*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 Fiscal Year Ended September 30, 2019 (IFRS)

November 13, 2019

| | | | |
|---|---|---|---|
| Company name: | LIFULL Co., Ltd. | Listed exchange: | Tokyo Stock Exchange |
| Stock code: | 2120 | URL: | https://lifull.com/en/ |
| Representative: | (Position) President and CEO | (Name) Takashi Inoue | |
| Contact: | (Position) Managing Officer, General Manager of Group Company Business Development Department | (Name) Hidekazu Fukuzawa | (TEL) +81-3-6774-1603 |

Ordinary General Shareholders Meeting (scheduled): December 19, 2019
Commencement of dividend payments (scheduled): December 20, 2019
Filing annual securities report (scheduled): December 20, 2019
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 Fiscal 2019 (October 1, 2018 to September 30, 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | million yen | % | million yen | % | million yen | % | million yen | % | million yen | % | million yen | % |
| **Fiscal 2019** | 39,297 | 13.7 | 4,110 | (4.7) | 3,552 | (14.5) | 2,313 | (17.4) | 2,359 | (17.5) | (87) | - |
| Fiscal 2018 | 34,564 | - | 4,315 | - | 4,156 | - | 2,799 | - | 2,859 | - | 2,771 | - |

| | Basic earnings per share | Diluted net income per share | Return on equity | Return on assets | Operating income ratio |
|---|---|---|---|---|---|
| | yen | yen | % | % | % |
| **Fiscal 2019** | 18.15 | - | 8.7 | 9.8 | 10.5 |
| Fiscal 2018 | 24.09 | - | 13.9 | 15.0 | 12.5 |

(Reference) Equity in Income from Investments in Affiliates    Fiscal 2019: (528) million yen    Fiscal 2018: (164) million yen
EBITDA (operating income before depreciation and amortization)    Fiscal 2019: 5,360 million yen    Fiscal 2018: 5,382 million yen

### (2) Consolidated Financial Position

| | Total assets | Total equity | Equity attributable to the owners of the parent | Equity attributable to the owners of the parent ratio | Equity attributable to owners of the parent per share |
|---|---|---|---|---|---|
| | million yen | million yen | million yen | % | yen |
| **As of September 30, 2019** | 43,483 | 32,583 | 32,507 | 74.8 | 242.30 |
| September 30, 2018 | 29,181 | 21,996 | 21,881 | 75.0 | 184.32 |

### (3) Consolidated Cash Flows

| | Cash flow from operating activities | Cash flow from investing activities | Cash flow from financing activities | Cash and cash equivalents |
|---|---|---|---|---|
| | million yen | million yen | million yen | million yen |
| **Fiscal 2019** | 2,166 | (2,836) | 2,782 | 9,239 |
| Fiscal 2018 | 4,671 | (1,533) | (1,072) | 7,571 |

## 2. Dividends

| | Annual dividend | | | | | Total dividends | Payout ratio (consolidated) | Dividend on equity ratio (consolidated) |
|---|---|---|---|---|---|---|---|---|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total | | | |
| | yen | yen | yen | yen | yen | million yen | % | % |
| Fiscal 2018 | - | 0.00 | - | 6.02 | 6.02 | 714 | 25.0 | 3.5 |
| **Fiscal 2019** | - | 0.00 | - | 4.40 | 4.40 | 590 | 24.2 | 2.1 |
| **Fiscal 2020 (forecast)** | - | - | - | - | - | | - | |

Note 1: Cash dividends per share have been calculated at a payout ratio of 25% and rounded up at the third decimal point.
Note 2: Dividends per share are calculated according to the total number of issued shares at the end of the financial period.
Note 2: Dividend forecast for the fiscal year ending September 30, 2020 will be calculated based on a payout ratio of 25%.

## 3. Forecasts on the Consolidated Results for the Fiscal 2020 (October 1, 2019 to September 30, 2020)

(Percentages indicate year-on-year change)

| | Revenue | | Operating income | | Profit attributable to owners of the parent | | Basic earnings per share |
|---|---|---|---|---|---|---|---|
| | million yen | (%) | million yen | (%) | million yen | (%) | yen |
| **Fiscal 2020** | 45,193 | 15.0 | 6,519 | 58.6 | 4,153 | 76.0 | 30.96 |

Note 1: EBITDA    Fiscal 2020 (forecast): ¥8,121 million

## * 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

(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

(3) Number of shares issued (common stock)

| | | | | |
|---|---|---|---|---|
| [1] Number of shares issued at the end of the period (including treasury stock) | As of September 30, 2019 | 134,239,870 | As of September 30, 2018 | 118,789,100 |
| [2] Treasury shares at the end of the period | As of September 30, 2019 | 74,441 | As of September 30, 2018 | 73,736 |
| [3] Average shares during the period | Fiscal 2019 | 129,975,031 | Fiscal 2018 | 118,715,364 |

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

## * Regarding appropriate use of result forecasts and other notes

- Result forecasts and other statements about the future found in this document are based on information available to the Company at the time and on assumptions deemed reasonable. Actual results and outcomes may vary significantly due to various factors. For more information on the terms related to the assumptions used for result forecasts and notes on the use of result forecasts and other information, please refer to page 6 "(4) Outlook" of the supplemental documentation.
- November 14, 2019 (Thursday): 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 (https://LIFULL.com/en/ir/) for more details.

(Appendix)

## Contents

## 1. Overview of Operating Results

### (1) Overview of Operating Results for the Fiscal Year Ended September 30, 2019

During the fiscal year under review, the economic environment in Japan has continued to show signs of recovery with improvement in employment and personal income backed by strong corporate revenue.

In the real estate and construction industries, the Tokyo Olympics and Paralympics has continued to keep prices high due to a labor shortage which has caused an increase in the labor costs and the price of major construction materials. This has resulted in a 4.4% increase year on year in the average price of a new condominium unit in the Grater Tokyo Area with the average price currently at ¥60.31 million. While the number of new condominium units sold decreased 7.5% on the previous year (study conducted by the Real Estate Economic Institute Co., Ltd.), fewer new constructions started in the last year were sold as rental properties due to a stricter stance on financing from financial institutions, but more new condominiums and houses have been sold for personal use. In addition, total unit sales of resale condominium units have reached a new high of 38,661 units (an increase of 4.7% over the previous year), and a study conducted by the Real Estate Information Network for East Japan stated that resale units are predicted to continue to attract attention in the future.

Looking at the advertising marketing in Japan (2018), total advertising in newspapers, magazines, radio, and television decreased 3.3%, and advertising for the real estate and residential sectors was down 6.6%. However, the Internet advertising industry, the primary service for the Group, has shown two-digit growth every year for the last 5 years and increased 16.5% to approximately ¥1.8 trillion (according to the Dentsu Inc. "2018 Advertising Expenditures in Japan").

In this business environment, the LIFULL Group has continuously focused on its priorities from the previous fiscal year: Strengthen the LIFULL HOME'S Services segment, grow the Overseas segment, and develop and generate profits from new businesses.

As for the HOME'S Services, the Group's core business, the Group has been proactively conducting promotional activities and holding campaigns to raise brand awareness of LIFULL HOME'S and optimizing online marketing efforts to attract more users.

In the Overseas Business, the Group has been working to enhance its ability to attract more customers to grow the business of its major subsidiary, Trovit Search, S.L.U. (Trovit). In addition, to gain a more competitive edge internationally, the Group acquired Mitula Group Limited (Mitula) as a subsidiary in January.

As a result, the LIFULL Group's consolidated financial results for the fiscal year ended September 30, 2019 were as follows: Revenue was ¥39,297,010 thousand (+13.7% year on year); EBITDA was ¥5,360,726 thousand (-0.4% year on year); profit before income taxes was ¥3,352,404 thousand (-14.5% year on year); net profit was ¥2,313,355 thousand (-17.4% year on year); net profit attributable to owners of the parent was ¥2,359,603 thousand (-17.5% year on year).

The LIFULL Group focuses on EBITDA as an important economic indicator to measure its cash generating ability. This is reflected in the Group's voluntary adoption of the International Financial Reporting Standards (IFRS), the growing impact of overseas subsidiaries on consolidated revenue, and need for comparison of earnings with overseas peers.

Revenue (loss) by segment was as follows:

(Thousands of yen; percentages indicate year-on-year change)

| Segment | Revenue | | Segment profit and loss | |
|---|---|---|---|---|
| | Amount | Change % | Amount | Change % |
| (1) LIFULL HOME'S Services Business | 29,708,768 | +3.8 | 3,311,615 | (14.3) |
| (2) Overseas Business | 7,799,337 | +97.2 | 951,200 | +94.1 |
| (3) Other Businesses | 1,994,909 | (5.6) | (340,858) | Note 2 |

Note1: Intersegment transactions have not been eliminated.
Note2: Segment loss in the previous term was ¥186,330 thousand.

### a. LIFULL HOME'S Services Business

In the LIFULL HOME'S Services segment, the Group's core business, the Group provides services for both users and realtors in order to create a world where LIFULL HOME'S is an indispensable service.

Apart from striving to increasing the average revenue per agent (ARPA) and making the LIFULL HOME'S website a more user-oriented service by further increasing the coverage and visualization of information, improving accuracy of information, and making the site more user-friendly, the Group is also working to increase the value it provides to real estate companies (clients).

In addition to increased investments in advertising and promotional activities to improve recognition of the LIFULL HOME'S brand, during the fiscal year ended September 30, 2019, the Group has undertaken online marketing initiatives as well as created new online content to support home-seekers to increase the media presence of LIFULL HOME'S.

As a result, segment revenue increased by 3.8% year on year to ¥29,708,768 thousand and segment profit decreased by (-14.3%) year on year to ¥3,311,615 thousand.

### b. Overseas Business

The Overseas Business segment primarily consists of the aggregation websites for real estate, used automobiles, and job listings, Trovit and Mitula.

Trovit has been focusing on further improvement of SEO and expanding its sales initiatives. In January, the Group acquired the global competitor of Trovit, Mitula, as a subsidiary. In combining the services, technology, knowhow and management resources of Trovit and Mitula, the Group aims to construct an optimal organizational framework to increase its global competitiveness.

As a result, segment revenue increased by 97.2% year on year to ¥7,799,337 thousand and segment profit increased by 94.1% year on year to ¥951,200 thousand.

### c. Other Businesses

The Other Businesses segment comprises LIFULL Kaigo (nursing care), a search website for nursing facilities for the elderly; LIFULL Hikkoshi (moving house), a website devoted to providing estimates and online reservations for moving companies; and LIFULL Trunk Room (storage), a search website for rental storage facilities.

During the fiscal year ended September 30, 2019, investments increased for the Regional Revitalization Business which operates the LIFULL HOME'S Akiya Bank.

Segment revenue decreased by (-5.6%) year on year to ¥1,994,909 thousand with a loss of ¥340,858 thousand (¥154,528 thousand down from the loss of ¥186,330 thousand in the previous fiscal year.)

For further details on financial results, including the following items, please refer to LIFULL'S IR website, specifically the "Earnings Presentation for the Fiscal Year Ended September 30, 2019", which was announced on November 13, 2019.

URL: https://lifull.com/en/ir/ir-data/

<Major items in the earnings presentation materials>

| | |
|---|---|
| Condensed statements of profit and loss: | Condensed statements of profit and loss (IFRS) |
| Sales by segment: | Sales by segment (IFRS) |
| Progress against financial result forecasts: | Condensed statements of profit and loss and sales by segment |
| Business strategies: | Main activities by segment |
| Quarterly data: | Condensed statements of profit and loss and segment income and loss |
| Collection of external statistical data: | Number of condominiums for sale, condominium sales prices, number of new housing starts, number of people moving between prefectures, and population |

## (2) Overview of Financial Position for the Fiscal Year Ended September 30, 2019 Analysis of financial position

**(Current assets)**

Current assets stood at ¥16,154,769 thousand as of September 30, 2019, an increase of ¥3,254,543 thousand from September 30, 2018. The main contributing factors were an increase of ¥1,667,714 thousand in cash and cash equivalents, an increase of ¥917,187 thousand in accounts receivable-trade and other current receivables, an increase of ¥51,916 thousand in other short-term financial assets, and an increase of ¥617,724 thousand in other short-term financial assets.

**(Non-current assets)**

Non-current assets stood at ¥27,329,212 thousand as of September 30, 2018, an increase of ¥11,047,473 thousand from the fiscal year-end. The main components of this change were an increase of ¥10,438,027 thousand in goodwill; a decrease of ¥129,504 thousand in intangible assets; an increase of ¥549,700 thousand in other long-term financial assets; an increase of ¥398,819 thousand in deferred tax assets; and a decrease of ¥113,936 thousand in investments accounted for using the equity method, etc.

As a result, total assets were ¥43,483,982 thousand as of September 30, 2019, an increase of ¥14,302,016 thousand from the previous fiscal year-end.

**(Current liabilities)**

Current liabilities stood at ¥9,485,780 thousand as of September 30, 2019, an increase of ¥3,304,386 thousand from the previous fiscal year-end. The main reasons for this change were an increase of ¥838,629 thousand in accounts payable and other current payables, an increase of ¥3,300,000 thousand in short-term loans, a decrease of ¥669,059 thousand in accrued corporate income taxes, and a decrease of ¥166,178 thousand in other current liabilities.

**(Non-current liabilities)**

Non-current liabilities stood at ¥1,414,587 thousand as of September 30, 2019, an increase of ¥410,342 thousand from the previous year-end.

As a result, total liabilities were ¥10,900,368 thousand, an increase of ¥3,714,729 thousand from the end of the previous fiscal year.

**(Equity)**
Total equity stood at ¥32,583,614 thousand, an increase of ¥10,587,287 thousand from the previous fiscal year-end. The main components were an increase of ¥5,716,784 in capital and ¥5,687,694 thousand in capital surplus from the issuance of ordinary shares, an increase of ¥2,359,603 thousand in retained earnings due to the recording of profit attributable to owners of the parent, a decrease of ¥714,666 thousand in earned surplus from payment of dividends, and a decrease of ¥2,400,180 thousand in other components of equity.

## (3) Overview of Cash Flows for the Fiscal Year Ended September 30, 2019

In the fiscal year ended September 30, 2019, cash and cash-equivalents (hereinafter, "cash") amounted to ¥9,239,027 thousand.

**(Cash flows from operating activities)**
Net cash inflow from operating activities amounted to ¥2,166,115 thousand, a decrease of ¥2,505,336 thousand compared to the net cash inflow of ¥4,671,452 thousand during the previous consolidated fiscal period (hereinafter "previous year"). The main components were a decrease of ¥3,552,404 thousand in profit for the period before taxes, a decrease of ¥604,106 thousand from the previous year; an increase of ¥1,952,053 thousand in income taxes paid from the previous year to ¥2,393,288 thousand; an impairment loss of ¥343,112 thousand; and an increase of ¥182,137 thousand in depreciation and amortization to ¥1,274,016 thousand.

**(Cash flows from investing activities)**
Net cash outflow from investing activities amounted to ¥2,836,909 thousand, a decrease of ¥1,303,270 thousand compared to the net cash outflow of ¥1,533,639 thousand in the previous year. The main components were an increase of ¥1,013,492 thousand in payments of loans receivable to ¥1,273,492 thousand from the previous year; an increase of ¥737,540 in collection of loans receivable to ¥767,540 thousand from the previous year; a decrease of ¥296,283 thousand for the purchase of shares of associates to ¥421,501 thousand from the previous year; expenses for the purchase of shares for the acquisition of Mitula Group Limited and RESEM Corporation Limited during the fiscal year under review amounted to ¥1,645,463 thousand; proceeds from the sale of shares of the former subsidiary, LHL Co., Ltd., amounted to ¥473,216 thousand; and proceeds from the sale of the shares of the affiliate, FLYMEe Inc., amounted to ¥135,000 thousand.

**(Cash flows from financing activities)**
Net cash inflow from financing activities amounted to ¥2,782,803 thousand, an increase of ¥3,855,346 thousand compared to the net cash outflow of ¥1,072,543 thousand in the previous year. The main components were ¥3,858,300 thousand in proceeds from loans payable; ¥300,000 thousand for the repayment of short-term loans; ¥1,000,017 for the repayment of long-term loans from the previous year; and ¥714,016 thousand in dividends paid, an increase of ¥615,933 thousand from the previous year.

## (4) Outlook

Outlook for the Fiscal Year Ending September 30, 2019

(Millions of yen)

| | | Fiscal year ended September 30, 2019 | Forecast for the year ending September 30, 2020 | Change | Rate of change (%) |
|---|---|---|---|---|---|
| Revenue | | 39,297 | 45,037 | +5,740 | +14.6 |
| | LIFULL HOME'S Services Business | 29,656 | 33,202 | +3,546 | +12.0 |
| | Overseas Business | 7,680 | 9,069 | +1,389 | +18.1 |
| | Other Businesses | 1,960 | 2,920 | +960 | +49.0 |
| EBITDA | | 5,360 | 8,121 | +2,761 | +51.5 |
| Profit attributable to owners of the parent for the year | | 2,359 | 4,153 | +1,794 | +76.0 |

Note: Intersegment transactions have been eliminated.

For further details on forecasts of financial results including forecast of main SG&A expense items, please refer to the LIFULL IR website for the "Earnings Presentation for the Fiscal Year Ended September 30, 2019", announced on November 13, 2019.
URL：https://lifull.com/en/ir/ir-data/

The above forecasts of financial results are based on information currently available to the Company and assumptions about uncertainties that could impact financial results in the future. Actual results could differ from the above forecasts due to a variety of factors.

# 2. Basic Approach to the Selection of an Accounting Standard

In order to improve the international comparability and convenience of financial information in the capital markets, the LIFULL Group has applied International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ended March 31, 2016.

## 3. Consolidated Financial Statements and Significant Notes

### (1) Consolidated Statements of Financial Position

(Thousands of yen)

| | As of September 30, 2018 | As of September 30, 2019 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | 7,571,312 | 9,239,027 |
| Accounts receivable-trade and other current receivables | 4,577,193 | 5,494,381 |
| Other short-term financial assets | 230,000 | 281,916 |
| Other current assets | 521,720 | 1,139,444 |
| Total current assets | 12,900,226 | 16,154,769 |
| **Non-current assets** | | |
| Property, plant and equipment | 1,810,709 | 1,706,743 |
| Goodwill | 9,806,312 | 20,244,340 |
| Intangible assets | 2,018,313 | 1,888,809 |
| Investments accounted for using the equity method | 785,146 | 671,210 |
| Other long-term financial assets | 1,293,708 | 1,843,408 |
| Deferred tax assets | 563,833 | 962,652 |
| Other non-current assets | 3,714 | 12,047 |
| Total non-current assets | 16,281,738 | 27,329,212 |
| **Total assets** | 29,181,965 | 43,483,982 |

(Thousands of yen)

| | As of September 30, 2018 | As of September 30, 2019 |
|---|---|---|
| **Liabilities and equity** | | |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and other current payables | 2,791,544 | 3,630,173 |
| Short-term loans | - | 3,300,000 |
| Lease obligations | 4,205 | 5,201 |
| Accrued corporate income taxes | 1,356,368 | 687,308 |
| Other current liabilities | 2,029,275 | 1,863,096 |
| Total current liabilities | 6,181,394 | 9,485,780 |
| **Non-current liabilities** | | |
| Short-term loans | - | 258,300 |
| Lease obligations | 80,600 | 75,398 |
| Provisions | 533,662 | 560,589 |
| Deferred tax liabilities | 364,316 | 505,416 |
| Other non-current liabilities | 25,664 | 14,882 |
| Total non-current liabilities | 1,004,244 | 1,414,587 |
| **Total liabilities** | 7,185,638 | 10,900,368 |
| **Equity** | | |
| **Attributable to the owners of the parent** | | |
| Capital stock | 3,999,578 | 9,716,363 |
| Capital surplus | 4,256,942 | 9,922,432 |
| Retained earnings | 14,394,920 | 16,039,577 |
| Treasury shares | (8,694) | (9,114) |
| Other components of equity | (761,446) | (3,161,626) |
| Attributable to the owners of the parent | 21,881,301 | 32,507,631 |
| Attributable to non-controlling interests | 115,025 | 75,982 |
| **Total equity** | 21,996,326 | 32,583,614 |
| **Total liabilities and equity** | 29,181,965 | 43,483,982 |

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

### Consolidated Statements of Profit or Loss

(Thousands of yen)

| | Fiscal year ended September 30, 2018 (October 1, 2017 to September 30, 2018) | Fiscal year ended September 30, 2019 (October 1, 2018 to September 30, 2019) |
|---|---|---|
| **Revenue** | 34,564,915 | 39,297,010 |
| Cost of revenue | 3,879,270 | 4,559,840 |
| **Gross profit** | 30,685,645 | 34,737,170 |
| Selling, general and administrative expenses | 26,421,772 | 30,787,312 |
| Other income | 257,069 | 745,638 |
| Other expense | 205,567 | 584,579 |
| **Operating income** | 4,315,374 | 4,110,917 |
| Financial revenue | 25,907 | 4,917 |
| Financial expenses | 19,806 | 35,232 |
| Share of profit (loss) of investments accounted for using the equity method | (164,964) | (528,197) |
| **Profit before taxes** | 4,156,511 | 3,552,404 |
| Income tax expenses | 1,356,515 | 1,239,049 |
| **Profit for the period** | 2,799,995 | 2,313,355 |
| | | |
| **Profit for the period attributable to:** | | |
| Owners of the parent | 2,859,671 | 2,359,603 |
| Non-controlling interests | (59,675) | (46,247) |
| Total | 2,799,995 | 2,313,355 |

(yen)

| | | |
|---|---|---|
| **Profit for the period per share attributable to owners of the parent** | | |
| Basic profit for the period per share | 24.09 | 18.15 |
| Diluted profit for the period per share | - | - |

## Consolidated Statements of Comprehensive Income

(Thousands of yen)

| | Fiscal year ended September 30, 2018 (October 1, 2017 to September 30, 2018) | Fiscal year ended September 30, 2019 (October 1, 2018 to September 30, 2019) |
|---|---|---|
| **Profit for the period** | 2,799,995 | 2,313,355 |
| **Other comprehensive income** | | |
| Items that will not be reclassified to profit or loss: | | |
| Equity instruments measured at FVTOCI | - | (15,423) |
| **Total of items that will not be reclassified to profit or loss** | - | (15,423) |
| Items that may be reclassified subsequently to profit or loss: | | |
| Available-for-sale financial assets | 34,062 | - |
| Exchange differences on translation of foreign operations | (61,267) | (2,377,851) |
| Cash flow hedge | (451) | - |
| Share of other comprehensive income of investments accounted for using the equity method | (1,270) | (7,240) |
| **Total of items that may be reclassified subsequently to profit or loss** | (28,927) | (2,385,091) |
| **Other comprehensive income, net of tax** | (28,927) | (2,400,514) |
| **Total comprehensive income for the period** | 2,771,067 | (87,158) |
| | | |
| **Comprehensive income for the period attributable to:** | | |
| Owners of the parent | 2,830,742 | (40,841) |
| Non-controlling interests | (59,674) | (46,317) |
| Total | 2,771,067 | (87,158) |

## (3) Consolidated Statements of Changes in Equity

For the fiscal year ended September 30, 2018 (October 1, 2017 to September 30, 2018)

(Thousands of yen)

| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Other components the of equity | Equity attributable to the 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 | - | - | 2,859,671 | - | - | 2,859,671 | (59,675) | 2,799,995 |
| Other comprehensive income | - | - | - | - | (28,928) | (28,928) | 1 | (28,927) |
| Total comprehensive income for the period | - | - | 2,859,671 | - | (28,928) | 2,830,742 | (59,674) | 2,771,067 |
| Dividends of surplus | - | - | (97,346) | - | - | (97,346) | (1,577) | (98,924) |
| Capital transaction with owners of non-controlling interests | - | (79,288) | - | - | - | (79,288) | 81,820 | 2,532 |
| Increases attributable to consolidation | - | - | - | - | - | - | 28,000 | 28,000 |
| Total transactions with owners | - | (79,288) | (97,346) | - | - | (176,635) | 108,243 | (68,391) |
| Balance as of September 30, 2018 | 3,999,578 | 4,256,942 | 14,394,920 | (8,694) | (761,446) | 21,881,301 | 115,025 | 21,996,326 |

For the fiscal year ended September 30, 2019 (October 1, 2018 to September 30, 2019)

(Thousands of yen)

| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Other components of equity | Equity attributable to the 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 | - | - | 2,359,603 | - | - | 2,359,603 | (46,247) | 2,313,355 |
| Other comprehensive income | - | - | - | - | (2,400,445) | (2,400,445) | (69) | (2,400,514) |
| Total comprehensive income for the period | - | - | 2,359,603 | - | (2,400,445) | (40,841) | (46,317) | (87,158) |
| 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) |
| Transfer to retained earnings | - | - | (406) | - | 264 | (141) | - | (141) |
| Purchase of treasury shares | - | - | - | (420) | - | (420) | - | (420) |
| Capital transaction with owners of non-controlling interests | - | (22,205) | - | - | - | (22,205) | 13,901 | (8,304) |
| Changes from exclusion from consolidation | - | - | 125 | - | - | 125 | (6,119) | (5,994) |
| Total transactions with owners | 5,716,784 | 5,665,489 | (714,947) | (420) | 264 | 10,667,171 | 7,274 | 10,674,446 |
| Balance as of September 30, 2019 | 9,716,363 | 9,922,432 | 16,039,577 | (9,114) | (3,161,626) | 32,507,631 | 75,982 | 32,583,614 |

LIFULL

## (4) Consolidated Statements of Cash Flows

(Thousands of yen)

| | Fiscal year ended September 30, 2018 (October 1, 2017 to September 30, 2018) | Fiscal year ended September 30, 2019 (October 1, 2018 to September 30, 2019) |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit for the period before tax | 4,156,511 | 3,552,404 |
| Depreciation and amortization | 1,091,879 | 1,274,016 |
| Impairment loss | - | 343,112 |
| Financial revenue | (25,907) | (4,917) |
| Financial expenses | 19,806 | 35,232 |
| Decrease (increase) in accounts receivable-trade and other current receivables | (346,065) | (376,688) |
| Increase (decrease) in accounts payable-trade and other current payables | (157,731) | 444,975 |
| Others | 392,700 | (688,564) |
| Subtotal | 5,131,192 | 4,579,571 |
| Interest and dividends received | 96 | 2,336 |
| Interest paid | (18,602) | (22,503) |
| Income taxes paid | (441,234) | (2,393,288) |
| Net cash from operating activities | 4,671,452 | 2,166,115 |
| **Cash flow from investing activities** | | |
| Purchase of available-for-sale financial assets | (75,672) | - |
| Purchase of financial instrument assets | - | (95,924) |
| Proceeds from sale of available-for-sale financial assets | 23,748 | - |
| Purchase of property, plant and equipment | (209,324) | (174,978) |
| Proceeds from sale of property, plant and equipment | 864 | 1,095 |
| Purchase of intangible assets | (405,500) | (379,625) |
| Purchase of subsidiaries | - | (1,645,463) |
| Proceeds from sales of shares in subsidiaries | - | 473,216 |
| Payments of lease deposits and guarantees | (57,862) | (92,196) |
| Proceeds from refund of lease deposits and guarantees | 2,892 | 4,608 |
| Purchase of shares of affiliates | (717,784) | (421,501) |
| Proceeds from sales of shares in affiliates | 135,000 | - |
| Payments of loans receivable | (260,000) | (1,273,492) |
| Collection of loans receivable | 30,000 | 767,540 |
| Others | - | (189) |
| Net cash from investing activities | (1,533,639) | (2,836,909) |
| **Cash flow from financing activities** | | |
| Proceeds from loans payable | - | 3,858,300 |
| Repayment of short-term loans | - | (300,000) |
| Repayment of long-term loans | (1,000,017) | - |
| Dividends paid | (98,082) | (714,016) |
| Repayment of lease obligations | (3,400) | (4,205) |
| Dividends paid for non-controlling interest | (1,577) | (6,475) |
| Purchase of shares in subsidiaries | (11,438) | (8,304) |
| Proceeds from share issuance to non-controlling interests | 41,972 | - |
| Purchase of treasury shares | - | (420) |
| Others | - | (42,074) |
| Net cash from financing activities | (1,072,543) | 2,782,803 |
| **Effect of exchange rate changes on cash and cash equivalents** | (3,599) | (444,295) |
| **Net increase (decrease) in cash and cash equivalents** | 2,061,670 | 1,667,714 |
| **Cash and cash equivalents at beginning of period** | 5,509,642 | 7,571,312 |
| **Cash and cash equivalents at end of period** | 7,571,312 | 9,239,027 |

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

### (Note Regarding Going Concern Assumption)

Not applicable.

### (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 Third 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 Third 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 purchases or sale of financial assets is recognized and derecognized using trade date accounting. A regular way purchases 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.

(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 for 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 trades 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.

| | 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.

## (Segment Information)

### (1) Overview of Reportable Segments

The Group's reportable segments are components of the Group for which discrete financial information is available, and that are reviewed regularly by the Board of Directors to decide on the allocation of corporate resources and assess business performance.
The business segments of the Company and its subsidiaries have been classified as two reportable segments: the LIFULL HOME'S segment and the Overseas segment. The classification is primarily based on the content of services provided and the components of business earnings management.

The service categories of each reportable segment are as follows:

| Reportable segment | Service category |
|---|---|
| LIFULL HOME'S Services | Operation of the real estate and housing information website "LIFULL HOME'S," ancillary businesses related to this service (advertising agency business, systems development and website production business, among other businesses), CRM service for real estate companies, DMP service for real estate developers, and Internet marketing for realtors, among other services |
| Overseas | Operation of the Trovit and Mitula aggregation sites, along with overseas real estate and housing information listing sites, among other services |

### (2) Revenue, profit or loss and other items by reportable segment

The accounting policies of the reportable segments are the same as the Group's accounting policies.
The amounts of inter-reportable segment revenue are based on market prices.
Revenue, profit or loss and other items by reportable segment are as follows:

For the fiscal year ended September 30, 2018 (October 1, 2017 to September 30, 2018)

(Thousands of yen)

| | Reportable segment | | Others ＊Note2 | Total |
|---|---|---|---|---|
| | LIFULL HOME'S Services | Overseas | | |
| Revenue | | | | |
| Customers | 28,602,177 | 3,861,345 | 2,101,393 | 34,564,915 |
| Intersegment | 9,276 | 92,935 | 11,124 | 113,335 |
| Total | 28,611,453 | 3,954,280 | 2,112,517 | 34,678,251 |
| Segment profit (loss) ＊Note1 | 3,864,941 | 490,116 | (186,330) | 4,168,728 |
| Other income (expense) | | | | |
| Operating income | | | | |
| Financial revenue and expenses(net) | | | | |
| Share of profit (loss) of investments accounted for using the equity method | | | | |
| Profit before taxes | | | | |
| Other items | | | | |
| Depreciation and amortization | 765,114 | 250,146 | 52,016 | 1,067,276 |

| | Reconciliation ＊Note3 | Consolidated |
|---|---|---|
| Revenue | | |
| Customers | - | 34,564,915 |
| Intersegment | (113,335) | - |
| Total | (113,335) | 34,564,915 |
| Segment profit (loss) ＊Note1 | 95,144 | 4,263,872 |
| Other income (expense) | | 51,501 |
| Operating income | | 4,315,374 |
| Financial revenue and expenses(net) | | 6,101 |
| Share of profit (loss) of investments accounted for using the equity method | | (164,964) |
| Profit before taxes | | 4,156,511 |
| Other items | | |
| Depreciation and amortization | - | 1,067,276 |

Notes:
1. Segment profit (loss) is revenue less cost of revenue and selling, general and administrative expenses.
2. The Others business segment comprises businesses that are not included in the reportable segments. These include LIFULL Kaigo (nursing care), a search website for care homes for the elderly and nursing care facilities; LIFULL Insurance, a search and booking website for insurance shops; LIFULL Hikkoshi (move), a website providing comprehensive estimates and online bookings for relocation services; a property and casualty insurance agency; LIFULL Interior, an e-commerce website for furniture and interior goods; and other new businesses.
3. Adjustments to segment profit include elimination of intersegment transactions.

For the fiscal year ended September 30, 2019 (October 1, 2018 to September 30, 2019)

(Thousands of yen)

| | Reportable segment | | Others * Note2 | Total |
|---|---|---|---|---|
| | LIFULL HOME'S Services | Overseas | | |
| Revenue | | | | |
| Customers | 29,656,494 | 7,680,145 | 1,960,370 | 39,297,010 |
| Intersegment | 52,274 | 119,191 | 34,539 | 206,004 |
| Total | 29,708,768 | 7,799,337 | 1,994,909 | 39,503,015 |
| Segment profit (loss) * Note1 | 3,311,615 | 951,200 | (340,858) | 3,921,957 |
| Other income (expense) | | | | |
| Operating income | | | | |
| Financial revenue and expenses(net) | | | | |
| Share of profit (loss) of investments accounted for using the equity method | | | | |
| Profit before taxes | | | | |
| Other items | | | | |
| Depreciation and amortization | 720,161 | 477,719 | 51,928 | 1,249,809 |

| | Reconciliation * Note3 | Consolidated |
|---|---|---|
| Revenue | | |
| Customers | - | 39,297,010 |
| Intersegment | (206,004) | - |
| Total | (206,004) | 39,297,010 |
| Segment profit (loss) [1] | 27,900 | 3,949,858 |
| Other income (expense) | | 161,059 |
| Operating income | | 4,110,917 |
| Financial revenue and expenses(net) | | (30,314) |
| Share of profit (loss) of investments accounted for using the equity method | | (528,197) |
| Profit before taxes | | 3,552,404 |
| Other items | | |
| Depreciation and amortization | - | 1,249,809 |

Notes:
1. Segment profit (loss) is revenue less cost of revenue and selling, general and administrative expenses.
2. The Others business segment comprises businesses that are not included in the reportable segments. These include LIFULL Kaigo (nursing care), a search website for care homes for the elderly and nursing care facilities; LIFULL Insurance, a search and booking website for insurance shops; LIFULL Hikkoshi (move), a website providing comprehensive estimates and online bookings for relocation services; a property and casualty insurance agency; LIFULL Interior, an e-commerce website for furniture and interior goods; and other new businesses.
3. Adjustments to segment profit include elimination of intersegment transactions.

### (Per share information)

The basis for calculating profit for the period per share attributable to owners of the parent is as follows:

| | Fiscal Year ended September 30, 2018 (October 1, 2017 to September 30, 2018) | Fiscal Year ended September 30, 2019 (October 1, 2018 to September 30, 2019) |
|---|---|---|
| Profit attributable to owners of the parent (Thousands of yen) | 2,859,671 | 2,359,603 |
| Average number of basic common shares during the period | 118,715,364 | 129,975,031 |
| Profit for the period per share attributable to owners of the parent (yen) | | |
| Basic profit for the period per share | 24.09 | 18.15 |
| Diluted net income per share | - | - |

Notes: Disclosure of diluted profit for the period per share is omitted as there were no dilutive shares.

### (Important subsequent events)

Not applicable