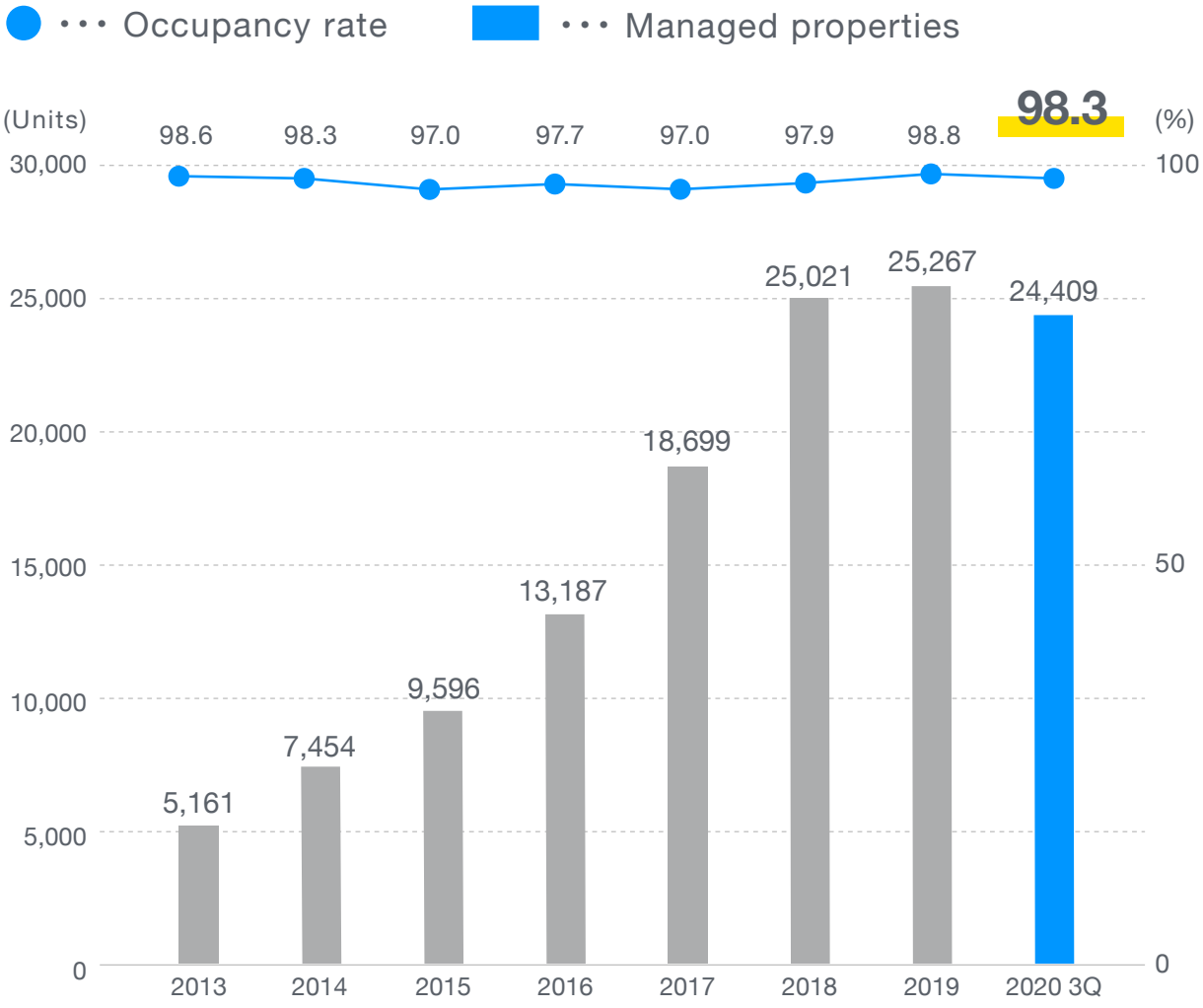
Units managed ＿＿ 22,953 units

Occupancy rate ＿＿ 98.3%

Contract management properties

Units managed ＿＿ 1,456 units

Occupancy rate ＿＿ 89.2%



*As of September 30, 2020

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KANRY business: Continue to enlarge market share

●Measures to increase units under management

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

●Currently increasing share of IoT deployment

(8,061 units/24,409 units)

●At present expanding Company-guaranteed share

(12,941 units/24,409 units)

*As of September 30, 2020

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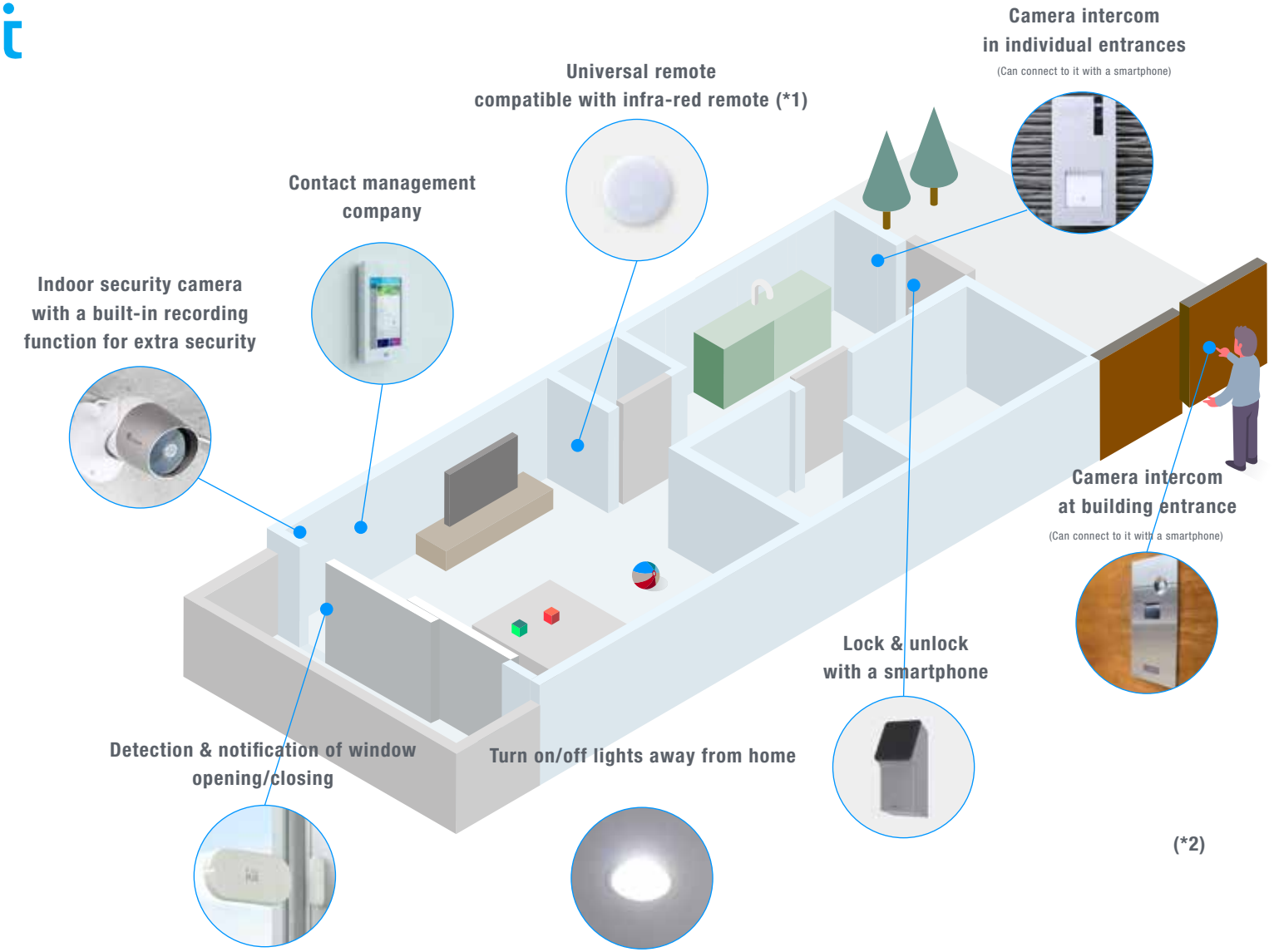
For tenants

KANRY business: Room with IoT devices controlled easily with a smartphone

Residence kit

for Customer





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

*2 The apartment layout is a sample.

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KANRY business: New owners' app

Residence kit
for Owner

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



Push notification
1 tap
Confirm
Check the status with the app
(contact by chat if any questions)
1 tap
Confirm
Web signature
1 tap
Confirm

Receipt of a move-out request
(Start of finding a tenant)



Confirm receipt of a move-out request and start of finding a tenant

Confirmation of work details



Check the status of restoration work

Preview status



Post on the vacancy website and check the status of feedback on automated previews

Receipt of move-in request



Receive an online move-in request

Online contract signing



Sign a rental contract online

Contract signed



Confirm that the contract is signed



Contact with the management company is also easy with the chat function on the app. There is a dedicated concierge, so even beginners can use it with confidence.

There is a rising trend in the surrounding rent market. How about raising the rent by 1,000 yen?

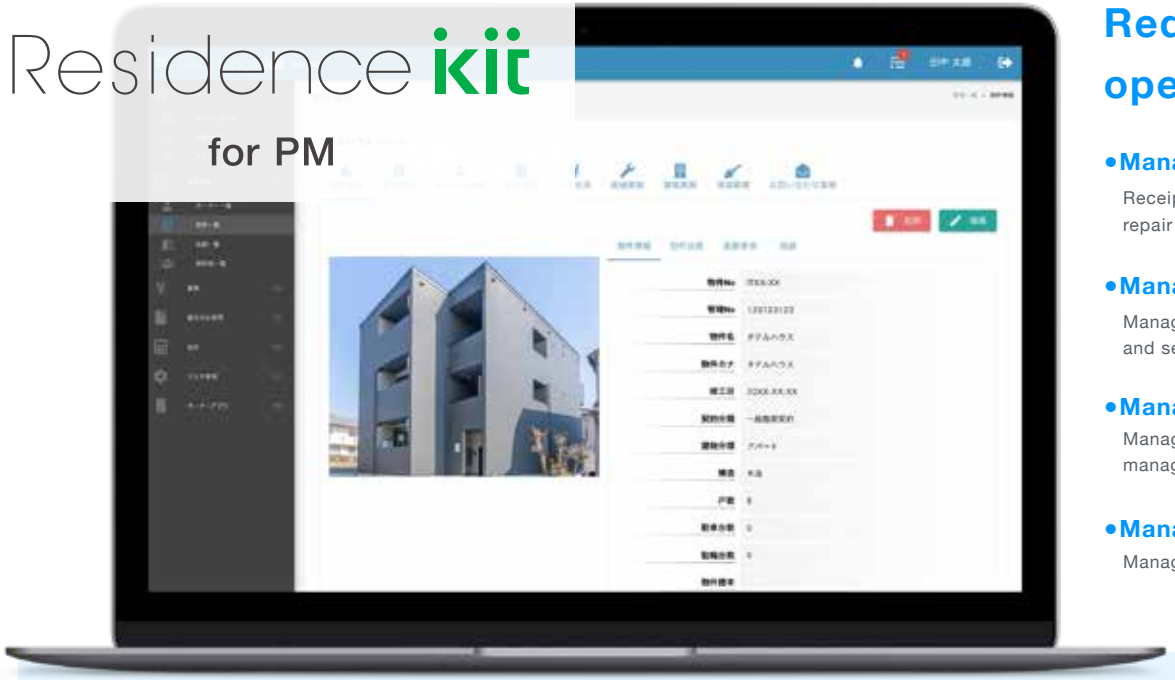
All right! Please let me know if there is any update on the occupancy status.

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For management companies

KANRY business: RPA tool for management companies

Residence kit for PM



Reducing vacancies risk by streamlining operations utilizing RPA

- **Manage moving-in/moving-out**
  Receipt of move-in/move-out requests, receipt of repair requests, making orders, management of history
- **Manage information**
  Management of property information, management of and search for owner information
- **Management of remittance history**
  Management of rent payment, remittance to owners, management of vendor billing
- **Management of documents**
  Management of contracts, remittance statements, and bills

Enhanced functions based on business flows

Chat function + Task management + Bot AI

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

- **Smooth communication by utilizing a chat function and push notifications**
  → Reduce vacancies risk due to lack of communication with tenants
  → Reduce vacancies risk by smooth communication with the owners at the time of moving in and out
- **Stable and improved service quality by utilizing fixed phrases and chatbot AI**
  → Increase the number of properties that can be taken care of by a person by stabilizing service quality and improving operational efficiency
  → Easy to standardize operations, which reduces the time required for training



Bot AI Screen

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For agents

KANRY business: Platform for vacant rooms

Residence kit

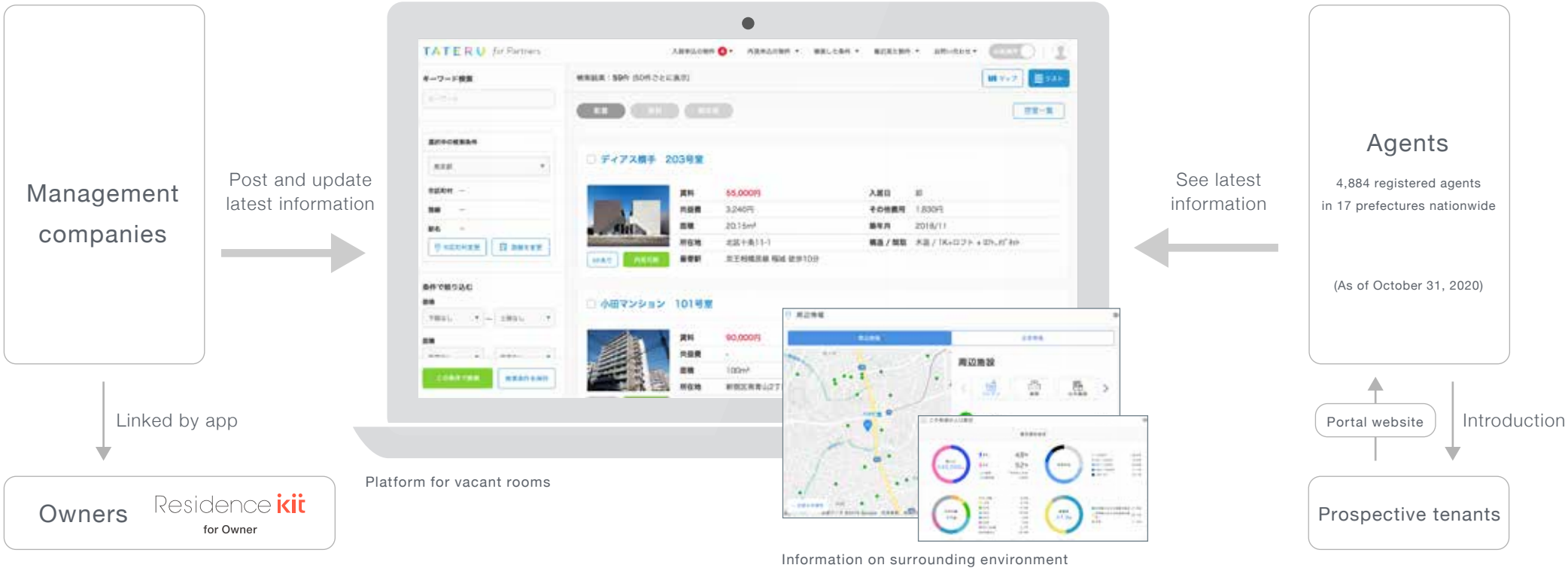
for Agent

(Platform for vacant rooms)

4,884 registered agents in 17 prefectures nationwide

(As of October 31, 2020)

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



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For agents

KANRY business: Preview work made efficient by automation

Automated preview system introduced on October 1, 2020

Posting on website for vacant rooms → Request for preview → Unlock with SMART LOCK (Use the app to check the preview status) → Online application → Online contract signing

Make an online reservation for preview

Lock/unlock the door with a password

Owners use the app to check the preview status

Apply online for a property you liked

Sign an online rental contract

Everything will be completed online including preveiw reservation, move-in application, and contract signing.

Facilitate moving in



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



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



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

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TATERU business

Net sales ¥2,978million

Operating profit ▲¥407million

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- Sale of revenue-generating real estate, differentiated through utilization of the IoT, for affluent clients

- Consulting business themed on combining technology with real estate development

- Provided an open-platform real estate development system using Residence kit for Development

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

Consulting for hotel planning in tourist cities





Conversion project for dilapidated facilities







***Images are perspective drawings of facilities currently being planned**

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

General design of the Yamanakako sports facility “AddElm Chillout Village”

Renovation plan / exterior design / interior design / sign planning Completed September 18, 2020



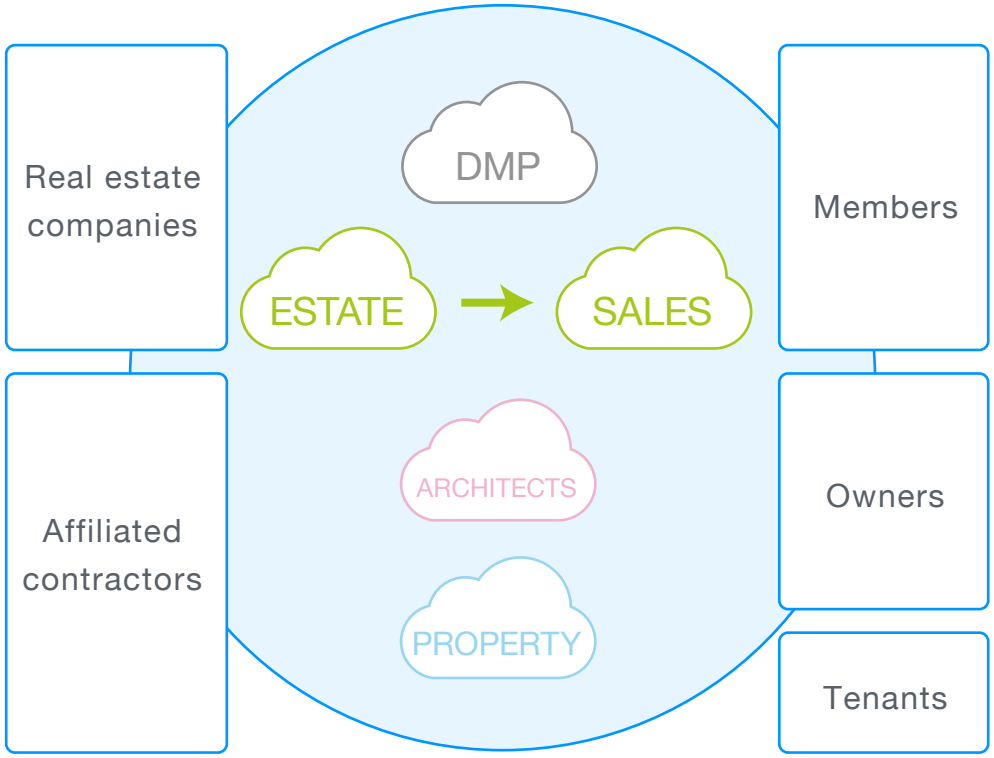
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TATERU business: Offering a platform for real estate development

Residence kit
for Development

Started offering a real estate development platform for developers through OEM

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



DMP
Attract new users nationwide using our proprietary DMP system

ESTATE
Obtain land information from real estate companies nationwide and register it in the ESTATE system. Land search, contract signing, payments, etc. are performed by local real estate companies.

SALES
SALES is a customer management system that matches users with land information collected in ESTATE.

ARCHITECTS
It is a system that manages procedures from the start of construction of a property to its completion. Orders are made separately to local affiliated contractors for various specialized construction work to complete the construction.

PROPERTY
PROPERTY centrally manages rental management work performed by local affiliated management companies, etc.

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

NEXT TATERU VISION

FY2022
Operating profit target
¥1.0 billion

2019.11.22
Management Policy Briefing Session held

2020.2.13
Announcement of NEXT TATERU VISION

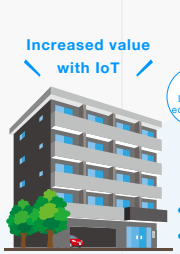
KANRY business
TATERU business
- Enhance financial position
- Strengthen the stock business

Strengthen stock business through collaboration

AI/IoT business

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

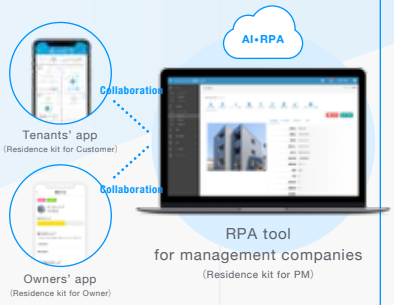
1. IoT domain



- Differentiated property
- Increased asset value
- Enhanced security

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

2. PM domain utilizing RPA



Contracts of PM work streamlined by RPA

3. SaaS domain



Convert DX platform with Residence kit into SaaS

December 31, 2019 | December 31, 2020 | December 31, 2021 | December 31, 2022

Investment phase (2020-2021)

Revenue phase (2021-)

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3. APPENDIX

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Chat concierge

CENTRAL CONTROLLER TABLET

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



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

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HOME ENTRANCE

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





Device with camera
for individual entrance

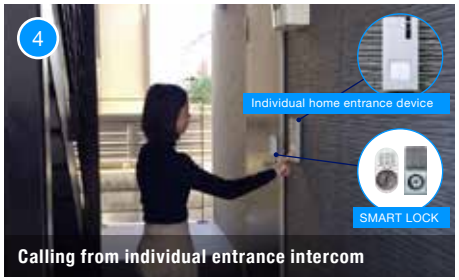


Device with camera for multiple
dwelling entrance













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When friends and family visit you while away from home

Friends and family visit you



Multiple dwelling entrance



Intercom for multiple dwelling entrance

Individual entrance



Intercom for individual entrance



Capable of responding to both multiple dwelling entrance and individual entrance



Unlock the door

a package drop service





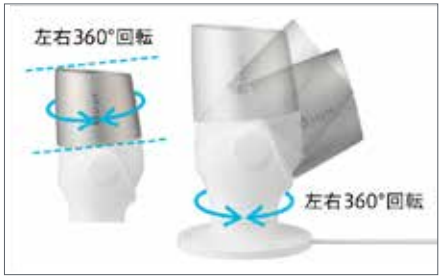
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SECURITY CAMERA

- Surveillance camera for crime prevention -

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











1. Live check function

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

2. Video saving function

Images taken can be saved for two weeks

3. Snipping function

Only the necessary part of the image can be snipped out



Submit the video taken as evidence

You can use the app to check

Daytime

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

Night time*

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

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



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SMART LOCK

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

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



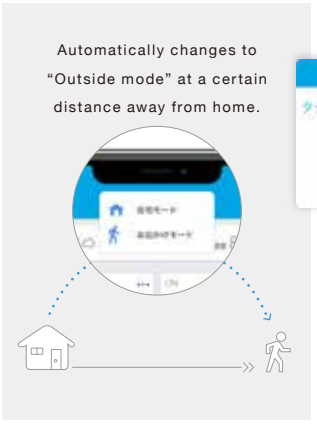


SMART LOCK is used to prevent unlocked doors and windows. If it is fraudulently unlocked, an alarm will be activated and an entry record can be checked via the app. When it runs out of battery, power can be fed from outside the door.

SENSOR

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







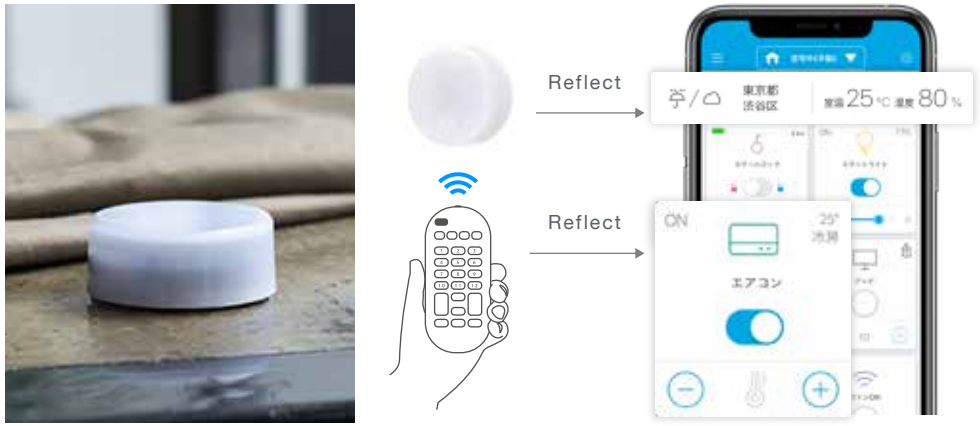
SENSOR installed in the window detects opening and closing, or vibration, and enables confirmation of abnormalities in the room by using a smartphone from a remote location.

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NATURE SENSOR
REMOTE CONTROLLER

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

*Activation of all home appliances is not guaranteed.

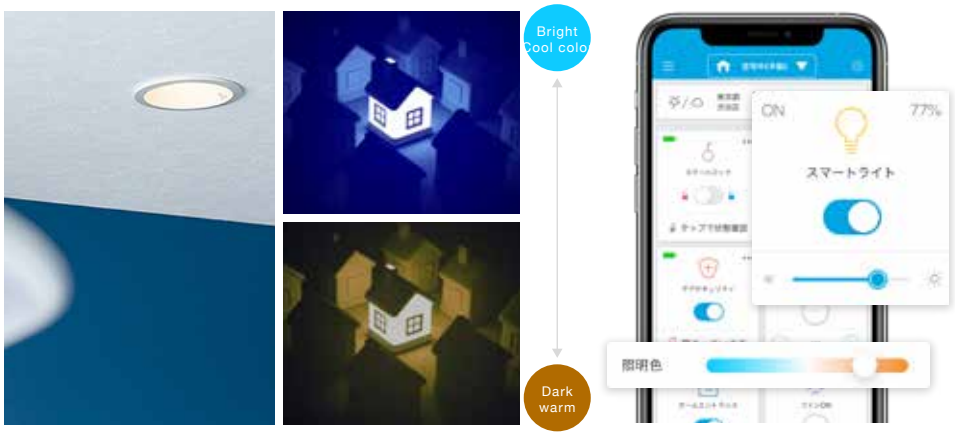


Various household remote control devices can be added.

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

SMART LIGHT

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



*Illustration

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

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