

# Consolidated Financial Results for the Three Months Ended March 31, 2020 [Japanese GAAP]



May 13, 2020

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 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 1435  
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 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, 2020 (January 1, 2020 to March 31, 2020)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended March 31, 2020	2,035	(56.3)	(201)	-	(224)	-	(227)	-
March 31, 2019	4,663	(68.2)	(4,704)	-	(4,893)	-	(6,045)	-

(Note) Comprehensive income: Three months ended March 31, 2020: ¥(239) million [-%]  
 Three months ended March 31, 2019: ¥(6,060) million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2020	(2.52)	-
March 31, 2019	(68.10)	-

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2020	11,060	7,986	72.2
As of December 31, 2019	12,290	8,227	66.9

(Reference) Equity: As of March 31, 2020: ¥7,986 million  
 As of December 31, 2019: ¥8,226 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2019	-	0.00	-	0.00	0.00
Fiscal year ending December 31, 2020	-				
Fiscal year ending December 31, 2020 (Forecast)		0.00	-	0.00	0.00

(Note) Revision to the forecast for dividends announced most recently: No

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2020 (January 1, 2020 to December 31, 2020)

(% indicates year-on-year changes)

	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
Full year	5,962	(68.3)	(971)	-	(1,111)	-	(1,256)	(13.94)

(Note) Revision to the financial results forecast announced most recently: No

#### \* 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, 2020: 90,167,000 shares

December 31, 2019: 90,167,000 shares

2) Total number of treasury stock at the end of the period:

March 31, 2020: - shares

December 31, 2019: - shares

3) Average number of shares during the period:

Three months ended March 31, 2020: 90,167,000 shares

Three months ended March 31, 2019: 88,767,000 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

The earnings forecasts and other forward-looking statements herein are based on information currently available and certain assumptions judged to be reasonable. The Company makes no warranty as to the achievability of these forecasts. Actual performance, etc. may differ significantly from these forecasts due to a wide range of factors.

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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, 2020 continued to show a moderate recovery due to improved employment and income situations, as well as an uptick in personal consumption and continued increases in capital investment, backed by the government's economic policy and the Bank of Japan's ongoing monetary policy. Nevertheless, the outlook is expected to remain unfavorable due to the impact of the spread of COVID-19 on the world economy, and uncertainty persists regarding factors such as movements in the financial and capital markets.

In the real estate industry, concerns remain over surging development site prices and construction costs, as well as financial institutions tightening their policies on loans for real estate due to changing lending attitudes, despite a strong real estate market buoyed by an ongoing easy monetary policy.

Under these circumstances, the Group has proceeded with structural reforms for sustainable future growth, establishing and expanding its businesses under the medium-term business plan "NEXT TATERU VISION," which covers the three years from fiscal 2020 to fiscal 2022, with the aim of further deepening and accelerating reforms, as announced in the Notice Regarding the Medium-Term Management Plan on February 13, 2020. In addition to re-launching our PM platform business as the KANRY business, with the aim of expanding into an advanced business model to strengthen stock income, we established a new company, Sunassu Co., Ltd., through a spin-off of the Group's guarantee service business.

As a result, the performance for the three months ended March 31, 2020 was ¥2,035 million in net sales (down 56.3% year on year), ¥201 million in operating loss (operating loss of ¥4,704 million for the same period of the previous fiscal year), ¥224 million in ordinary loss (ordinary loss of ¥4,893 million for the same period of the previous fiscal year) and ¥227 million in loss attributable to owners of parent (loss attributable to owners of parent of ¥6,045 million for the same period of the previous fiscal year).

The performance of each segment is as follows.

From the three months ended March 31, 2020, the Company partially changed the business segments to be presented as the reportable segments and business segment name. The comparison and analysis for the three months ended March 31, 2020 are based on the classification after the change.

#### 1) KANRY business

In the KANRY business, the Company enhanced and strengthened functions of Apartment kit to provide tenants with greater security and convenience and to improve efficiency of rental management operations for owners and management companies, and promoted external sales, with the aim of expanding our IoT rental housing units under management. A review of the cost structure of the KANRY business was carried out, through promotion of the deployment of "Chintai Kanri Jido-kun," an in-house developed rental management RPA system, and the Company strived to enhance earning capacity.

As a result, net sales for the three months ended March 31, 2020 were ¥805 million (up 29.1% year on year) and operating profit was ¥236 million (operating profit of ¥10 million for the same period of the previous fiscal year).

#### 2) TATERU business

In the TATERU business, the Company halted development of new smart hotels, under the impact of the dramatic downturn in demand for accommodation due to the spread of COVID-19. On the other hand, the Company has recommenced plot procurement, carefully choosing well-located properties for revenue-generating real estate, and is focusing on planning and development to enhance its lineup of new products, including the sale of revenue-generating real estate, differentiated through utilization of the IoT, for affluent clients, a café project and a conversion project for dilapidated facilities, etc., using technology combined with real estate consulting.

As a result, net sales for the three months ended March 31, 2020 were ¥1,230 million (down 69.5% year on year) and operating loss was ¥92 million (operating loss of ¥3,744 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, 2020 decreased by ¥1,230 million from the end of the previous fiscal year to ¥11,060 million. This is mainly attributable to decreases in real estate for sale of ¥624 million and cash and deposits of ¥578 million.

### (Liabilities)

Total liabilities at the end of the three months ended March 31, 2020 decreased by ¥989 million from the end of the previous fiscal year to ¥3,073 million. This is mainly attributable to decreases in long-term borrowings of ¥1,047 million and income taxes payable of ¥11 million.

### (Net assets)

Total net assets at the end of the three months ended March 31, 2020 decreased by ¥241 million from the end of the previous fiscal year to ¥7,986 million. This is mainly attributable to the recording of loss attributable to owners of parent of ¥227 million.

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

No revisions have been made to the consolidated financial results forecast announced on February 13, 2020.

It is possible that the spread of COVID-19 will affect the Company's consolidated financial results for the fiscal year, however, the impact is unclear at present, and it is therefore difficult to calculate a reasonable estimate of the effect on results. For this reason, the consolidated financial results forecast for the fiscal year ending December 31, 2021, announced on February 13, 2020, have been left unchanged.

Should revision of the consolidated financial results forecast become necessary due to the situation regarding the spread of COVID-19, or other reasons, the Company will promptly disclose these revisions.

## 2. Consolidated Financial Statements and Primary Notes

### (1) Consolidated balance sheets

(Thousand yen)

	As of December 31, 2019	As of March 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	6,370,649	5,791,766
Accounts receivable-trade	514,535	633,850
Merchandise and finished goods	38,820	51,354
Real estate for sale	3,730,949	3,106,422
Real estate for sale in process	140,612	32,687
Supplies	4,720	4,910
Other	396,265	274,795
Allowance for doubtful accounts	(35,681)	(43,388)
Total current assets	11,160,871	9,852,397
Non-current assets		
Property, plant and equipment	39,940	39,611
Intangible assets		
Other	-	27,791
Total intangible assets	-	27,791
Investments and other assets		
Investment securities	721,757	706,456
Other	368,230	434,014
Total investments and other assets	1,089,988	1,140,471
Total non-current assets	1,129,928	1,207,874
Total assets	12,290,799	11,060,271

(Thousand yen)

	As of December 31, 2019	As of March 31, 2020
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	158,370	155,910
Current portion of long-term borrowings	400,000	402,473
Income taxes payable	42,110	31,078
Provision for bonuses	17,433	69,735
Provision for full occupancy responsibility	4,189	-
Provision for loss on guarantees	304,136	364,651
Asset retirement obligations	-	51,400
Other	821,853	781,737
Total current liabilities	1,748,094	1,856,986
Non-current liabilities		
Long-term borrowings	2,250,000	1,202,977
Asset retirement obligations	64,861	13,481
Total non-current liabilities	2,314,861	1,216,459
Total liabilities	4,062,955	3,073,445
<b>Net assets</b>		
Shareholders' equity		
Share capital	7,286,422	7,286,422
Capital surplus	7,192,610	7,192,610
Retained earnings	(6,249,263)	(6,476,715)
Total shareholders' equity	8,229,769	8,002,317
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(4,227)	(16,326)
Foreign currency translation adjustment	1,282	835
Total accumulated other comprehensive income	(2,945)	(15,491)
Share acquisition rights	1,020	-
Total net assets	8,227,844	7,986,826
<b>Total liabilities and net assets</b>	12,290,799	11,060,271

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

Three months ended March 31, 2020

(Thousand yen)

	For the three months ended March 31, 2019	For the three months ended March 31, 2020
Net sales	4,663,216	2,035,893
Cost of sales	7,288,101	1,522,361
Gross profit (loss)	(2,624,885)	513,531
Selling, general and administrative expenses	2,079,142	715,454
Operating loss	(4,704,027)	(201,922)
Non-operating income		
Interest income	640	290
Gain on investments in investment partnerships	1,879	9,035
Other	999	3,349
Total non-operating income	3,519	12,676
Non-operating expenses		
Interest expenses	3,283	22,014
Loss on investments in investment partnerships	1,059	1,012
Commission expenses	140,000	10,362
Share of loss of entities accounted for using equity method	34,258	-
Other	14,047	2,123
Total non-operating expenses	192,650	35,513
Ordinary loss	(4,893,158)	(224,759)
Extraordinary income		
Gain on sales of non-current assets	-	2,150
Gain on reversal of share acquisition rights	510	1,020
Total extraordinary income	510	3,170
Extraordinary losses		
Provision of the reserve for capital loss of related companies	1,133,243	-
Total extraordinary losses	1,133,243	-
Loss before income taxes	(6,025,891)	(221,589)
Income taxes	36,913	5,862
Loss	(6,062,805)	(227,452)
Loss attributable to non-controlling interests	(17,629)	-
Loss attributable to owners of parent	(6,045,175)	(227,452)



Consolidated statements of comprehensive income  
Three months ended March 31, 2020

(Thousand yen)

	For the three months ended March 31, 2019	For the three months ended March 31, 2020
Loss	(6,062,805)	(227,452)
Other comprehensive income		
Valuation difference on available-for-sale securities	2,012	(12,098)
Foreign currency translation adjustment	70	(446)
Total other comprehensive income	2,083	(12,545)
Comprehensive income	(6,060,721)	(239,997)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(6,043,091)	(239,997)
Comprehensive income attributable to non-controlling interests	(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, 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)
	KANRY business	TATERU business	Total				
Net sales							
Net sales to external customers	624,001	4,037,098	4,661,100	2,116	4,663,216	-	4,663,216
Inter-segment sales or transfers	1	-	1	27,767	27,768	(27,768)	-
Total	624,003	4,037,098	4,661,102	29,883	4,690,985	(27,768)	4,663,216
Segment profit or loss	10,076	(3,744,624)	(3,734,548)	(65,627)	(3,800,176)	(903,851)	(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 impairment loss of non-current assets or goodwill, etc. by reportable segment

Not applicable

II For the three months ended March 31, 2020

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)
	KANRY business	TATERU business	Total				
Net sales							
Net sales to external customers	805,007	1,230,877	2,035,884	8	2,035,893	-	2,035,893
Inter-segment sales or transfers	510	-	510	1,007	1,517	(1,517)	-
Total	805,517	1,230,877	2,036,394	1,016	2,037,411	(1,517)	2,035,893
Segment profit or loss	236,588	(92,336)	144,252	(9,308)	134,943	(336,865)	(201,922)

(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

The Group's previous four reportable segments were "TATERU Apartment business," "Smart hotel business" v "Robot Home business." However, from the three months ended March 31, 2020, the Group's reportable segments have been classified into "KANRY business," targeting stock income, and "TATERU business," targeting flow income.

The allocation of companywide expenses has also been revised, and they have been included in segment adjustments.

These revisions are due to the fact that the Group's business development, decisions on allocation of management resources, and performance evaluation methods have been reviewed in line with actual conditions.

Segment information for the three months ended March 31, 2019 is prepared from the segment classification after the change.

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

Not applicable

### 3. Others

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

The Group recorded gross loss, operating loss, ordinary loss and loss attributable to owners of parent for the fiscal year ended December 31, 2019. The Group also recorded operating loss, ordinary loss and loss attributable to owners of parent for the three months ended March 31, 2020, despite recording gross profit.

This situation gives rise to significant doubt regarding the 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, 2020 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 further expanding the KANRY business, which targets stock income, and improving the profitability of the TATERU business, which targets flow income, the Company will aim to ensure stable profit as a going concern.