

The English translation of this financial report was prepared for reference purposes only. The financial information contained in this report is delivered from our unaudited financial statements.

## Consolidated Financial Report for the Six-month Period Ended March 31, 2019 (IFRS)

May 13, 2019

Company name: LIFULL Co., Ltd.	Listed exchange: Tokyo Stock Exchange
Stock code: 2120	URL: <a href="https://lifull.com/en/">https://lifull.com/en/</a>
Representative: (Position) President and CEO	(Name) Takashi Inoue
Contact: (Position) Managing Officer, General Manager of Group Company Business Development Department	(Name) Kazuhiko Abe (TEL) +81-3-6774-1603
Scheduled quarterly securities report submission date:	May 13, 2019
Scheduled date of start of dividend payments:	-
Preparation of supporting documentation for earnings:	Yes
Earnings presentations:	Yes (For institutional investors and analysts)

(Millions of yen; amounts have been rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the Six-month Period Ended March 31, 2019 (October 1, 2018 to March 31, 2019)

#### (1) Consolidated Operating Results

(Percentages indicate year-on-year change)

	Revenue		Operating income		Profit before income taxes		Net profit		Profit attributable to owners of the parent		Total comprehensive income	
		%		%		%		%		%		%
<b>Six-month ended March 31, 2019</b>	¥19,599	10.9	¥1,693	(32.1)	¥1,512	(37.7)	¥918	(40.4)	¥945	(39.9)	¥(1)	-
Six-month ended March 31, 2018	¥17,669	-	¥2,492	-	¥2,426	-	¥1,541	-	¥1,572	-	¥1,321	-

	Basic earnings per share (yen)	Diluted earnings per share (yen)
<b>Six-month ended March 31, 2019</b>	7.52	7.52
Six-month ended March 31, 2018	13.24	13.24

(Reference) EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortization)

Six months ended March 31, 2019: ¥2,284 million Six months ended March 31, 2018: ¥3,033 million (+24.7%)

#### (2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Equity attributable to owners of the parent ratio (%)
<b>As of March 31, 2019</b>	¥43,750	¥32,681	¥32,599	74.5
As of September 30, 2018	¥29,181	¥21,996	¥21,881	75.0

### 2. Dividends

	Annual dividend				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	(yen)	(yen)	(yen)	(yen)	(yen)
Fiscal year ended September 30, 2018	-	0.00	-	6.02	6.02
Fiscal year ending September 30, 2019	-	0.00			
Fiscal year ending September 30, 2019 (forecast)			-	-	-

Note 1: There have been no changes in dividend forecast.

Note 2: Dividend forecast for the fiscal year ending September 30, 2019 will be calculated based on a payout ratio of 25%.

### 3. Forecasts on the Consolidated Results for the Fiscal Year Ending September 2019 (October 1, 2018 to September 30, 2019)

(Percentages indicate year-on-year change)

	Revenue		Operating income		Profit attributable to owners of the parent		Basic earnings per share	
		%		%		%		(yen)
Fiscal year ending September 30, 2019	¥42,306	22.4	¥4,501	4.3	¥2,962	3.6		22.07

Note 1: Revision to the most recently announced consolidated forecasts: No

Note 2: The Company issued 15,450,770 new shares on January 8, 2019 in exchange for the acquisition of equity shares in Mitula Group Limited. Basic earnings per share for the fiscal year ending September 30, 2019 have been calculated using the new shares issued as mentioned above.

**\* Notes**

(1) There have been changes in material subsidiaries during the term. (Change in specified subsidiaries which accompanies a change in the range of consolidation)

1 New: (Name) Mitula Group Limited

(Note) For details, refer to “1. Condensed Consolidated Financial Statements and Significant Notes (5) Notes to the Condensed Consolidated Financial Statements 3. Subsequent Events” on Page 17.

(2) Changes in accounting policies, changes in accounting estimates, restatement

[1] Changes in accounting policies required by IFRS : Yes

[2] Changes in accounting policies other than [1] : No

[3] Changes in accounting estimates : No

(Note) For details, refer to “1. Condensed Consolidated Financial Statements and Significant Notes (5) Notes to the Condensed Consolidated Financial Statements 2. Significant Accounting Policies” on Page 12.

(3) Number of shares issued (common stock)

[1] Number of shares issued at the end of the period (including treasury stock)

As of March 31, 2019 134,239,870 shares

As of September 30, 2018 118,789,100 shares

[2] Treasury shares at the end of the period

As of March 31, 2019 73,886 shares

As of September 30, 2018 73,736 shares

[3] Average shares during term

Six-months ended March 31, 2019 125,761,551 shares

Six-months ended March 31, 2018 118,715,364 shares

**\* This consolidated financial report is not subject to quarterly review procedures.**

**\* Regarding appropriate use of results forecasts and other notes**

- The Company plans to hold an earnings briefing for institutional investors and analysts. Scenes from the briefing and presentation content (audio recordings) will be made available on the Company’s website as soon as possible thereafter.
- May 14, 2019 (Tuesday) : Earnings presentation for institutional investors and analysts.
- In addition, the Company holds briefings as appropriate for individual investors. Please refer to the LIFULL IR website for more details.

(Appendices)

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**1. Condensed Consolidated Financial Statements and Significant Notes**
**(1) Condensed Consolidated Statements of Financial Position**

(Thousands of yen)

	As of September 30, 2018	As of March 31, 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	7,571,312	9,328,945
Accounts receivable-trade and other current receivables	4,577,193	6,059,027
Other short-term financial assets	230,000	163,000
Other current assets	521,720	699,949
<b>Total current assets</b>	<b>12,900,226</b>	<b>16,250,922</b>
<b>Non-current assets</b>		
Property, plant and equipment	1,810,709	1,810,742
Goodwill	9,806,312	20,149,918
Intangible assets	2,018,313	2,238,311
Investments accounted for using the equity method	785,146	693,039
Other long-term financial assets	1,293,708	1,812,639
Deferred tax assets	563,833	789,981
Other non-current assets	3,714	5,388
<b>Total non-current assets</b>	<b>16,281,738</b>	<b>27,500,021</b>
<b>Total assets</b>	<b>29,181,965</b>	<b>43,750,944</b>

(Thousands of yen)

	As of September 30, 2018	As of March 31, 2019
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade and other current payables	2,791,544	4,092,292
Short-term loans	-	3,300,000
Lease obligations	4,205	4,677
Accrued corporate income taxes	1,356,368	869,597
Other current liabilities	2,029,275	1,679,698
<b>Total current liabilities</b>	<b>6,181,394</b>	<b>9,946,265</b>
<b>Non-current liabilities</b>		
Lease obligations	80,600	78,137
Provisions	533,662	533,868
Deferred tax liabilities	364,316	489,599
Other long-term financial liabilities	25,664	21,166
<b>Total non-current liabilities</b>	<b>1,004,244</b>	<b>1,122,772</b>
<b>Total liabilities</b>	<b>7,185,638</b>	<b>11,069,037</b>
<b>Equity</b>		
<b>Attributable to owners of the parent</b>		
Capital stock	3,999,578	9,716,363
Capital surplus	4,256,942	9,947,792
Retained earnings	14,394,920	14,625,736
Treasury shares	(8,694)	(8,791)
Other components of equity	(761,446)	(1,681,151)
<b>Attributable to owners of the parent</b>	<b>21,881,301</b>	<b>32,599,948</b>
Attributable to non-controlling interests	115,025	81,957
<b>Total equity</b>	<b>21,996,326</b>	<b>32,681,906</b>
<b>Total liabilities and equity</b>	<b>29,181,965</b>	<b>43,750,944</b>

**(2) Condensed Consolidated Statements of Profit or Loss and Condensed Consolidated Statements of Comprehensive Income**

Condensed Consolidated Statements of Profit or Loss  
For the Six-month Period Ended March 31, 2019

(Thousands of yen)

	Six-month period ended March 31, 2018	Six-month period ended March 31, 2019
<b>Revenue</b>	17,669,772	19,599,537
Cost of revenue	1,875,824	2,306,613
<b>Gross profit</b>	15,793,947	17,292,923
Selling, general and administrative expenses	13,390,854	15,692,152
Other income	200,335	529,405
Other expenses	110,655	437,058
<b>Operating income</b>	2,492,773	1,693,118
Financial revenue	87	3,143
Financial expenses	10,575	22,126
Share of profit (loss) of investments accounted for using the equity method	(56,223)	(161,939)
<b>Profit before taxes</b>	2,426,062	1,512,195
Income tax expenses	884,844	594,193
<b>Profit for the period</b>	1,541,217	918,002
<b>Profit (loss) for the period attributable to:</b>		
Owners of the parent	1,572,078	945,357
Non-controlling interests	(30,861)	(27,354)
Total	1,541,217	918,002
		(Yen)
<b>Profit for the period per share attributable to owners of the parent</b>		
Basic profit for the period per share	13.24	7.52
Diluted profit for the period per share	13.24	7.52

For the Three-month Period Ended March 31, 2019

	Three-month period ended March 31, 2018	Three-month period ended March 31, 2019
<b>Revenue</b>	9,541,120	11,208,057
Cost of revenue	946,889	1,258,350
<b>Gross profit</b>	8,594,231	9,949,706
Selling, general and administrative expenses	7,253,883	9,553,149
Other income	76,069	49,069
Other expenses	57,772	381,882
<b>Operating income</b>	1,358,644	63,744
Financial revenue	86	561
Financial expenses	4,901	5,283
Share of profit (loss) of investments accounted for using the equity method	(8,600)	(67,807)
<b>Profit (loss) before taxes</b>	1,345,228	(8,784)
Income tax expenses	386,767	76,799
<b>Profit (loss) for the period</b>	958,461	(85,583)
<b>Profit (loss) for the period attributable to:</b>		
Owners of the parent	980,351	(58,161)
Non-controlling interests	(21,889)	(27,422)
Total	958,461	(85,583)
		(Yen)
<b>Profit (loss) for the period per share attributable to owners of the parent</b>		
Basic profit for the period per share	8.26	(0.44)
Diluted profit for the period per share	8.26	(0.44)

Condensed Consolidated Statements of Comprehensive Income  
For the Six-month Period Ended March 31, 2019

(Thousands of yen)

	Six-month period ended March 31, 2018	Six-month period ended March 31, 2019
<b>Profit for the period</b>	1,541,217	918,002
<b>Other comprehensive income</b>		
Items that will not be reclassified to profit or loss, net of tax:		
Equity instruments measured at FVTOCI	-	(3,885)
<b>Total of items that will not be reclassified to profit or loss</b>	-	(3,885)
Items that may be reclassified to profit or loss, net of tax:		
Available-for-sale financial assets	(4,196)	-
Exchange differences on translation of foreign operations	(209,411)	(915,684)
Cash flow hedge	(158)	-
Share of other comprehensive income of investments accounted for using the equity method	(6,074)	(168)
<b>Total of items that may be reclassified subsequently to profit or loss</b>	(219,841)	(915,853)
<b>Other comprehensive income, after tax</b>	(219,841)	(919,739)
<b>Total comprehensive income for the period</b>	1,321,376	(1,736)
<b>Comprehensive income for the period attributable to:</b>		
Owners of the parent	1,352,317	25,652
Non-controlling interests	(30,941)	(27,389)
Total	1,321,376	(1,736)



For the Three-month Period Ended March 31, 2019

(Thousands of yen)

	Three-month period ended March 31, 2018	Three-month period ended March 31, 2019
<b>Profit for the period</b>	958,461	(85,583)
<b>Other comprehensive income</b>		
Items that will not be reclassified to profit or loss, net of tax:		
Equity instruments measured at FVTOCI	-	(1,391)
<b>Total of items that will not be reclassified to profit or loss</b>	-	(1,391)
Items that may be reclassified to profit or loss, net of tax:		
Available-for-sale financial assets	(6,126)	-
Exchange differences on translation of foreign operations	(389,322)	(440,796)
Cash flow hedge	(1,233)	-
Share of other comprehensive income of investments accounted for using the equity method	(8,912)	(41)
<b>Total of items that may be reclassified subsequently to profit or loss</b>	(405,595)	(440,837)
<b>Other comprehensive income, after tax</b>	(405,595)	(442,228)
<b>Total comprehensive income for the period</b>	552,866	(527,812)
<b>Comprehensive income for the period attributable to:</b>		
Owners of the parent	574,835	(500,390)
Non-controlling interests	(21,969)	(27,421)
Total	552,866	(527,812)

### (3) Condensed Consolidated Statements of Changes in Equity

For the Six-month Period Ended March 31, 2018 (October 1, 2017 to March 31, 2018)

(Thousands of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Balance as of October 1, 2017	3,999,578	4,336,231	11,632,596	(8,694)	(732,517)	19,227,194	66,456	19,293,650
Profit for the period	-	-	1,572,078	-	-	1,572,078	(30,861)	1,541,217
Other comprehensive income	-	-	-	-	(219,760)	(219,760)	(80)	(219,841)
Total comprehensive income for the period	-	-	1,572,078	-	(219,760)	1,352,317	(30,941)	1,321,376
Dividends of surplus	-	-	(97,346)	-	-	(97,346)	(1,577)	(98,924)
Capital transaction with owners of non-controlling interests	-	(9,412)	-	-	-	(9,412)	(2,027)	(11,440)
Increase due to business combinations	-	-	-	-	-	-	28,000	28,000
Total transactions with owners	-	(9,412)	(97,346)	-	-	(106,759)	24,395	(82,364)
Balance as of March 31, 2018	3,999,578	4,326,818	13,107,328	(8,694)	(952,278)	20,472,752	59,910	20,532,662

For the Six-month Period Ended March 31, 2019 (October 1, 2018 to March 31, 2019)

(Thousands of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Balance as of October 1, 2018	3,999,578	4,256,942	14,394,920	(8,694)	(761,446)	21,881,301	115,025	21,996,326
Profit for the period	-	-	945,357	-	-	945,357	(27,354)	918,002
Other comprehensive income	-	-	-	-	(919,705)	(919,705)	(34)	(919,739)
Total comprehensive income for the period	-	-	945,357	-	(919,705)	25,652	(27,389)	(1,736)
New stock issues	5,716,784	5,687,694	-	-	-	11,404,479	-	11,404,479
Dividends of surplus	-	-	(714,666)	-	-	(714,666)	(507)	(715,173)
Purchase of treasury stock	-	-	-	(97)	-	(97)	-	(97)
Capital transaction with owners of non-controlling interests	-	3,154	-	-	-	3,154	(5,045)	(1,891)
Changes from exclusion from consolidation	-	-	125	-	-	125	(125)	-
Total transactions with owners	5,716,784	5,690,849	(714,541)	(97)	-	10,692,995	(5,678)	10,687,317
Balance as of March 31, 2019	9,716,363	9,947,792	14,625,736	(8,791)	(1,681,151)	32,599,948	81,957	32,681,906

**(4) Condensed Consolidated Statements of Cash Flows**

(Thousands of yen)

	Six-month period ended March 31, 2018	Six-month period ended March 31, 2019
<b>Cash flow from operating activities</b>		
Profit for the period before tax	2,426,062	1,512,195
Depreciation and amortization	552,833	604,587
Impairment loss	-	298,071
Financial revenue	(87)	(3,143)
Financial expenses	10,575	22,126
Decrease (increase) in accounts receivable-trade and other current receivables	(913,064)	(880,548)
Increase (decrease) in accounts payable-trade and other current payables	25,462	904,730
Others	(348,640)	(892,473)
Subtotal	1,753,140	1,565,546
Interest and dividends received	87	561
Interest paid	(9,447)	(9,727)
Income taxes paid	(273,395)	(1,317,198)
Net cash from operating activities	1,470,384	239,182
<b>Cash flow from investing activities</b>		
Purchase of available-for-sale financial assets	(404,866)	-
Cash used for acquisition of instrument assets	-	(40,000)
Purchase of property, plant and equipment	(85,861)	(107,746)
Proceeds from sale of property, plant and equipment	-	957
Purchase of intangible assets	(175,872)	(174,087)
Cash used for acquisition of subsidiaries	-	(516,237)
Proceeds from sales of investments in subsidiaries	-	473,216
Cash used for acquisition of the shares of an affiliate company	(317,918)	(70,000)
Acquisition of shares of associates	135,000	-
Payments of loans receivable	(30,000)	(586,000)
Collection of loans receivable	-	253,000
Others	(42,212)	(85,960)
Net cash from investing activities	(921,731)	(852,858)
<b>Cash flow from financing activities</b>		
Proceeds from loans payable	-	3,500,000
Repayment of loans payable	(499,995)	(200,000)
Dividends paid	(97,342)	(714,016)
Repayment of lease obligations	(1,609)	(1,991)
Dividends paid to non-controlling interests	(1,577)	(507)
Proceeds from non-controlling interests for additional shares	(11,438)	(1,891)
Proceeds from share issuance to non-controlling interest	28,000	-
Proceeds from issuance of bonds	3,000	-
Purchase of treasury shares	-	(97)
Others	-	(42,074)
Net cash from financing activities	(580,963)	2,539,422
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(30,830)	(168,112)
<b>Net increase (decrease) in cash and cash equivalents</b>	(63,140)	1,757,632
<b>Cash and cash equivalents at beginning of period</b>	5,509,642	7,571,312
<b>Cash and cash equivalents at end of period</b>	5,446,501	9,328,945

## (5) Notes to the Condensed Consolidated Financial Statements

### 1. Note Regarding Going Concern Assumption

Not applicable.

### 2. Significant Accounting Policies

The LIFULL Group has applied the same accounting policies for the quarter under review as those applied in the consolidated financial statements for the fiscal year ended September 30, 2018 except as set out below in the section “Changes in accounting policies.”

(Changes in accounting policies)

The Group has adopted the IFRS standards and interpretation guidelines from the first quarter period under review, as described below:

Standard	Category	Date of initial application (Start of reporting period with application)	The Group is to implement application beginning from	Additions/Revisions
IFRS 9	Financial instruments	January 1, 2018	Fiscal year ending September 30, 2019	Classification and measurement of financial instruments, impairment, hedge accounting treatment and disclosure requirements
IFRS 15	Revenue from contracts with customers	January 1, 2018	Fiscal year ending September 30, 2019	Accounting treatment and disclosure requirements related to revenue recognition

The Group has adopted a retrospective method for those contracts that remained incomplete as of the date of initial application (October 1, 2018) in accordance with the transitional arrangements regarding IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The Group has made adjustments by recognizing the cumulative effect as an adjustment to the beginning balance of retained earnings (or other components of equity) as of the date of initial application. Accordingly, no adjustment or restatement has been made to the condensed quarterly consolidated financial statements for the first quarter of the prior consolidated period or the condensed quarterly consolidated statement of financial position as of the end of the prior consolidated fiscal year.

The main effects of the application of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the condensed quarterly consolidated financial statements for first quarter of this consolidated period or the condensed quarterly consolidated statement of financial position as of the end of this consolidated fiscal year are as follows

#### (1) Application of IFRS 9 Financial Instruments

##### [1] Financial Instruments

The Company recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Company measures a financial asset or a financial liability at its fair value. Except for those financial assets or liabilities measured at fair value through profit or loss (hereinafter “FVTPL Financial Assets” or “FVTPL Financial Liabilities”), the Company measures a financial asset or a financial liability at its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability at initial recognition.

The Company recognizes transaction costs that are directly attributable to the acquisition of FVTPL Financial Assets or FVTPL Financial Liabilities through profit or loss.

##### [2] Non-derivative Financial Assets

Non-derivative financial assets have been classified into Financial Assets Measured at Amortized Cost, Debt Instrument Assets Measured at Fair Value through Other Comprehensive Income (hereinafter “FVTOCI Debt

Instrument Assets”), Equity Instrument Assets Measured at Fair Value through Other Comprehensive Income (hereinafter “FVTOCI Equity Instrument Assets”), and FVTPL Financial Assets. The classification is determined at initial recognition in terms of the nature or purpose of the asset.

A regular way purchase or sale of financial assets is recognized and derecognized using trade date accounting. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require the delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

(i) Financial Assets Measured at Amortized Cost

A financial asset is classified under Financial Assets Measured at Amortized Cost if both of the following conditions are met:

- (a) The asset is held within a business model for which the objective is to hold assets in order to collect contractual cash flows.
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to the initial recognition, financial assets at amortized cost are measured in terms of the amount net of impairment loss using an effective interest method when necessary. Interest income is recognized using an effective interest method in profit or loss.

(ii) FVTOCI Debt Instrument Assets

A financial asset is classified under FVTOCI Debt Instrument Assets if both of the following conditions are met:

- (a) The asset is held within a business model for which the objective is to hold assets in order to collect contractual cash flows and sell financial assets.
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to the initial recognition, FVTOCI Debt Instrument Assets are measured at fair value, and valuation gains or losses arising from fair value changes are recognized in other comprehensive income. Cumulative fair value gains or losses recognized in other comprehensive income are reclassified to profit or loss on derecognition. Foreign exchange gains or losses arising from monetary assets classified in FVTOCI Debt Instrument Assets as well as interest income calculated using the effective interest method in relation to FVTOCI Debt Instrument Assets are recognized in profit or loss.

(iii) FVTOCI Equity Instrument Assets

Equity instrument assets are classified into FVTOCI Equity Instrument Assets when the Company makes an irrevocable election at initial recognition to measure fair value changes in other comprehensive income, not in profit or loss. Subsequent to the initial recognition, FVTOCI Equity Instrument Assets are measured at fair value, and valuation gains or losses arising from fair value changes are recognized in other comprehensive income.

When a financial instrument is derecognized or its fair value is significantly below the acquisition cost or it remains so over a long period of time, cumulative gains or losses recognized through the other comprehensive income are reclassified directly into retained earnings. Dividend income relating to FVTOCI Equity Instrument Assets has been recognized in profit or loss.

(iv) FVTPL Financial Assets

A financial asset is classified under FVTPL Financial Assets if any of the following conditions are applicable:

- (a) Financial assets held for purposes of sale
- (b) Financial assets not classified under Financial Assets Measured at Amortized Cost, FVTOCI Debt Instrument Assets, FVTOCI Equity Instrument Assets.

Financial assets classified as held for purpose of sale are financial assets that were primarily purchased for sale in the short-term, other than derivative financial assets. No financial assets are designated as fair value through profit

or loss in order to eliminate or greatly reduce mismatches in accounting.

Subsequent to the initial recognition, FVTPL Financial Assets are measured at fair value, and valuation gains or losses arising from fair value changes, dividend income, and interest have been recognized in profit or loss.

(v) Impairment of Financial Assets

The Group makes doubtful debt provisions relating to those financial assets measured at amortized cost or FVTOCI Debt Instrument Assets in the amount of expected credit loss. The Group undertakes an assessment to determine whether there has been a significant increase in the credit risk since initial recognition with a certain financial asset at the end of each fiscal period. If no significant increase is confirmed in the credit risk associated with the asset, the Group makes doubtful debt provisions in the amount of a 12-month expected credit loss. Given that there has been a significant increase in credit risk with the Group's financial assets since initial recognition, the Group usually makes a doubtful debt allowance for its trade receivables in the amount equal to the expected credit loss for the entire fiscal period. However, for trade receivable, doubtful debt provisions are measured in the amount of expected credit loss for the entire fiscal period.

The expected credit loss is estimated using a method that reflects the following points:

- (a) Unbiased and probability-weighted amount to be derived by evaluating a range of possible outcomes
- (b) Time value of money
- (c) Reasonable and supportable information that is available without undue cost or effort on the reporting date about past events, current conditions and forecasts of future economic conditions.

Based on the assessment, the Group recognizes an additional amount of doubtful debt allowance or its reversal amount in profit or loss when a certain event occurs to reduce the allowance amount in later periods.

The Group has a policy of reducing the gross carrying amount of a financial asset when it has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof.

(vi) Derecognition of financial assets

The Group derecognizes a financial asset in such cases where the contractual rights to the cash flows from the financial asset expire, the Group transfers the financial asset to another party, or the Group transfers the risks and rewards of ownership of that asset to another party.

[3] Non-derivative Financial Liabilities

Non-derivative financial liabilities are classified into FVTPL Financial Liabilities or Financial Liabilities Measured at Amortized Cost at initial recognition.

Upon initial recognition, FVTPL Financial Liabilities are measured at fair value, and valuation gains or losses arising from changes in the fair value as well as interest expense are recognized in profit or loss.

Upon initial recognition, financial liabilities at amortized cost are calculated using the effective interest method.

The Group derecognizes a financial liability when the relevant obligation has been performed, discharged, cancelled, or has expired.

[4] Derivative Financial Assets and Liabilities

Derivatives are initially measured at fair value as of the date of the trade agreement. Upon initial recognition, the Group updates the values of the derivative instruments using the fair value at the end of each quarter period. Any change in the amount of fair value for the derivative instrument shall be recognized immediately in profit or loss.

Derivative financial assets and liabilities have been classified into FVTPL Financial Assets and FVTPL Financial Liabilities, respectively.

[5] Offsetting Financial Assets and Financial Liabilities

The Group offsets recognized financial assets and recognized financial liabilities only when they have a legally enforceable right of set-off and intends either to settle the asset and the liability on a net basis or to realize the asset and settle the liability simultaneously. With the set-off arrangements, the net effect is presented on the consolidated statement of financial position.

Initial measurement under IAS 39 and new measurement under IFRS 9 are summarized below. Changes in the classification categories for financial assets held as of the effective date of IFRS 9 have no impact on book values. No changes have been made to the classification or measurement of the financial liabilities.

(Thousands of yen)

	Measured Categories		Book Value	
	Previous Standard (IAS 39)	Current Standard (IFRS 9)	Previous Standard (IAS 39)	Current Standard (IFRS 9)
Financial Asset				
Accounts Receivable and Other Short-Term Credit	Loans and Receivables	Amortized Cost	4,577,193	4,577,193
Other Short-Term Financial Assets	Loans and Receivables	Amortized Cost	230,000	230,000
Other Long-Term Financial Assets	Available-for-sale Financial Assets	FVTOCI (Equity)	512,907	512,907
	Loans and Receivables	Amortized Cost	780,801	780,801

The application of the IFRS standard has a minimal impact on the Group's financial position and business results.

(2) Application of IFRS 15 Revenue from Contracts with Customers

With the application of IFRS 15, the Group recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, using an approach based on the following five-step model.

Step 1 – Identify the contract(s) with a customer

Step 2 – Identify the performance obligations in the contract

Step 3 – Determine the transaction price

Step 4 – Allocate the transaction price to the performance obligations in the contract

Step 5 – Recognize revenue when (or as) the entity satisfies a performance obligation

The Group's primary revenue recognition criteria by segment are summarized below. Revenues are recognized in the amount of considerations promised with customers by the relevant contracts, net of discounts.

[1] HOME'S business and advertising sales

The Group provides real estate information services on LIFULL HOME'S, a proprietary website, including an advertising platform for real estate, banner advertisements, and business support tools for partner realtors to communicate with platform users via email and a telephone. In addition, the Group provides business consulting services regarding internet marketing, system development, promotion, and design for real estate and real estate-related companies. Revenues are recognized individually in accordance with the period of the platform service used and the advertising period for those services obligated to provide a platform or advertisements continuously for a certain period of time. Revenue related to remitting users to clients through inquiries is recognized at the time users contact clients via telephone or e-mail with inquiries. In addition, revenue related to products produced by the Group, such as web design, is recognized at the time that these products are handed over to the client.

[2] Overseas Business

The Overseas Business utilizes aggregation sites to provide an information matching service for real estate, used vehicles, job listings, and retail items to connect users around the world with content partners. The main sources of revenue are search-related advertisements and listings. In search advertising, users are remitted to clients' websites upon clicking advertisements. Therefore, revenue is recognized at the time when users click advertisements. Advertisements are posted on the websites for a set period of time. Revenue is recognized when clients continue to use the service for a pre-determined length of time.

[3] Other Businesses

The Group also provides other services such as the matching site for elderly care facilities "LIFULL Kaigo"; insurance agency search and reservation site "LIFULL Hoken Sodan"; liability insurance agent and moving company search and reservation site "LIFULL Hikkoshi"; rental storage space information search site "LIFULL Trunk Room"; interior design EC site "LIFULL Interior". These services provide platforms for listing information for a certain period of time. Revenue is recognized when clients continuing to use the service for the pre-determined length of time.

The Group adopts an approach of recognizing the cumulative effect on the day when the new standard is applied by introducing retroactive recognition in accordance with the transitional arrangements. The cumulative effect has no materiality as of the date of the standard application.



### 3. Business Consolidation

(Business combination by acquisition)

Based on the Scheme of Arrangement established between LIFULL Co., Ltd. according to the laws of Australia and the Mitula Group signed on May 9, 2018 and the Scheme Implementation Deed to make Mitula a fully owned subsidiary, LIFULL Co., Ltd. has as of January 8, 2019 acquired all shares of Mitula and made it a subsidiary.

#### (1) Outline of the business combination

##### i) Name of the acquired company and its businesses

Name of the acquired company: Mitula Group Limited

Business domain: Operating aggregation and portal websites (Real estate, jobs, used vehicles, fashion)

##### ii) Date of acquisition

January 8, 2019

##### iii) Percentage of voting rights to be acquired

100%

##### iv) Method for obtaining control of acquired company

Acquisition of the shares in consideration for regular shares of LIFULL and cash

##### v) Primary reason for the business combination

Since the subsidiary of the Group, Trovit Search S. L. (hereinafter, "Trovit") operates a similar aggregation site, it was decided that significant value could be added to the Group by incorporating the corporate resources of Mitula, such as their technology and knowhow, to Trovit, so the decision was made to acquire Mitula.

#### (2) Cost of the acquisition of the acquired company

(Thousands of yen)

Items	Amount
Cash and cash equivalents	2,352,435
Regular shares transferred on the day of acquisition (Note)	11,433,569
Total cost of acquisition	13,786,004

(Note) LIFULL Co., Ltd. has issued 15,450,770 regular shares. Furthermore, the stock price at closing was evaluated at 740 yen.

#### (3) Cost relating to acquisition

As the cost relating to the business combination of the company, selling and general administrative expenses of 720,597,000 yen were recorded. 166,274,000 yen, which was generated in the previous consolidated fiscal year, was expensed in the previous consolidated fiscal year.

(4) Recognized amount of acquired assets and liabilities succeeded on the day of the business combination

(Thousands of yen)

Consideration for acquisition Common shares and cash of the Company	13,786,004
Assets acquired and liabilities assumed	
Cash and cash equivalents	1,836,197
Accounts receivable-trade and other current receivables	723,768
Property, plant and equipment	67,858
Intangible assets	2,866,485
Other assets	29,625
Accounts payable and other current payables	(496,737)
Other liabilities	(340,267)
Total	4,686,929
Goodwill	9,099,075

(Note) 1. Goodwill mainly includes existing businesses that are expected to be generated from the acquisition, synergies, and excess earnings strength, each of which does not meet the requirements for recognition.

2. At the end of the 2nd quarter of the consolidated fiscal year, the calculation of assets recognized on the day of the business combination on the basis of fair value has not been completed, and the distribution of the acquisition cost has not been completed. Accordingly, goodwill is calculated based on the rational information available tentatively at the end of the 2nd quarter of the consolidated fiscal year.

3. For goodwill, no deductible expenses for tax purposes are included.

(5) Cash flow for business combination

(Thousands of yen)

	Amount
Consideration for acquisition by cash	(2,352,435)
Remaining value of cash and cash equivalent acquired through business combination	1,836,197
Cash use for acquisition of subsidiaries	(516,237)

(6) Impact on performance

The Condensed Consolidated Statements of Profit or Loss and Condensed Consolidated Statements of Comprehensive Income for the six-month period ended March 31, 2019 include Revenue and Profit for the Period generated by Mitula since the date of acquisition totalling 1,218,806,000 yen and 189,239,000 yen.

In addition, assuming that the merger had been carried out at the beginning of the period, the Revenue and Profit for the Period have been estimated at 20,670,388,000 yen and 920,908,000 yen over the consolidated six-month period.

#### 4. Subsequent event

The Company approved the acquisition of all the shares of RESEM Corporation Limited at the board of directors' meeting held on April 17, 2019 and concluded a share transfer agreement.

(1) Overview of acquired company

Company name	RESEM Corporation
Business content	Real estate information business
Capital	USD 6,191,000

(2) Main reason for business combination

The Company set “Reform and Revitalization of the real estate market in Japan” and “Development of global platform” as the pillars of its medium/long-term strategy and has focused on global business development overseas: creating subsidiaries including Trovit Search S.L., an operator of a real estate, housing, job recruitment, and used car information aggregation website in Spain in November 2014 and Mitula Group Limited, an operator of a real estate, housing, job recruitment, used car, and fashion information aggregation website in January 2019. The Company plans to continue expanding its overseas business, including this acquisition of R Corporation.

(3) Date of business combination:

May 2019

(4) Legal form of business combination:

Acquisition of shares by cash

(5) Cost of acquisition:

1,159,002,000 yen

(6) Amount of goodwill generated, reason, and amount of assets and liabilities received on the day of acquisition combination:

Not yet determined