TATERU, Inc.

FY2020 1Q FINANCIAL RESULTS

May 2020 TATERU, Inc. (TSE1:1435)

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1. | FY2020 1Q Financial Results Overview

Company overview

Name	TATERU, Inc.	**Businesses**	KANRY business
			Note: the PM platform business has been renamed the KANRY business
Head office	1-5-8, Jingumae, Shibuya-ku, Tokyo		TATERU business
Established	January 23, 2006	**Subsidiaries**	Robot Home Co., Ltd.
			TABICT, Inc.
Representative	Daisaku Furuki, Representative Director/CEO		Sunassu Co., Ltd.
Capital	7,286 million yen		
Employees	193 persons		
	(consolidated basis / full-time employees / as of March 31, 2020)		

FY2020 1Q Highlights

- Achieved the planned sale of real estate for sale and reductions in selling, general and administrative expenses. Results were in line with the results forecast announced at the beginning of the year.

- Embarked on "transformation of the revenue structure from flow business to stock business." Began initiatives to improve revenue of the KANRY business and further enhance the efficiency of selling, general and administrative expenses.

- Halted development of new smart hotels in the TABICT hotel business, in view of the COVID-19 disaster. However, the impact is not significant from the perspective of overall revenue, due to the shift to stock business, and no revisions have been made to the results forecast announced at the beginning of the year.

Consolidated statements of income

(Unit: million yen)

	FY2019 1Q	FY2020 1Q
Net sales	4,663	2,035
Gross profit	▲2,624	513
Selling, general and administrative expenses	2,079	715
Operating income	▲4,704	▲201
Ordinary income	▲4,893	▲224
Profit attributable to owners of parent	▲6,045	▲227

Reduction in selling, general and administrative expenses through cost structure reform

Segment Information

(Unit: million yen)

KANRY business			
	FY2019 1Q	FY2020 1Q	YoY Change
Net sales	624	805	181
Operating income	10	236	226

○Increase in net sales due to stock income growth

○Reduction in selling, general and administrative expenses through cost structure reform
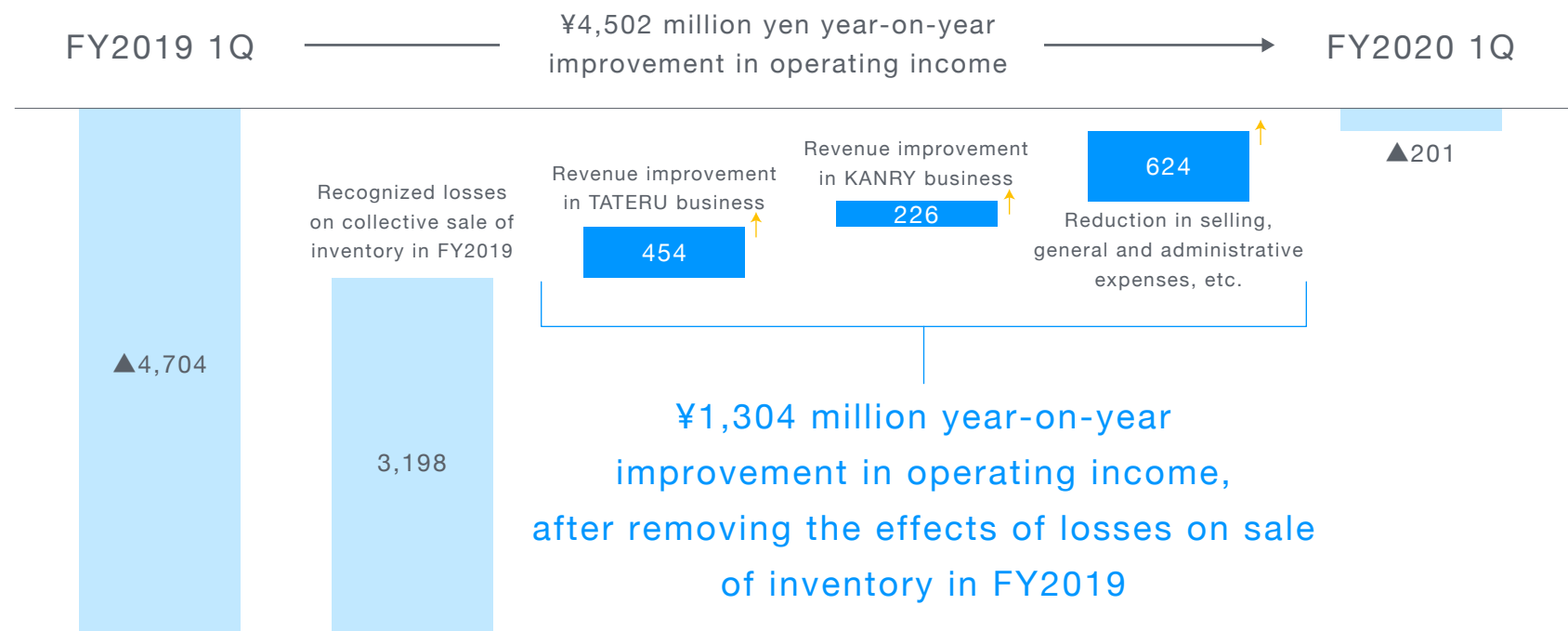
<Reference: details of changes>

・¥129 million increase in net sales

・¥10 million improvement in gross profit ratio

・¥87 million reduction in selling, general and administrative expenses

TATERU business			
	FY2019 1Q	FY2020 1Q	YoY Change
Net sales	4,037	1,230	▲2,807
Operating income	▲3,744	▲92	3,652

○¥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

Factors contributing to change in consolidated operating income

FY2019 1Q → ¥4,502 million yen year-on-year improvement in operating income → FY2020 1Q

▲4,704

Recognized losses on collective sale of inventory in FY2019

3,198
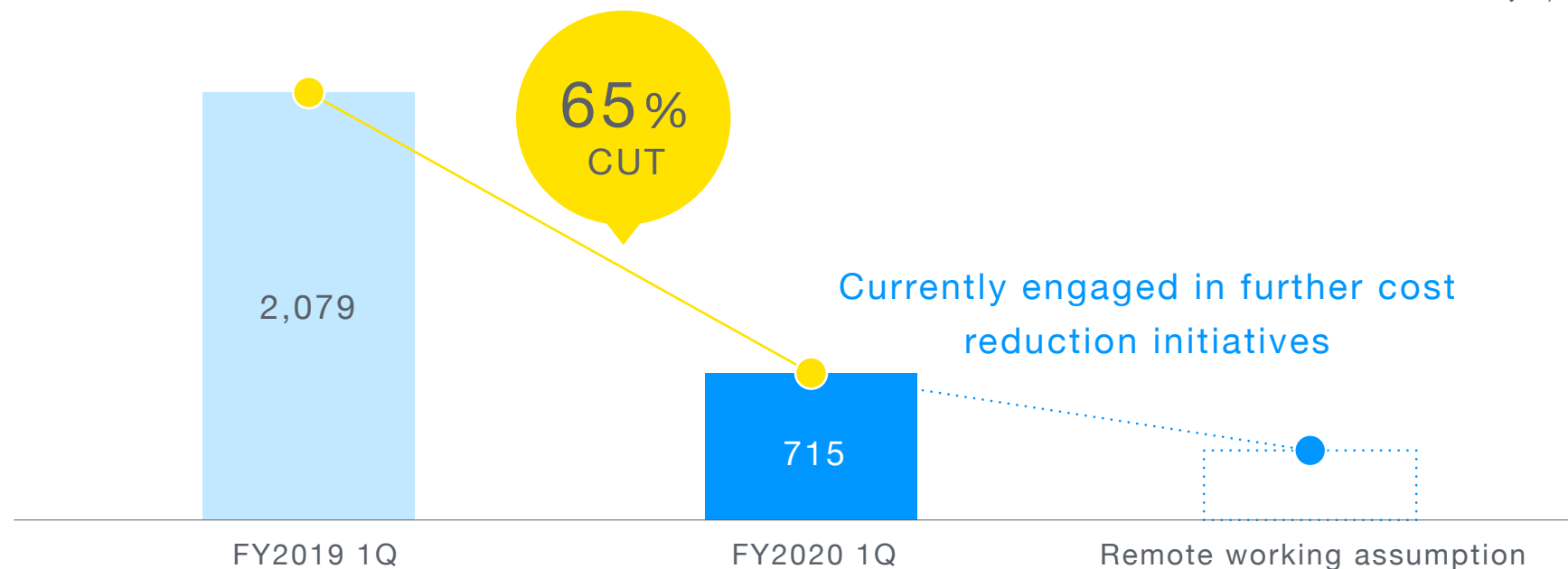
Revenue improvement in TATERU business
454

Revenue improvement in KANRY business
226

Reduction in selling, general and administrative expenses, etc.
624

▲201

¥1,304 million year-on-year improvement in operating income, after removing the effects of losses on sale of inventory in FY2019

<Details>

(Unit: million yen)

Revenue improvement in TATERU business		Revenue improvement in KANRY business		Reduction in selling, general and administrative expenses, etc.	
・Deterioration in gross profit ratio	▲52	・Increase in net sales	129	・Greater efficiency in personnel and subcontract expenses	108
・Reduction in selling, general and administrative expenses (Of which 305 is effect of sale of IO Funding)	506	・Improvement in gross profit ratio	10	・Reduction in advertising expenses	79
		・Reduction in selling, general and administrative expenses	87	・Reduction in land and building rent	51
				・Improvement in other cost items	386

Status of initiatives to reduce selling, general and administrative expenses

- Strive for further cost reductions, based on the assumption of efficient operation of remote working

- Review the Company's spread of office bases during FY2020, aiming for a significant reduction in rent expenses

<Selling, general and administrative expenses>

(Unit: million yen)

65%
CUT

2,079

715

Currently engaged in further cost reduction initiatives

FY2019 1Q

FY2020 1Q

Remote working assumption

Consolidated balance sheets

(Unit: million yen)

	December 31, 2019	End 1Q FY2020	YoY change
Current assets	11,160	9,852	▲1,308
Inventories	3,915	3,195	▲719
Non-current assets	1,129	1,207	77
Total assets	12,290	11,060	▲1,230
Liabilities	4,062	3,073	▲989
Net assets	8,227	7,986	▲241
Total liabilities and net assets	12,290	11,060	▲1,230

Decrease due to transfer of real estate for sale

Decrease due to repayment of loans

Equity ratio: 72.2%

2. TATERU Growth Strategy

KANRY Business

"KANRY" - rental management from an app

Note: the PM platform business has been renamed the KANRY business

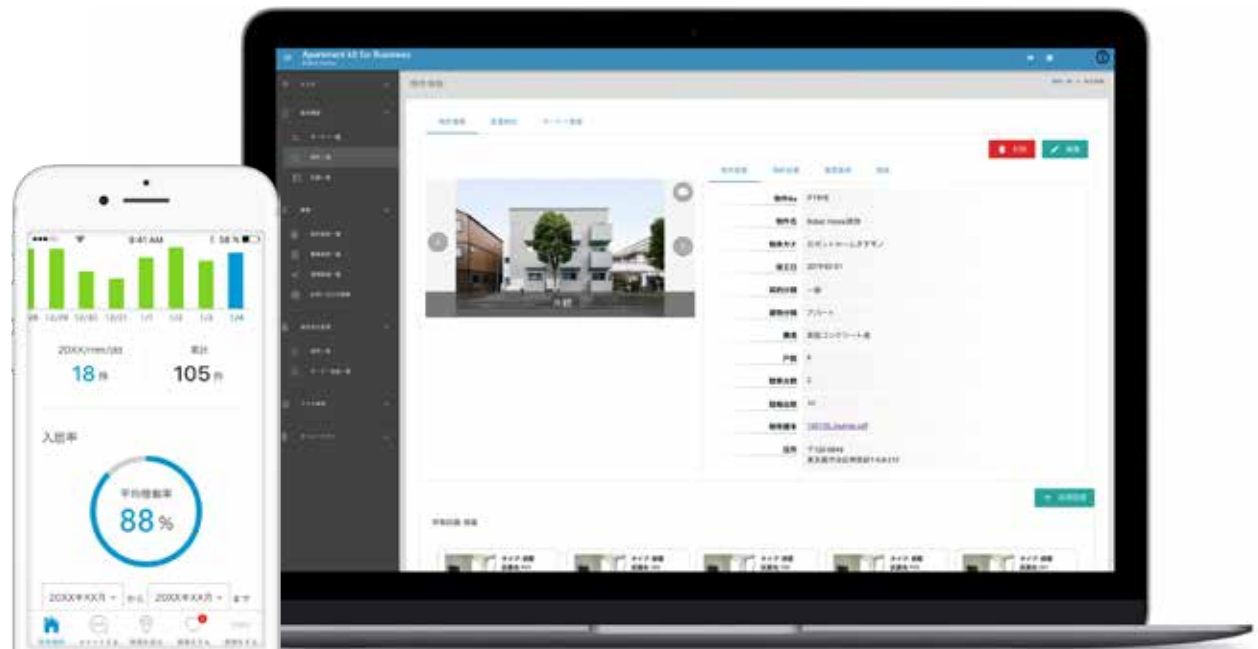**Properties constructed and managed by the Company**

Units managed ——— 23,414 units

Occupancy rate ——— 99.7%

Contract management properties

Units managed ——— 1,194 units

Occupancy rate ——— 91.4%

New owners' app   Chintai Kanri Jido-kun

*As of March 31, 2020

Note: the image above contains parts currently under development

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Feature 1. Internally developed IoT capabilities

Room with IoT devices controlled easily with a smartphone

Camera intercom
in individual entrances
(Can connect to it with a smartphone)

Universal remote

<Compatible with infra-red remote (*1) >
・ Air conditioner
・ TV
・ Curtains
・ Robot vacuum cleaner
・ Lighting, etc

kit HOME ENTRANCE

Contact management company

NATURE SENSOR
REMOTE CONTROLLER

Detection & notification
of window
opening/closing

CENTRAL CONTROLLER

Camera intercom
at building entrance
(Can connect to it with a smartphone)

TAG SECURITY

kit HOME ENTRANCE

Lock & unlock
with a smartphone

Turn on lights
before getting home

(*2)

SMART LOCK

SMART LIGHT

*1 Some functions may not be available in all units

*2 The apartment layout is a sample

Feature 2. Stable recurring income that maintains high occupancy rate

●Occupancy rate of 99.7%

・Keep high occupancy rates

●Zero subleasing
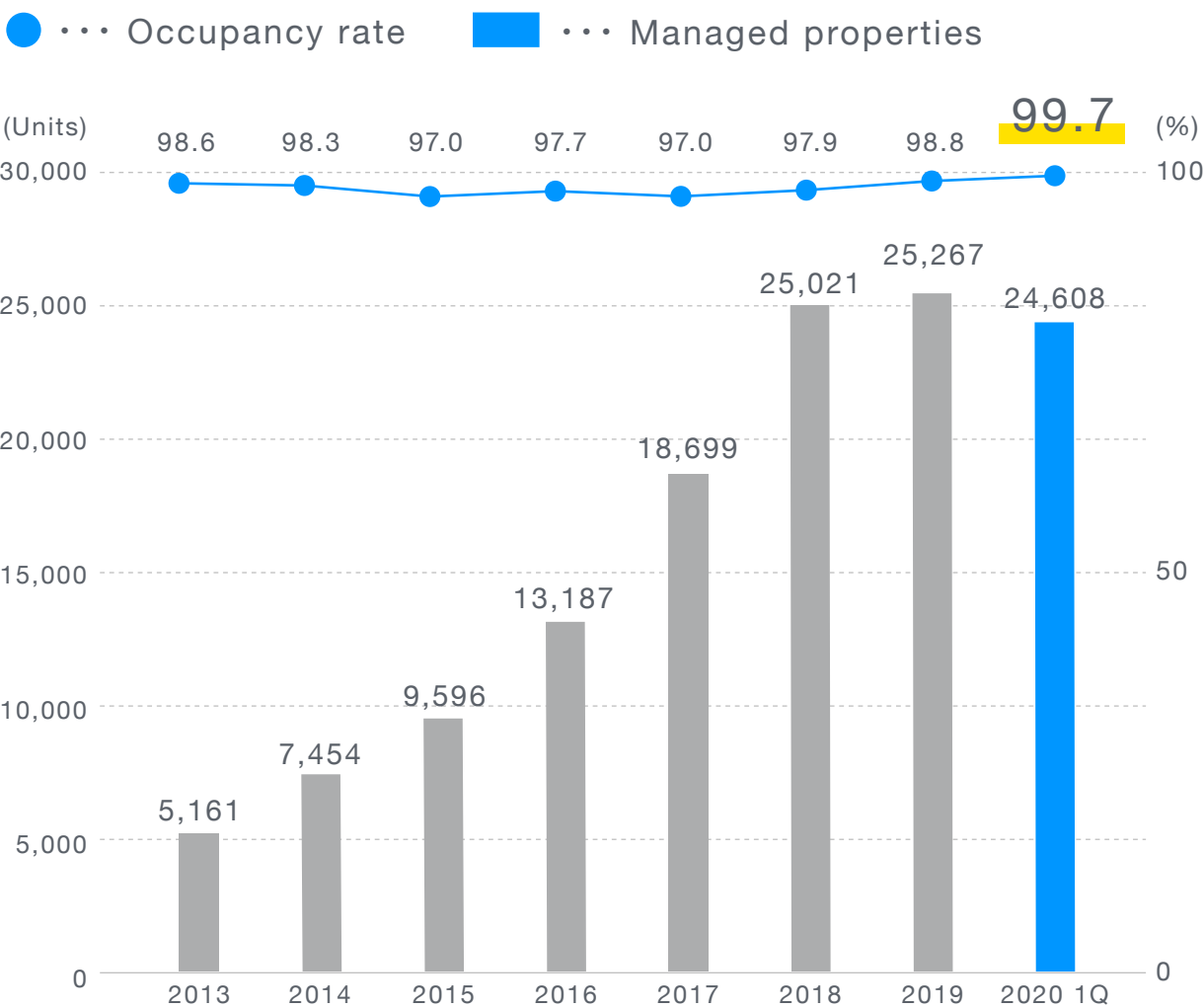
Properties constructed and managed by the Company

Units managed	23,414 units
Occupancy rate	99.7%

Contract management properties

Units managed	1,194 units
Occupancy rate	91.4%

*As of March 31, 2020

● ··· Occupancy rate   ▬ ··· Managed properties

(Units)   98.6   98.3   97.0   97.7   97.0   97.9   98.8   **99.7** (%)

Year	Managed properties
2013	5,161
2014	7,454
2015	9,596
2016	13,187
2017	18,699
2018	25,021
2019	25,267
2020 1Q	24,608

- **Measures to increase units under management**

  - ・Contract management from IoT sales

  - ・Commissions from rental housing sales

- **Currently increasing share of IoT deployment**

  (8,828 units/24,608 units)

- **At present expanding Company-guaranteed share**

  (11,931 units/24,608 units)

  - ・Establishment of new company Sunassu Co., Ltd.

  - ・Guarantee service contracts from IoT sales

*As of March 31, 2020

Deployment start of "Chintai Kanri Jido-kun," an in-house developed rental management RPA system (Planned deployment: June 2020)

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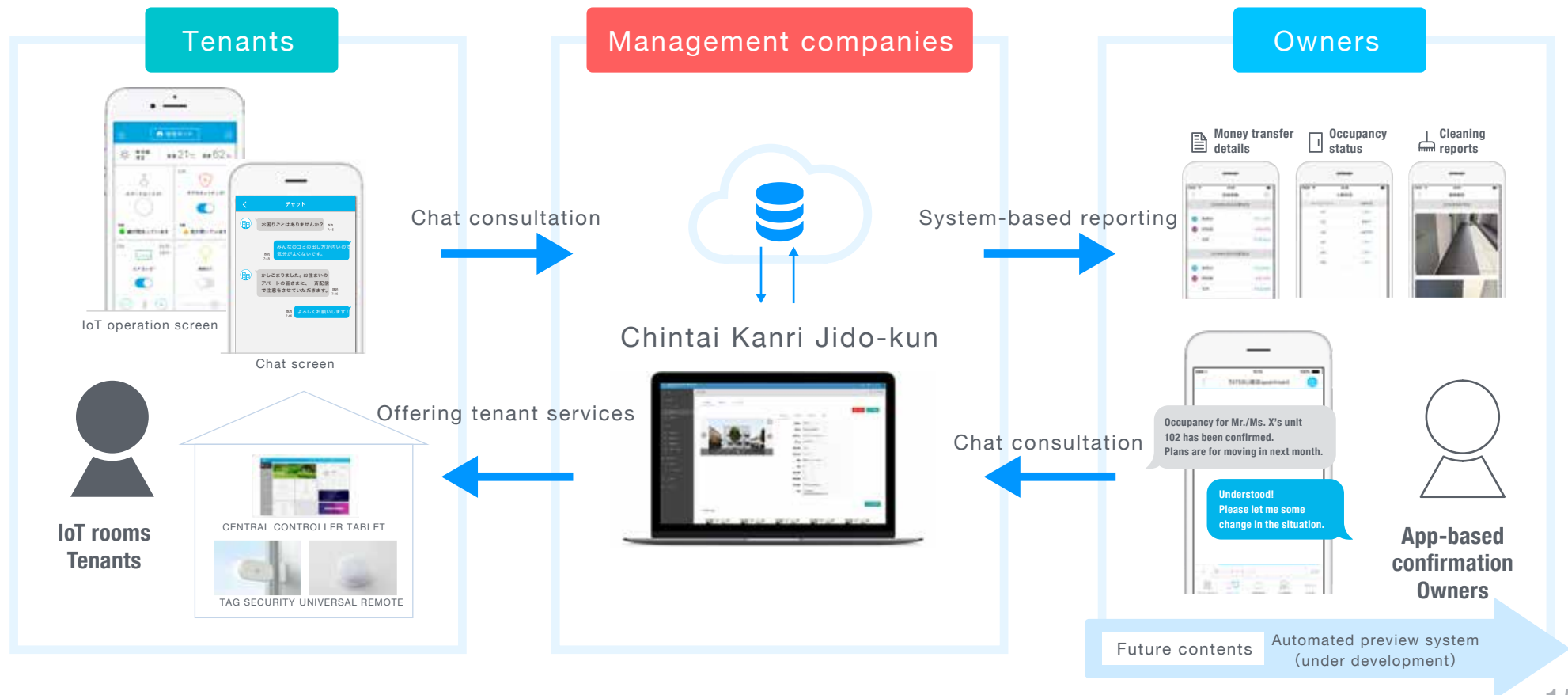
Strengthening KANRY business 3. Pursuing greater usability for owners

Enhanced usability through updates to the new owners' app
(Planned launch: July 2020)

1. View properties

Check the status of properties at any time on dedicated screen for property owners.

Users can check the status of properties at a glance and confirm occupancy rates as well as the number of visitors to vacant room websites.

2. Chat

Discuss any issues via chat.

Users can communicate with management companies via chat. Feel free to discuss any issues, from matters related to residents, to how to determine rent.

3. Check the market

Utilize data as material for management decisions

Users can view local rent levels, crime rates, population density, local facilities, and other data on the app. Use it when setting rents, and as material to consider when making decisions about rental management.

4. Find residents

Simple flow that makes finding residents easy.

Minimize communication with management companies and perform all necessary communication via the app. Users can find residents efficiently by significantly shortening the time until the next resident moves in.

Screen notifying moving out (push notification)

Screen to start advertising for residents

Completion screen

Overview screen

5. Management function

Paperless function making document management simple.

Users can manage all required documents on the app, from payment statements, contracts, repair history, to tax returns. It is paperless, so there is no worry about losing or forgetting to compile documents.

IoT to realize a rental housing concierge-serviced lifestyle

CENTRAL CONTROLLER TABLET

Offering rental housing concierge service

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

TAG SECURITY

Detects opening and closing or vibrations and alerts your app even when outside

UNIVERSAL REMOTE

Reads room humidity and temperature, consolidates home remote controls in one device

SMART LIGHT

Turns on/off lights even from a smartphone app

SMART LOCK

4 ways to unlock (app, ten key, IC cards for transportation or conventional keys)

AUTO LOCK ENTRANCE

Unlocking from a remote location with a smartphone for multiple dwelling or individual entrances

Amazon Echo

A smart speaker that enables remote operation of IoT devices with merely a voice command

- **Revenue structure**

IoT products + System fees

*Growth image

- **IoT product pricing (e.g. 10 units per building)**

Product name	Quantity	Unit price	Price
CENTRAL CONTROLLER TABLET	10	¥54,000	¥540,000
TAG SECURITY	10	¥9,500	¥95,000
UNIVERSAL REMOTE	10	¥17,500	¥175,000
SMART LIGHT	10	¥63,000	¥630,000
SMART LOCK	10	¥58,400	¥584,000
CARD	20	¥2,500	¥50,000
INTERCOM WITH CAMERA FOR INDIVIDUAL ENTRANCE	10	¥53,500	¥535,000
GATEWAY PoE Hub	3	¥31,500	¥95,000
GATEWAY POWER	1	¥30,000	¥30,000
INTERCOM WITH CAMERA FOR MULTIPLE DWELLING ENTRANCE	1	¥850,000	¥850,000
MULTIPLE DWELLING ENTRANCE INTERCOM POWER SOURCE	1	¥27,500	¥27,500
GATEWAY	1	¥190,000	¥190,000
LICENSE	10	¥40,000	¥400,000
TOTAL		¥4,201,500 (tax not included)	

- **System fees (e.g. 10 units per 1 building)**

Monthly ···· ¥2,000/room   Annually ···· ¥240,000/1 building

*Tax not included

Automated preview system using smart keys under development, eliminating the need for borrowing or lending keys when previewing (Planned launch: October 2020)

Planned Services

- Entry/exit record management

- Key number issuance/alteration management

- Automated preview system using a one-time password

Key Management

Issuance of a one-time password

Lock/unlock using a smart key
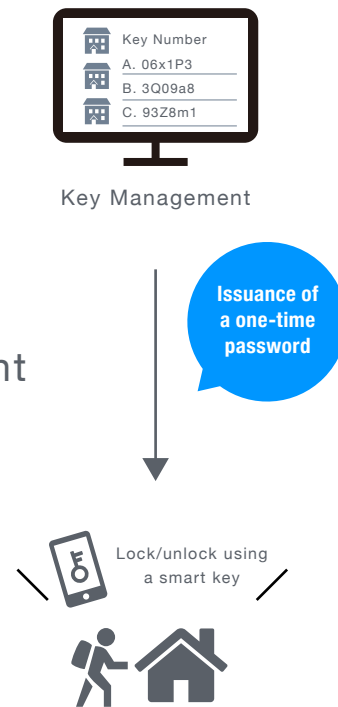
Preview booking screen (image)

Smart Lock

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New Strategy 1. Development of offices for remote working

● **Strengthen earnings capability**

   ・Realize greater operating efficiency and significant reductions in office rent
   through an even stronger platform for remote working

● **Enhance customer satisfaction**

   ・Establish small offices within 30 minutes of each managed property and
   improve management service quality with the aim of enhancing customer
   satisfaction

● **Improve the working environment**

   ・Strengthen the creation of environments to achieve decent work, including reductions
   in employee commute time, and build a company resilient to COVID-19 and
   other disasters, through the continuation of remote working

Planned expansion of
properties under management to
cover 47 prefectures in Japan
by December 31, 2022

As of March 31, 2020

17 prefectures

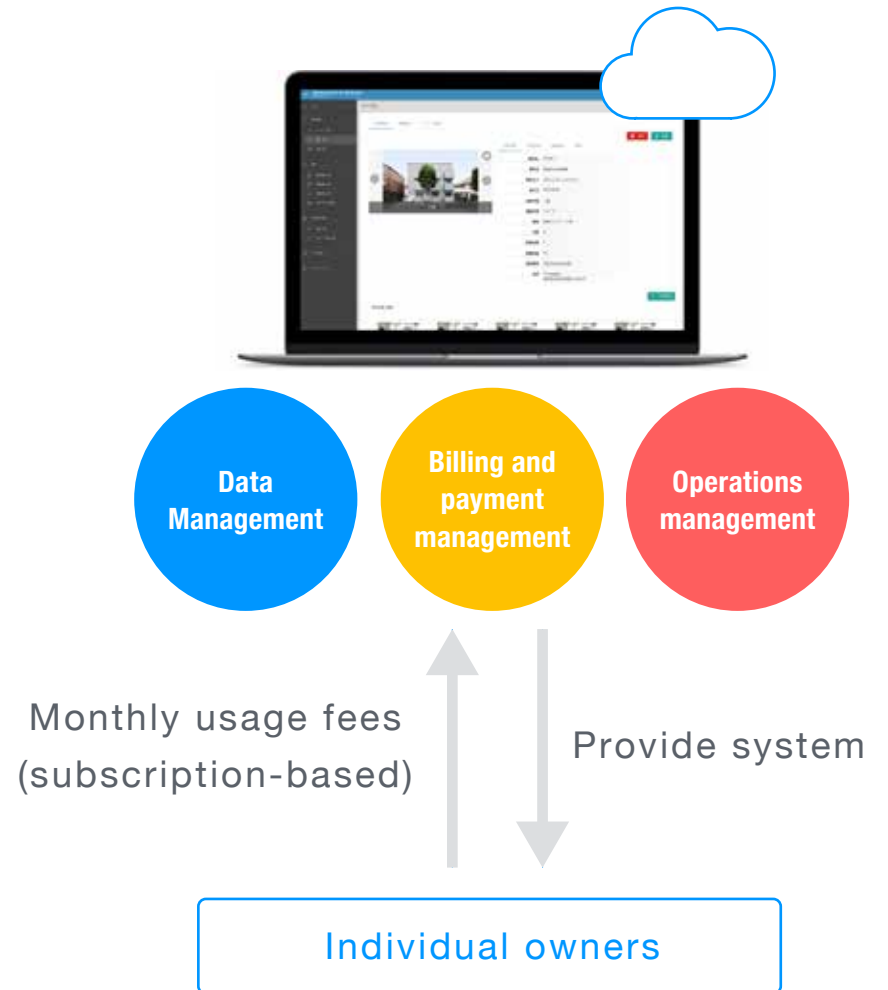December 31, 2022 target

47 prefectures

Commence development of a subscription-based rental management cloud for individual owners

Develop a cloud-based rental management tool enabling individual owners to manage rental properties themselves.

A range of operations related to rental management can be performed on the cloud, from moving-out applications to repairs, cleaning, and finding residents.

Data Management

Billing and payment management

Operations management

Monthly usage fees
(subscription-based)

Provide system

Individual owners

TATERU Business

- 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

- Continue to promote flow business to expand stock
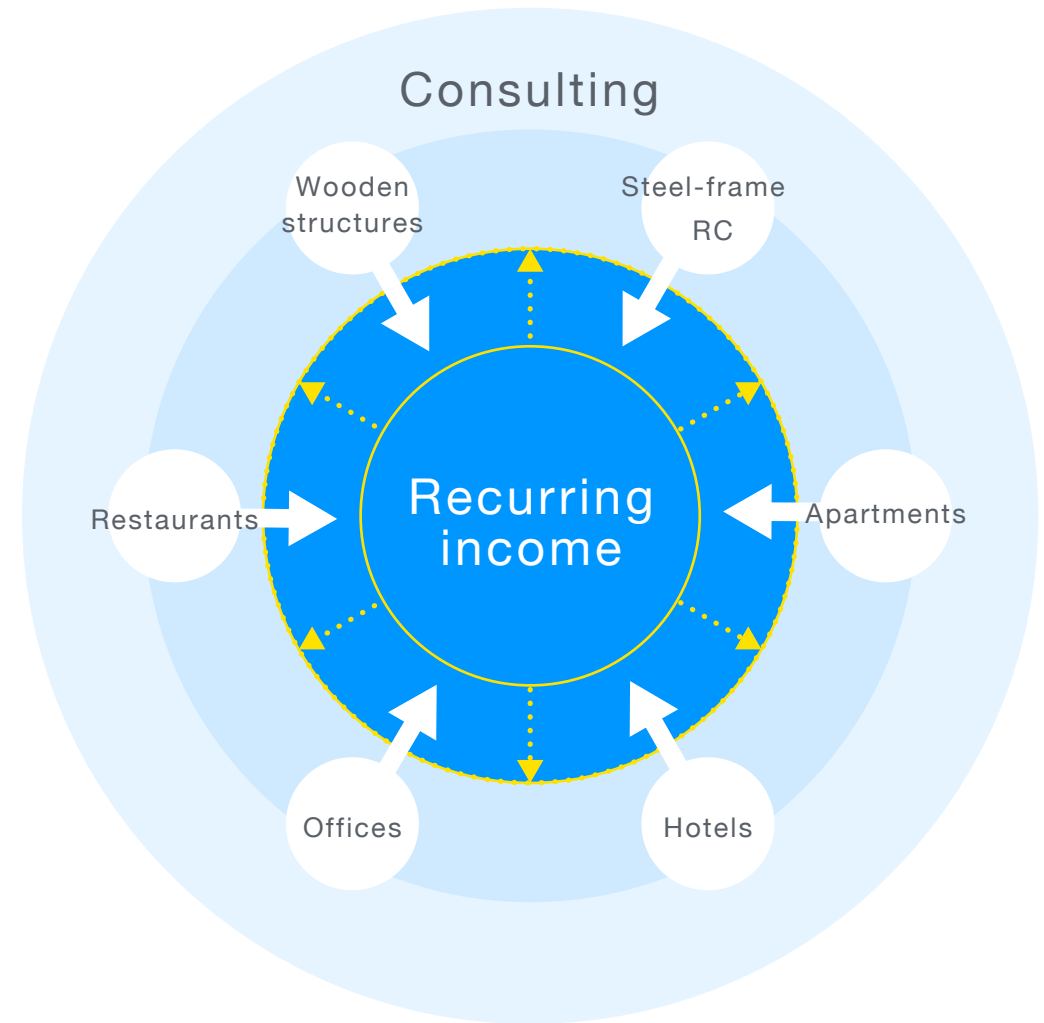
Future of TATERU business

Café project

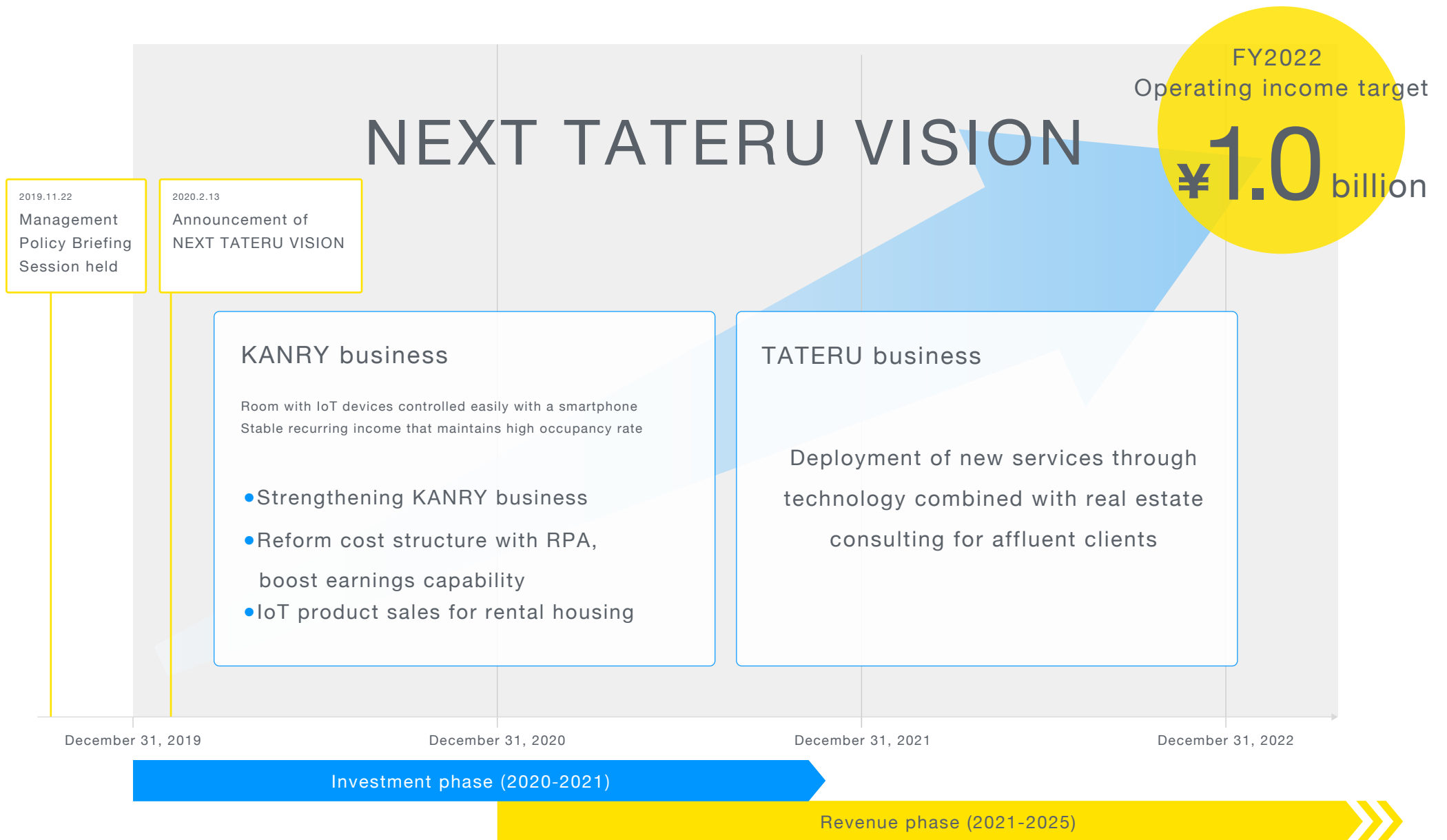Conversion project for dilapidated facilities
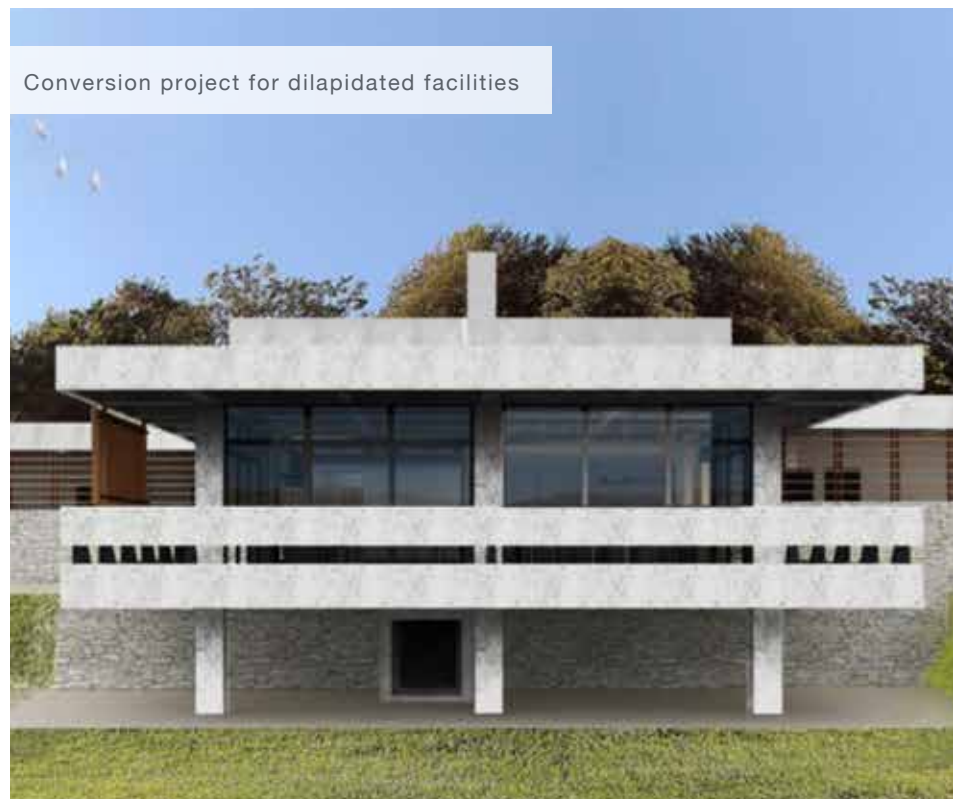
*Images are perspective drawings of facilities currently being planned

Two businesses are being deployed to expand recurring income

- PM platform business
- TATERU business

Consulting

Wooden structures

Steel-frame RC

Restaurants

Recurring income

Apartments

Offices

Hotels

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Growth image

NEXT TATERU VISION

FY2022
Operating income target
¥**1.0** billion

KANRY business

Room with IoT devices controlled easily with a smartphone
Stable recurring income that maintains high occupancy rate

- Strengthening KANRY business
- Reform cost structure with RPA, boost earnings capability
- IoT product sales for rental housing

TATERU business

Deployment of new services through technology combined with real estate consulting for affluent clients

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

Investment phase (2020-2021)

Revenue phase (2021-2025)

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3. | APPENDIX

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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IoT product introduction
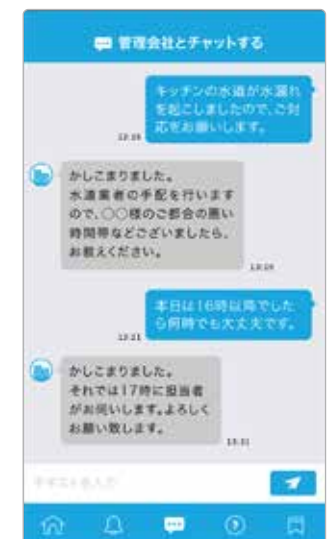
AUTO LOCK ENTRANCE

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

Can be used from a remote location in case friends or family visit while you are away from home
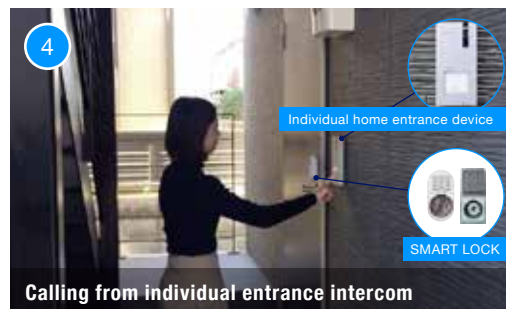
1	2	3
Notice sent to smartphone	After response, push the unlock button	Common entrance device Multiple dwelling entrance unlocks
4	5	6
Individual home entrance device SMART LOCK Calling from individual entrance intercom	Notice to tenant's smartphone, unlocking	Entry made possible

IoT product introduction

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)

AUTO 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.

TAG SECURITY

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

Automatically changes to "Outside mode" at a certain distance away from home.
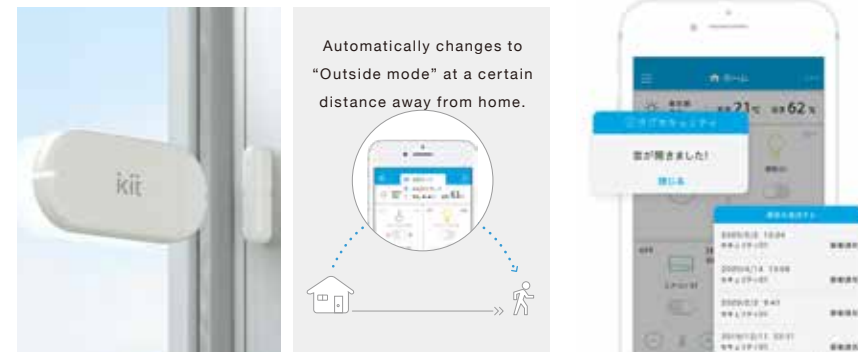
TAG SECURITY installed in the window detects opening and closing, or vibration, and enables confirmation of abnormalities in the room by using a smartphone from a remote location.

IoT product introduction

UNIVERSAL REMOTE

This remote control device can operate
home appliances via a smartphone (*1)

*1. Activation of all home appliances is not guaranteed.

Reflect

Reflect

Various household remote control
devices can be added.
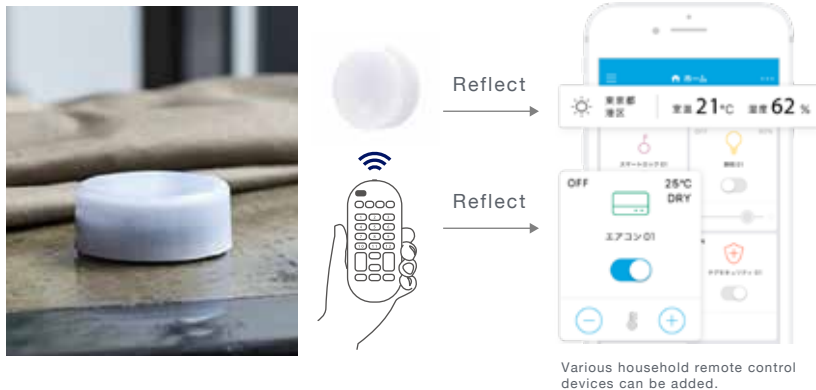
Acquires information on indoor room temperature and
humidity, and enables operation of air conditioning, TV or
other appliances with a single tap of your smartphone.

SMART LIGHT

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

Bright
Cool color

Dark
warm

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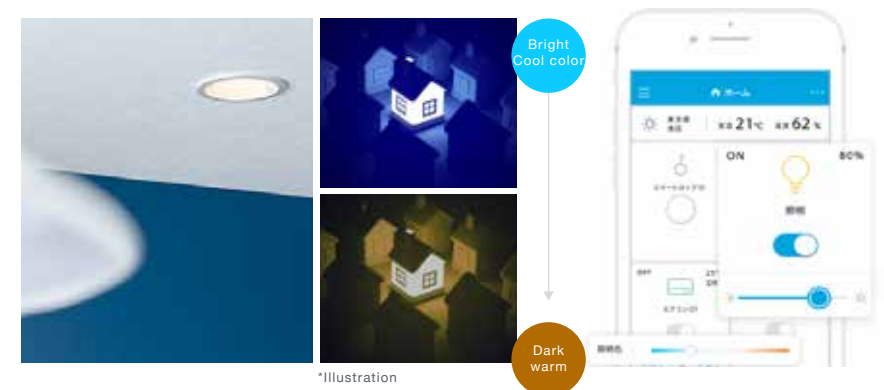
If you are away from home, and realize that you forgot
to turn off a home light, you can turn it off from a
remote location with a single tap on your CENTRAL
CONTROLLER or smartphone.

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.