February 13, 2019

Company name: TATERU, Inc.
Representative: Daisaku Furuki, Representative Director/CEO
(Stock exchange code: 1435, TSE First Section)
Contact: Yusuke Takasugi,
Managing Director/CFO, General Manager, Business Management Division
(Phone: +81-3-6447-0651)

Notice of Differences between the Full-Year Consolidated Financial Results Forecast and Actual Results, Revisions to the Dividend Forecast, and Recording of Loss on Valuation of Inventories

TATERU, Inc. (the "Company") hereby makes notice as follows regarding the differences between the full-year consolidated financial results forecast and actual results, announced on November 12, 2018, and announced today, respectively, as well as the recording of a loss on valuation of inventories.

In addition, at the meeting of Board of Directors held today, the Company resolved to revise the dividend forecast. Details are as follows.

1. Differences between the full-year consolidated financial results forecast and actual results

(1) Differences between the full-year consolidated financial results forecast and actual results for the fiscal year ended December 31, 2018
(January 1, 2018 – December 31, 2018)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	72,238	3,060	2,909	3,389	39.98
Actual results (B)	79,149	721	507	1,581	18.66
Difference (B – A)	6,911	(2,338)	(2,401)	(1,807)	
Increase/decrease (%)	9.6	(76.4)	(82.5)	(53.3)	
(Reference) Results for the fiscal year ended December 31, 2017	67,016	5,898	5,863	3,995	51.52

Note: The Company conducted a five-for-one stock split of its common stock effective January 1, 2018. Basic earnings per share are calculated on the assumption that those stock splits were conducted at the beginning of the fiscal year ended December 31, 2017.

(2) Reason for the difference from financial results forecast

As announced in "Notice Concerning Receipt of Investigation Report (Summary) from Special Investigation Committee and Future Response" on December 27, 2018, it was discovered that an employee of the Company manipulated deposit balance data received from a client to make it easier for the client to pass the loan screening process by making the balance appear higher than it actually was, before submitting the data to a financial institution. In light of this fact, the Company established a Special Investigation Committee consisting primarily of external advisors and conducted an investigation. On the same day, the Company received a report from the Special Investigation Committee, which included the results of the investigation, observation on the cause, and measures to prevent reoccurrence.

As a result of the incident, the TATERU Apartment business saw some cancellation of orders. In order to handle the situation, the Company took measures such as purchasing land with unexecuted loans from financial institutions, as well as repurchasing land for buildings with unexecuted loans from financial institutions among projects under suspicion of improper conduct. The Company sold off part of the land to cope with changes in the external environment and to enhance the collectability of funds. In addition, the Company recorded a loss on valuation of inventories of 1,806 million yen as cost of sales for land inventory held and construction expenses for apartments. Meanwhile, the number of apartment buildings delivered (around 720 apartment buildings) and the amount of selling, general and administrative expenses during the fiscal year ended December 31, 2018 were in line with initial plans, as announced in "Notice of Revisions to the Full-year Consolidated Financial Results Forecast" on November 12, 2018.

As a result, net sales were 79,149 million yen (6,911 million yen above the initial plan), exceeding the previous forecast, whereas operating profit was 721 million yen (2,338 million yen below the initial plan), ordinary profit was 507 million yen (2,401 million yen below the initial plan), and profit attributable to owners of parent was 1,581 million yen (1,807 million yen below the initial plan), each below the previous forecast.

2. Revisions to the dividend forecast

(1) Reasons for revisions to the dividend forecast

The Company considers return of profits to shareholders to be a key management task, with the basic policy of ensuring continuous and stable dividend payments. The dividend payout ratio is set at a benchmark of 10%-20%, with the aim of gradually raising this to around 30%.

However, as described in "1. Differences between the full-year consolidated financial results forecast and actual results," actual results have fallen significantly below previous forecasts, and therefore, the Company sincerely regrets having to forgo the year-end dividend. As the Company paid an interim dividend of 5.00 yen per share for the fiscal year ended December 31, 2018, the consolidated dividend payout ratio will be 26.8%.

The Company offers its sincerest apologies to shareholders, and asks for your continued support.

(2) Details of revisions to dividends

	Dividend per share		
	2nd quarter-end	Year-end	Annual
Previous forecast		5.00 yen	10.00 yen
Revised forecast		0.00 yen	5.00 yen
Results for the current year (year ended December 31, 2018)	5.00 yen		
Results for the previous year (year ended December 31, 2017)	20.00 yen	25.00 yen	45.00 yen

Note: The Company conducted a five-for-one stock split of its common stock effective January 1, 2018. Results for the fiscal year ended December 31, 2017 shown are the amount actually paid before those stock splits. Furthermore, if calculated on the assumption that those stock splits were conducted at the beginning of the fiscal year ended December 31, 2017, the dividend per share for the fiscal year ended December 31, 2017 would be 9.00 yen (4.00 yen at 2nd quarter-end and 5.00 yen at year-end).

End