

**LIFULL Co., Ltd. (2120)**

**Edited Transcript**

**Earnings Briefing for the Fiscal Year Ended March 31, 2017**

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Venue: LIFULL headquarters

Corporate Participants:

**Takashi Inoue**, *President and CEO*

**Takashi Yamada**, *Director, General Manager of LIFULL HOME'S Business Department*

**Yosuke Hisamatsu**, *Director, Division Manager of Marketing Strategy Division*

**Kazuhiko Abe**, *Managing Officer, General Manager of Group Company Business Development Department*

**Toshio Kazuno**, *Managing Officer, Division Manager of*

*New Condo Sales and Real Estate Investment Business Division,*

*New House Sales Division, LIFULL HOME'S Business Department*

*Executive Vice President, Lifull Marketing Partners Inc.*

**Yuji Ito**, *Managing Officer,*

*Division Manager of New UX Development Division, LIFULL HOME'S Business Department*

**Hidekazu Fukuzawa**, *Deputy General Manager of Group Company Business Development Department*

**Kazuhiro Yoshida**, *Group Manager of Investor Relations Group, Group Strategy Division*

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## **Presentation**

**Takashi Inoue**, *President and CEO*

Welcome and thank you for attending the Company's first earnings presentation since its relocation to a new corporate headquarters.

This presentation will comprise two parts. First, we will provide an overview of the Company's consolidated results for fiscal 2016, the fiscal year ended March 31, 2017. After an absence of many years, we will then outline details of our recently disclosed Mid-term Business Plan.

Looking back over the recently completed accounting period, and the 20th anniversary of our founding, fiscal 2016 was a year of many challenges during which we experienced significant change and growth.

### **[Change in Company Name (Slide 1)]**

Changing our name to LIFULL Co., Ltd., we turned the page on a new chapter in our ongoing story on April 1, 2017.

### **[Change in Company Name (Slide 2)]**

In changing the Company's name from NEXT to LIFULL, an amalgamation of the words "LIFE" and "FULL," we are reinforcing our commitment to help improve daily lifestyles, as well as the long-term pledge to support people

throughout their entire lives. The new Company name therefore captures our determination to provide everyone with services for more fulfilling lives and lifestyles.

### **[Headquarters Relocation (Slide 3)]**

In relocating our headquarters, we undertook the full renovation of a building that is 49 years old.

As you can see, we have removed all of the low ceilings leaving building pipes exposed. With a growing consensus that this provides a more fashionable and overall relaxing design, this café-style ambiance extends to all office space.

We placed considerable emphasis on creating a specific environment through the extensive use of timber materials including in floors. This approach reflects our desire to effectively use the existing building. Unlike Europe and the U.S., Japan has traditionally adopted a repetitive scrap and build approach. Taking into consideration the future decline in Japan's population and an awareness toward the wasteful nature of this type of undertaking, renovations were guided with the view to utilizing the property for as long as possible.

### **[New Headquarters (Slide 4)]**

Expanding further on this introduction of our headquarters, renovations were based on an "ENGAWA" or veranda concept. This concept loosely connects the inside and outside of the Company creating an arena for open innovation. Located on the 1st floor, and open to the public, LIFULL Table is a café restaurant that doubles as a company cafeteria that contributes to increased intimacy. If the opportunity should arise, I welcome you to stop by.

On the 2nd floor, we have set up LIFULL HUB, an area for shared office space for entrepreneurs and startups. The hope is that this will help trigger a host of opportunities including equity investments and business alliances.

Returning to the 1st floor, LIFULL Fab, which is scheduled to open this summer, is a studio that allows in-house as well as external manufacturing and technology interests to congregate in a spirit of open innovation. Our hope is that LIFULL Fab will act as a catalyst that spurs a chemical reaction between like-minded entrepreneurs in the manufacturing and technology fields.

### **[Consolidated Results for FY2016 (Slide 5)]**

Turning to the principal topic of this presentation, I direct you to slide 6 where I will comment on the Company's consolidated results for fiscal 2016.

### **[Revenue (Slide 6)]**

In the fiscal year under review, revenue came in at 29.9 billion yen, a record high for the fifth consecutive period.

### **[Net Profit (Slide 7)]**

At 2.7 billion yen, net profit was also a record high for the fourth consecutive period.

### **[Condensed Statements of Profit and Loss IFRS (Slide 8)]**

Looking at the condensed statements of profit and loss here on this slide, revenue increased 16.4% compared with

the previous fiscal year. EBITDA grew 9.3% to 5.3 billion yen while net profit rose 3.6% year on year.

**[Expense-to-Sales Ratio IFRS (Slide 9)]**

Here on this slide, we present trends in the expense-to-sales ratio. As indicated at the top right of the graph, the ratio of cost of sales and other SG&A expenses increased to 30.6% due to an upswing in the revenue generated by Lifull Marketing Partners. This was, however, in line with expectations.

**[Sales by Segment IFRS (Slide 10)]**

Moving on to slide 10, we provide details of sales by segment. Domestic businesses experienced steady growth. Revenue from rentals & real estate sales climbed 16.3% compared with the previous fiscal year, to 14.0 billion yen. The number of affiliated stores saw a net increase of more than 3,000.

Despite the limited scale of its operations, revenue from the custom-built homes & renovations category surged 49% year on year. Buoyed by the continued strong performance of nursing care activities conducted through LIFULL Kaigo, revenue in the others category of the domestic real estate information services segment increased 41%.

Turning to domestic services for realtors, revenue improved 46% compared with the previous fiscal year. This largely reflects contributions from the increase in Lifull Marketing Partners sales, as well as steady growth in existing DMP and CRM services.

Results for the overseas segment are as presented in this table. In addition to falling short of our sales objectives, our performance was affected by such factors as movements in the euro/yen exchange rate. Details of the others segment are also listed in the table.

**[Segment Income and Loss IFRS (Slide 11)]**

As you can see from the table on slide 11, income grew in the domestic real estate information services segment. In contrast, the fiscal year under review left several issues unresolved in the overseas segment.

**[Reference: Condensed Statements of profit and Loss (quarterly) IFRS (Slide 12)]**

For your reference, we provide condensed statements of profit and loss for the 4Q of the fiscal year under review. We ask that you review at your leisure.

**[Condensed Statements of Financial Position and Goodwill IFRS (Slide 13)]**

Details of the Company's financial position and goodwill are provided on slide 13. In addition to the impact of such factors as one-off expenses, the balance of tangible assets climbed 1 billion 171 million yen and both lease and guarantee deposits increased following the relocation of our headquarters.

Directing your attention to the note at the bottom of the table, we list the balance of outstanding goodwill for Little, Trovit, Lifull Marketing Partners and JG Marketing. As you can see, the sum total of depreciable assets for both Trovit and Lifull Marketing Partners comes to 947 million yen.

### **[Condensed Statements of Cash Flows IFRS (Slide 14)]**

As indicated at the bottom of the table on slide 14, the balance of cash and cash equivalents as of March 31, 2017 declined slightly compared with the end of the previous fiscal year. The balance stood at 6.0 billion yen after accounting for such factors as the increase in costs associated with relocation.

### **[FY2016 Forecast and Progress (Slide 15)]**

Looking back, revenue for the fiscal year under review came in at 94.5% of the full fiscal year forecast announced at the beginning of the period.

Against a forecast of 5.8 billion yen, EBITDA totaled 5.3 billion yen, or 91.5%. Net profit came in at 88% of the full fiscal year forecast.

### **[FY2016 EBITDA Forecast vs Actual (Slide 16)]**

Discrepancies between the EBITDA forecast and actual results are presented graphically on slide 16 in a waterfall format.

Against an initial forecast of 5.8 billion yen, the Company incurred a shortfall in domestic business sales of 811 million yen. After accounting for a downturn in sales in the advertising agency business, which has a high cost of sales ratio, the portion attributable to cutbacks in the cost of sales had a positive impact of 434 million yen. Turning to the shortfall in overseas business sales, we had of course planned for growth on a local currency basis, after factoring in Trovit revenue and earnings. The negative result is largely attributable to movements in foreign currency exchange rates. If we exclude this factor, the rate of growth comes in at roughly the same as the previous period. On this basis, growth would appear to have temporarily stalled. While I will explain in more detail later in this presentation, a key factor is the costs incurred to attract customers through the placement of advertisements. This initiative was undertaken to offset the decline in users as a result of search engine optimization, or SEO. Under these circumstances, we made every effort to reduce costs, which generated a positive impact totaling 776 million yen. Taking into account each of these factors, EBITDA came in at 5 billion 312 million yen.

### **[Business Strategies (Slide 17)]**

Moving on, I would like to comment on the status of our business activities. Please turn to slide 18.

### **[Topics of FY2016 (Slide 18)]**

Looking over the fiscal year under review, we undertook a wide variety of initiatives. Too many to discuss on an individual basis, suffice it to say, LIFULL enjoyed steady growth in the overall scale of its business.

In broad terms, we undertook steps to enhance both media and brand power while pushing forward a host of corporate initiatives.

Among many measures aimed at enhancing media power, we worked diligently to better visualize reference prices utilizing the HOME'S Price Map. Preparatory steps are also near completion in the leadup to Minpaku or home-sharing market deregulation. Attracting considerable recent attention, LIFULL is looking to utilize artificial intelligence to boost its operations in earnest. We are currently investing in the research necessary to apply AI to

our business activities. In addition to being selected as the Google Play best application, we are making steady progress toward our continued development and growth while forging a position within Japan's real estate media.

At the center of the slide, we list a few examples of efforts to enhance brand power. Unifying our operations under the master LIFULL brand, we plan to generate additional synergies by integrating our brand value.

From a corporate perspective, and over a period of 12 years, we have placed considerable emphasis on becoming the company that employees would most like to work for in Japan. Listed as the third last item in the Corporate section of this slide, we have at last achieved this long sought after objective. In this regard, the fiscal year under review was one in which we overcame a host of challenges.

#### **[Domestic Business (Slide 19)]**

Looking at our domestic businesses in more detail, I ask that you turn to slide 20.

#### **[Becoming the absolute No.1 (Slide 20)]**

Our goal is to become the absolute No. 1 in our chosen field. As we work to invest our earnings, we will maintain our focus on the real estate domain in Japan. Guided by this overarching policy, we will continue to strengthen our media and brand power.

#### **[Strengthen Media Power (Slide 21)]**

In strengthening our media power, we will concentrate on three core areas.

First, we will focus on broadening our information coverage. Second, we will ensure that this information is adequately visualized. And third, we will improve the reliability of information. Many people often feel anxious when purchasing or leasing a property. Our goal is to provide a sense of security and peace of mind.

#### **[Information Coverage – Network of Affiliated Stores (Slide 22)]**

The breadth and depth of our information coverage is directly linked to our network and number of affiliated stores. As far as the growth of our network is concerned, trends are firm. At 22,400, our coverage currently represents a record high. Over the medium to long term, we are targeting a total of 40,000 affiliated stores.

#### **[Information Coverage – Number of Properties Listed (rental and real estate sales) (Slide 23)]**

Another aspect of the Company's information coverage encompasses the number of properties listed. LIFULL HOME'S currently maintains rental as well as existing real estate sales information on 7,430,000 listed properties. On this basis, we remain head and shoulders above our peers.

#### **[Information Coverage – Number of Properties Listed (new houses and condos) (Slide 24)]**

Our volume of information and number of new condominiums and houses listed are also exhibiting sound growth. The total number of projects currently stands at 8,560, a record high

#### **[Price Information Visualization – Price Map (Slide 25)]**

Building on the aforementioned efforts to expand our coverage, we are also placing equal emphasis on promoting price information visualization. Here, our Price Map, is playing an important role, with the areas covered steadily expanding. Beginning with the metropolitan area, our coverage now extends to Kyoto, Osaka, and Kobe as well as Aichi and Fukuoka. As far as the scope of information is concerned, in addition to reference sales prices we are also expanding our database of rental prices. I can confidently state that efforts to promote the visualization of real estate prices on a nationwide basis are progressing smoothly.

**[Improvement of Reliability – Omni-channel Strategy (Slide 26)]**

In a bid to improve the reliability of information, we are pushing forward an omni-channel strategy. In specific terms, we are working to provide optimal information through multiple channels. LIFULL HOME'S continues to attract a substantial number of users. While the conversion rate, the ratio of contracts concluded to the number of inquiries, falls depending on the use of such channels as call centers and face-to-face counters, personal contact helps trigger the human aspects of discussions, meticulous customer service, and negotiations helping to boost the rate of conversion. Taking these factors into consideration, we are taking positive and steady steps to provide services that enhance user satisfaction irrespective of the point of contact.

As indicated at the right of the slide, efforts to consolidate individual user IDs are currently under development. The goal here is to eliminate duplication and reduce additional and unnecessary work. With a consolidated database, we are better positioned to enhance the satisfaction of each user and customer, whether contact is made online through a call center or face-to-face counter.

**[LIFULL HOME'S Sumainomadoguchi (LIFULL HOME'S Counter) (Slide 27)]**

LIFULL HOME's omni-channel Sumainomadoguchi counters have now been expanded to 7 stores.

**[LIFULL HOME'S Sumainomadoguchi (LIFULL HOME'S Counter) (Slide 28)]**

In a survey, more than 90%, or 94.2%, of customers expressed their satisfaction with the LIFULL HOME's counter.

Moving on to efforts aimed at strengthening brand power, please turn to slide 29.

**[Strengthen Brand Power (Slide 29)]**

Our focus here is on promotion and services for realtors.

**[Change in Brand (Slide 30)]**

As indicated on this slide, we now refer to the HOME'S brand as LIFULL HOME'S in line with the change in the Company's name.

As we work to establish 100 companies in 100 countries worldwide, we will insist on the use of the LIFULL name. In this manner, we will develop the LIFULL brand, and an image that is synonymous with best-fit solutions as well as concierge-level services that ensure satisfaction.

However, recognizing the impact and benefits of search engine optimization, we will for the moment retain the homes.co.jp domain, and look only to change the name of our brand in the first instance.

### **[Services for Realtors – Daily Operation of Realtors (Slide 31)]**

As we have previously identified, the tasks undertaken by realtors can be broadly divided into those that can be efficiently accomplished using information technology, and those that require personal attention. We are working to make the most of ICT and to increase the efficiency of costs related to the provision of information and simple tasks marked in grey.

The industry as a whole is said to incur labor costs of approximately 1.5 trillion yen. If we can increase efficiencies by say 30%, we will succeed in reducing costs and generating value equivalent to roughly 440 billion yen.

### **[Services for Realtors – Service List (Slide 32)]**

Here on this slide, we provide a list of our services in a flow diagram / time series format. We continue to fine-tune and update this list and have provided details during several presentations in the past.

The area shaded in light blue that runs along the bottom of the page contains a list of services for realtors. As indicated in the legend at the top right of the slide, services that are currently being provided are shaded in either grey or orange. Services that are under development are shaded in pink.

Efforts to develop services that provide administrative support to realtors is progressing without a hitch. Our focus now is on increasing the number of users.

### **[Three Changes in the Real Estate Industry (Slide 33)]**

I would now like to comment on three changes in the real estate industry.

### **[Explanation on Important Matters Utilizing IT (Slide 34)]**

The first change involves the explanation of important matters utilizing IT. On the back of numerous demonstration tests, Japan's Ministry of Land, Infrastructure, Transport and Tourism completed a social experiment in January 2017.

Having obtained favorable feedback with little or no problems, steps are being taken to provide online explanations of important matters concerning certain real estate transactions from October this year. We welcome this initiative to energize the market, and expect growth due to increased convenience.

While the launch will be restricted to the real estate rental business, the online explanation of important matters is expected to progressively expand into the purchase and sale market. On this basis, demonstration tests are projected to continue into the future.

In a bid to address these changes, we are pushing forward a new initiative: LIFULL HOME'S LIVE. Please turn to slide 35.

### **[LIFULL HOME'S LIVE (Slide 35)]**

Offering functions that for example exceed the Skype Voice over Internet Protocol service, LIFULL HOME'S LIVE is a conferencing system that facilitates the online explanation of important matters. This proprietary service

is being used by more than half of those participating in the social experiment and is attracting wide acclaim for its ease of use.

#### **[Inspection Related Items Will Become Mandatory for Realtors (Slide 36)]**

The second change in the industry involves the introduction of certain mandatory requirements with respect to property inspections including building performance tests.

Scheduled to take effect from April 2018, details of the mandatory requirements are listed at the bottom half of the slide. Under the new guidelines, realtors must disclose whether they can introduce an inspection vendor or not. Realtors are required to introduce a vendor to the customer if requested.

In the event an inspection is undertaken, the results of the inspection must be provided to the purchaser in conjunction with the explanation of important matters. Finally, matters pertaining to the condition of the property confirmed by both the seller and purchaser must be detailed in written format at the time a sales contract is executed.

I believe this is an extremely positive initiative. Expanding the existing property purchase and sale market has been a longstanding goal of Japan's Ministry of Land, Infrastructure, Transport and Tourism. I am convinced that we are now one step closer to a market and the execution of contracts that are acceptable to both the seller and purchaser.

#### **[LIFULL HOME'S House Appraisal (Slide 37)]**

Again, in response to this change in the market, we have released LIFULL HOME'S House Appraisal.

As indicated on this slide, we will visualize the inspection results and appraised values of real estate and provide them as a single package. In the first instance, we will undertake property inspections, provide equipment guarantees while conducting termite inspections at the lowest price range in the industry.

This initiative extends well beyond real estate inspection and showcases the importance of the second and third aspects of the service. In the second instance, we are promoting appraisals based on the manual issued by the Real Estate Distribution Promotion Center. Drawing on the aforementioned appraisal value calculation, guarantee companies undertake evaluations of collateral that incorporate property appraisals in support of applications for housing loans. On this basis, steps are taken to determine the maximum limit of each loan.

Old buildings have historically been appraised at well below their actual value. The value of a 22-year-old property made of wood is, for example, appraised as zero for collateral purposes.

As a result, the cumulative total of lost asset value in Japan is estimated at 500 trillion yen. In order to address this perceived deterioration in the value of assets and to facilitate investment in existing houses and real estate, we have partnered with financial institutions to put in place the aforementioned mechanism.

Finally, in the third instance, we are leveraging our extensive media power by posting the results of inspections on the LIFULL HOME'S website. In this manner, we are visualizing the true value of real estate. As a package, every effort is being made to promote a sound market.

#### **[Home-sharing Law (Slide 38)]**

The third change in the industry encompasses legislation in connection with the Minpaku market. While there is no need for further detailed explanation, the Home Sharing Business Bill was resolved by Japan's Cabinet in March 2017. We expect this new initiative will be enacted after passing through the Diet in May or June of this year.

As things currently stand, we believe this legislation will take effect from the end of this year or the beginning of next year. On this basis, there are clear signs of deregulation in the Minpaku market.

**[LIFULL Stay (Slide 39)]**

At the risk of repeating myself, we have already launched LIFULL Stay, an online site geared to the Minpaku market. In the leadup to full-fledged deregulation, we are working behind the scenes on several projects.

**[Overseas Business (Slide 40)]**

With this review of our domestic businesses in mind, I would now like to elaborate on our overseas activities. Please turn to slide 41.

**[Countries of Operation (Slide 41)]**

We continue to roll out the Trovit and LIFULL HOME'S models as usual. The underlined countries have been newly added to our global network over the past year. As a result, we now operate in 53 countries worldwide.

**[LIFULL Immofinder (Slide 42)]**

We have launched a LIFULL HOME'S type service in Germany, a market that is extremely active. This largely reflects low mortgage interest rates and the lower cost of real estate compared with other major cities around the world. In addition to strong real demand, investment in real estate is becoming increasingly dynamic.

**[LIFULL Australia (Slide 43)]**

In countries such as Australia, where we already maintain operations, the number of users is increasing steadily. Over the past several months we have seen a sevenfold upswing. Our potent media prowess is progressively improving and we look forward to a boost in earnings.

**[Trovit (Slide 44)]**

Despite the challenges encountered throughout the fiscal year under review, Trovit has witnessed signs of significant improvement in monthly traffic. This V-shaped recovery largely reflects successful efforts to implement SEO measures.

**[Trovit (Slide 45)]**

Throughout 2017, Trovit will work diligently to strengthen SEO and in turn roll out in each country. The company is especially active in the three broad housing, human resource recruiting, and used automobile fields.

Spanning over 50 countries and with more than 150 vertical sites, Trovit is leveraging the success achieved in various countries through a variety of SEO measures across its entire network. Utilizing this periodic repetitive

cycle of success, the company is generating considerable positive effects.

Building on this media power, Trovit is endeavoring to strengthen its sales capabilities and lift unit prices while cultivating fee-paying customers.

At the same time, the company is making steady progress with efforts to strengthen mobile service capabilities.

**[Forecast for FY2017 (Slide 46)]**

Going forward, I would like to provide details of our forecasts for fiscal 2017, the fiscal year ending March 31, 2018. Please turn to slide 47.

**[Change in Segments (Slide 47)]**

First, I would like to outline changes in our business segments.

Thus far, we have classified our business activities into four broad segments: domestic B to C, domestic B to B, overseas, and other business. Activities that fall under the HOME'S banner have now been incorporated into the HOME'S Service business. We have also integrated consumer-oriented media with realtor support business-oriented services and will look to develop products in a uniform manner and strengthen sales capabilities.

For a breakup of the new HOME'S Services business segment, I direct your attention to slide 48.

**[Change in Segments (Slide 48)]**

Our activities encompass a wide range of real estate including rental properties, existing homes, and new houses and condominiums. While we pay close attention to both market conditions and client needs, our focus is not limited to the product portfolio at all times. Under the new segment structure, we will increase the efficiency of efforts to expand the HOME'S Services business as a whole as a real estate business in its entirety while adjusting key areas that need to be reinforced according to circumstances.

As you can also see from this slide, LIFULL Kaigo, which was previously included in the HOME'S Services business has been moved outside the segment and positioned in the Other business. For the most part, the Company's operations will run along traditional lines. Looking ahead, we believe you will witness growth from the HOME'S Services segment as the focus business of our ongoing activities.

**[FY2017 Forecast IFRS (Slide 49)]**

Here on slide 49, we provide details of the Company's forecasts for fiscal 2017. Revenue is projected to reach 37 billion 420 million yen. We are targeting a year-on-year increase of 25%, or 7 billion 500 million yen.

At 35%, or 2 billion 951 million yen, advertising expenses are expected to increase at a rate that exceeds the rate of revenue growth. This largely reflects the change in the Company's name to LIFULL and the aggressive branding measures undertaken in line with the shift from HOME'S to LIFULL HOME'S. In this regard, we anticipate undertaking a wide range of forward-looking investments for the foreseeable future.

As a result, EDITDA is estimated to come in at 5 billion 180 million yen, slightly short of the level recorded in the fiscal year under review. Meanwhile, we are projecting a modest increase in net profit.

An important point to note and as indicated in bold print at the bottom of the slide, we are considering changing

our fiscal year-end from March to the end of September. We will promptly announce details once the issue has been determined.

**[FY2017 Forecast IFRS (Slide 50)]**

As I mentioned a moment ago, EBITDA is expected to decline slightly due to the one-time increase in costs. Again, this is mainly due to the expenses incurred in changing the names of the Company and service brand, as well as the relocation of our headquarters.

One-time costs are set to total approximately 1 billion 200 million yen. These one-time costs will steadily decline. We are confident on our ability to expand going forward.

**[Profit Sharing (Slide 51)]**

I would now like to look at our approach toward sharing profits. Based on the spirit of Will Centric Public Interest Capitalism, we are committed to contributing to the multiple stakeholders including consumers, clients, employees, partners, shareholders, and the global environment that go to make up society.

**[Profit Sharing (Slide 52)]**

Based on this approach, our basic policy regarding the return of profits to shareholders is to maintain a payout ratio of 20%. Following this basic policy, the Company's dividend for the fiscal year ended March 31, 2017 comes in at 4.66 yen per share. With the addition of a commemorative dividend to celebrate the Company's 20th anniversary, LIFULL has declared an annual dividend of 5.66 yen per share.

**[The Company Where People Most Want to Work (Slide 53)]**

LIFULL has been recognized as the Company where people most want to work in Japan. Drawing on this achievement, we will further enhance our image as a corporate group and garner the acclaim of employees, shareholders, customers, and users.

**[(Slide 54)]**

Our overarching goal is to make every life full. As we begin a new chapter and work toward achieving this goal, we welcome your expectations.

We provide an Appendix with additional reference materials and ask that you review at your leisure. This then concludes this portion of our presentation covering the Company's earnings results for the fiscal year ended March 31, 2017. We now open the floor to questions.

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**Questions and Answers**

**Q1.** Earnings forecasts project weak profit growth. While moving your headquarters generated one-time costs, I had been expecting profit figures to be a bit stronger and sufficient enough to offset these costs. I would like to

know if you think your understanding of LIFULL HOME'S earnings have been steady enough, or do weak profit growth estimates reflect delays in gaining customers due to competitive conditions and marketing approaches?

**A1. (Takashi Inoue)** As you can see on slide 49 of the presentation materials, we expect steady HOME'S-related business profit growth, estimating a 23.9% year-on-year profit gain. LIFULL branding costs account for a large portion of one-time costs. There were more moving-related one-time costs posted in fiscal 2016 given that the useful life of some fixed assets decreased. I think our business progress has been sound recently. I will explain our ideas in the mid-term business plan later on, but I think our earnings forecasts reveal a slight shift currently taking place toward business investment and expansion.

**Q2.** There has been talk of the government lifting the ban this year on explaining important rental disclosure statements online. Please tell us if this will impact the Company's rentals and real estate sales growth rates. For example, LIFULL HOME'S LIVE has been driving growth of affiliated store acquisitions since it has functions competitors do not possess. Also, will this service help raise unit prices per affiliated stores?

**A2. (Takashi Inoue)** We think the near-term impact of this will be limited. With both vendors and users telling us how easy using this service is, we think use of LIFULL HOME'S LIVE will expand, though it will take time. In that case, other companies will have no trouble copying this system since it is not proprietary technology. In light of this, we are taking steps to provide patented technologies in combination with LIFULL HOME'S LIVE that automatically generate 3D computer graphics similar to GRID VRICK (<https://www.gridvrick.homes.co.jp/>) in order to enable users to preview accommodations online. We will also provide various packages that give users remote access. Going beyond systems, we are working to differentiate ourselves from the competition by developing integrated services that are convenient to use and will, in turn, attract new vendors and users.

**(Takashi Yamada)** I agree with President Inoue that we can raise unit prices over the long term by using this functionally integrated system to assist real estate company operations. In addition, our portal currently introduces customers to real estate companies, but in the future we think it will be able to support real estate companies by providing seamless across-the-board marketing services. These initiatives are aimed at further increasing customer loyalty.

**Q3.** Your forecasts for the current fiscal year show personnel costs growing to a greater extent than sales revenue. Do you need to increase staff to that extent and which businesses in particular require additional human resources? How important is investment in personnel in the Company's long-term strategies and are rising staffing costs particularly heavy in the current fiscal year?

**A3. (Kazuhiko Abe)** We view personnel costs as forward-looking investments. We hired 40 people (including new university graduates) this fiscal year. As we plan to invest in IT and other areas going forward, our employees play extremely important roles in reaching our medium- to long-term sales revenue target of 100 billion yen. Assuming

that sales and profits grow, we expect to see a full return on this investment.

**(Takashi Inoue)** In the LIFULL HOME'S business, we have no plans to suddenly increase sales and development staff hiring compared to what we have done to date. With the number of Group companies rising, Group profits are starting to increase. One reason for growing personnel costs is the greater pace of hiring compared to before given our aim to maintain steady growth.

Regarding the previous question about explaining disclosure statements online, real estate operators could steadily see benefits from reduced costs of perhaps around 400-500 billion yen if they boost operational efficiency. In light of this, explaining disclosures online is only one of many operations, so I think we will lead the market and differentiate ourselves from rivals by increasing operational efficiency while reorganizing various services in integrating packages. We plan to remain a step ahead of the competition in providing such services given the merits for both vendors and users.