

# Consolidated Financial Results for the Three Months Ended March 31, 2019 [Japanese GAAP]



May 13, 2019

Company name: TATERU, Inc.  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 1435  
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 Scheduled date of filing quarterly securities report: May 14, 2019  
 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 Three Months Ended March 31, 2019 (January 1, 2019 to March 31, 2019)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2019	4,663	(68.2)	(4,704)	-	(4,893)	-	(6,045)	-
March 31, 2018	14,678	32.2	673	6.3	643	15.6	433	23.6

(Note) Comprehensive income: Three months ended March 31, 2019: ¥(6,060) million [-%]  
 Three months ended March 31, 2018: ¥444 million [26.4%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2019	(68.10)	-
March 31, 2018	5.49	4.95

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2019	29,485	16,820	56.7
As of December 31, 2018	32,445	22,881	70.1

(Reference) Equity: As of March 31, 2019: ¥16,705 million

As of December 31, 2018: ¥22,749 million

(Note) The company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) and such, starting from the beginning of the first quarter of the consolidated fiscal year ending December 31, 2019. Accordingly, the accounting standard and such has been retroactively applied to the consolidated financial position as of December 31, 2018.

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2018	Yen -	Yen 5.00	Yen -	Yen 0.00	Yen 5.00
Fiscal year ending December 31, 2019	-				
Fiscal year ending December 31, 2019 (Forecast)		0.00	-	0.00	0.00

(Note) Revision to the forecast for dividends announced most recently: Yes

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2019 (January 1, 2019 to December 31, 2019)

Consolidated financial results forecasts for the fiscal year ending December 31, 2019 are not presented since it is difficult to reasonably predict profits and losses at this moment. Please refer to “1. (3) Explanation of consolidated financial results forecast and other forward-looking information” on page 3 of the attachments for reason for this.

### \* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (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: No
  - 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):
    - March 31, 2019: 88,767,000 shares
    - December 31, 2018: 88,767,000 shares
  - 2) Total number of treasury stock at the end of the period:
    - March 31, 2019: - shares
    - December 31, 2018: - shares
  - 3) Average number of shares during the period:
    - Three months ended March 31, 2019: 88,767,000 shares
    - Three months ended March 31, 2018: 79,059,000 shares

\* 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

Consolidated financial results forecasts for the fiscal year ending December 31, 2019 are not presented since it is difficult to reasonably predict profits and losses at this moment. Please refer to “1. (3) Explanation of consolidated financial results forecast and other forward-looking information” on page 3 of the attachments for reason for this. Record of orders received of TATERU Apartment business which was disclosed in the previous quarterly report is omitted since the business activities are not in full operation still and it is immaterial as matters for disclosure.

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## 1. Qualitative Information of Quarterly Financial Results

### (1) Explanation of operating results

The Japanese economy during the three months ended March 31, 2019 continued to show a moderate recovery trend with the improvement of personal consumption and the continued increasing trend in capital investment due to the improvement of employment environment and rising income levels. Nevertheless, the outlook remains unclear because of the uncertainty in the world economy from the impact of the trade friction between the U.S. and China.

In the real estate industry, although there are signs that financial institutions are tightening their policies on loans for real estate due to the change in their lending attitudes, the strong trend is expected to last going forward thanks to the robust demand from investors for property acquisition, driven by the Bank of Japan's continued negative interest rate policy.

Under these circumstances, in our mainstay TATERU Apartment business, the Group refrained from full-scale sales activity in order to prioritize the post-incident and confidence restoration from financial institutions on inappropriate actions by an employee of the Company which was discovered during the fiscal year ended December 31, 2018. In addition, the Company promoted agreement procedures in relation to the collective sale of real estate for sale in order to ensure new business funds.

As a result, the performance for the three months ended March 31, 2019 was ¥4,704 million in operating loss (operating profit of ¥673 million for the same period of the previous fiscal year), ¥4,893 million in ordinary loss (ordinary profit of ¥643 million for the same period of the previous fiscal year) and ¥6,045 million in loss attributable to owners of parent (profit attributable to owners of parent of ¥433 million for the same period of the previous fiscal year) partly due to the recording of ¥4,663 million in net sales (down 68.2% year on year) and ¥3,198 million in loss on collective sale of real estate for sale.

The performance of each segment is as follows.

From the three months ended March 31, 2019, the Company partially changed the business segment to be presented as reportable segment and the name of the business segment. The comparison and analysis for the three months ended March 31, 2019 are based on the classification after the change.

#### 1) TATERU Apartment business

In TATERU Apartment business, the Company refrained from full-scale sales activity in order to prioritize the post-incident and confidence restoration from financial institutions on inappropriate actions by an employee of the Company which was discovered during the fiscal year ended December 31, 2018. In addition, the Company promoted agreement procedures in relation to the collective sale of real estate for sale in order to ensure new business funds.

As a result, net sales for the three months ended March 31, 2019 was ¥4,419 million (down 68.6% year on year) and operating loss was ¥3,686 million (operating profit of ¥1,091 million for the same period of the previous fiscal year).

#### 2) Smart hotel business

In Smart hotel 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 TRIP POD, an IoT smart hotel, which is aimed at reducing costs, including personnel expenses, and improving profitability by utilizing an IoT device, 3 apartment buildings were planned and developed during the three months ended March 31, 2019.

As a result, net sales for the three months ended March 31, 2019 was ¥206 million (up 80.8% year on year) and operating profit was ¥74 million (up 89.6% year on year).

#### 3) 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 three months ended March 31, 2019 was ¥36 million (down 78.0% year on year) and operating loss was ¥67 million (operating profit of ¥45 million for the same period of the previous fiscal year).

## (2) Explanation of financial position

### (Assets)

Total assets at the end of the three months ended March 31, 2019 decreased by ¥2,959 million from the end of the previous fiscal year to ¥29,485 million. This is mainly attributable to decreases in cash and deposits of ¥2,200 million and investment securities of ¥1,069 million.

### (Liabilities)

Total liabilities at the end of the three months ended March 31, 2019 increased by ¥3,101 million from the end of the previous fiscal year to ¥12,664 million. This is mainly attributable to decreases in accounts payable-trade of ¥1,250 million, despite increases in short-term loans payable of ¥4,200 million and allowance for capital loss of related companies of ¥1,133 million.

### (Net assets)

Total net assets at the end of the three months ended March 31, 2019 decreased by ¥6,061 million from the end of the previous fiscal year to ¥16,820 million. This is mainly attributable to the recording of loss attributable to owners of parent of ¥6,045 million.

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

In view of market trends and customer trends, it is difficult to reasonably predict profits and losses, and consolidated financial results forecasts for the fiscal year ending December 31, 2019 will not be disclosed as announced in “Consolidated Financial Results for the Fiscal Year Ended December 31, 2018” on February 13, 2019.

The forecasts will be disclosed immediately after it becomes possible to reasonably predict the performance forecasts.

## 2. Consolidated Financial Statements and Primary Notes

### (1) Consolidated balance sheets

(Thousand yen)

	As of December 31, 2018	As of March 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	11,993,824	9,793,695
Accounts receivable-trade	841,190	788,673
Merchandise and finished goods	299,951	297,281
Real estate for sale	11,105,828	11,456,425
Real estate for sale in process	1,618,758	1,459,122
Supplies	10,566	9,679
Other	458,140	440,294
Allowance for doubtful accounts	(15,451)	(17,193)
Total current assets	26,312,808	24,227,979
Non-current assets		
Property, plant and equipment	993,154	1,206,218
Intangible assets		
Goodwill	1,791,047	1,758,483
Other	365,348	434,435
Total intangible assets	2,156,396	2,192,918
Investments and other assets		
Investment securities	2,351,533	1,281,828
Other	631,119	576,156
Total investments and other assets	2,982,653	1,857,984
Total non-current assets	6,132,203	5,257,121
Total assets	32,445,011	29,485,101

(Thousand yen)

	As of December 31, 2018	As of March 31, 2019
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	2,824,725	1,573,825
Short-term loans payable	1,800,000	6,000,000
Current portion of long-term loans payable	401,154	404,631
Income taxes payable	568,023	65,440
Provision for bonuses	55,749	161,616
Provision for full occupancy responsibility	319,021	32,697
Allowance for capital loss of related companies	-	1,133,243
Asset retirement obligations	-	21,730
Other	2,345,720	1,918,062
Total current liabilities	8,314,393	11,311,245
Non-current liabilities		
Long-term loans payable	1,200,860	1,296,908
Asset retirement obligations	48,269	42,592
Other	-	14,097
Total non-current liabilities	1,249,129	1,353,598
Total liabilities	9,563,522	12,664,844
<b>Net assets</b>		
Shareholders' equity		
Capital stock	7,272,422	7,272,422
Capital surplus	7,178,610	7,178,610
Retained earnings	8,296,419	2,251,243
Total shareholders' equity	22,747,452	16,702,276
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,575	3,588
Foreign currency translation adjustment	22	93
Total accumulated other comprehensive income	1,598	3,682
Share acquisition rights	1,530	1,020
Non-controlling interests	130,908	113,278
Total net assets	22,881,489	16,820,257
Total liabilities and net assets	32,445,011	29,485,101

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

Three months ended March 31, 2019

(Thousand yen)

	For the three months ended March 31, 2018	For the three months ended March 31, 2019
Net sales	14,678,973	4,663,216
Cost of sales	11,912,039	7,288,101
Gross profit (loss)	2,766,933	(2,624,885)
Selling, general and administrative expenses	2,093,097	2,079,142
Operating profit (loss)	673,835	(4,704,027)
Non-operating income		
Interest income	465	640
Dividend income	940	-
Gain on investments in partnership	-	1,879
Gain on sales of goods	2,250	-
Other	1,083	999
Total non-operating income	4,740	3,519
Non-operating expenses		
Interest expenses	3,466	3,283
Loss on investments in partnership	1,368	1,059
Commission fee	10,156	140,000
Share of loss of entities accounted for using equity method	15,221	34,258
Other	4,677	14,047
Total non-operating expenses	34,890	192,650
Ordinary profit (loss)	643,685	(4,893,158)
Extraordinary income		
Gain on reversal of share acquisition rights	-	510
Total extraordinary income	-	510
Extraordinary losses		
Provision of the reserve for capital loss of related companies	-	1,133,243
Total extraordinary losses	-	1,133,243
Profit (loss) before income taxes	643,685	(6,025,891)
Income taxes	208,567	36,913
Profit (loss)	435,117	(6,062,805)
Profit (loss) attributable to non-controlling interests	1,446	(17,629)
Profit (loss) attributable to owners of parent	433,671	(6,045,175)



Consolidated statements of comprehensive income  
Three months ended March 31, 2019

(Thousand yen)

	For the three months ended March 31, 2018	For the three months ended March 31, 2019
Profit (loss)	435,117	(6,062,805)
Other comprehensive income		
Valuation difference on available-for-sale securities	9,002	2,012
Foreign currency translation adjustment	-	93
Total other comprehensive income	9,002	2,106
Comprehensive income	444,120	(6,060,698)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	442,754	(6,043,068)
Comprehensive income attributable to non-controlling interests	1,365	(17,629)

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Segment information, etc.)

[Segment information]

I For the three months ended March 31, 2018

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

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustments (Note 2)	Amounts on consolidated statements of income (Note 3)
	TATERU Apartment business	Smart hotel business	Robot Home business	Total				
Net sales								
Net sales to external customers	14,105,761	114,012	165,570	14,385,344	293,628	14,678,973	-	14,678,973
Inter- segment sales or transfers	750	-	-	750	9,192	9,943	(9,943)	-
Total	14,106,512	114,012	165,570	14,386,094	302,821	14,688,916	(9,943)	14,678,973
Segment profit or loss	1,091,999	39,178	45,462	1,176,639	84,041	1,260,681	(586,845)	673,835

- (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 impairment loss of non-current assets or goodwill, etc. by reportable segment

Not applicable.

II For the three months ended March 31, 2019

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

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustments (Note 2)	Amounts on consolidated statements of income (Note 3)
	TATERU Apartment business	Smart hotel business	Robot Home business	Total				
Net sales								
Net sales to external customers	4,416,703	206,215	36,384	4,659,303	3,913	4,663,216	-	4,663,216
Inter- segment sales or transfers	2,782	-	-	2,782	27,767	30,549	(30,549)	-
Total	4,419,485	206,215	36,384	4,662,086	31,680	4,693,766	(30,549)	4,663,216
Segment profit or loss	(3,686,938)	74,320	(67,549)	(3,680,167)	(42,677)	(3,722,845)	(981,182)	(4,704,027)

- (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 loss under consolidated statements of income.

2. Information on the changes, etc. to reportable segments

From the three months ended March 31, 2019, the Company changed the segment name from previous “TATERU bnb business” to “Smart hotel business.” In addition, since the importance of “TATERU Funding business” has declined, it is included in Others.

Segment information for the three months ended March 31, 2018 is prepared from the name and segment classification after the change.

3. Information on impairment loss of non-current assets or goodwill, etc. by reportable segment

Not applicable

(Significant subsequent events)

(Postponement of transfer execution date of shares of the subsidiary)

Regarding the “Notice Concerning Conclusion of Share Transfer Agreement on Change in Consolidated Subsidiary (Share Transfer)” released on March 29, 2019, the Company announced that it concluded a share transfer agreement to transfer all shares held by the Company in the Company’s consolidated subsidiary Invest Online, Inc. to Japan Investment Adviser Co., Ltd. (hereinafter, “Japan Investment Adviser”), and scheduled to execute the share transfer on April 5, 2019. However, as announced in “Notice Concerning Postponement of Share Transfer Execution Date Relating to Change in Consolidated Subsidiary (Share Transfer)” on April 26, 2019, the Company and Japan Investment Adviser have agreed to postpone the transfer execution date.

### 3. Others

#### Significant events, etc. on going concern assumption

For the three months ended March 31, 2019, in our mainstay TATERU Apartment business, the Group prioritized on responding to the inappropriate actions by an employee of the Company which was discovered during the fiscal year ended December 31, 2018, and has not been able to perform full-scale sales activity. In addition, as disclosed in “Notice Concerning Sale of Real Estate for Sale” on April 5, 2019, the Company recorded ¥3,198 million in loss on collective sale of real estate for sale. Accordingly, together with other factors, the Company recorded gross loss, operating loss, ordinary loss and loss attributable to owners of parent for the three months ended March 31, 2019.

Due to this situation, there exists a significant doubt on going concern assumption. However, as a result of considering the situation of fund balance as of the end of the three months ended March 31, 2019 and the future funding, there is no concern on the continuity of the business activity at the moment. The Company has decided that there is no significant uncertainty on going concern assumption.

By addressing on rebuilding TATERU Apartment business, and establishing and expanding Robot Home and Smart hotel businesses, the Company will aim for ensuring stable profit as a going concern.