



2017



LIFULL

Annual Report



**Make every LIFE FULL.**

We want to deliver comfort and happiness to everyone.

LIFULL values its spirit of innovation, unchanged since its founding and unrestrained by existing industry frameworks and customs.

Moving forward, we will continue to blaze the trail by overcoming barriers to language and new lifestyle solutions while bringing comfort and happiness to people around the world.

**Company Credo**

**Altruism**

**Corporate Philosophy**

Create a society where everyone can attain “comfort” and “happiness” through continuing social innovations





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### Disclaimer

- This report includes information on future plans, strategies, and performance outlooks. These outlooks are based on the information available to the Company at the time of writing. Please keep in mind that actual performance and results may vary significantly due to changes in the economic climate, market trends, demand, exchange rates, and other factors.
- Information on corporations not belonging to the Group is taken from publicly available data. As such, we cannot guarantee its accuracy.

### On Company and Service Names

- On April 1, 2017, the names of the Company and its services were changed. This report uses the new names for our principal services.

# Profile

On April 1, 2017, we changed our name from NEXT Co., Ltd. to LIFULL Co., Ltd. Chosen from ideas submitted by employees, LIFULL means making every LIFE FULL, and reflects our desire to offer people happy lifestyles that make them smile. Our services have also been integrated into the new LIFULL brand, the brand under which we will accelerate business development both domestically and internationally. Our goal is to become a corporate group worthy of the support of all our customers. To that end, we will continuously seek innovation.

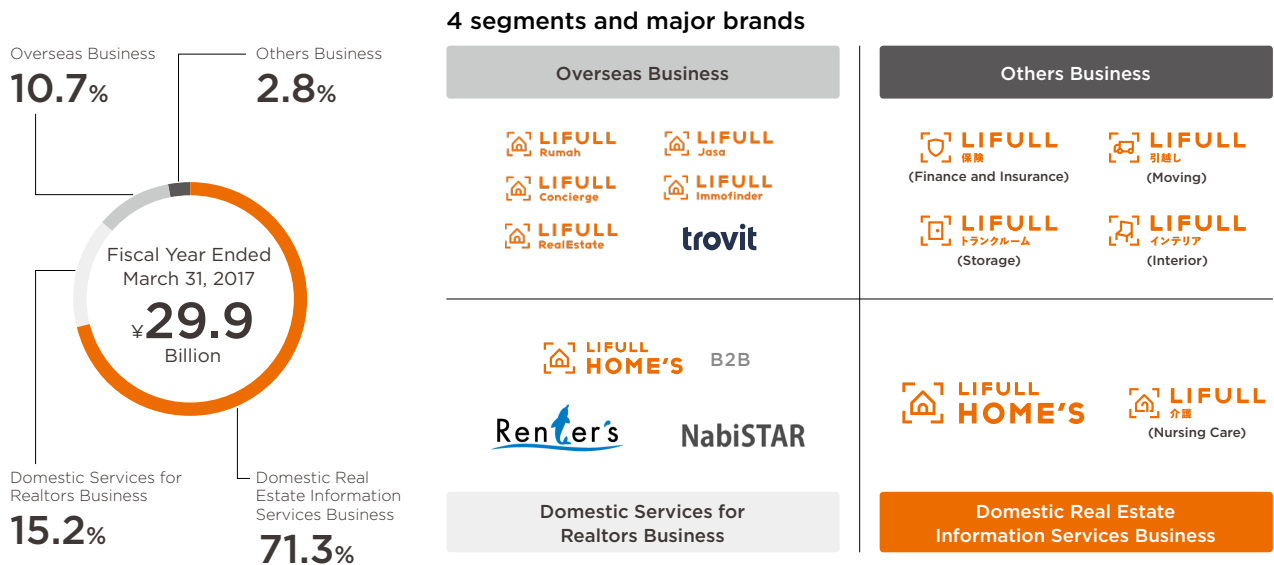
## LIFULL's Approach to ESG

Altruism, our corporate philosophy, is at the heart of all our business activities. When passing on the results gained from our business activities based on this philosophy, we define stakeholders as consumers, clients, employees, partners, shareholders, society, and the global environment and accordingly operate our business with full consideration for all our stakeholders. This is what we call Will-Centric Public Interest Capitalism.

## Will-Centric Public Interest Capitalism

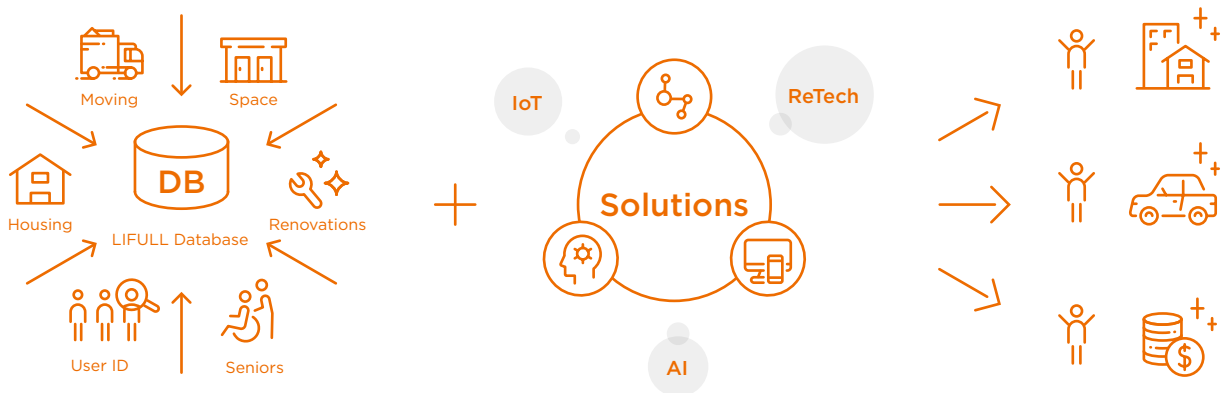


## Sales Revenue Composition Ratio (IFRS)



## Business Policy

Becoming the best life-event database and solution company in the world.



Build the biggest life-event database in the world to offer the best solutions for each and every customer.

## LIFULL in Numbers (As of March 31, 2017)



## Our Strengths and Challenges

# Unique VALUE, Unique LIFULL

### Our Strengths #01 → #06



#01

#### Impressively Quick Decision-making

Leader of the relocation project

**Takashi Itoi**

He is the manager of the General Administration Facility Group. This year, we created what the core members of the headquarters relocation project considered to be an ideal office environment.



#02

#### A High Level of Sensitivity to Social Environments

Secretary to Director

**Yumi Shingaki**

"One P's," LIFULL's support program for social contribution activities, carries out policies focused on all types of social issues. In its first year, it attracted 178 participants and contributed 1,046 hours. She hopes to make "One P's" a part of LIFULL's corporate culture.

#03

#### Employees with Compassion for Others

Top marketer

**Aya Tadakuma**

As someone responsible for marketing, she is not only involved in the LIFULL HOME'S promotion, but advertising for the corporate branding. She works to cultivate the brands representing both the Company and its services.



#04

#### A Corporate Culture that Lets You Endlessly Expand Your Potential

Always-smiling recruitment officer

**Satomi Tanaka**

She is responsible for mid-career hiring at LIFULL. She works hard to find those who share LIFULL's corporate vision and who she thinks would be good to work with.



#05

#### Passion to Change Society for the Better

Planner who wants to transform the industry

**Shogo Atsumi**

His job involves planning for existing services in the existing housing field. He has recently begun working on LIFULL HOME'S House Appraisal services and hopes to revitalize the housing market.



#06

#### Passionate Employees Who Work for the Benefit of Others

Successful sales representative for custom-built homes

**Yohei Nunokawa**

He is the sales manager of the LIFULL HOME'S custom-built homes business. His job involves consulting for home-builders and contractors and planning new products.



# A Culture of Altruism and Determination is the Key to Growth

LIFULL pursues a corporate vision shared by employees of diverse backgrounds. Our corporate culture applauds those with a passion for “changing the world to make people smile”—our purpose for the 20 years since our founding—and those who take on challenges with boldness and without fear of failure. This has proven to be the key to LIFULL’s rapid rate of growth.

## Our Challenges #07 → #12

#07

### Creating Services that Are Near to the Hearts of People Worldwide

Young and passionate director of the overseas business division

**Yiqun Gong**

Her job involves worksite planning for LIFULL’s overseas business. She has set up sites in Germany and most recently worked on product development for fee-charging services at a site in Australia.



#08

### Striving for 100 LIFULL Companies

Representative Director for LIFULL senior Co., Ltd.

**Masato Izumi**

LIFULL senior operates “LIFULL Kaigo (nursing care),” one of the largest websites in Japan to search for nursing care homes or elderly housing.



#09

### Accelerating Development Toward 100 LIFULL Companies

Globe-trotting hope of corporate planning

**Mitsuru Ohtsuka**

He is responsible for supporting LIFULL Group subsidiaries and for domestic and international investment and M&A activities. Most recently, he worked on a project for acquiring a Vietnamese firm as a subsidiary.



#10

### Establishing a Brand Image Trusted by People Worldwide

Creator of the LIFULL logo

**Yoko Mori**

She is in charge of design for the entire LIFULL brand. Her desire is to spur business growth and spread happiness by developing the LIFULL brand.



#11

### Creating Systems to Support 100 LIFULL Companies

Deputy General Manager of the Group Company Business Development Department

**Hidekazu Fukuzawa**

As the Deputy General Manager of the Group Company Business Development Department, he offers support to ensure back-office operations run smoothly and work to create systems for human resource cultivation and business management.



#12

### Using LIFULL HOME’S Counter to Build Up Omni-Channel

LIFULL HOME’S *Sumai no madoguchi* (counter) advisor

**Hikari Higuchi**

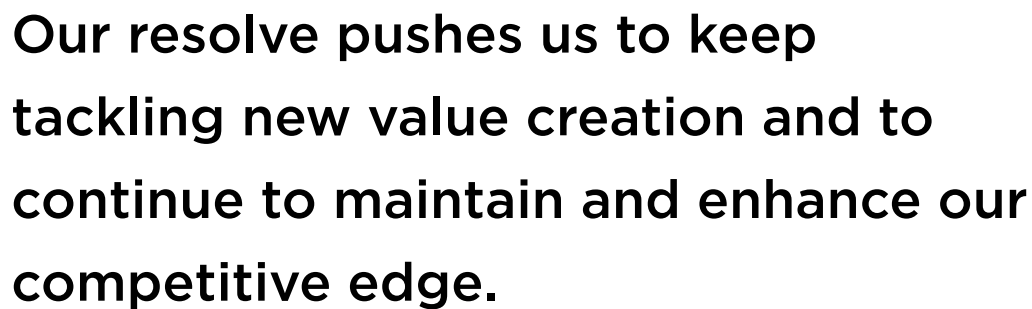
At LIFULL HOME’S *Sumai no madoguchi*, she offers support to customers looking to move and asks about their requirements so she can work with construction and real estate companies to meet them.





**Takashi Inoue**  
President and CEO





# Our resolve pushes us to keep tackling new value creation and to continue to maintain and enhance our competitive edge.

## From NEXT to LIFULL

On April 1, 2017, we changed our name from NEXT Co., Ltd. to LIFULL Co., Ltd. The new name combines the words “life” and “full” and reflects our desire to deliver services for more fulfilling lives and lifestyles. A number of our subsidiaries and services were operating under the LIFULL brand in advance, but services offered by the Group have now been integrated into LIFULL itself to speed up business development both domestically and globally. I ask for the continued understanding and support of all our stakeholders, and that everyone look forward to the growth to come.

## Looking Back on Our Progress from the Beginning to Today

NEXT Co., Ltd. was established in 1997 to pursue a desire to eliminate information asymmetry between real estate firms and the public. The result was the creation of Japan’s first real estate and housing information website, HOME’S (currently LIFULL HOME’S). Over the next 20 years, this site grew to become one of the largest real estate information services in Japan. Three things were indispensable to our reaching that position. The first was to construct a database capable of displaying the information we have cultivated in a visual format. The second was to expand our network of affiliated real estate agents or offices, which comprises the real estate companies that are our sources for information. The third was to strengthen media power to relay our information.

During the time when paper was the predominant method for circulating information, we used thick magazines to publish roughly 30,000 listings. But nowadays, LIFULL HOME’S boasts upward of a formidable seven million listings. We are in the process of building an immense database to store all our information on past property listings. We are also working to expand our network of affiliated offices past our current level of over 22,000. Our plan is to reach 40,000 in the next few years. In doing so, we will accumulate ever more information, with the goal of covering nearly every person looking to relocate within Japan. When it comes to media capabilities, LIFULL HOME’S boasts among the highest traffic levels in Japan. More importantly, through our media, we offer comprehensive information that is both trustworthy and accurate to ensure that our valued users feel satisfied and at ease during their relocation. That is how LIFULL HOME’S tackles the major issue of asymmetry of information, by supplying the information most suited to individual users’ needs in a visual format, such as the LIFULL HOME’S Certification Icon to indicate outstanding affiliated offices, the Price Map service for free access to cost estimates and references that include the selling prices of properties, and track records of companies that perform renovations.

### **The Strength of Our Connections with Affiliated Offices in Our Network Is as Important as the Number**

Our goal is to expand our current network of affiliated offices to 40,000 within the next few years. But I am not only concerned with the number of affiliated offices; I also care about the strength of our connections with them. The rate of companies that leave our network is at an extremely low level. That is because we built a business model that emphasizes strong engagement between sales representatives and affiliates, a feature which has benefited both ourselves and our affiliated offices since the beginning.

The previous iteration of LIFULL HOME'S followed the conventional business model for real estate information sites: affiliated offices paid a monthly advertising fee based on the number of listings they published. However, peak moving season in Japan is from March to April. Accordingly, the number of affiliated offices and ad volumes from affiliates increase from January to March every year. While sales grow with the number of affiliates and property listings, once April arrives, affiliated offices leave all at once. To mitigate the effects of this seasonality, we changed to a pay-per-inquiry based pricing model in 2011. If no users respond, no fee is charged. As a result, the number of listings rose dramatically, with affiliated offices also praising the efficiency of the pay-per-inquiry based pricing model. Consequently, the number of affiliated offices that repeatedly joined and then left with the season fell as they began using the system year-round.

We also diligently follow up with our affiliated offices. Currently, we have 150 sales representatives who cover over 22,000 affiliates, which is roughly 150 affiliated offices per representative. Sales representatives visit affiliates, of course, but we also have a system in place for detailed follow ups over the phone. These actions contribute to keeping the number of companies that leave low.

In a survey of affiliate satisfaction, 70-80% indicated satisfaction. However, LIFULL is still

in the process of becoming the first choice for consulting for our affiliated offices and I believe there is still significant room for improvement in terms of engagement. I am hopeful that achieving this level of improvement will lead to a subsequent rise in average revenue per agent (ARPA).

### **Technological Capability Developed through the Fight to Be First in the Industry**

Our premier strength is the advanced level of our technological capabilities. We are challenging ourselves to be industry leaders in a number of areas, including smartphone applications, Map Search, and Price Map. I believe that the technological capabilities we have developed through these efforts have earned us a competitive advantage that is tough to match. We have always been fastidious about keeping everything in-house. Should another company come up with a similar project plan to one of ours, our development systems being in-house gives us a shorter time to service release. However, in an environment of technological advancement, there may be times when it is difficult to maintain a significant competitive edge in terms of development ability. As such, we are always looking into combining outsourcing with in-house development.

In anticipation of accelerating global expansion moving forward, we will need a development portfolio that includes overseas development sites, and not just Japanese ones. For that reason, we made the software and application development company Vietnam Creative Consulting Co., Ltd., a subsidiary in April 2017. The competition to acquire domestic development resources is growing tougher every year. That is why incorporating overseas development companies into the Group is so important. Of course, upon entering the Group, we make sure to verify that they share our aspirations for the Group. Synergy creation efforts after M&A of an overseas company are generally difficult. However, we are determined to obtain favorable results in that respect as well.

## Our “Will” to Revolutionize the Industry Is the Force Driving Us to Increase Corporate Value

“Will” to dispel the uncertainty, dissatisfaction, and insecurity surrounding the real estate industry is what inspired LIFULL’s creation and what has spurred its subsequent growth.

Throughout our business, we pay close attention to all our stakeholders in the hopes of addressing the problems that face society. In other words, I have come to think of our corporate value, and shareholder value as well, as the sum of the value of each and every stakeholder. I would call it Will-Centric Public Interest Capitalism. This concept is at the heart of all our strategies and policies.

Furthermore, I believe that seeking long-term value creation rather than short-term profit growth will result in significant gains in terms of corporate value. If we become overly focused on profits that are close at hand and lose touch with our “will,” not only will we fail to grow, we may not even survive in this industry of rapid innovation and fierce competition. On the contrary, it is exactly because of our “will” that we can continue facing the challenge of creating new value and maintain and improve the strength of our competitive advantage.

It used to be that possession of fixed assets, such as factories, and mechanisms capable of large scale production were necessary in order to achieve value creation. However, in the age of outsourcing, corporate resources—including organizational capacity, human resource capabilities, and customer bases—have become more important. Among these resources, human resource capabilities are central to our efforts to increase corporate value. As such, we will strive to supply and develop working environments that encourage feelings of job satisfaction in our employees moving forward.

This mindset is part of our endeavors to become the best place to work in Japan. Most people incorrectly interpret that to mean the easiest company to work for in Japan, but what we are really referring to is a group operating under our corporate philosophy that

attains continuous growth by taking advantage of the opportunities cultivated through challenges. Our work is not at all easy. But, we have gathered self-motivated human resources who tackle innovation straight-on. Companies full of people who show tenacious enthusiasm in their work are the exact reason for a company to be considered as the best place to work in Japan. One of our most important qualities is our human resources system, which is designed so that employees can devote themselves to innovation without experiencing disturbances to internal motivation. Our corporate climate is one where even upon moments of failure, employees are praised for taking on a challenge or told to try again or asked about what they learned from the experience. It is my belief that creating a safe and stable environment that encourages employees to tackle the projects they are interested in is crucial.

## Organizational Design Mindset and Next-Generation Management Cultivation

As a manager, I am conscious not of being a charismatic leader, but of creating systems and mechanisms for management on an organizational scale. In this age of rapidly changing business environments, there have been times where I worried that perhaps I should conduct all decision-making and speed up the management process. However, if the Company is to endure for the next century or more, management system creation is going to be indispensable.

In regard to cultivating managers, I believe that it is not management training, but actual experience that fosters a real manager. For that reason, we have a plan to produce 100 presidents for 100 subsidiaries. In terms of management at subsidiaries, I leave administration decisions totally up to the top management of each respective company. What we as a parent company are concerned with is compliance, the effectiveness of governance, and cash flows. While subsidiaries are financed with capital at the time of incorporation, should those funds run out, no more will be extended and the debt is not guaranteed. We



## We will offer services to make every **LIFE FULL**, in accordance with our slogan.

have made the decision not to provide funds as it is the responsibility of the individual subsidiary to raise them on their own, be it through banks, venture capital, business connections, or other means. Suppose a subsidiary company goes under, I will praise their successes and let it go there. Employees that have gone through those challenges, even upon returning to the head office, will have completely changed in terms of their mindset, behavior, and perspective.

When it comes to organizational design, should there be a time when we create a system encompassing 100 companies, if the focus is on a top-down approach alone, there is a possibility that it will not be capable of scrupulous checks and information sharing. That is why we are aiming for an autonomous organizational design rather than one that is centralized. We are also pursuing a structure such as this with a view to choosing my future successor as Group CEO from among the companies that have achieved the highest level of development out of 100 subsidiaries.

### **Technology, Security, and Human Resources: Our Three Management Challenges**

We are currently focusing on three management challenges.

The first is handling new technology. Our technological capabilities are already high. And while there is little chance of our technology becoming obsolete anytime soon, in the event of a significant shift due to some game-changing technology, it could potentially be

exceedingly difficult to catch up. Our employees always keep their eyes open and maintain an innovator's spirit in regard to development. That is why we are not only building the cutting-edge R&D facility LIFULL Lab (formerly Littel Laboratory), but also making the time to thoroughly examine our technological capabilities and services to ensure that there are no gaps for our competitors to exploit. For instance, should our competition gain access to AI to handle call center functions, that would put us at a great disadvantage in terms of cost-competitiveness. In this respect, I consider the way we handle new technology to be highly important in our efforts to lead the way in creating new services.

The second challenge is handling cyber security. Cyber-attacks are becoming far more sophisticated and there are costs involved in building robust security systems to withstand them. However, this is not an area in which we can afford to cut corners.

The third management challenge is cultivating human resources. The idea is to cultivate 100 presidents, as I mentioned previously, but also to raise our other human resources to a level that is globally competitive. I believe that this will further increase our ability to hire mid-career recruits. This does not mean that we will go about blindly expanding our employee base, however. Conducting rigorous screening, whether the applicant is from Japan or overseas, to verify that they share the Company's "will" and fit into the corporate climate is a vital part of our hiring process.

## Establishing a Three-Year Medium-Term Business Plan

2017 marks the 20th anniversary of our establishment. In order to reach the next stage of growth, we have established a new medium-term business plan covering the three years until March 2020. This plan prioritizes expanding the scale of our business and has set ¥50.0 billion by the fiscal year ending March 2020 as our target for revenue.

Furthermore, this year we introduced our new business policy: becoming the best life-event database and solution company in the world. Trovit Search, S.L., an overseas subsidiary, has a database of roughly 200 million listings for real estate, jobs, and used cars from 53 countries worldwide. In Japan, LIFULL HOME'S has over 7 million real estate listings. Moving forward, when we have further developed AI and ICT, we will be able to monetize the combined data from these databases. By utilizing cutting-edge technology, we will be able to connect each and every user with the most relevant information from all the data that surrounds us. This idea represents our ideal, and we plan to use the new medium-term business plan to lay the foundation to achieve it.

The cornerstone to this foundation is quickly establishing a unified global brand. Until recently, brand names differed depending on what service or company they represented, whether NEXT, HOME'S, or Lifull. These brands have all been unified under the LIFULL name. The next step is to expand brand recognition while devoting funds to the costs that entails. At the same time, we will shift to the monetization phase in our overseas businesses in areas where we have already laid the groundwork.

(For details on the medium-term business plan, please refer to page 28.)

## Associating the LIFULL Name with Trust

I always think of LIFULL's image from the perspective of each of our stakeholders.

The British Virgin Group is an example of a corporation with a strong reputation among users. They offer a variety of products and

services, from beverages to mobile phones, banks, and airlines. However, the simple fact that they all bear the Virgin name projects the image of exciting new discoveries at a reasonable price. In the same way, I would like the LIFULL name to instantly evoke the image of a company that can be safely trusted to make lives richer.


To our business partners, we would like to be a company that is highly transparent, with reasonable prices and value. There are still a number of real estate companies that use bait and switch ads, but we want to support trustworthy real estate companies that are serious about offering the best, safest, and most secure residences to our users.

I also want LIFULL to be a place where our employees are proud to work.

Finally, to our shareholders and investors: Despite the fluctuations in operating results, we are a company that will achieve our goals in the medium to long term. I ask for your understanding and look forward to your lasting support. Short-term profit expansion is not our intent. And, to repeat, we are firm in our belief that our corporate value is the sum of the value of all our stakeholders and will pass on profits in a balanced manner.

We have spent the last 20 years attempting to solve the social problems involved in relocating. Looking ahead, we will offer services to make every LIFE FULL, in accordance with our slogan. Furthermore, we will take on the challenge of addressing the issues facing society through the growth of our business. Moving forward, I ask for the same warm-hearted support in our endeavors that we have been shown to date.

August 2017



Takashi Inoue  
President and CEO

## Directors and Audit & Supervisory Board Members



(Shot in April 2017)

1

### Takashi Inoue

President and CEO

2

### Takashi Yamada

Director,  
General Manager of LIFULL HOME'S Division and  
Technology Platform Department

3

### Yosuke Hisamatsu

Director, Marketing Strategy Division Manager,  
LIFULL HOME'S Division

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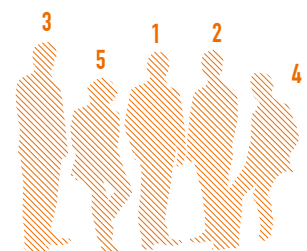
### Masato Takahashi

Director

5

### Akira Morikawa

Director  
(President and CEO, C Channel Inc.)



\* Yoshihisa Yamada was selected as a new outside director at the 22nd Ordinary General Meeting of Shareholders in June 2017, bringing the total number of directors to six as of that date.



(Shot in April 2017)

6

### Kiyoshi Shishido

Full-time Audit & Supervisory Board Member

7

### Hideki Matsushima

Audit & Supervisory Board Member  
(Lawyer)

8

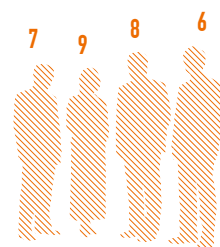
### Takeshi Hanai

Audit & Supervisory Board Member

9

### Makiko Nakamori

Audit & Supervisory Board Member  
(Certified Public Accountant)



## Directors and Audit & Supervisory Board Members (As of June 28, 2017)

### Directors [Years as a Director / Number of shares]



#### Takashi Inoue

[20 years / 32,941,000 shares]

President and CEO

Born in 1968

1991 Joined Recruit Cosmos Co., Ltd. (currently Cosmos Initia Co., Ltd.)  
 1992 Transferred to Recruit Co., Ltd.  
 1995 Founded NEXT HOME Co.  
 1997 Established the Company, President and CEO (current position)  
 2011 Division Manager of HOME'S Business Department of the Company  
 2014 Representative Director of Next Wisdom Foundation (current position)  
 Division Manager of Overseas Business Division of the Company  
 Chairperson of Trovit Search, S.L. (current position)  
 Representative Director of The Democratian Institute. (current position)  
 2015 Director of 21st century Institute  
 2016 Director of Japan Association of New Economy (current position)  
 Division Manager of Global Corporate Communications of the Company  
 2017 Chief Representative of LIFULL Laboratory of the Company (current position)



#### Takashi Yamada

[3 years / 160,200 shares]

Director

Born in 1973

1992 Joined Bab-Hitachi Business Corporation (currently HITACHI INFORMATION ENGINEERING, LTD.)  
 1996 Joined Eto Soft Office Ltd.  
 2000 Joined the Company  
 2010 Managing Officer, Deputy General Manager of HOME'S Business Department and General Manager of Product Development Department  
 2014 Managing Officer and General Manager of HOME'S Business Department (current position)  
 Director, Managing Officer and General Manager of HOME'S Business Department (current position)  
 2015 Director of LIFULL Marketing Partners Co., Ltd. (current position)  
 2016 Director of Renters Co. (current position)  
 Director of LIFULL Remodel Co., Ltd. (current position)  
 2017 General Manager of Technology Platform Department (current position)  
 Mandatory Representative of Vietnam Creating Consulting Co. Ltd. (current position)



#### Yosuke Hisamatsu

[3 years / 8,000 shares]

Director

Born in 1971

1994 Joined R&C TOURS CO., LTD.  
 2003 Joined the Company  
 2012 Managing Officer and Manager of Marketing Division, HOME'S Business Department  
 2014 Managing Officer, Deputy General Manager of HOME'S Business Department and Manager of Marketing Division  
 Director, Managing Officer, Deputy General Manager of HOME'S Business Department and Manager of Marketing Division  
 2016 Director, Managing Officer and Marketing Strategy Division Manager, LIFULL HOME'S Division (current position)

### Outside Directors [Years as a Director / Number of shares]



#### Masato Takahashi

[4 years / 0 shares]

Director

Born in 1959

1982 Joined Recruit Co., Ltd.  
 2007 Joined Rakuten, Inc.  
 2011 Managing Executive Officer of Rakuten, Inc.  
 2012 Representative Director and President of Fine Trading Co., Ltd.  
 Representative Director and President of Rakuten Shigoto Shokai, Inc.  
 Director of Rakuten Mart, Inc.  
 Director of Shareee, Inc. (currently Rakuten Coupon, Inc.)  
 Director of Rakuten EMOBILE, Inc.  
 2013 Director of Rakuten Liquor, Inc. (currently Rakuten Mart, Inc.)  
 Outside Director of the Company (current position)  
 2014 Representative Director and President of Rakuten Auction, Inc.



#### Akira Morikawa

[2 years / 0 shares]

Director, Independent Officer

Born in 1967

1989 Joined Nippon Television Network Corporation  
 2000 Joined Sony Corporation  
 2003 Joined Hangame Japan Corporation (currently LINE Corporation)  
 2007 Representative Director and President of Hangame Japan Corporation  
 2015 Established C Channel Co., Ltd., Representative Director and President (current position)  
 Outside Director of the Company (current position)



#### Yoshihisa Yamada

[New / 0 shares]

Director

Born in 1964

1987 Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)  
 1999 Joined Goldman Sachs Japan Co., Ltd.  
 2000 Managing Director of Rakuten, Inc.  
 2004 Representative Director and President of Rakuten Travel Inc.  
 2010 Managing Executive Officer of Rakuten, Inc. Representative Director and President of bitWallet Inc. (currently Rakuten Edy Inc.)  
 2013 Chief Financial Officer of Rakuten, Inc.  
 2014 Chief Financial Officer and Executive Vice President of Rakuten, Inc. (current position)  
 2017 Director of the Company (current position)



## Audit & Supervisory Board Member [Years as an Auditor / Number of shares]



### Kiyoshi Shishido

[1 year / 100 shares]

Full-time Audit & Supervisory Board Member,  
Independent Officer

Born in 1956

- 1980 Joined Mitsubishi Corporation
- 1998 General Manager of Motor Vehicle Dept. of Mitsubishi International Steel Inc. (U.S.)
- 2006 Chief Executive Officer of Vitamin C60 BioResearch Corporation
- 2007 Specially Appointed Professor of Tokyo Institute of Technology  
General Manager of Technology & Business Development Dept., Mitsubishi Corporation
- 2011 Member of the Board and Executive Officer in charge of Strategy Planning of Trility Pty Ltd (Australia)
- 2016 General Manager in charge of audits of Global Environmental & Infrastructure Business Group of Mitsubishi Corporation  
Outside Audit & Supervisory Board Member of the Company (current position)

## Outside Audit & Supervisory Board Members [Years as an Auditor / Number of shares]



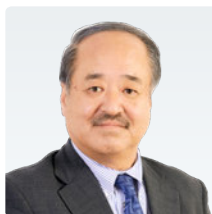
### Hideki Matsushima

[12 years / 0 shares]

Audit & Supervisory Board Member

Born in 1943

- 1971 Registered to Tokyo Bar Association
- 1976 Established Tokiwa Sogo Law Offices
- 2003 Representative Director of Japanese Association of Turnaround Professionals
- 2004 Senior Partner of Nishimura & Partners (currently Nishimura & Asahi)
- 2005 Outside Audit & Supervisory Board Member of the Company (current position)
- 2006 Outside Director of Business Planning Forum Co., Ltd. (current position)
- 2007 Outside Director of Nojima Corporation (current position)  
Outside Audit & Supervisory Board Member of Raysum Co., Ltd. (current position)
- 2008 Outside Audit & Supervisory Board Member of Kumamoto Electric Railway Co., Ltd. (current position)
- 2012 Outside Director of Corporation for Revitalizing Earthquake Affected Business
- 2013 Non-Executive Director of Regional Economy Vitalization Corporation of Japan (current position)  
Adviser of Japanese Association of Turnaround Professionals (current position)
- 2014 Partner of Nishimura & Asahi (current position)



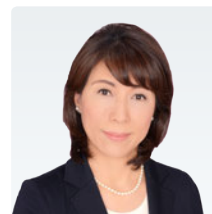
### Takeshi Hanai

[4 years / 0 shares]

Audit & Supervisory Board Member,  
Independent Officer

Born in 1954

- 1977 Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)
- 2004 Executive Officer and General Manager of Shanghai Branch
- 2006 Managing Executive Officer and Head of Asia & Oceania
- 2007 Chairman of Mizuho Corporate Bank (China), Ltd. (currently Mizuho Bank, Ltd.)
- 2009 Director  
Managing Executive Officer of Rakuten, Inc.  
Corporate Auditor of eBANK Corporation (currently Rakuten Bank, Ltd.)  
Director of Rakuten Securities, Inc.
- 2010 Director of bitWallet Inc. (currently Rakuten Edy Inc.)  
Director and Managing Executive Officer of Rakuten, Inc.  
Director of Rakuten Bank, Ltd.  
Director of Airio Life Insurance Co., Ltd.
- 2011 Director of Rakuten KC Co., Ltd. (currently Rakuten Card Co., Ltd.)  
Director of Rakuten Insurance Planning, Co., Ltd.  
Adviser of Kowa Real Estate Co., Ltd. (currently Nippon Steel Kowa Real Estate Co., Ltd.)
- 2012 Adviser of The Senshu Ikeda Bank, Ltd.  
Adviser of Corporate Directions, Inc. (current position)
- 2013 Outside Audit & Supervisory Board Member of the Company (current position)
- 2014 Outside Director of ASICS Corporation (current position)  
Outside Director of Maruwn Corporation (current position)
- 2015 Outside Director of Nippon Seisen Co., Ltd. (current position)



### Makiko Nakamori

[4 years / 0 shares]

Audit & Supervisory Board Member,  
Independent Officer

Born in 1963

- 1987 Joined Nippon Telegraph And Telephone Corporation
- 1991 Joined Asahi & Co. (currently KPMG AZSA LLC)
- 1996 Registered as a Certified Public Accountant
- 1997 Director of Nakamori CPA offices (current position)
- 2000 Audit & Supervisory Board Member of Oracle Corporation Japan
- 2006 Outside Auditor of istyle Inc. (current position)
- 2008 Director of Oracle Corporation Japan
- 2010 Outside Audit & Supervisory Board Member of Global-Dining, Inc.
- 2011 Outside Audit & Supervisory Board Member of the Jade Group K.K. (currently Locondo, Inc.) (current position)  
Outside Audit & Supervisory Board Member of M&A Capital Partners Co., Ltd. (current position)
- 2012 Outside Director of ITOCHU Techno-Solutions Corporation (current position)
- 2013 Outside Audit & Supervisory Board Member of the Company (current position)
- 2015 Outside Audit & Supervisory Board Member of TeamSpirit Inc. (current position)

## Managing Officers (As of June 28, 2017)

### Managing Officers



#### Tetsuya Kato

Managing Officer  
Manager of Rental Business Development Division,  
LIFULL HOME'S Business Department

Born in 1961

1984 Joined Recruit Co., Ltd.  
2000 Established Renters Co.  
President and CEO of Renters Co.  
(current position)  
2008 Managing Officer of the Company  
(current position)



#### Tsuyoshi Tamura

Managing Officer  
Division Manager of Custom House, Renovation and  
Remodeling Business Division, LIFULL HOME'S  
Business Department

Born in 1961

1984 Joined Recruit Co., Ltd.  
2010 Joined the Company  
Managing Officer of the Company  
(current position)  
2016 Director of LIFULL Remodel Co., Ltd.  
(current position)  
2017 Director of JG MARKETING Co. Ltd. (current position)



#### Keizo Tsutsui

Managing Officer  
Division Manager of Overseas Business Division

Born in 1967

1990 Joined Merrill Lynch & Co.  
1998 Joined The Boston Consulting Group  
1999 Joined Rakuten, Inc.  
2006 Joined Dream Incubator Inc.  
2011 Joined the Company  
2012 Managing Officer of the Company  
(current position)  
2014 Director of Trovit Search, S.L.  
(current position)



#### Toshio Kazuno

Managing Officer  
Division Manager of New Condo Sales and  
Real Estate Investment Business Division,  
LIFULL HOME'S Business Department

Born in 1969

1992 Joined Tokyo Tatemono Co., Ltd.  
2012 Joined the Company  
2015 Managing Officer of the Company  
(current position)  
President and CEO of LIFULL Marketing Partners Co.,  
Ltd. (current position)  
Director of SUI Products Inc.  
2016 Director of LIFULL FaM Co., Ltd.  
(current position)  
2017 Director, JG MARKETING Co. Ltd.  
(current position)



#### Yukihiro Hada

Managing Officer  
General Manager of Human Resources Department

Born in 1976

2005 Joined the Company  
2015 Managing Officer of the Company  
(current position)



#### Yuji Ito

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

Born in 1982

2006 Joined the Company  
2015 Managing Officer of the Company  
(current position)  
2016 Director of LIFULL bizas Co., Ltd.  
(current position)



#### Kazuhiko Abe

Managing Officer  
General Manager of Group Company Business Development Department

Born in 1963

1987 Joined The Mitsubishi Bank, Limited. (currently The Bank of Tokyo-Mitsubishi UFJ, Limited.)  
1994 Deputy Manager of New York Branch of The Mitsubishi Bank, Limited.  
1999 Joined Hikari Tsushin, Inc.  
2000 Executive Officer, Hikari Tsushin, Inc.  
2002 Joined Intuit Co., Ltd. (currently Yayoi Co., Ltd.)  
Executive Officer of Intuit Co., Ltd.  
2003 Joined CAPCOM CO., LTD.  
2004 Corporate Officer, General Manager of Corporate Planning Dept. of CAPCOM CO., LTD.  
2006 Managing Corporate Officer of CAPCOM CO., LTD.  
Director, Chief Financial Officer (CFO) of CAPCOM CO., LTD.  
2011 Director, Executive Corporate Officer of CAPCOM CO., LTD.  
2016 Joined the Company  
Managing Officer of the Company (current position)  
2017 Director, JG MARKETING Co. Ltd. (current position)

# Vision and Strategy

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- 18 History of LIFULL
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# History of LIFULL

Black: Related to management, new businesses, and overseas businesses

Orange: Related to LIFULL HOME'S

## 1995-1999 Establishing our businesses

- 1995**  
July NEXT HOME Co. founded
- 1997**  
March NEXT Co., Ltd. established
- 1997**  
April Launched HOME'S (currently LIFULL HOME'S), a website providing real estate and housing information



Responded to a wide range of customers' needs by enhancing search capabilities

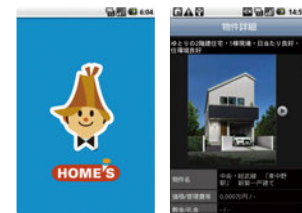
We have added a variety of search options such as commute time, school name, and map search to make it easier to use.

## 2000-2007 Expansion of HOME'S

- 2002**  
January Capital tie-up with Rakuten, Inc.
- 2006**  
October Shares listed on Tokyo Stock Exchange Mothers Section
- 2005**  
April Launched *Toshi HOME'S* (real estate investment information service)
- October** Launched *Shinchiku Ikkodate HOME'S* (new houses information service)
- December** Launched *Reform HOME'S* (home renovation information service)
- 2007**  
February Wilnic Co., Ltd. established
- April** Consolidated Renters Co.
- October** Launched *HOME'S Hikokoshi Mitsumori* (moving cost estimate information service, currently "LIFULL Hikokoshi")
- December** Launched *HOME'S Fudosan Baibai* (real estate brokerage information service)

## 2008-2011 Growth period

- 2010**  
March Shares listed on Tokyo Stock Exchange First Section
- 2011**  
February Launched MONEYMO (currently LIFULL Insurance Consultation), a website for searching for insurance agents and making appointments
- February** LIFULL ranked 16th in the "Great Workplace in Japan" rankings the first time it entered the contest
- February** Consolidated Littel KK
- September** Launched overseas operations
- 2008**  
February Launched certification system for HOME'S Certified Sumai Advisor Stores, certified affiliated agent offices which fulfilled the requirements
- July** Launched *HOME'S Kaigo* (currently *LIFULL Nursing Care*), a website providing information on housing and nursing facilities for seniors
- December** Launched Condominium Assessment and Sale Service
- 2009**  
December Released *HOME'S* app for iOS
- 2010**  
February Launched HOME'S Real Estate Company Rental Valuation service
- April** Released *HOME'S* app for Android OS
- July** Absorbed consolidated subsidiary Wilnic Co., Ltd.
- 2011**  
January Switched to fee-based system for HOME'S Leasing and Real Estate Brokerage service
- May** Launched Annex Next-generation Real Estate Webpage



Made services more user friendly by strengthening compatibility with mobile devices

We were early adopters of mobile technologies because we anticipated that smartphones would become more widespread. In December 2009, we launched Japan's first housing search app, *HOME'S* for iOS and followed up with an Android version in April 2010.

## What is LIFULL HOME'S

We provide a wide range of services aimed at ensuring that the best real estate and housing information is available to everyone, from customers looking for an apartment where they can live on their own, to couples and families searching for a home. Our services are also compatible with a wide range of devices from smartphones to smart watches so that anyone can effectively search for a home at any time.



<http://www.homes.co.jp/>

### Overview of LIFULL HOME'S



Users



Real estate companies, moving companies, building contractors, and developers, etc.

We provide users with the most suitable housing and real estate information gathered from real estate companies from all over Japan.

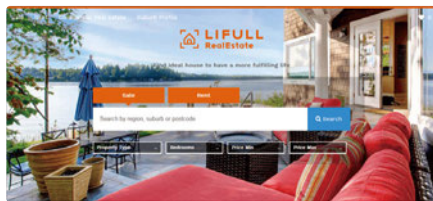
2012-2017  
Transition period

- 2012**
- January** Launched Thai real estate and housing information site
- April** Invested in PT. Rumah Media of Indonesia (currently PT. LIFULL MEDIA INDONESIA)
- August** Launched Indonesian real estate and housing information site
- 2013**
- September** Invested in FLYME Inc.
- 2014**
- April** Launched *HOME'S Style Market* (currently *LIFULL Interior*), an e-commerce website for furniture and interior goods
- October** Established LIFULL FaM Co., Ltd.
- November** Acquired Trovit Search, S.L., making it a wholly owned subsidiary

- 2012**
- November** Full-scale restructuring of the HOME'S business
- 2013**
- January** Redesigned the HOME'S-kun character
- July** Established HOME'S Souken (currently LIFULL HOME'S Souken), an in-house think tank
- July** Launched *HOME'S PRO* (currently *LIFULL HOME'S B2B*)
- August** Launched *HOME'S Sumikae Hoshou* warranty service protecting against defects in used housing
- September** Launched HOME'S PRESS (currently LIFULL HOME'S PRESS)
- October** Launched *HOME'S Storage* (currently *LIFULL Storage*)
- October** Launched *HOME'S Renovation*
- January** Held first HOME'S Customer Service Grand Prix

# trovit

- 2015**
- May** Converted LIFULL Marketing Partners Co., Ltd., into a subsidiary
- July** Established LIFULL senior Co., Ltd., LIFULL MOVE Co., Ltd., LIFULL FinTech Co., Ltd. and LIFULL SPACE Co., Ltd.
- July** Issued shares to Rakuten, Inc. via third-party allocation
- November** Established LIFULL bizas Co., Ltd.
- December** Launched Australian real estate and housing information site



- 2016**
- April** Launched One P's Social Action Support Program
- September** Acquired the international business division of MARIMO Co., Ltd.
- November** Established LIFULL Remodel Co., Ltd., a joint venture subsidiary with KUWAZAWA Trading Co., Ltd.
- 2017**
- January** Consolidated JG Marketing Co., Ltd. into a subsidiary
- March** LIFULL ranked 1st in the "Best Motivation Company Award 2017" rankings
- March** Launched German real estate and housing information site
- April** Changed company name to LIFULL Co., Ltd.
- April** Consolidated Vietnam Creative Consulting Co., Ltd. into a subsidiary



- 2014**
- July** Launched private data management platform (DMP) designed for use by real estate professionals
- 2015**
- January** Launch of first credit card settlement service for a real estate company portal website
- May** Began listing properties on the international section of US portal website realtor.com
- July** Launched *LIFULL HOME'S PRO Bukken Ryutsu* service
- September** Opened *LIFULL HOME'S Sumai no madoguchi*, the Company's first brick-and-mortar shops
- October** Launched Price Map (price information visualization service)
- 2016**
- September** Launched *HOME'S DIY Mag* (currently *LIFULL HOME'S DIY Mag*)
- October** Began display of HOME'S certification icon at excellent real estate offices
- November** Launched real estate and housing information inquiry service using LINE app
- 2017**
- April** Changed name of service from HOME'S to LIFULL HOME'S



## Accelerating change in the industry by applying technology to real estate

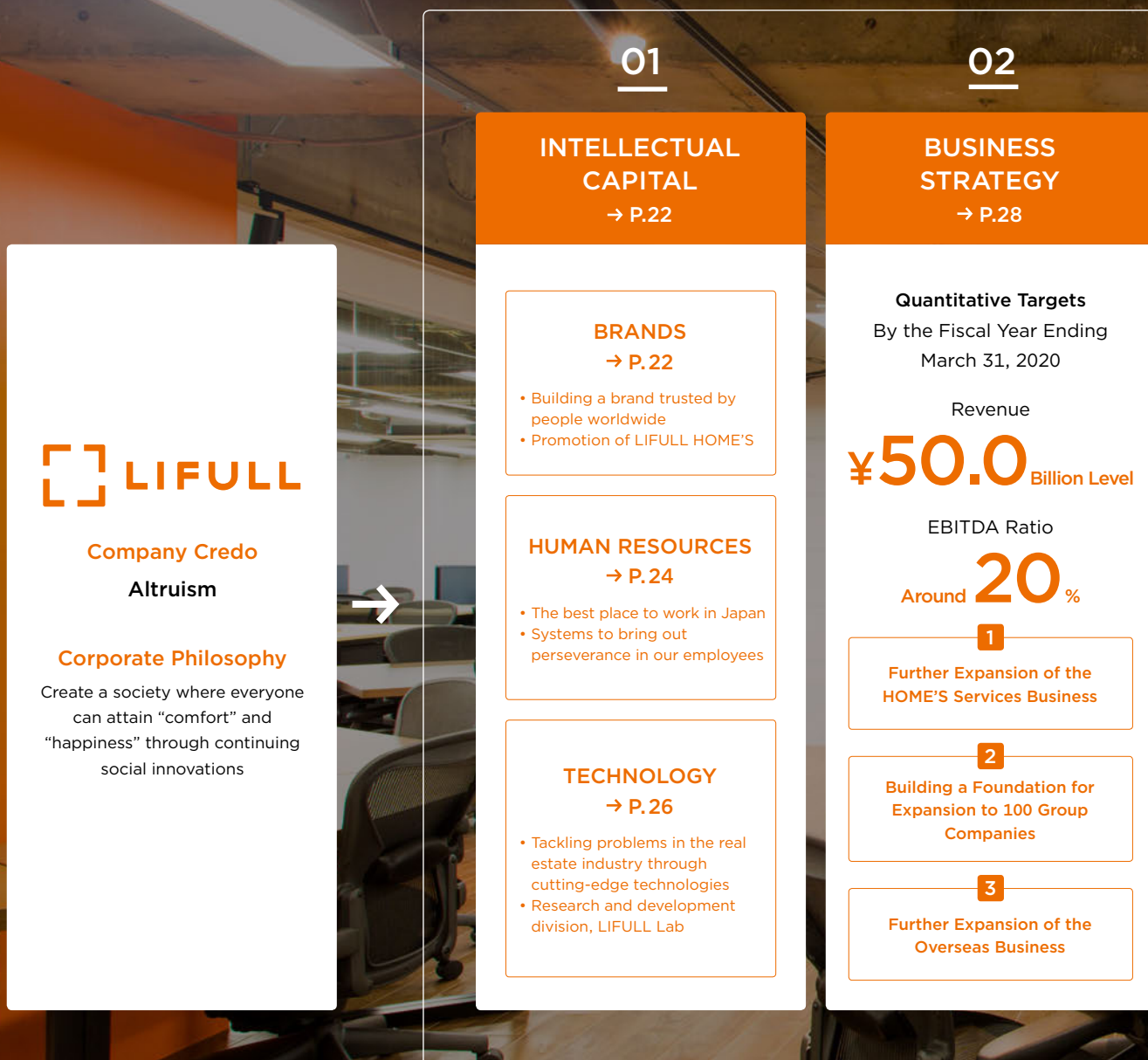
We have launched new services that employ real estate technologies such as *HOME'S LIVE*, which explains important matters related to real estate contract signings online and an online appointment system compatible with smart locks for property viewings. We have also taken steps toward transforming the real estate industry in line with our vision by launching real estate technology services such as GRID VRICK and Price Map (see page 26).

# LIFULL Value Model

## LIFULL's Value Creation Process

Our goal is to achieve long-term growth by fully utilizing intellectual capital from our brands, human resources, and technology. Value born from that process is equitably returned to all our stakeholders, based on our concept of Will-Centric Public Interest Capitalism.

We believe that addressing various social issues through this value-creation cycle is a necessary part of realizing our corporate philosophy.

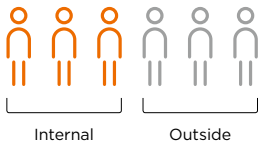


# 03

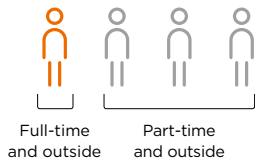
## GOVERNANCE

→ P.30

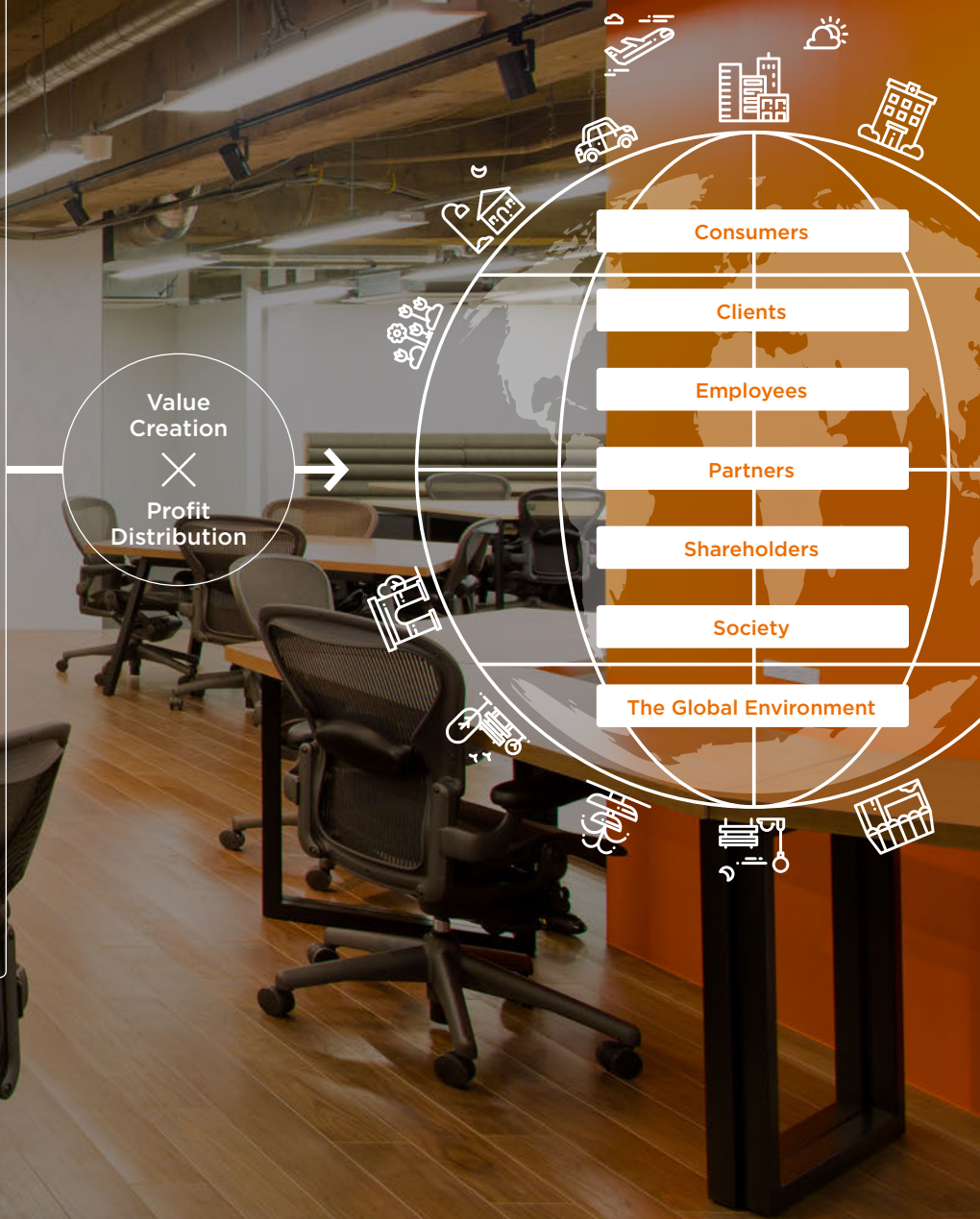
### Directors



### Auditors



Our highly effective Board of Directors' and Audit & Supervisory Board meetings are conducted under the supervision of extremely insightful outside directors.



# INTELLECTUAL CAPITAL

## BRANDS

The blending of the words “life” and “full” is an idea we selected from among employee submissions to represent our new brand.

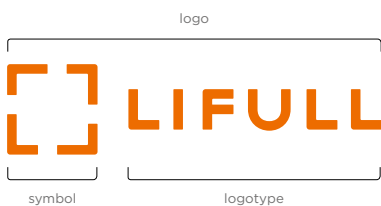
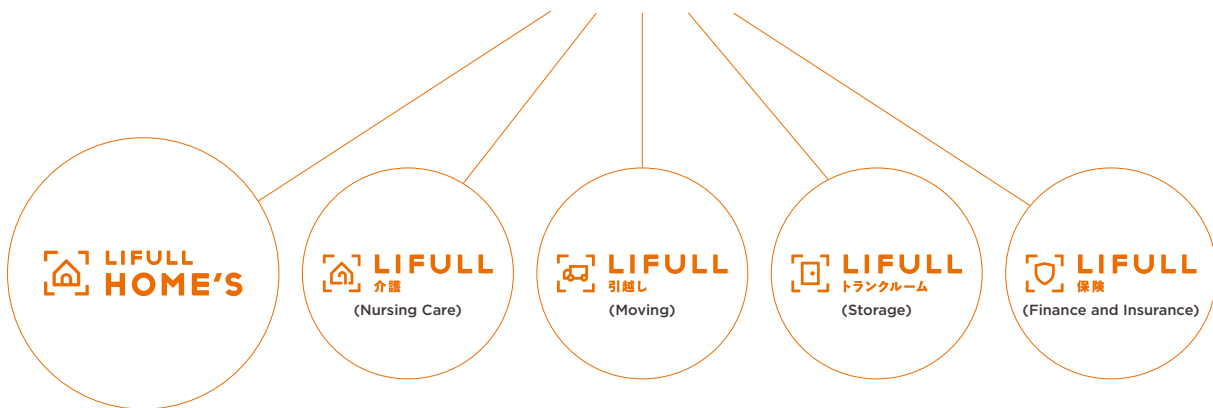
We want to make every “LIFE” in the world “FULL” with comfort and happiness.

Under this sentiment, we aim to expand into fields outside of housing and real estate and to develop our business not just in Japan, but worldwide.

### Master Brand Strategy

Looking ahead, the LIFULL Group will integrate its main domestic services under the LIFULL brand. We want to develop the LIFULL brand until the LIFULL name attached to a service instantly evokes an image of a brand that customers can rely on and that will make their lives fuller.

# LIFULL



The LIFULL logo focuses on the letter “L” arranged into a frame alongside our logotype, which uses a neutral typeface. It is designed to represent our focus on a variety of different areas as we strive to make the world a better place. The logo symbolizes LIFULL’s commitment to providing information tailored to each and every user in pursuit of meeting the whole range of social needs.

### VOICE



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#10



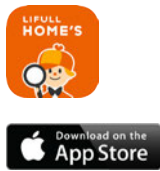
### New LIFULL HOME'S Promotion

We have been running LIFULL HOME'S promotions featuring Homes-kun since the fiscal year ended March 31, 2017. Using LIFULL HOME'S characteristic concierge service and property listings, the highest quantity in Japan, we have been striving to build an image for our brand that inspires customers to "check with LIFULL HOME'S first."

In the television commercial we launched in October 2016, our house-hunting detective mascot Homes-kun helps TV talent Yui Okada find her perfect home. In addition to the commercial, we have used bus wrap advertising and interior train ads as well as stickers for iOS.



#### iMessage (iOS 10) stickers



#### Homes-kun site



<http://www.homes.co.jp/about/homeskun/>  
(Available in Japanese only)

#### Modifications to Homes-kun

Homes-kun has undergone some changes over the years. When the service first began, he was more cosmopolitan than he is now. But in keeping with the times, we have made him more cute and friendly.

#### 1997



#### 2005



#### Currently



# INTELLECTUAL CAPITAL



## HUMAN RESOURCES

In an effort to realize our corporate philosophy and make LIFULL the best place to work in Japan, our employees are working voluntarily to build systems that are competitive in many situations.

### The “Will” of Our Employees

LIFULL is defined by the “will” of its employees to realize its corporate philosophy. As part of that, we are creating an environment and internal systems that help the individual talents of each and every one of our employees flourish and enable them to challenge themselves in order to remove the “cant’s” from their lives. How well a candidate fits in with the corporate culture and philosophy is the most important factor in the hiring process. It is because all of our employees are working under the same set of values that we are able to maintain a high level of motivation in the workplace.

Furthermore, while achieving our corporate philosophy is one reason we have taken various measures to challenge our employees, the most important reason is to encourage self-motivation and self-confidence. Self-motivation is the innate desire to take on tasks. It is

important to us that we offer opportunities for employees to act on their impromptu desires (for information on systems to challenge our employees, please refer to page 25). Self-confidence allows employees to express themselves in a direct manner when speaking with their coworkers and superiors, yet still feel safe even when expressing dissenting opinions. We believe that creating such a corporate culture is a way to remove barriers to growth for our employees.

As a result of these efforts, beginning with our hiring process, which emphasizes how a candidate fits with our corporate culture and philosophy, and continued with our human resources policies and systems that encourage self-motivation and self-confidence, we won the grand prize in 2017 from the Best Motivation Company Awards, sponsored by Link and Motivation Inc.

### LIFULL’s Human Resources Strategy



### Outside Assessment

<p><b>Grand prize</b> Best Motivation Company Awards 2017</p>	<p><b>4th place*</b> Great Place to Work® Institute Japan's Best Workplaces ranking 2017</p>	<p><b>3rd place*</b> Great Place to Work® Institute Japan's Best Workplaces ranking for women 2017</p>
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\* In the Medium-sized Organizations category

## Humans Resources System to Become the Best Place to Work in Japan

Employee self-motivation is based mostly on human resources management. As such, when it comes to job appointments, transfers and job changes are not, as a rule, determined unilaterally. We have established the career choice system to enable job changes at the employee's own volition. Employees are allowed to transfer to different departments so that everyone can realize their own visions for their careers. Our employees are treated as professionals, can design their own career paths, and are trusted to carry out their responsibilities. In terms of evaluating human resources, we applaud those who admirably embody the values the Company emphasizes and reward short-term successes directly.

## Switch

Switch is a system for employees, prospective employees, and students hoping to be entrepreneurs to present proposals for new businesses. Employees can use this system to take on new challenges and grow, regardless of position or seniority. We received 130 proposals in 2016. We have established Switch as a system vital to our efforts to achieve our medium-term business plan goal of becoming a group of 100 companies cultivating 100 presidents, with five out of fifteen of our current main Group companies a product of Switch.

## LIFULL University

We are starting LIFULL University (in-house academy) to develop the abilities of each and every employee.

In the Elective Program, employees can choose the seminars they want to attend from electives including management tutoring organized by the president, project management, recommendation techniques, logical thinking, English conversation, and more. Most seminars are employee-led, which helps to create a culture of employees teaching each other across positions and departments.

The purpose of the Selective Program, meanwhile, is to educate next-generation leaders. A few employees are selected to participate in this more practical program as future candidates for management positions.

Introduction

**HOW TO CREATE THE BEST WORKPLACE IN JAPAN**

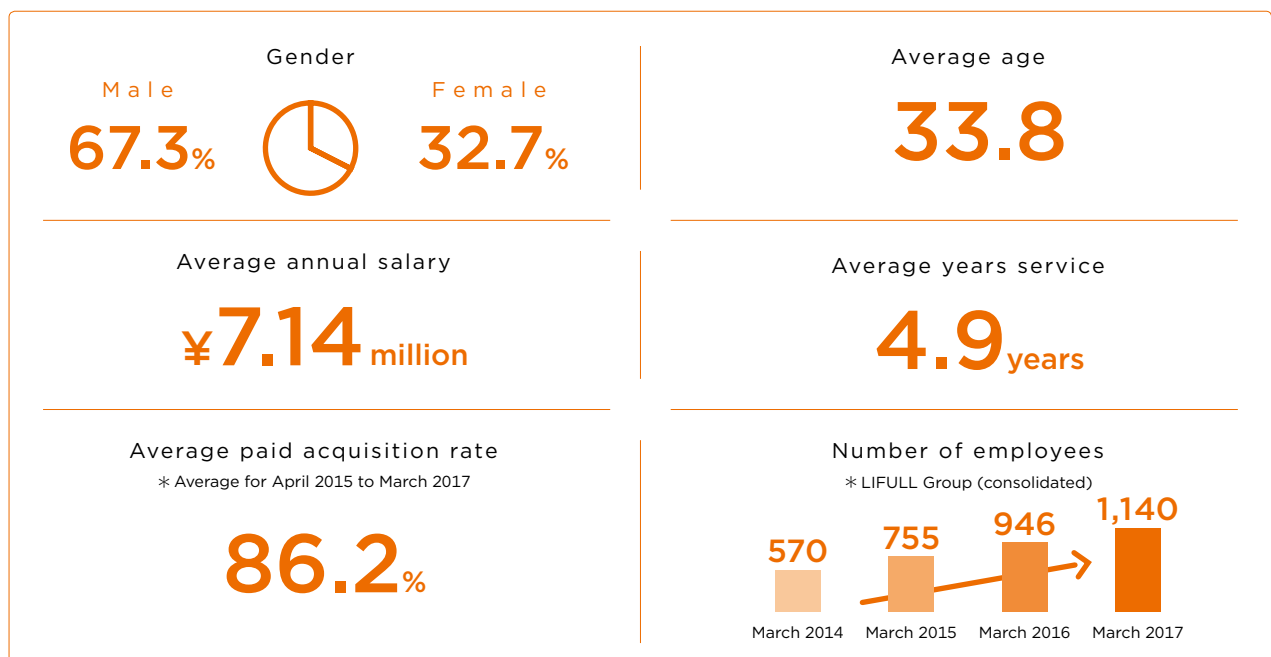
The overall picture regarding our efforts to become the best place to work in Japan is covered in a piece written by Managing Officer Yukihiro Hada.

Author: Yukihiro Hada  
Managing Officer, General Manager of Human Resources Department  
Publication date: April 7, 2017  
Publisher: PHP Institute



## Basic Data on Employees (Full-time employees at LIFULL Co., Ltd. (non-consolidated))

(As of March 31, 2017)



# INTELLECTUAL CAPITAL

## TECHNOLOGY

In accordance with our new business policy to “become the best life-event database and solution company in the world,” we are looking beyond real estate and assembling, integrating, and managing data on all aspects of life. With the addition of LIFULL’s technological abilities, we are working to offer solutions tailored to each and every customer.

LIFULL has already taken on development of a number of industry-leading technologies and has cultivated a high level of technical ability in the process. Because of our dedication to in-house development, the impressive speed with which we carry out development is unrivaled in the industry. Meanwhile, we are actively using cutting-edge technology in the hopes of revolutionizing, revitalizing, and expanding the real estate industry. We are also proceeding with improvements to the information accuracy of our AI-powered Wrong Image Detection System and development of Price Map, which shows real estate price estimates gleaned from big data for use as references.

### Revolutionizing the Real Estate Industry with Big Data

#### Price Map

Price Map is a free service that uses various coefficients from past data together with our original real estate property reference price calculation system to determine property reference prices and rent estimates for display on area maps. Users are not required to register for an account.

<http://www.homes.co.jp/price-map/>

(Available in Japanese only)



Price Map

#### Real Estate Price Visualization

By using our original technology that incorporates AI and the enormous volume of property listings LIFULL HOME'S has amassed to make logical estimates, customers can see market values of properties they own or are interested in via real-time simulations.

<https://www.homes.co.jp/owner/>

(Available in Japanese only)



Real Estate Price Visualization

### Research and Development Division: LIFULL Lab (Formerly Littel Laboratory)

LIFULL Lab was launched as LIFULL's research and development division in April 2011. The most important technologies currently under research and development at LIFULL Lab are an information retrieval technology that chooses the most appropriate information from our enormous database and a recommendation engine to deliver information based on potential needs. In this way, we are striving to conduct research and development that supports next-generation services.

### A Product of LIFULL Lab, GRID VRICK

This technology was designed to create 3D rooms by simply positioning blocks. These rooms are displayed on screens in real time. Customers can create their ideal space while looking at the rooms on the screens.

It is also possible for customers to enter the rooms they have created via virtual reality, and so experience them for themselves. Walls, floors, and windows can all be repositioned and the whole room viewed from all

angles. With such freedom of movement, customers can design the life they imagined.

### Overseas Center for Research and Development:

#### Vietnam Creative Consulting

Vietnamese software and app development company Vietnam Creative Consulting Co., Ltd. became a LIFULL subsidiary in April 2017. We believe it is important to have development locations overseas given our efforts to accelerate development abroad and the ever intensifying competition for development resources in Japan.



## VOICE

LIFULL's technical strengths come from its highly skilled engineers. Our engineers enjoy solving problems through product development. Here, we have created a culture where employees actively come forward to challenge themselves in the hope of resolving problems. Another feature of this culture is how employees motivate each other by taking part in coworkers' challenges. As a result, we are increasing the number of our engineers specializing in a broad range of skills.

Moving forward, I would like to see LIFULL create more for everyday life. Up until this point, we have worked to innovate the housing field, but in order to make every LIFE FULL, we need to expand into other fields. As an important part of this innovation, I believe that LIFULL's

engineers can use engineering to play a leadership role in management. This is because engineers work to make things that nobody has thought of before into a reality. As CTO, my vision is to create a group of engineers and creators capable of such development.

LIFULL HOME'S Business Department  
Technology Development Division  
Unit Manager of Platform Development  
Chief Technology Officer (CTO)\*

#### Tsubasa Nagasawa

\* CTO is not an official title and may differ from the actual job classification.



### Creators' Day: To Encourage Improvements in Our Technologies

To spur innovation and improve marketing and technical development capabilities in the ever changing ICT field, we are creating opportunities for our employees to step away from their normal work and tackle new technologies and techniques. Those who wish to become creators (engineers, designers, planners, marketers, promoters) formulate proposals for special projects, either as an individual, or as a group. They then spend part of their work time training to research and develop approved projects.

<http://www.creators.lifull.com/> (Available in Japanese only)

Ratio of Creators to  
Overall Employees  
(As of March 31, 2017)

Roughly **40%**

# BUSINESS STRATEGY

## MEDIUM-TERM BUSINESS PLAN

We have developed our medium-term business plan to establish the foundations necessary to become the best life-event database and solution company in the world.

In order to compile a comprehensive life-event database and offer the best solutions for everyone, with the goal of becoming the best life-event database and solution company in the world, our first challenge is to become the overwhelming leader in the domestic market. In addition, because top priority is being placed on business expansion, we expect the growth in the EBITDA margin to slow over the next three years.

### Quantitative Targets



\* Earnings before interest, taxes, and depreciation and amortization

### 1 Further Expansion of the HOME'S Services Business

#### Increasing ARPA and Our Client Base to Achieve Growth

In the HOME'S Services Business, we are striving to increase ARPA by expanding both our client base and sales per client by enhancing our services for realtors and maximizing user experiences.



\*1 Clients of rentals and real estate sales are affiliated stores  
\*2 ARPA: Average Revenue per Agent

#### Maximizing User Experiences

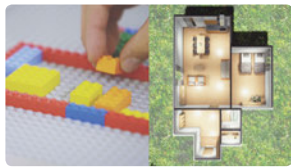
We are focusing on improving information coverage and accuracy, Omni-channel, and real estate tech (ReTech) / AI. In terms of information coverage, we are expanding our network of 22 thousand affiliated offices in the hope of increasing the number of listings beyond our current 7 million. In addition, we are using cutting-edge technology in support of improving our real estate and housing information listing site by such means as our AI-powered Wrong Image Detection System.

Our Omni-channel strategy includes more than just our website. We have established *LIFULL HOME'S Sumai no madoguchi* (counter) for customer service, offered both in person and via our call center. The advantage of the call center and in-person support is that they can offer information that is more tailored to customer needs

Providing the Best Customer Experience



VR



GRID VRICK

Expansion of our number of affiliates and total listings



Information accuracy and coverage

Maximization of User Experiences

ReTech and AI

Omni-channel



Expansion of LIFULL HOME'S Sumai no madoguchi affiliates

VOICE



P.5  
#12

than the website. In the future, by creating user IDs and enabling access to databases of all user contacts, we will be able to offer services that ensure even higher levels of customer satisfaction.

We are taking steps to develop technology in pursuit of a world where all real estate transactions can be completed online through use of ReTech.

2 Building a Foundation for Expansion to 100 Group Companies

We plan to expand our Group companies from 14 to 100 over the medium to long term. Part of the system that will allow us to create 100 companies and cultivate 100 high-quality, management-level employees is the new business proposal program called Switch. This program is not only for employees, but also prospective employees and students looking to start a business. Applicants, selected from within the Company and without, present the business plans they have designed to the judges. The designer of the best plan is then put in charge of its actual realization. Roughly 130 applications

are received each year, with seven projects currently ongoing.

Meanwhile, the corporate venture capital firm LIFULL Ventures finds attractive startups in Japan and overseas and examines investment opportunities. Candidate companies are assessed from many angles, including future business prospects and financial strength, and later evaluated by the LIFULL Investment Committee, which is made up of President and CEO Takashi Inoue, Director Takashi Yamada, Managing Officer Keizo Tsutsui, and CSO Yoshihisa Onuma.

3 Further Expansion of the Overseas Business

LIFULL is currently developing services for 53 countries worldwide. Moving forward, we aim to expand development to more countries and strengthen search engine optimization measures to increase both traffic and sales per customer.

VOICE



P.5  
#07



# GOVERNANCE



## MANAGEMENT STRUCTURE

We will strengthen our management capabilities and build a corporate governance system designed to accelerate decision making, ensure proper execution of business, and increase efficiency and transparency.

### Basic Policy

The primary goal of our business operations is to fulfill our social responsibilities to all of our stakeholders, including our direct customers, shareholders, employees, trading partners, bondholders, and local communities. In order to achieve this goal, we will strengthen our management capabilities and build a corporate governance system designed to accelerate decision making, ensure proper execution of business, and increase efficiency and transparency.

### Management Decision Making, Execution, and Oversight of Business

LIFULL is a company with an Audit & Supervisory Board. Also, the Company has established a corporate officer system to enhance the soundness and efficiency of management by separating management and executive functions.

In principle, the Board of Directors convenes once per month and, in addition to carrying out decision making on basic policies and other important matters, supervises the execution of business by the managing officers in line with said decisions. In addition, a management committee consisting mainly of the Company's full-time directors and managing officers convenes each week to make proposals to the Board of Directors on matters related to strategic decision making and deliberate in advance decisions to be made by the Board of Directors.

All Audit & Supervisory Board members attend the monthly Board of Directors meetings and full-time Audit & Supervisory Board members attend management

committee meetings and other important meetings and generally supervise the execution of business by directors. In addition, in principle, a meeting of the Audit & Supervisory Board is convened once per month wherein Audit & Supervisory Board members exchange opinions on issues discussed at the meeting of the Board of Directors and the status of the Company's management, draw up auditing plans including auditing policies, and determine important matters related to auditing. Owing to strengthened cooperation between directors and Audit & Supervisory Board members, under the current system, the Audit & Supervisory Board members play an effective role in the Company's decision making process.

### Remuneration of Directors and Audit & Supervisory Board Members

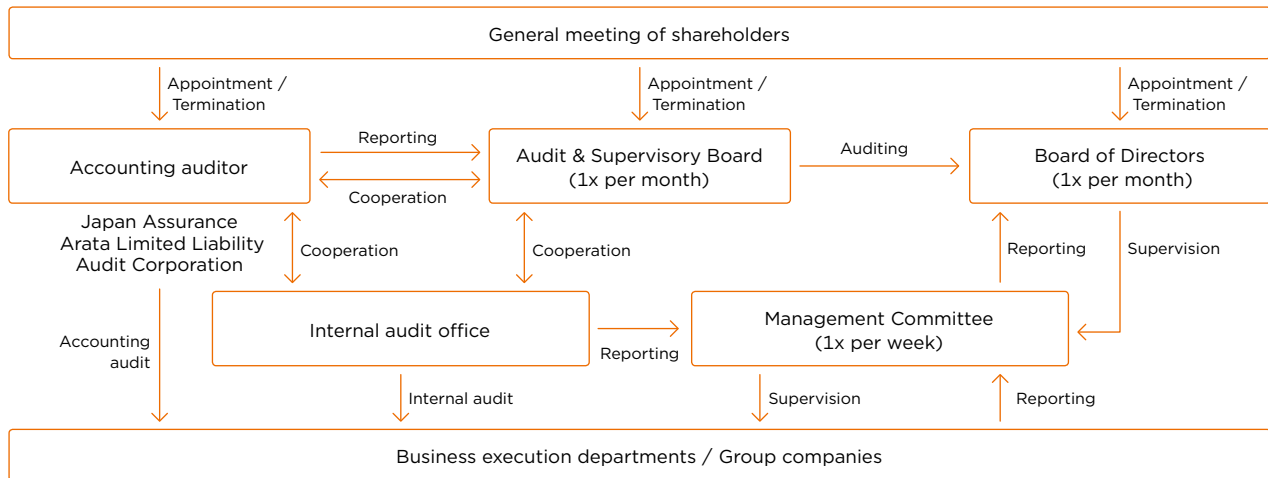
Remuneration of directors is comprised of fixed remuneration and performance-linked remuneration. The target remuneration level is equal to the total of fixed remuneration and performance-linked remuneration and the higher a director's position in the rank, the greater the performance-linked portion of his/her target

### Total Remuneration

Classification	Number of payees	Payment amount (thousand yen)
Directors (particulars relating to Outside Directors)	6 persons (2 persons)	95,309 (7,500)
Audit & Supervisory Board Members (particulars relating to Outside Audit & Supervisory Board Members)	5 persons (5 persons)	33,000 (33,000)
Total (particulars relating to Outside officers)	11 persons (7 persons)	128,309 (40,500)



## Corporate Governance System



remuneration. In order to increase the incentive of performance-linked remuneration, the amount calculated based on performance evaluation is paid as remuneration to the director in the following fiscal year. Performance-linked remuneration includes both monetary and non-monetary remuneration.

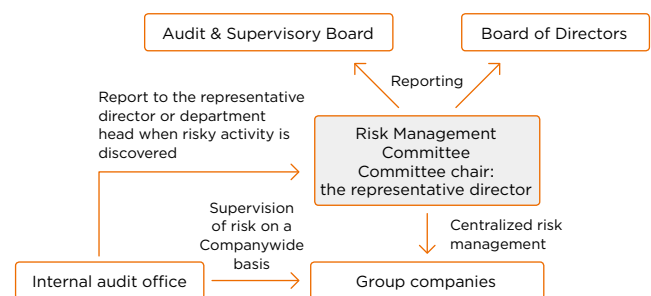
In order to ensure the fairness and impartiality of Audit & Supervisory Board members, as Audit & Supervisory Board members are responsible for auditing the business execution of the entire Group, remuneration of Audit & Supervisory Board members consists solely of fixed remuneration and the amount of remuneration for the position of each Audit & Supervisory Board members is decided by the Audit & Supervisory Board.

## Risk Management System

The Company has established a Risk Management Committee chaired by the representative director and a risk management system has been established wherein all risks that could have a significant impact on the Group are centrally managed. In order to ensure that the

Company maintains a sound financial position and achieves higher earnings stability by streamlining our operations, we have also established a department specializing in the maintenance of internal control systems and we have established a system to check and improve the maintenance of internal regulations and the status of operations. Also, we have established a system to prevent risks related to irrecoverable debts and illegal transactions in order by strengthen the checking system employed by the legal department, supplier audit department, and in purchasing operations.

## Risk management system



### Highlights from the FY2017 Board of Directors meeting

At the Company's Board of Directors meetings, a wide range of topics from business strategy to systems design are actively debated, with outside directors and outside Audit & Supervisory Board members mainly taking the lead. One important topic discussed in this fiscal year's Board of Directors meeting was the Medium-term Business Plan, which was announced in May 2017.

Discussions regarding measures to be implemented were first held at the management committee meetings attended by directors, corporate officers, and full-time Audit & Supervisory Board member and an approved framework plan was then submitted to the Board of Directors. The grounds for quantitative sales and profit targets were verified at the Board of Directors meeting and opinions and recommendations were actively expressed, mainly by outside directors, regarding the growth strategy for HOME'S Services Business, the Company's mainstay business. Outside directors also expressed the view that it is necessary to provide clear explanations to shareholders and investors.

Reasons for Nominating Outside Directors and Outside Audit & Supervisory Board Members

	Name	Independent Officers	Experience	Reason for nomination	Number of Board of Directors (Audit & Supervisory Board) meetings attended in FY2017
Outside Directors	Masato Takahashi	—		Mr. Masato Takahashi has many years of experience working for Recruit Holdings Co., Ltd. and extensive experience in the real estate information business. He has produced results in B-to-C businesses and has extensive knowledge related to the field of e-commerce.	17 of 17 Board of Directors meetings
	Akira Morikawa	○		Mr. Akira Morikawa has extensive experience in corporate management and a wide range of knowledge in the field of social networking services (SNS).	17 of 17 Board of Directors meetings
	Yoshihisa Yamada	—		Mr. Yoshihisa Yamada has worked in the financial sector for many years and served as director, executive officer, and CFO and CRO at Rakuten, Inc. and its group companies.	Assumed office in June 2017
Outside Audit & Supervisory Board Members	Kiyoshi Shishido	○		Mr. Kiyoshi Shishido has many years of experience working in the integrated trading company industry at Mitsubishi Corporation and also served as director of affiliates of the Mitsubishi group.	13 of 13 Board of Directors meetings, 13 of 13 Audit & Supervisory Board meetings (Assumed office in June 2016)
	Hideki Matsushima	—		While Mr. Hideki Matsushima's corporate management experience comes solely from holding outside director positions, as an attorney, he has considerable knowledge of judicial matters.	17 of 17 Board of Directors meetings, 18 of 18 Audit & Supervisory Board meetings
	Takeshi Hanai	○		Mr. Takeshi Hanai has many years of work experience in the financial sector and as a director and auditor of affiliates of the Rakuten Group.	16 of 17 Board of Directors meetings, 17 of 18 Audit & Supervisory Board meetings
	Makiko Nakamori	○		While Ms. Makiko Nakamori's corporate management experience comes solely from holding outside director positions, as a certified public accountant, she has considerable knowledge of matters relating to finance and accounting.	16 of 17 Board of Directors meetings, 16 of 18 Audit & Supervisory Board meetings

IT    Management    Finance / accounting    Global    Judicial affairs

Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members

The Company has established the following selection criteria for outside directors in order to enable it to select highly independent outside directors. However, if the Board of Directors reasonably determines that a candidate is suitable for the post of outside director, the criteria set out in this policy cannot exclude the candidate from being selected. However, a candidate selected in this manner cannot be appointed as an independent director.

If none of the following attributes applies to an outside director or outside member of the Audit & Supervisory Board, the Company judges that such person is independent from the Company.

- a. A person who executes business on behalf of the Company or its affiliated companies\*1
- b. A person who has an important business relationship with the Company\*2 or who executes business on behalf of such a person\*1

- c. A person who is a major shareholder (directly or indirectly holding 10% or more of the voting rights) of the Company or who executes business on behalf of such a person
- d. A person who executes business on behalf of a major investor (directly or indirectly holding 10% or more of the voting rights) of the Company or its affiliated companies
- e. A consultant, an accounting expert, or a legal expert who receives a considerable amount of cash or other assets\*3 other than remunerations as a director of the Company or its affiliated companies (when a party who receives such assets is an organization, such as a corporation or an association, this shall refer to a person who is associated with that organization)
- f. A person to whom any of (a) to (e) above have applied in the past three years
- g. A person who is a close relative of a person to whom any of (a) to (e) above apply\*4

\*1 A person who executes business on behalf of the Company or its affiliated companies includes directors (other than outside directors), executives, and corporate officers and employees, etc.

\*2 "A person who has an important business relationship" as defined in Article 2, Paragraph 3, Item 19 of the Ordinance for Enforcement of the Companies Act

\*3 "a considerable amount of cash or other assets" is defined as cash or other assets of ¥10 million or more received in the previous fiscal year other than those received as remuneration as a corporate officer

\*4 "a close relative" is defined as relatives and those sharing a means of livelihood

## Message from the Outside Director

### LIFULL's Strengths from an Outside Director's Perspective

Two years have passed since I became an outside director at LIFULL. Before taking on this role, I imagined LIFULL as an extension of President and CEO Takashi Inoue. However, looking at the Company from the inside for the past year, I was surprised to discover how many honest and outstanding people it employs. In that respect, the Company has put together a brilliant management philosophy and I strongly believe that it will achieve exceptional growth. What I find truly impressive is that LIFULL's corporate vision is not simply symbolic; it is the basis for all the Company's operations.

I am not an expert in the business areas LIFULL handles. However, I do have specialized experience in IT services and overseas business expansion and am able to proactively advise the Company from this angle. For instance, I have, and share, a variety of insights on how the way people seek information is increasingly shifting from search engine results to social media.

From a business management perspective, while LIFULL is a relatively young company, the lenient approach to corporate governance commonly seen in such young companies is entirely absent. This is clear to anyone who has attended a Board of Directors meeting.

Management and auditing systems for outside directors and Audit & Supervisory Board members are exceedingly well-established, with Mr. Inoue himself advocating for the free expression of dissenting opinions to improve that which needs improving. Moreover, there are mechanisms in place for middle management and those on site to offer proposals regarding the challenges they face in daily business activities and to make precise adjustments and improvements to address these challenges. LIFULL is a company with strong foundations that does not falter at the slightest roadblock.

It is difficult to describe the impression Mr. Inoue makes on the first meeting. One thing I can say is that he is thoughtful in asking the opinions of others. His image as someone who will listen to suggestions has permeated LIFULL's corporate culture. And it is exactly because of this culture that employees are encouraged to actively express what is on their minds and to go beyond that in taking the responsibility to implement those ideas. Everyone is held accountable, but with a strong sense of awareness and an ability to commit to one's ideas, this is an environment that can inspire growth.

### Contributions to the Growth of Both the Business and Management

Both LIFULL's vision and strategy are clearly set out in the 2017 medium-term business plan. What is important moving forward is ensuring that there are no errors to our growth tactics as well as the timing of their implementation, and that LIFULL does not lose its defining character. Those are issues I myself always keep in mind as I provide feedback. It is not enough to be a listed company; continuous profit creation is also an obvious requirement. In addition to investigating policies and proposals, executives must be sure that LIFULL is doing what needs doing. In the increasingly expanding field of lifestyle guidance, there is no limit to the applications of LIFULL's vision, strategy, technology, and data, or to the richness LIFULL can add to the lives of the people it affects. I am excited to see how LIFULL's vision will be realized, though I imagine there will be more than a few setbacks. However, those failures and setbacks will only serve to fuel future growth. The way to achieve our vision

will be to build on our successes one by one. Moving forward, I will strive to use my expertise to contribute to the growth of both the business and management.



**Akira Morikawa**  
Outside Director

## Interview with the CFO and CSO

We aim to create new corporate value by combining data on housing and medical care.

CSO

### Yoshihisa Onuma

Division Manager of Group Strategy Division  
CSO (Chief Strategy Officer)

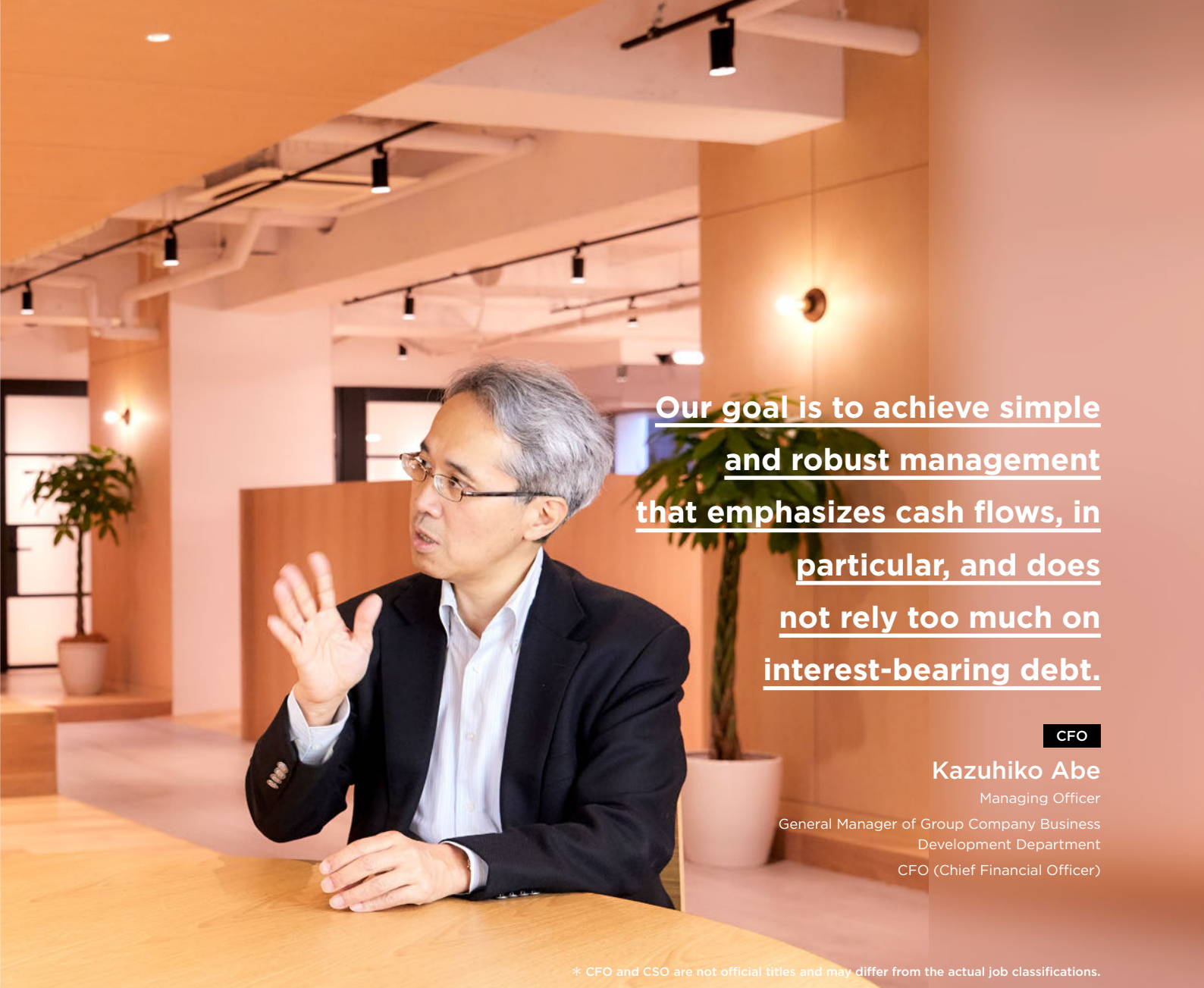
#### Q Tell us about the Group's approach to growth investment

**Abe:** Until relatively recently, the Group's main area of business was real estate, but we are gradually expanding our focus to fields beyond that. Of those, we are mostly targeting growth areas. As such, we need to conduct upfront investment to establish a strong presence in those fields. In order to expand our share in markets with high growth potential, expanding our business scale will have to take priority over EBITDA margin. However, the business foundations we have already built will ensure the endurance of the Company.

In cases where large investments are needed, we are looking into procuring funds through capital markets and financial institutions. However, we are always conscious of maintaining positive post-dividend free cash flows. Under our business model, it is difficult to conceive a scenario in which we would see serious drops in operating cash flow, but if one were to occur, reducing growth investment or shareholder returns are not steps we would

consider necessary as of this time. Beyond ROE and ROA, our goal is to emphasize cash flows in particular, avoid relying excessively on interest-bearing debt, and aspire for simple and robust management.

**Onuma:** The volume of information handled by the Group is massive, with a combined rate of over 100 million users per month on sites run by Group companies. The sites we operate boast approximately 300 million published listings. There are very few corporate groups that can claim that volume of information, even on a global scale. To date, our approach to the real estate information we have collected has been vertical. Moving forward, we are looking to take on the challenge of a horizontal shift in all the information surrounding living that we have gathered. By combining the data we have collected—on residences and medicine, for instance—I believe we can spark new corporate value. For example, in senior care services, we are working on a business idea to contribute to pre-symptomatic improvement and prevention of serious illnesses by



Our goal is to achieve simple and robust management that emphasizes cash flows, in particular, and does not rely too much on interest-bearing debt.

CFO

**Kazuhiko Abe**

Managing Officer

General Manager of Group Company Business Development Department

CFO (Chief Financial Officer)

\* CFO and CSO are not official titles and may differ from the actual job classifications.

collecting data on lifestyles and habits leading up to the illness.

By creating numerous revolutionary services of benefit to society, we hope to offer mechanisms to inspire happiness in even more people. Growth investment is necessary to accomplish these goals. In principle, we keep investments at 25% of net profit. However, if bold investment which exceeds limits becomes necessary, the investment frameworks we have in place allow for quick assessment.

### **Q Tell us about the Group's approach to M&A and monitoring**

**Abe:** Expanding the scale of our business is not the only reason we conduct M&A. Our goal is to prioritize strategy over return on investment. We recognize that uniting with other companies can lead to the creation of the new value that society needs. For that reason, we do not make the decision to divest easily, based simply on a downward swing in performance. Naturally, we

monitor operations post-acquisition and quickly implement the necessary countermeasures, such as alterations to our plans or drastic support measures, should problems arise.

There is a strong sense that our subsidiaries are not so much under our umbrella as they are our colleagues and compatriots who operate under the same powerful sense of "will." Specifically, it is the will to combine our data and knowhow to produce value that does not yet exist. For the Company, when that feeling is reciprocated, that settles the M&A conversation.

**Onuma:** It is precisely the desire to unite our capabilities with other like-minded companies that has resulted in thorough examinations to determine how well a potential subsidiary fits in with our vision during the M&A appraisal process.

The plan to cultivate 100 presidents from 100 subsidiaries will require quickly establishing systems capable of highly effective monitoring, even at such a large scale. This represents one of our major undertakings.

## Interview with the CFO and CSO

Specifically, we want to determine whether our “will”-based mission is being steadily carried out.

**Abe:** In addition to putting a monitoring system into place, we will need to cultivate human resources. President and CEO Inoue speaks of this often, but the enthusiasm of employees who form the backbone of a company greatly influences that company’s success. We are also taking steps to perfect support systems to encourage employees to work without reserve in pursuit of the Company’s mission, while increasing motivation through transfers of authority. These systems include initiatives such as training that instills the knowledge necessary for effective management, including accounting and law. Moreover, it is not only more CEOs we need, but CFOs as well. By gaining experience as a CFO at a subsidiary, employees on the management track can return to the head office, take on the challenge of a different business, and thus enhance corporate value. This is a cycle I have always been interested in implementing.

**Onuma:** Every business has different risks. But two risks they all share are information management risk and compliance risk. These shared risks are thoroughly covered by the Group’s common operational rules, while the burden for addressing the others falls on the top management of each company. The idea is to create a ring of safety and to enclose risks and challenges in the ring to tackle them there. If we think of each element of training as one more weapon in the arsenal, both the significance and effects of that training will greatly increase. Even planning and operating training activities can be a

powerful experience. The idea is to create a means through which the president of every subsidiary company can fully demonstrate their abilities.

### **Q** Tell us about Will-Centric Public Interest Capitalism and profit distribution

**Abe:** For LIFULL, total earnings is not the only item on its management index. Customer and employee satisfaction are other important indicators. Along with our database of real estate information, we are creating a database of satisfaction levels. Profit distribution is also based on the concept of extending distribution to all stakeholders. The idea is to implement growth investment, produce profits together with business partners, pay employee salaries from those profits, and finally distribute profits to shareholders. Payouts to shareholders are made based on this approach, with a 20% payout ratio being the standard.

**Onuma:** The Group has created and operates an evaluation system for executives based on Will-Centric Public Interest Capitalism. For example, if employee paychecks are not paid regularly, the executive’s score will suffer. Management that relies on decreasing employee salaries to increase profits runs counter to our corporate philosophy. There are roughly 30 such evaluation metrics, with the numerical value of each added together to determine executive remuneration. The system applies to all executives, including President and CEO Inoue. Through this mechanism for evaluation, we will achieve impeccable management of 100 companies and make every LIFE FULL, worldwide.



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# Main Risk Factors

## Business Risks

### The real estate information service pricing system

The real estate information service pricing system could be revised owing to the launch of similar services by the Company's competitors, improvement of the added value of the Company's services, and changes in relevant costs.

If the conditions under which clients use the Company's services change due to a revision of prices or if the Company is unable to pass on to its clients the impact of changing costs related to its services, this could have an impact on the Group's earnings.

### Reliance on outside search engines to attract users to the Group's websites

Most users visiting the Group's websites navigate there via search engines and the Group, therefore, relies on results displayed by search engine operators to attract users. The conditions necessary for search engine results to be displayed near the top of search results listings are controlled by search engine operators and the Group is unable to influence such decisions. In addition to increasing the ratio of our user acquisition activities that do not rely on search engines by aggressively conducting brand promotion activities in order to strengthen the LIFULL HOME'S brand, we also implement search engine optimization (SEO) measures so that our websites are displayed near the top of search results listings. However, it is possible that, owing to factors such as search engine operators changing policies related to the order of display of search results, the display of results could change in a way that is disadvantageous to the Group. If this occurs, the ability of our websites to attract users could decline and this could have an adverse impact on the Group's earnings.

### The handling of personal information

The Group handles a large volume of important information including various types of personal information and confidential information of our trading partners. The Group views the proper management of this information as a very important responsibility and we exercise the utmost care when handling this information. We therefore strive to strengthen our information management system by establishing internal regulations for handling information, conducting regular training of employees, working to strengthen the security of our systems, and conducting internal investigations on how information is handled. When the Group is required by law or other regulations to disclose personal information, we make the decision to comply only after holding careful discussions with the Group's attorneys and the competent authorities.

While we do our utmost to protect confidential information and personal information as mentioned above, if this

information is leaked to persons outside the Group, lost, falsified, or misused due to persons gaining improper access to our systems or as a result of defects in our systems, the Group could incur costs related to the taking of appropriate actions in response to the situation and, while the Group holds property insurance which would cover all or part of any compensation for damages that the Group would be obliged to pay, the undermining of the Group's social credibility could result in a decline in the number of users and clients, which could have a negative impact on the Group's earnings.

### Disputes between clients that post information on the Group's websites and users of the information

The Company has established an information investigation department which continuously confirms the accuracy of information posted on the Group's websites. Also, if the Group is notified by a user of one of the Group's websites of a dispute between the user and a client that has posted information on the Group's websites, the responsible person in the Group contacts the client to confirm the facts and either explains to the user or requests that the client rectify the cause of the dispute. The Group may also decide to nullify the website usage contract. However, the Group cannot legally compel a client to comply with a request to rectify the cause of the dispute and, as not all users experiencing such disputes will understand or be satisfied with the results, there is a risk that the reputation of the services provided by the Group could suffer and this could have an adverse impact on the Group's earnings.

### Development of overseas businesses

The Group is developing businesses overseas. Development of overseas businesses involves business risks depending on regional characteristics and overseas businesses must operate under different legal systems. While the Company plans to take sufficient measures to reduce such risks and develop overseas businesses in a manner that minimizes such risks, the emergence of difficult-to-predict business risks and risks related to overseas legal systems could have an adverse impact on the Group's earnings.

### Foreign exchange fluctuations

As the Group is developing businesses overseas, rapid fluctuation in currency exchange rates may impact transactions between companies in different regions, product prices at overseas operation bases, and service costs as well as impact earnings including sales income and profit levels. In addition, currency exchange rates have an impact on the conversion rates used when the value of overseas assets and liabilities are converted into yen on the Company's consolidated financial statements. Greater-than-expected fluctuation in exchange rates could have an impact on the Group's financial position or the results of its operations.



## Competition

There are currently multiple other companies operating businesses in the same industries as the Group's real estate and housing information service LIFULL HOME'S and its aggregation website Trovit.

The Group plans to work to maintain and strengthen the appeal of its brands and differentiate them from those of other companies by improving the reliability and convenience and increasing the volume of information on the LIFULL HOME'S and Trovit websites. However, because Internet-related industries have low barriers to entry and it is easy for newcomers to start such businesses and also difficult to achieve differentiation from rivals, during periods of intense competition, the Group's competitiveness may be degraded and this could have an adverse impact on the Group's earnings.

## Risks Related to the Group's Business Systems

### Reliance on the CEO

President and CEO Takashi Inoue is also the founder of the Company and has led it since its inception. President Inoue has considerable experience and knowledge regarding the real estate industry and Internet services and plays a very important role in the formulation and execution of management plans and business strategies.

The Group has taken steps to create a management system that does not rely excessively on President Inoue such as sharing information among directors and key employees at meetings of the Board of Directors and management committee meetings, strengthening its management organization, and introducing a corporate officer system to speed up decision making by promoting the delegation of authority. However, if it becomes difficult for President Inoue to continue conducting the business of the Group, this could have an adverse impact on the Group's earnings.

### System and equipment failures

Management of the Group's businesses relies on computer systems and telecommunications networks. The Group therefore uses data centers that are protected against electric power outages and earthquakes by uninterruptible power supply equipment and earthquake-resistant construction and that regularly back up server data.

However, if the telecommunications network goes offline owing to an unforeseeable natural disaster or accident, or if the Group's servers or those of Internet providers become inoperable owing to temporary overload, such as from a spike in access requests, this could result in a loss of trust in the Group's systems and have an adverse impact on the Group's earnings.

Also, while the Group has strengthened its failure resistance by keeping duplicates of important equipment necessary to run its businesses, such as components and hardware, if an unforeseeable failure occurs, this could result in the stoppage of all or a portion of the Group's services, which could have an adverse impact on the Group's earnings.

### Expansion of operations through acquisitions, etc.

The Group views mergers and joint ventures with the aim of entering new fields of business, expanding our established businesses, or acquiring technologies as an important challenge facing management. In the future, we plan to consider acquisitions and other measures as a possible business strategy.

When the Group makes an acquisition, it endeavors to avoid risks as much as possible by conducting detailed due diligence on the target company including examining its financial condition and any contracts it has signed. However, sometimes the completeness of due diligence investigations cannot be guaranteed and we cannot deny the possibility that contingent liabilities or previously unknown liabilities could emerge following an acquisition. Also, integration of the information systems and internal control systems of the acquired company with those of the Group could prove to be difficult and the acquired company could lose directors, employees, and customers as a result of the acquisition.

### The Group's relationship with Rakuten, Inc.

As of March 31, 2017, Rakuten, Inc. was a major shareholder in the Company, holding 20.03% of the shares, and Rakuten Inc. is classified as one of the "other affiliated companies." Rakuten Inc. and the Company have a wide-ranging and amicable relationship, including business transaction relationships such as the Company posting its real estate information on websites operated by Rakuten Inc. Rakuten Inc.'s executive vice president, Mr. Yoshihisa Yamada, also serves as an outside director of the Company.

It is unclear whether the relationship between the two companies will remain the same in the future. If the current relationship is not maintained, although the volume of transactions between the two companies is relatively small, this could have an impact on the Company's future business development and capitalization strategy.



Please see our Annual Securities Report (Yukashoken Hokokusho, issued only in Japanese) regarding other risks.  
<http://lifull.com/ir/ir-data/ird-fs/>

# Three-year Summary of Consolidated Financial Indicators

LIFULL Co., Ltd. and subsidiaries

(Millions of yen)

IFRS	Fiscal year ended March 31		
	2015	2016	2017
<b>Consolidated Operating Results (For the Year):</b>			
Revenue	18,165	25,707	29,920
Cost of Sales	583	2,127	3,080
SG&A	14,391	18,625	21,408
Personnel Expenses	4,440	6,269	7,039
Advertising Expenses	5,941	7,345	8,400
Operating Expenses	718	1,016	1,010
Other Costs	3,290	3,993	4,957
EBITDA* <sup>1</sup>	3,149	4,859	5,312
Depreciation and Amortization Expenses	458	864	1,245
Operating Income	2,691	3,994	4,066
Net Profit Attributable to Owners of the Parent	1,796	2,670	2,765
<b>Consolidated Financial Position (At Year-End):</b>			
Total Assets	22,592	25,265	27,110
Equity Attributable to Owners of the Parent	10,824	16,922	18,471
Interest-bearing Liabilities	7,013	2,439	1,454
Net Interest-bearing Liabilities* <sup>2</sup>	2,745	(4,185)	(4,592)
<b>Consolidated Cash Flows (For the Year):</b>			
Cash Flows from Operating Activities	2,193	3,175	3,163
Cash Flows from Investing Activities	(13,051)	93	(2,134)
Cash Flows from Financing Activities	6,734	(868)	(1,517)
Free Cash Flow* <sup>3</sup>	(10,858)	3,268	1,028
Capital Expenditures	1,069	691	1,654
R&D Expenses	61	71	60
<b>Financial Indicators:</b>			
EBITDA Margin (%)	17.3	18.9	17.8
Operating Income Margin (%)	14.8	15.5	13.6
Return on Equity (ROE)(%)	17.1	19.2	15.6
Return on Assets (ROA)(%)	14.7	16.8	15.6
Debt to Equity Ratio (times)* <sup>4</sup>	0.65	0.14	0.08
Equity Attributable to Owners of the Parent Ratio (%)	47.9	67.0	68.1
<b>Amounts per Share:</b>			
Net Profit Attributable to Owners of the Parent (yen)			
Basic* <sup>5</sup>	15.91	22.87	23.30
Diluted* <sup>5</sup>	15.90	—	—
Dividends (yen)* <sup>5</sup>	2.88	4.50	5.66
Dividend Payout Ratio (%)	18.1	19.7	24.3
Equity Attributable to Owners of the Parent per Share (yen)* <sup>5</sup>	95.86	142.54	155.59
<b>Stock Price:</b>			
Share Price at Fiscal Year-End (yen)* <sup>5</sup>	598.5	1,381.0	755.0
Price to Earnings Ratio (PER)(times)* <sup>5</sup>	37.64	60.38	32.40
Price to Book Value Ratio (PBR)(times)	6.24	9.69	4.85
<b>Other:</b>			
Number of Consolidated Employees	755	946	1,140

# Summary by Segment and Business Summary

IFRS	(Millions of yen)		
	Fiscal year ended March 31		
	2015	2016	2017
<b>Domestic Real Estate Information Services:</b>			
Revenue	15,601	18,345	21,176
Rentals and Real Estate	9,752	12,068	14,044
New Houses and Condominiums* <sup>6</sup>	4,537	4,713	4,851
Custom-Built Homes and Renovations	817	889	1,329
Others	493	673	951
Segment Profit	2,729	3,540	3,842
<b>Domestic Services for Realtors:</b>			
Revenue	908	4,122	6,864
Segment Profit	(22)	(7)	(117)
<b>Overseas:</b>			
Revenue	1,203	3,507	3,193
Segment Profit	114	550	346
<b>Others:</b>			
Revenue	452	671	833
Segment Profit	(99)	(80)	(22)

\* Intersegment transactions have not been eliminated.

\*1. EBITDA = operating profit + depreciation

\*2. Net interest-bearing liabilities = interest-bearing liabilities – current cash flow

\*3. Free cash flow = cash flows from operating activities + cash flows from investing activities

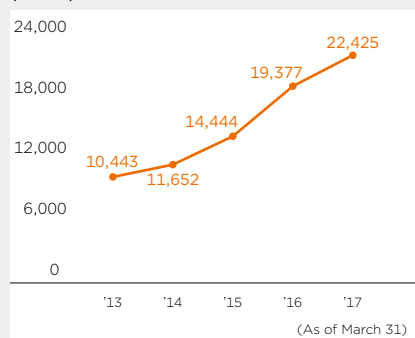
\*4. Debt to equity ratio = interest-bearing liabilities / equity attributable to the owners of the parent

\*5. Retroactive adjustments have been made to figures for FY2015 in recognition of effects of the two-to-one share split conducted June 1, 2015

\*6. Except for a certain portion, revenue from new condominiums under New Houses and Condominiums is now recorded under the Domestic Services for Realtors segment, following the completion of an exclusive agency contract with LIFULL Marketing Partners, which became a subsidiary in October 2015.

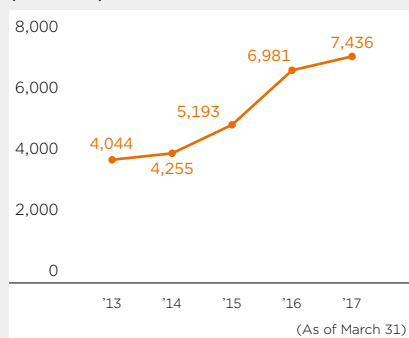
## Number of Affiliated Offices

(offices)



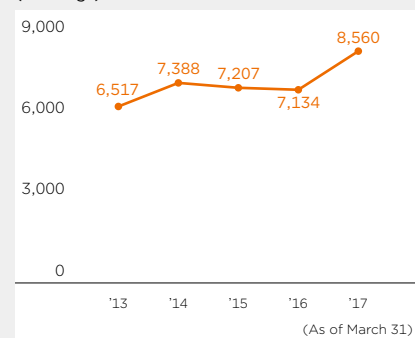
## Number of Properties Listed (Rentals and Real Estate Sales)

(thousands)



## Number of Properties Listed (New Houses and Condos)

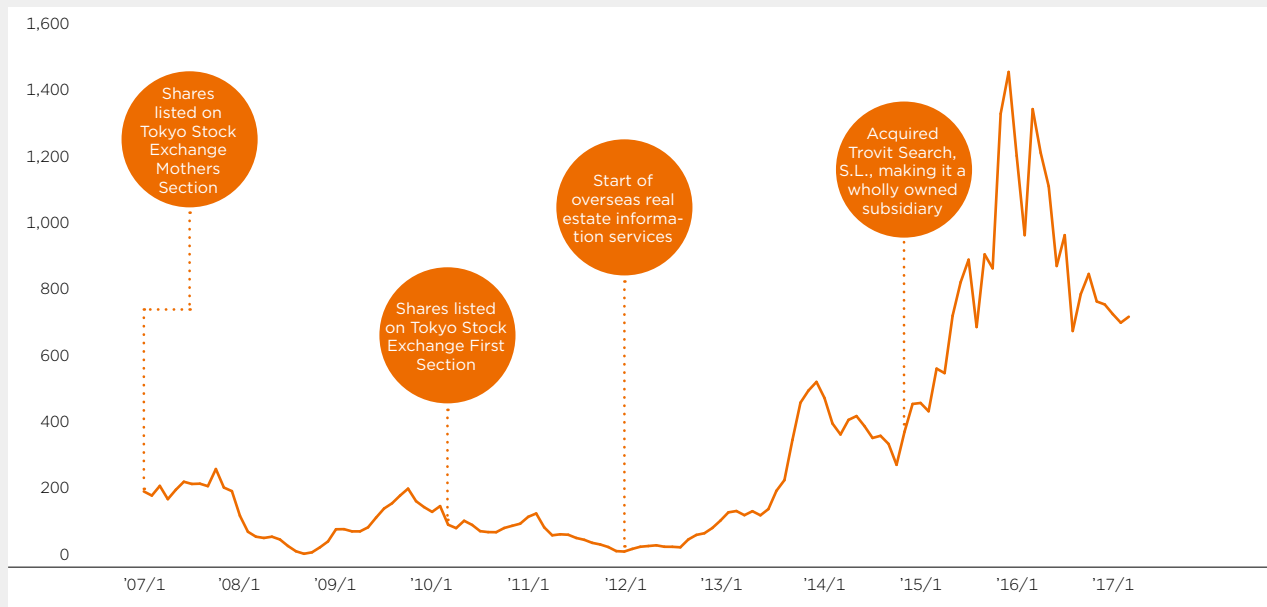
(buildings)



# Shareholder Value

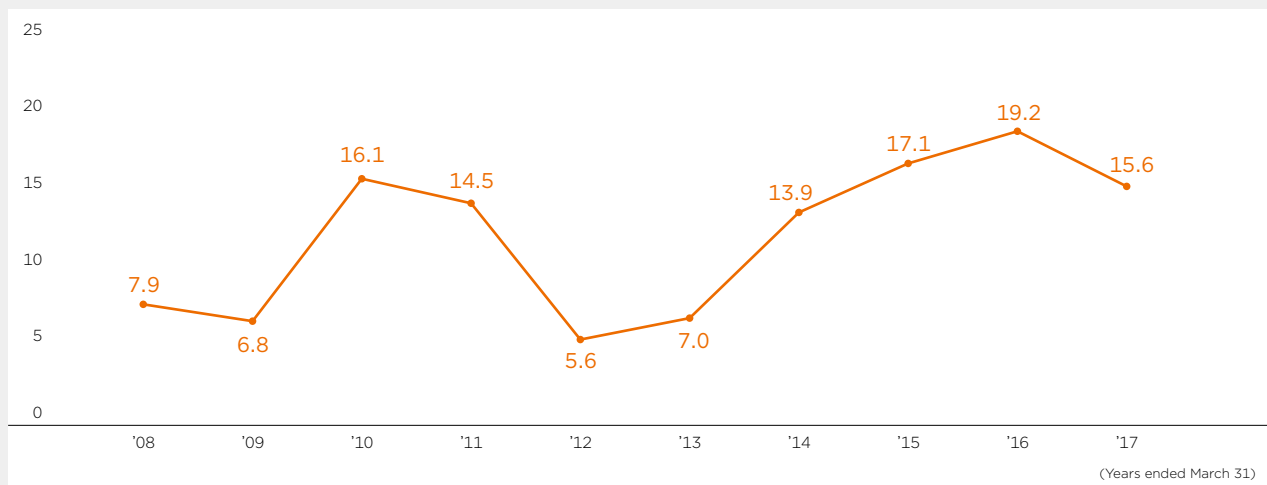
## Stock Price Performance

(yen)



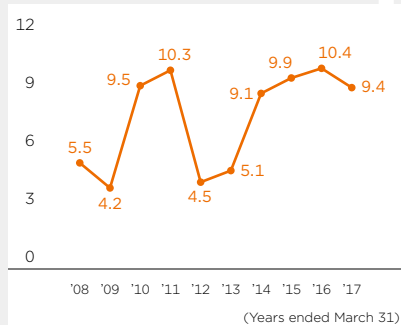
## ROE Performance

(%)



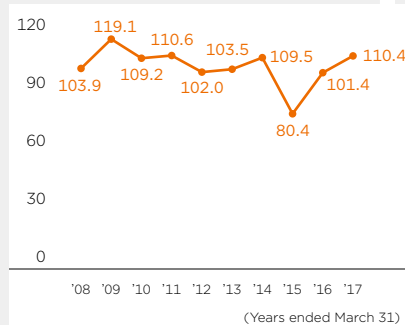
## Return on Sales Ratio Performance

(%)



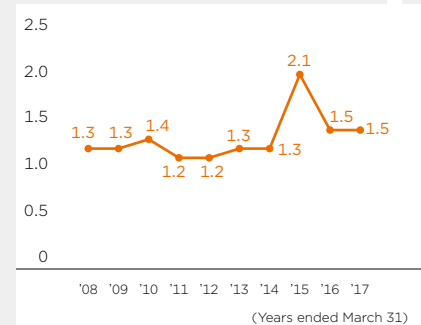
## Asset Turnover Rate Performance

(%)

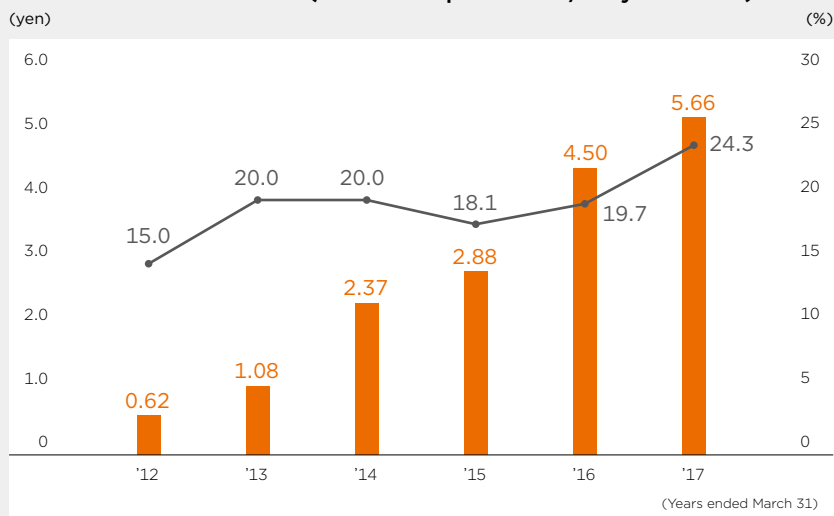


## Capital Leverage Performance

(times)



## Returns to Shareholders (Dividends per Share / Payout Ratio)



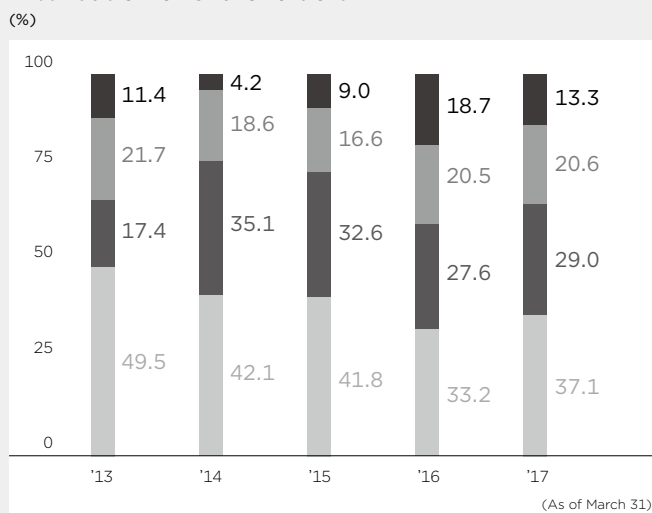
■ Dividends per share  
● Payout ratio (right scale)

\* The Company conducted a three-to-one share split for its common stock on January 1, 2014.  
 \* The Company conducted a two-to-one share split for its common stock on June 1, 2015.  
 \* In connection with this share split, the dividend figures calculated for past years account for the impact of the split.

### Shareholder return policy

The Company has paid dividends by making calculations on the basis of net profit attributable to owners of the parent under IFRS standards from FY2015 onward. The Company intends to raise the dividend payout ratio in the future in consideration of total capital, investment forecasts, and growth rates, among other factors.

## Distribution of Shareholders



■ Financial institutions and securities firms  
■ Other corporate shareholders  
■ Foreign shareholders  
■ Individuals and others

## Major Shareholders

(As of March 31, 2017)

Name	Number of shares	Investment ratio
Takashi Inoue	32,941,000	27.73%
Rakuten, Inc.	23,797,100	20.03%
Japan Trustee Services Bank, Ltd. (Trust Account)	8,724,600	7.34%
THE BANK OF NEW YORK 133524	4,031,000	3.39%
BBH FOR MATTHEWS JAPAN FUND	3,573,800	3.01%
JPMC OPPENHEIMER JASDEC LENDING ACCOUNT	3,448,100	2.90%
Daisuke Gomi	2,400,000	2.02%
J.P. MORGAN BANK LUXEMBOURG S. A. 385576	2,194,100	1.85%
SAJAP	1,759,100	1.48%
BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS MILM FE	1,642,509	1.38%
Total	84,511,309	71.14%

Ministry of Economy, Trade and Industry / Tokyo Stock Exchange

### Selected as a Competitive IT Strategy Company 2017

Of the five areas of assessment for this recognition, LIFULL was highly rated in three—management, strategic use of IT, and systems and personnel—for its work on real estate tech, bringing web advertising in-house to raise ROI, and internal systems to promote use of the latest digital technology.



Ministry of Economy, Trade and Industry / Tokyo Stock Exchange

### Selected as a Health and Productivity Management Organization 2017(2 years running)

LIFULL was highly rated for its systems and mechanisms in support of diverse workstyles and its steps to create an environment conducive to healthy working.



## Corporate Information (As of April 1, 2017)

Company name	LIFULL Co., Ltd. (formerly NEXT Co., Ltd.)
Date of establishment	March 12, 1997
Representative	Takashi Inoue, President and CEO
Headquarters	1-4-4 Kojimachi, Chiyoda-ku, Tokyo 102-0083 Japan
Capital	3,999 million yen
Employees*	1,140 (Group consolidated figure, including dispatch and part-time workers)
Main business	Real estate information services and other services
Branches and offices	Sapporo, Nagoya, Osaka, Fukuoka, Okinawa
Major subsidiaries	Renters Co., Trovit Search, S.L. (Spain), LIFULL Marketing Partners Co., Ltd.

\* as of March 31, 2017

### Stock Information (As of June 28, 2017)

Fiscal year-end	September 30
General meeting of shareholders	December
Date of record for shareholders paid year-end dividends	September 30
Financial institution managing list of shareholders and special accounts	Sumitomo Mitsui Trust Bank, Limited
Contact information for above	<b>Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Department</b> 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, Japan
Stock exchange listing	Tokyo Stock Exchange, First Section (Code: 2120)
Share trading unit	100 shares
Methods for releasing announcements	We provide public announcements by electronic means via our company website.  <a href="https://lifull.com/en/">https://lifull.com/en/</a>

However, in cases when announcements cannot be made electronically due to unavoidable issues, we publish in the Nikkei newspaper.

Questions on stocks and dividends

Please direct inquiries to the abovementioned administrator of shareholder lists. Shareholders using securities firms, please direct inquiries to the firm administering the account.

### Company website

A variety of information in addition to this report is published on the website.

<https://lifull.com/en/>

IR website

<https://lifull.com/en/ir/>



# Topics

## Social Contribution Activities

VOICE



### “One P’s”

—Support program for social contribution activities using special paid leave—

This is a program that provides support for employees using special paid leave to take part in social contribution activities. The Company funds activities at the rate of 1% of the employee’s total annual hours worked and 1% of the Company’s after-tax profit (non-consolidated) for the previous year. The name “One P’s” is intended to reflect the concept of getting united to bring about changes to society.



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→ #02

## New Headquarters

Along with the name change on April 1, 2017, LIFULL moved its headquarters to Kojimachi, Chiyoda-ku, Tokyo. The new headquarters is a 50-year-old building fully renovated by our project team. The renovation concept is “Engawa”, a wooden-floored veranda in a traditional Japanese house. It was developed by members of the project team and represents a “new arena for communication” as an office that brings fresh encounters and allows people to think outside the box. It incorporates a variety of tangible and intangible systems and mechanisms to bridge the inside and the outside, just like the veranda of a traditional Japanese house. At the same time, it contains functionality enabling employees to freely choose the workstyle most appropriate for them.

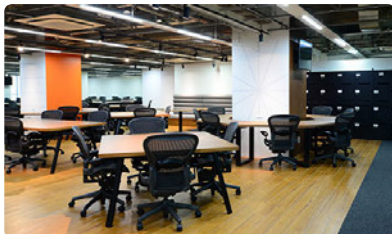
VOICE



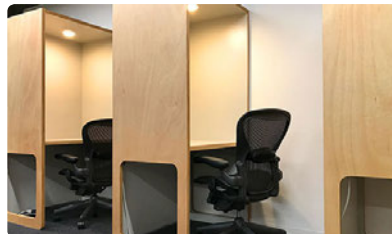
P.4

→ #01

## Functional work space that enables independent and comfortable workstyles



“Hot desking” to facilitate internal communication



“Concentration booths” to encourage thinking as individuals rather than teams



LIFULL Fab, a new base for product manufacturing (in the preparatory stages)

## The Engawa project, born from the desire for a new arena for communication

### ■ LIFULL Table



Deli restaurant to deepen interactions with non-coworkers

<http://table.lifull.com/>

Open: Weekdays 9:00 a.m. to 6:00 p.m.

Closed: Weekends, national holidays, and the year end and new year

TEL +81-3-6774-1700

### ■ LIFULL HUB



Incubation office for entrepreneurs, freelancers, and startups

<http://hub.lifull.com/>

Currently previewing and accepting applicants

TEL +81-3-6774-1690



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