

Consolidated Financial Results
for the Three Months Ended March 31, 2018
[Japanese GAAP]



May 11, 2018

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, 2018
 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, 2018 (January 1, 2018 to March 31, 2018)

(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, 2018	14,678	32.2	673	6.3	643	15.6	433	23.6
March 31, 2017	11,103	-	634	-	556	-	350	-

(Note) Comprehensive income: Three months ended March 31, 2018: ¥444 million [26.4 %]
 Three months ended March 31, 2017: ¥351 million [- %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
March 31, 2018	5.49	4.95
March 31, 2017	4.59	4.01

- (Notes) 1. The Company conducted a five-for-one stock split of its common stock effective January 1, 2018. Basic earnings per share and diluted earnings per share are calculated on the assumption that those stock splits were conducted at the beginning of the previous fiscal year.
2. 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 three months ended March 31, 2017 are not stated.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2018	20,611	9,716	46.5
As of December 31, 2017	21,864	9,667	43.6

(Reference) Equity: As of March 31, 2018: ¥9,578 million
 As of December 31, 2017: ¥9,531 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, 2017	-	20.00	-	25.00	45.00
Fiscal year ending December 31, 2018	-				
Fiscal year ending December 31, 2018 (Forecast)		5.00	-	5.00	10.00

- (Notes) 1. Revision to the forecast for dividends announced most recently: No
 2. Though the Company conducted a five-for-one stock split of its common stock effective January 1, 2018 dividends for the fiscal year ended December 31, 2017 shown are the amount actually paid.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2018 (January 1, 2018 to December 31, 2018)

(% 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
First half	27,639	4.5	1,926	0.0	1,913	2.5	1,280	5.4	16.20
Full year	76,611	14.3	7,113	20.6	7,099	21.1	4,815	20.5	60.91

(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): Yes
 New inclusion: 1
 Name of company: TATERU Funding Co., Ltd.
- (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, 2018: 79,059,000 shares
 December 31, 2017: 79,059,000 shares
 2) Total number of treasury stock at the end of the period:
 March 31, 2018: - shares
 December 31, 2017: - shares
 3) Average number of shares during the period:
 Three months ended March 31, 2018: 79,059,000 shares
 Three months ended March 31, 2017: 76,451,000 shares

(Note) The Company conducted a five-for-one stock split of its common stock effective January 1, 2018. 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, 2017.

* 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, 2018 continued to show a moderate recovery trend with the increase of export backed by the recovery in the global economy, as well as the improvement of personal consumption and the continued increasing trend in capital investment. 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 trend in China.

In the real estate industry, with the backdrop of the favorable financing environment such as the Bank of Japan's continued negative interest rate policy, an inflow of funds to the real estate market is ongoing despite a decline in apartment loans for inheritance tax saving purposes due to regulatory tightening by the Financial Services Agency, and diversification of our investor base is expected.

Under these circumstances, with our Group management philosophy "Internet × Real: accelerating new services," our mainstay TATERU Apartment business is maintaining strong growth. In addition, our new TATERU Funding business, TATERU bnb business, and Robot Home businesses which we were aiming for early profitability has achieved profitability during the three months ended March 31, 2018.

Based on the resolution matter for the 12th Annual General Meeting of Shareholders, the Company changed its name from investors cloud co., ltd. to TATERU, Inc. effective on April 1, 2018. The name of the company and the names of the services herein are as of the date of the submission of these consolidated financial results.

As a result, the performance for the three months ended March 31, 2018 was ¥14,678 million in net sales (up 32.2% year on year), ¥673 million in operating profit (up 6.3% year on year), ¥643 million in ordinary profit (up 15.6% year on year) and ¥433 million in profit attributable to owners of parent (up 23.6% year on year).

The performance of each segment is as follows.

The Group's previous reportable segment was TATERU Apartment business only. From the three months ended March 31, 2018, the Group changed its reportable segment into four segments, namely, TATERU Apartment business, TATERU Funding business, TATERU bnb business and Robot Home business.

Year on year figures used in the descriptions below are prepared from the segment classification after the change.

1) TATERU Apartment business

In TATERU Apartment business, the Group promoted the increase in its membership and the maintenance and improvement of contract rate by focusing on enhancing functions and its brand recognition. 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 2,000 on average per month, with monthly contracts on an increasing trend.

As a result, net sales for the three months ended March 31, 2018 was ¥14,106 million (up 31.7% year on year) and ¥1,091 million in operating profit (down 5.4% year on year). Transaction of Selling apartments developed and operated by TATERU Funding business to the member of TATERU Apartment business is income of TATERU Funding business instead of TATERU Apartment business for reportable segment.

2) TATERU Funding business

The real estate investment-type crowdfunding TATERU Funding business commenced the operations of capital-oriented funds from the three months ended March 31, 2018, and commenced the operations of totaling 20 funds as of March 31, 2018. In addition, the number of TATERU Funding's members passed the 40,000 mark, and it is continuing to grow.

As a result, net sales for the three months ended March 31, 2018 was ¥154 million (¥2 million for the same period of the previous fiscal year) and ¥92 million in operating profit (operating loss of ¥7 million for the same period of the previous fiscal year).

3) TATERU bnb business

TATERU bnb business provides various Minpaku (private residence accommodation) operation services utilizing IoT, including development and rental of bnb kit. The business developed TATERU bnb, an IoT Minpaku apartment that offers total support services of IoT Minpaku operation.

As a result, net sales for the three months ended March 31, 2018 was ¥114 million (up 454.9% for the same period of the previous fiscal year) and ¥39 million in operating profit (operating loss of ¥10 million for the same period of the previous fiscal year).

4) 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, 2018 was ¥165 million (no recording for the same period of the previous fiscal year) and ¥45 million in operating profit (operating loss of ¥24 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, 2018 decreased by ¥1,252 million from the end of the previous fiscal year to ¥20,611 million. This is mainly attributable to a decrease in cash and deposits of ¥3,191 million, despite an increase in real estate for sale in process of ¥1,102 million.

(Liabilities)

Total liabilities at the end of the three months ended March 31, 2018 decreased by ¥1,301 million from the end of the previous fiscal year to ¥10,895 million. This is mainly attributable to decreases in accounts payable-trade of ¥529 million and income taxes payable of ¥1,135 million, despite an increase in provision for bonuses of ¥103 million.

(Net assets)

Total net assets at the end of the three months ended March 31, 2018 increased by ¥48 million from the end of the previous fiscal year to ¥9,716 million. This is mainly attributable to an increase in retained earnings of ¥38 million due to the recording of profit attributable to owners of parent of ¥433 million, despite the payment of dividends from surplus of ¥395 million.

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

The consolidated financial results forecast for the first half ending June 30, 2018 and the full year ending December 31, 2018 have not been revised from the forecast announced on February 13, 2018.

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 three months ended March 31, 2018 against the consolidated financial results forecast for the full year ending December 31, 2018 were at a low level, with 19.2% for net sales, 9.5% for operating profit, 9.1% for ordinary profit and 9.0% for profit attributable to owners of parent. However, net sales and other income items in the consolidated financial results for the three months ended March 31, 2018 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, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	9,888,330	6,696,771
Accounts receivable-trade	1,162,053	1,085,514
Merchandise and finished goods	81,529	90,420
Work in process	12,590	-
Real estate for sale	1,847,356	2,105,363
Real estate for sale in process	1,384,219	2,486,627
Supplies	6,596	14,101
Deferred tax assets	311,951	326,140
Other	819,728	1,017,935
Allowance for doubtful accounts	(2,482)	(4,626)
Total current assets	15,511,874	13,818,247
Non-current assets		
Property, plant and equipment	1,398,617	1,775,454
Intangible assets		
Goodwill	1,921,305	1,888,741
Other	167,901	212,550
Total intangible assets	2,089,207	2,101,291
Investments and other assets		
Investment securities	2,181,666	2,253,811
Deferred tax assets	62,966	58,017
Other	620,448	605,127
Total investments and other assets	2,865,081	2,916,956
Total non-current assets	6,352,905	6,793,703
Total assets	21,864,780	20,611,950
Liabilities		
Current liabilities		
Accounts payable-trade	3,087,038	2,557,178
Short-term loans payable	3,000,000	3,000,000
Current portion of long-term loans payable	405,904	405,904
Income taxes payable	1,464,231	328,584
Provision for bonuses	44,699	148,596
Provision for full occupancy responsibility	200,111	122,014
Asset retirement obligations	29,655	29,655
Other	2,342,171	2,781,675
Total current liabilities	10,573,811	9,373,608
Non-current liabilities		
Long-term loans payable	1,604,312	1,502,836
Asset retirement obligations	18,889	18,911
Total non-current liabilities	1,623,201	1,521,747
Total liabilities	12,197,012	10,895,356
Net assets		
Shareholders' equity		
Capital stock	628,006	628,006
Capital surplus	533,502	533,502
Retained earnings	8,300,627	8,339,003
Total shareholders' equity	9,462,137	9,500,513
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	69,152	78,236
Total accumulated other comprehensive income	69,152	78,236

TATERU, Inc. (1435)
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Subscription rights to shares	1,530	1,530
Non-controlling interests	134,948	136,314
Total net assets	9,667,768	9,716,594
Total liabilities and net assets	21,864,780	20,611,950

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

Three months ended March 31, 2018

(Thousand yen)

	For the three months ended March 31, 2017	For the three months ended March 31, 2018
Net sales	11,103,728	14,678,973
Cost of sales	9,226,570	11,912,039
Gross profit	1,877,158	2,766,933
Selling, general and administrative expenses	1,243,103	2,093,097
Operating profit	634,055	673,835
Non-operating income		
Interest income	32	465
Dividend income	-	940
Share of profit of entities accounted for using equity method	1,623	-
Gain on sales of goods	-	2,250
Other	221	1,083
Total non-operating income	1,877	4,740
Non-operating expenses		
Interest expenses	1,324	3,466
Loss on investments in partnership	1,369	1,368
Commission fee	75,500	10,156
Share of loss of entities accounted for using equity method	-	15,221
Other	922	4,677
Total non-operating expenses	79,116	34,890
Ordinary profit	556,817	643,685
Profit before income taxes	556,817	643,685
Income taxes	205,950	208,567
Profit	350,866	435,117
Profit attributable to non-controlling interests	-	1,446
Profit attributable to owners of parent	350,866	433,671

Consolidated statements of comprehensive income

Three months ended March 31, 2018

(Thousand yen)

	For the three months ended March 31, 2017	For the three months ended March 31, 2018
Profit	350,866	435,117
Other comprehensive income		
Valuation difference on available-for-sale securities	316	9,002
Share of other comprehensive income of entities accounted for using equity method	145	-
Total other comprehensive income	461	9,002
Comprehensive income	351,328	444,120
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	351,328	442,754
Comprehensive income attributable to non-controlling interests	-	1,365

(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, 2017

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

(Thousand yen)

	Reportable segment					Others (Note 1)	Total	Adjust- ments (Note 2)	Amounts on consolidated statements of income (Note 3)
	TATERU Apartment business	TATERU Funding business	TATERU bnb business	Robot Home business	Total				
Net sales									
Net sales to external customers	10,714,060	2,006	20,546	-	10,736,612	367,115	11,103,728	-	11,103,728
Inter- segment sales or transfers	408	-	-	-	408	-	408	(408)	-
Total	10,714,468	2,006	20,546	-	10,737,021	367,115	11,104,137	(408)	11,103,728
Segment profit or loss	1,154,483	(7,350)	(10,583)	(24,666)	1,111,884	(8,669)	1,103,215	(469,159)	634,055

- (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, 2018

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

(Thousand yen)

	Reportable segment					Others (Note 1)	Total	Adjust- ments (Note 2)	Amounts on consolidated statements of income (Note 3)
	TATERU Apartment business	TATERU Funding business	TATERU bnb business	Robot Home business	Total				
Net sales									
Net sales to external customers	14,105,761	154,868	114,012	165,570	14,540,212	138,760	14,678,973	-	14,678,973
Inter- segment sales or transfers	750	-	-	-	750	9,192	9,943	(9,943)	-
Total	14,106,512	154,868	114,012	165,570	14,540,963	147,952	14,688,916	(9,943)	14,678,973
Segment profit or loss	1,091,999	92,275	39,178	45,462	1,268,915	(8,234)	1,260,681	(586,845)	673,835

- (Notes)
1. "Others" refers to business segments not included in the reportable segments.
 2. The thousand adjustment to segment profit or loss mainly represents companywide expenses thousand 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 the changes, etc. to reportable segments

The Group's previous reportable segment was "TATERU Apartment business" only. From the three months ended March 31, 2018, the Group changed its reportable segment into four segments, namely, "TATERU Apartment business," "TATERU Funding business," "TATERU bnb business" and "Robot Home business."

The changes are made due to the revision of the Group's business development, decision of allocation of management resources and method of performance evaluation that reflects the actual state with the full-scale launch of "TATERU Funding business," "TATERU bnb business" and "Robot Home business" during the three months ended March 31, 2018.

Segment information for the three months ended March 31, 2017 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

(Significant subsequent events)

(Issuance of new shares through international offering)

For the purpose of repayment of borrowed funds, allocation for business expansion funds for existing and new businesses, and allocation for investment and capital funds aimed for further growth and share increase in real estate tech field, the Company, at its Board of Directors' meeting held on April 24, 2018, resolved to issue new shares through international offering, and received payment on May 9, 2018.

The overview of issuance of new shares through international offering is as follows.

Issuance of new shares through international offering

(1)	Class and number of shares to be offered	Common stock of the Company	7,100,000 shares
(2)	Issue price (offer price)		1,951 yen per share
(3)	Total issue price		13,852,100,000 yen
(4)	Paid-in amount		1,864.32 yen per share
(5)	Total paid-in amount		13,236,672,000 yen
(6)	Total capital incorporation amount		6,618,336,000 yen
(7)	Payment date		May 9, 2018

3. Others

Orders received

(Record of orders received)

The record of orders received about construction in TATERU Apartment business for the three months ended March 31, 2018 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 (%)
TATERU Apartment business	12,223,251	143.1	32,381,403	145.0

- (Notes)
1. Consumption taxes, etc. are not included in the above figures.
 2. As presentations regarding the record of orders received about construction in TATERU Funding business, TATERU bnb business and Robot Home business are not suitable due to the business characteristics, they are not stated.