

# Consolidated Financial Results for the Nine Months Ended September 30, 2017 [Japanese GAAP]



November 6, 2017

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 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 1435  
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 Scheduled date of filing quarterly securities report: November 13, 2017  
 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 Nine Months Ended September 30, 2017 (January 1, 2017 to September 30, 2017)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended September 30, 2017	42,326	76.9	2,919	30.0	2,868	27.7	1,863	32.0
September 30, 2016	23,921	-	2,246	-	2,245	-	1,411	-

(Note) Comprehensive income: Nine months ended September 30, 2017: ¥1,862 million [32.6 %]  
 Nine months ended September 30, 2016: ¥1,404 million [- %]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2017	120.92	106.48
September 30, 2016	92.32	80.70

(Note) As the Company began preparing quarterly consolidated financial statements from the six months ended June 30, 2016, changes from the previous corresponding period for the nine months ended September 30, 2016 are not stated.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2017	14,739	7,335	49.7
As of December 31, 2016	10,856	6,030	55.6

(Reference) Equity: As of September 30, 2017: ¥7,330 million  
 As of December 31, 2016: ¥6,030 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, 2016	-	0.00	-	20.00	20.00
Fiscal year ending December 31, 2017	-	20.00	-		
Fiscal year ending December 31, 2017 (Forecast)				20.00	40.00

- (Notes) 1. Revision to the forecast for dividends announced most recently: No  
 2. Breakdown of year-end dividend for the fiscal year ended December 31, 2016: ordinary dividend: ¥15.00; commemorative dividend: ¥5.00

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2017 (January 1, 2017 to December 31, 2017)

(% indicates year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	54,840	44.6	5,460	43.4	5,400	42.0	3,530	49.9	230.87

(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):
    - September 30, 2017: 15,811,800 shares
    - December 31, 2016: 15,290,200 shares
  - 2) Total number of treasury stock at the end of the period:
    - September 30, 2017: - shares
    - December 31, 2016: - shares
  - 3) Average number of shares during the period:
    - Nine months ended September 30, 2017: 15,408,659 shares
    - Nine months ended September 30, 2016: 15,290,200 shares

(Note) The Company conducted a two-for-one stock split of its common stock effective July 1, 2016. Total number of shares outstanding (common stock) is calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended December 31, 2016.

\* These quarterly consolidated financial results are outside the scope of quarterly review.

\* 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.

## Table of Contents of the Attachments

1. Qualitative Information of Quarterly Financial Results .....	4
(1) Explanation of operating results.....	4
(2) Explanation of financial position .....	4
(3) Explanation of consolidated financial results forecast and other forward-looking information .....	5
2. Consolidated Financial Statements and Primary Notes.....	6
(1) Consolidated balance sheets.....	6
(2) Consolidated statements of income and comprehensive income .....	7
(3) Notes to quarterly consolidated financial statements .....	8
(Notes on going concern assumption) .....	8
(Notes on significant changes in shareholders' equity).....	8
(Adoption of special accounting treatment for preparing quarterly consolidated financial statements).....	8
(Significant subsequent events).....	9
3. Others .....	11
Orders received .....	11

## 1. Qualitative Information of Quarterly Financial Results

### (1) Explanation of operating results

The Japanese economy during the nine months ended September 30, 2017 continued to show a moderate recovery trend backed by the governmental economic policies and the Bank of Japan (“BoJ”)’s continued monetary easing policies, in addition to the improvement in corporate performance and employment environment. Nevertheless, the outlook remains unclear because of the uncertainty in the overseas economy including geopolitical risks in Europe and Asia, the direction of U.S. monetary policy, and economic trends in emerging countries such as China.

In the real estate industry, with the backdrop of the favorable financing environment such as the BoJ’s continued negative interest rate policy, an inflow of funds to the real estate market is ongoing, and diversification of our investor base is expected.

Under these circumstances, in the mainstay apartment management platform TATERU business, the Group promoted the increase in its membership and the maintenance and improvement of contract rate by focusing on enhancing TATERU’s functions and its brand recognition. In February 2017, by utilizing artificial intelligence (“AI”), we launched a chatbot service, TATERU Bot AI, and in June 2017, we commenced the sale of an IoT device, TATERU kit, for apartments contracted. In addition, we actively engaged in various advertising activities including TV commercials to enhance our branding. As a result, the number of new membership increased by over 1,500 on average per month, with monthly contracts on an increasing trend.

In the IoT business, we commenced the provision of IoT devices, rental housing kit, including the aforementioned TATERU kit. We will strive for differentiation from our competitors through the promotion of rental housing kit which provides occupants with greater security and convenience. In addition, we started the demonstration experiment of *mireru*, a sophisticated preliminary inspection system with an IoT solution.

The real estate investment-type crowdfunding TATERU FUNDING business commenced the operations of totaling five funds during the nine months ended September 30, 2017. These fund operations expanded the options of real estate investment and contributed to the steady increase of TATERU FUNDING’s membership, with the number of members exceeding 13,000.

As a result, the performance for the nine months ended September 30, 2017 was ¥42,326 million in net sales (up 76.9% year on year), ¥2,919 million in operating income (up 30.0% year on year), ¥2,868 million in ordinary income (up 27.7% year on year) and ¥1,863 million in profit attributable to owners of parent (up 32.0% year on year).

The Group’s reportable segment consists solely of the apartment management platform TATERU business. As the significance of other business segments is limited, segment information is omitted.

### (2) Explanation of financial position

#### (Assets)

Total assets at the end of the nine months ended September 30, 2017 increased by ¥3,883 million from the end of the previous fiscal year to ¥14,739 million. This is mainly attributable to increases in real estate for sale of ¥864 million, real estate for sale in process of ¥1,995 million and investment securities of ¥1,569 million, despite a decrease in cash and deposits of ¥1,816 million.

#### (Liabilities)

Total liabilities at the end of the nine months ended September 30, 2017 increased by ¥2,578 million from the end of the previous fiscal year to ¥7,403 million. This is mainly attributable to an increase in short-term loans payable of ¥3,000 million, despite a decrease in income taxes payable of ¥793 million.

#### (Net assets)

Total net assets at the end of the nine months ended September 30, 2017 increased by ¥1,304 million from the end of the previous fiscal year to ¥7,335 million. This is mainly attributable to an increase in retained earnings of ¥1,251 million due to the recording of profit attributable to owners of parent of ¥1,863 million, despite a decrease of ¥611 million due to dividends from surplus.

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

The consolidated financial results forecast for the full year ending December 31, 2017 have not been revised from figures in the “Notice Regarding Difference Between Financial Results Forecast and Actual Financial Results for Six Months Ended June 30, 2017 and Revision of Financial Results Forecast for Full Year Ending December 31, 2017” announced on July 31, 2017.

There is a seasonal fluctuation factor that net sales of the Group concentrates in the fourth quarter of the consolidated fiscal year prior to the peak season for the leasing demand (February and March). Thus, actual achievement rates for the nine months ended September 30, 2017 against the consolidated financial results forecast for the full year ending December 31, 2017 were at a low level, with 77.2% for net sales, 53.5% for operating income, 53.1% for ordinary income and 52.7% for profit attributable to owners of parent. However, net sales and other income items in the consolidated financial results for the nine months ended September 30, 2017 were all higher than initially planned and progressed steadily. Announcement will be made promptly in case we decide that the forecast needs to be revised.

## 2. Consolidated Financial Statements and Primary Notes

### (1) Consolidated balance sheets

(Thousand yen)

	As of December 31, 2016	As of September 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	4,904,216	3,087,457
Accounts receivable-trade	435,435	650,708
Merchandise and finished goods	-	21,277
Real estate for sale	1,506,610	2,371,269
Real estate for sale in process	910,683	2,906,230
Supplies	3,429	2,875
Other	730,781	942,636
Allowance for doubtful accounts	(790)	(880)
<b>Total current assets</b>	<b>8,490,366</b>	<b>9,981,574</b>
Non-current assets		
Property, plant and equipment	476,721	962,052
Intangible assets	83,736	108,098
Investments and other assets		
Investment securities	1,597,854	3,166,950
Other	207,350	520,368
<b>Total investments and other assets</b>	<b>1,805,204</b>	<b>3,687,319</b>
<b>Total non-current assets</b>	<b>2,365,662</b>	<b>4,757,470</b>
<b>Total assets</b>	<b>10,856,029</b>	<b>14,739,045</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	2,189,047	2,239,218
Short-term loans payable	-	3,000,000
Income taxes payable	1,153,157	360,144
Provision for bonuses	15,725	65,200
Provision for rent warranties	175,824	148,654
Other	1,268,291	1,561,783
<b>Total current liabilities</b>	<b>4,802,045</b>	<b>7,375,000</b>
Non-current liabilities		
Asset retirement obligations	23,126	28,322
<b>Total non-current liabilities</b>	<b>23,126</b>	<b>28,322</b>
<b>Total liabilities</b>	<b>4,825,172</b>	<b>7,403,322</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	601,926	628,006
Capital surplus	512,444	533,502
Retained earnings	4,916,786	6,168,378
<b>Total shareholders' equity</b>	<b>6,031,157</b>	<b>7,329,888</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(300)	908
<b>Total accumulated other comprehensive income</b>	<b>(300)</b>	<b>908</b>
Subscription rights to shares	-	1,530
Non-controlling interests	-	3,395
<b>Total net assets</b>	<b>6,030,857</b>	<b>7,335,722</b>
<b>Total liabilities and net assets</b>	<b>10,856,029</b>	<b>14,739,045</b>

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

Nine months ended September 30, 2017

(Thousand yen)

	For the nine months ended September 30, 2016	For the nine months ended September 30, 2017
Net sales	23,921,442	42,326,199
Cost of sales	19,317,183	35,489,713
Gross profit	4,604,258	6,836,486
Selling, general and administrative expenses	2,358,227	3,917,434
Operating income	2,246,031	2,919,052
Non-operating income		
Interest income	371	421
Dividend income	350	1,351
Share of profit of entities accounted for using equity method	-	33,727
Gain on sales of goods	2,420	691
Other	129	485
Total non-operating income	3,271	36,678
Non-operating expenses		
Interest expenses	-	6,448
Loss on investments in partnership	2,660	2,716
Commission fee	-	77,520
Foreign exchange losses	730	200
Other	109	777
Total non-operating expenses	3,500	87,664
Ordinary income	2,245,801	2,868,065
Extraordinary income		
Gain on sales of non-current assets	-	1,060
Total extraordinary income	-	1,060
Profit before income taxes	2,245,801	2,869,126
Income taxes	839,162	1,007,551
Profit	1,406,639	1,861,574
Loss attributable to non-controlling interests	(4,900)	(1,626)
Profit attributable to owners of parent	1,411,539	1,863,200

Consolidated statements of comprehensive income

Nine months ended September 30, 2017

(Thousand yen)

	For the nine months ended September 30, 2016	For the nine months ended September 30, 2017
Profit	1,406,639	1,861,574
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,188)	1,004
Share of other comprehensive income of entities accounted for using equity method	-	204
Total other comprehensive income	(2,188)	1,208
Comprehensive income	1,404,451	1,862,782
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,409,351	1,864,408
Comprehensive income attributable to non-controlling interests	(4,900)	(1,626)

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Adoption of special accounting treatment for preparing quarterly consolidated financial statements)

(Tax expenses)

Tax expenses are calculated based on a reasonable estimate of the effective tax rate after applying tax effect accounting to profit before income taxes for the consolidated fiscal year including the nine months ended September 30, 2017, and then multiplying profit before income taxes by the estimated effective tax rate.

(Significant subsequent events)

(Acquisition of company through purchase of shares)

The Company, at its Board of Directors' meeting held on October 26, 2017, resolved to additionally acquire the shares in Realize Asset Management Co., Ltd., an equity-method affiliate of the Company, to make it a consolidated subsidiary. The Company concluded a share transfer agreement on the same day and completed the share acquisition on November 1, 2017.

(1) Overview of business combination

(a) Name and business of acquired company

Name	Realize Asset Management Co., Ltd.
Business	Consulting and matching business for real estate investment

(b) Purpose of business combination

Realize Asset Management Co., Ltd. operates a consulting business for real estate investment mainly in newly-built apartments. Realize Asset Management Co., Ltd. has advantages in the business especially in the procurement capability of suitable land within Tokyo 23 wards and the negotiation power with landlords. Realize Asset Management Co., Ltd. also operates consulting and matching platforms for real estate investment such as "Investment in whole building of newly-built apartment" and "Exhortation to housing with rentals."

The Company came to a conclusion that the additional acquisition of shares in Realize Asset Management Co., Ltd. would lead to the creation of greater synergy with the Group's core business, the TATERU business, which in turn enables the Group as a whole to expand its business field and enhance its growth potential.

(c) Date of business combination

November 1, 2017

(d) Legal form of business combination

Acquisition of shares in exchange for cash consideration

(e) Name of acquired company after business combination

The name will remain unchanged.

(f) Percentage of voting rights acquired

Percentage of voting rights owned immediately before business combination	40.0%
Percentage of voting rights additionally acquired on the date of business combination	40.0%
Percentage of voting rights after acquisition	80.0%

(g) Main basis behind the determination of the acquiring company

Due to the Company's acquisition of shares in exchange for cash consideration

(2) Acquisition cost and related details

	(Thousand yen)
Consideration for acquisition	
Cash	1,199,989
Acquisition cost	1,199,989

(Note) The amount of acquisition cost and profit or loss on step acquisition has not been determined at the present time.

(3) Details and amount of main acquisition-related costs

	(Thousand yen)
Compensation and fees paid to an advisor	3,100

(4) Fund procurement method

Borrowing from a financial institution were allocated to execute the acquisition.

(5) Amount of goodwill recognized, reason for recognition, amortization method and amortization period

They have not been determined at the present time.

(6) Amount and breakdown of assets acquired and liabilities assumed at the date of business combination

They have not been determined at the present time.

(Large-scale borrowing)

Based on the resolution of the Board of Directors' meeting held on October 26, 2017, the Company obtained a loan from a financial institution as follows in order to fund the acquisition of shares in Realize Asset Management Co., Ltd.

(1) Lender	Sumitomo Mitsui Banking Corporation
(2) Loan amount	¥2,000,000 thousand
(3) Interest rate	The former period: Market interest rate + 0.200% The latter period: Fixed interest rate of 0.320%
(4) Date of borrowing	October 31, 2017
(5) Date of repayment	October 31, 2022
(6) Repayment method	Principal equal monthly payment
(7) Security and guarantee	Unsecured and unguaranteed

3. Others

Orders received

(Record of orders received)

The record of orders received in the apartment management platform TATERU business based on completed construction for the nine months ended September 30, 2017 is as follows.

Name of the segment	Orders received (Thousand yen)	Changes from the previous corresponding period (%)	Order backlog (Thousand yen)	Changes from the previous corresponding period (%)
Apartment management platform TATERU business	27,950,428	133.3	27,344,637	139.8

- (Notes)
1. Consumption taxes, etc. are not included in the above figures.
  2. The Group's reportable segment consists solely of the apartment management platform TATERU business. As the significance of other business segments is limited, the record of orders received belongs to the said business.