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Consolidated Financial Report for the Three-month Period Ended December 31, 2019 (IFRS)

February 13, 2020

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
Scheduled quarterly securities report submission date: February 13, 2020	
Scheduled date of start of dividend payments: -	
Preparation of supporting documentation for earnings: Yes	
Earnings presentations: None	

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

1. Consolidated Financial Results for the Three-month Period Ended December 31, 2019 (October 1, 2019 to December 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	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Three-month ended December 31, 2019	9,202	9.7	1,014	(37.8)	928	(39.0)	504	(49.8)	504	(49.7)	1,479	181.3
Three-month ended December 31, 2018	8,391	3.2	1,629	43.7	1,520	40.7	1,003	72.2	1,003	69.6	526	(31.5)

	Basic earnings per share (yen)	Diluted earnings per share (yen)
Three months ended December 31, 2019	3.76	-
Three months ended December 31, 2018	8.45	-

(Reference) EBITDA (operating income before depreciation and amortization) Three-month Ended December 31, 2019: 1,535 million yen
Three-month Ended December 31, 2018: 1,889 million yen

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Equity attributable to owners of the parent ratio (%)
As of December 31, 2019	million yen 48,225	million yen 33,518	million yen 33,443	% 69.3
As of September 30, 2019	43,648	32,629	32,553	74.6

Note: As the provisional accounting procedures for corporate mergers have been defined in the first three-month period of the current consolidated fiscal year, these provisional accounting measures have been applied for values for the financial year ended in September 2019.

2. Dividends

	Annual dividend				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended September 30, 2019	yen -	yen 0.00	yen -	yen 4.40	yen 4.40
Fiscal year ending September 30, 2020	-	-	-	-	-
Fiscal year ending September 30, 2020 (forecast)	-	-	-	-	-

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

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 Year 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	55.7	4,153	72.4	30.96

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

Note 2: As the provisional accounting procedures for corporate mergers have been defined in the first three-month period of the current consolidated fiscal year, these measures have been applied for values for the financial year ended in September 2019. In conjunction with these measures, year-on-year change ratios have been calculated with adjusted values.

*** Notes**

(1) There have been no changes in material subsidiaries during the term.

(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 10.

(3) Number of shares issued (common stock)

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

[2] Treasury shares at the end of the period

[3] Average shares during the period

As of December 31, 2019	134,239,870	As of September 30, 2019	134,239,870
As of December 31, 2019	74,505	As of September 30, 2019	74,441
As of December 31, 2019	134,165,384	As of December 31, 2018	118,715,343

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

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

- In addition, the Company holds briefings as appropriate for individual investors. Please refer to the LIFULL’s IR website for more details. (<https://lifull.com/en/ir/>)

(Appendix)

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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, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	9,239,027	7,419,433
Accounts receivable-trade and other current receivables	5,494,381	5,019,013
Other short-term financial assets	281,916	349,892
Other current assets	1,139,444	1,249,538
Total current assets	16,154,769	14,037,878
Non-current assets		
Tangible fixed assets	1,706,743	1,639,185
Right-of-use assets	-	5,892,240
Goodwill	19,927,761	20,696,409
Intangible assets	2,369,827	2,290,558
Investments accounted for using the equity method	671,210	620,022
Other long-term financial assets	1,843,408	2,140,683
Deferred tax assets	962,652	897,478
Other non-current assets	12,047	11,404
Total non-current assets	27,493,650	34,187,982
Total assets	43,648,420	48,225,860

(Thousands of yen)

	As of September 30, 2019	As of December 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Accounts payable and other current payables	3,630,173	2,810,642
Short-term loans	3,300,000	1,100,020
Lease obligations	5,201	961,922
Accrued corporate income taxes	687,308	387,664
Other current liabilities	1,863,096	2,131,814
Total current liabilities	9,485,780	7,392,064
Non-current liabilities		
Short-term loans	258,300	1,174,945
Lease obligations	75,398	4,978,727
Provisions	560,589	560,681
Deferred tax liabilities	623,858	586,420
Other non-current liabilities	14,882	14,245
Total non-current liabilities	1,533,028	7,315,019
Total liabilities	11,018,809	14,707,084
Equity		
Attributable to the owners of the parent		
Capital stock	9,716,363	9,716,363
Capital surplus	9,922,432	9,922,432
Retained earnings	16,089,020	15,987,575
Treasury shares	(9,114)	(9,157)
Other components of equity	(3,165,073)	(2,173,874)
Attributable to the owners of the parent	32,553,627	33,443,339
Attributable to non-controlling interests	75,982	75,437
Total equity	32,629,610	33,518,776
Total liabilities and equity	43,648,420	48,225,860

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

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

(Thousands of yen)

	Three-month period ended December 31, 2018	Three-month period ended December 31, 2019
Revenue	8,391,479	9,202,007
Cost of revenue	1,048,262	1,116,891
Gross profit	7,343,217	8,085,115
Selling, general and administrative expenses	6,139,003	7,061,639
Other income	480,336	29,456
Other expenses	55,176	38,825
Operating income	1,629,373	1,014,107
Financial revenue	2,581	1,457
Financial expenses	16,843	25,202
Share of profit (loss) of investments accounted for using the equity method	(94,131)	(62,305)
Profit before taxes	1,520,980	928,056
Income tax expenses	517,394	423,790
Profit for the period	1,003,586	504,266
Profit for the period attributable to:		
Owners of the parent	1,003,518	504,681
Non-controlling interests	67	(415)
Total	1,003,586	504,266
		(yen)
Profit for the period per share attributable to owners of the parent		
Basic profit for the period per share	8.45	3.76
Diluted profit for the period per share	-	-

**Condensed Consolidated Statements of Comprehensive Income
For the Three-month Period Ended December 31, 2019**

(Thousands of yen)

	Three-month period ended December 31, 2018	Three-month period Ended December 31, 2019
Profit for the period	1,003,586	504,266
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Equity instruments measured at FVTOCI	(2,494)	(8,689)
Total of items that will not be reclassified to profit or loss	(2,494)	(8,689)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(474,888)	973,052
Share of other comprehensive income of investments accounted for using the equity method	(127)	11,118
Total of items that may be reclassified subsequently to profit or loss	(475,016)	984,170
Other comprehensive income, net of tax	(477,511)	975,480
Total comprehensive income for the period	526,075	1,479,746
Comprehensive income for the period attributable to:		
Owners of the parent	526,042	1,480,082
Non-controlling interests	32	(335)
Total	526,075	1,479,746

(3) Condensed Consolidated Statements of Changes in Equity

For the three-month period ended December 31, 2018 (October 1, 2018 to December 31, 2018)

(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	-	-	1,003,518	-	-	1,003,518	67	1,003,586
Other comprehensive income	-	-	-	-	(477,476)	(477,476)	(34)	(477,511)
Total comprehensive income for the period	-	-	1,003,518	-	(477,476)	526,042	32	526,075
Dividends of surplus	-	-	(714,666)	-	-	(714,666)	(507)	(715,173)
Purchase of treasury shares	-	-	-	(36)	-	(36)	-	(36)
Capital transaction with owners of non-controlling interests	-	3,154	-	-	-	3,154	(5,045)	(1,891)
Increase (decrease) attributable to consolidation	-	-	125	-	-	125	(125)	-
Total transactions with owners	-	3,154	(714,541)	(36)	-	(711,423)	(5,678)	(717,101)
Balance as of December 31, 2018	3,999,578	4,260,097	14,683,898	(8,730)	(1,238,922)	21,695,920	109,379	21,805,300

For the three-month period ended December 31, 2019 (October 1, 2019 to December 31, 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, 2019	9,716,363	9,922,432	16,089,020	(9,114)	(3,165,073)	32,553,627	75,982	32,629,610
Profit for the period	-	-	504,681	-	-	504,681	(415)	504,266
Other comprehensive income	-	-	-	-	975,400	975,400	79	975,480
Total comprehensive income for the period	-	-	504,681	-	975,400	1,480,082	(335)	1,479,746
Transfer to retained earnings	-	-	(15,798)	-	15,798	-	-	-
Dividends of surplus	-	-	(590,327)	-	-	(590,327)	(1,209)	(591,537)
Purchase of treasury shares	-	-	-	(43)	-	(43)	-	(43)
Increases attributable to consolidation	-	-	-	-	-	-	1,000	1,000
Total transactions with owners	-	-	(606,126)	(43)	15,798	(590,371)	(209)	(590,580)
Balance as of December 31, 2019	9,716,363	9,922,432	15,987,575	(9,157)	(2,173,874)	33,443,339	75,437	33,518,776

(4) Condensed Consolidated Statements of Cash Flows

(Thousands of yen)

	Three-month period ended December 31, 2018	Three-month period ended December 31, 2019
Net cash from operating activities		
Profit for the period before tax	1,520,980	928,056
Depreciation and amortization	266,860	525,693
Financial revenue	(2,581)	(1,457)
Financial expenses	16,843	25,202
Decrease (increase) in accounts receivable-trade and other current receivables	202,536	548,406
Increase (decrease) in accounts payable-trade and other current payables	(366,769)	(846,596)
Others	(842,909)	228,782
Subtotal	794,959	1,408,088
Interest and dividends received	0	1,457
Interest paid	(4,436)	(24,994)
Income taxes paid	(1,469,597)	(707,452)
Net cash from operating activities	(679,074)	677,098
Net cash used in investing activities		
Purchase of financial instrument assets	-	11,655
Purchase of tangible fixed assets	(22,818)	(77,423)
Proceeds from sale of tangible fixed assets	1,124	1,000
Purchase of intangible assets	(74,828)	(96,343)
Proceeds from sales of shares in subsidiaries	473,216	-
Payments of loans receivable	(73,000)	(485,300)
Collection of loans receivable	115,000	95,654
Expenditures for international remittance relating to acquisition of subsidiaries	(2,352,435)	-
Others	313	638
Net cash from investing activities	(1,933,426)	(550,117)
Net cash provided by (used in) financing activities		
Proceeds from short-term loans payable	3,300,000	-
Proceeds from long-term loans payable	-	2,000,000
Repayment of short-term loans	-	(3,200,000)
Repayment of long-term loans	-	(83,335)
Dividends paid	(711,921)	(587,710)
Dividends paid for non-controlling interest	(507)	(1,209)
Repayment of lease obligations	(969)	(223,042)
Proceeds from share issuance to non-controlling interests	-	1,000
Purchase of shares in subsidiaries	(1,891)	-
Purchase of treasury shares	(36)	(43)
Net cash from financing activities	2,584,673	(2,094,341)
Effect of exchange rate changes on cash and cash equivalents	(89,574)	147,766
Net increase (decrease) in cash and cash equivalents	(117,401)	(1,819,593)
Cash and cash equivalents at beginning of period	7,571,312	9,239,027
Cash and cash equivalents at end of period	7,453,911	7,419,433

(5) Notes to the Consolidated Financial Statements

1. Note Regarding Going Concern Assumption

Not applicable.

2. Significant Accounting Policies

The significant accounting policies applied by the Group in preparing the statements are the same as those applied to Consolidated Financial Statements for the fiscal year ended September 30, 2019, except for the following:

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 16	Leases	January 1, 2019	Fiscal year ending September 30, 2020	Accounting treatment regarding leases and disclosure requirement

(1) Adoption of IFRS 16, Leases

In accordance with the transitional provisions of IFRS 16, Leases (hereinafter IFRS 16), the Group has made adjustments by recognizing the cumulative effect as an adjustment to the beginning balance of retained earnings 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.

IFRS 16 requires a lessee's lease not to be classified as either a finance lease or an operating lease, but requires a single lessee accounting model to be introduced. In general, it also requires a lessee to recognize, for all leases, a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. In addition, while a lease payment related to an operating lease is recognized as a rental expense in IAS 17, Leases (hereinafter IAS 17), it is recognized as depreciation of the right-of-use asset and interest on the lease liability in IFRS 16.

The Group has adopted a practical expedient in which it is not required to review whether an agreement is or includes a lease in adopting IFRS 16. Because of this, IFRS 16 is applied to agreements that have been identified as leases up to now, and is not applied to agreements that have not been identified as leases by means of applying IAS 17 and IFRIC 4, Determining Whether an Arrangement Contains a Lease. Consequently, identification of a lease based on IFRS 16 is only applied to any agreement entered into or revised on or after the adoption start date.

In addition to the above, the Group has adopted the following practical expedients among those in the transitional measures. Application of these practical expedients is determined for each lease:

- Allowing a lessee to rely on an appraisal to determine whether an agreement is onerous according to IAS 37, Provisions, Contingent Liabilities and Contingent Assets on the adoption start date, instead of performing an impairment review of the right-of-use asset
- Allowing a lessee to exclude initial direct costs from measurement of right-of-use assets as of the adoption start date
- Where an agreement includes an option to extend or terminate a lease, allowing a lessee to use after-the-fact determination when the lessee assesses a lease term

As a result of the transition to IFRS 16, as of the adoption start date, mainly right-of-use assets and lease liabilities included in interest-bearing debt, increased by ¥6,039,810 thousand and ¥6,063,585 thousand, respectively, and accrued expenses included in other liabilities decreased by ¥23,775 thousand.

Right-of-use assets are measured at the amount of lease liabilities adjusted using prepaid and accrued lease payments

Lease liabilities are measured as the present value for which lease payments unpaid as of the adoption start date are discounted using the lessee's incremental borrowing rate for the Group on that date. The weighted average of the lessee's incremental borrowing rate applied to the lease liabilities is 1.18%. The following table shows adjustments between the amount discounted using the lessee's incremental borrowing rate on the adoption start date with regard to the discount on future minimum lease payments under operating leases disclosed by adopting IAS 17 at the end of the previous fiscal year and the amount of lease liabilities recognized on the Consolidated Statement of Financial Position on the adoption start date.

	(Thousands of yen)
Undiscounted future minimum lease payments under operating leases as of September 30, 2019	5,213,920
Discount on future minimum lease payments under operating leases described above	(320,079)
Discounted future minimum lease payments under operating leases on October 1, 2019	4,893,840
Leases classified as finance leases	80,600
Adjustments due to the reassessment of lease terms	1,252,711
Adjustments for other reasons	(82,965)
Lease liabilities as of October 1, 2019	6,144,185

(2) Significant accounting policies that have changed by adopting new standards and interpretations

The Group determines at the start of an agreement whether it is a lease agreement or if it includes any lease. On the start date or revaluation date of an agreement that includes any lease, the consideration of an agreement is allocated to each lease component based on the proportion to the total uncontrolled price of lease components and non-lease components. In addition, the lease term is the combination of a non-cancellable period of the lease, the period subject to an extension option that is reasonably certain to be exercised and the period subject to a termination option that is reasonably certain not to be exercised.

(Lessee side)

[1] Lease transactions for intangible assets

The Group has not adopted IFRS 16 for lease transactions for intangible assets.

[2] Right-of-use assets

The Group recognizes right-of-use assets on the lease commencement date. The right-of-use assets are measured on a historical cost basis on the commencement date. The historical costs comprise the sum of initially measured amount of lease liabilities, lease payments made at or before the lease commencement date less lease incentives received, initial direct costs incurred by the lessee, and estimates of costs to be incurred by the lessee in dismantling and removing the underlying assets, restoring the site on which the underlying assets are located or restoring the underlying assets to the condition required by the terms and conditions of the agreement.

The Group adopts a cost model after the commencement date and the right-of-use assets are measured by deducting accumulated depreciation and accumulated impairment loss from the historical costs. The Group depreciates the right-of-use assets from the commencement date to the earlier of the end of the useful life of the underlying assets or the end of the lease term, unless it is reasonably certain that the ownership of the underlying assets will be transferred to the Group at the end of the lease term. The useful life of the right-of-use assets is determined in the same manner as property and equipment.

[3] Lease liabilities

The Group recognizes lease liabilities on the lease commencement date. The lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The lease payments included in the measurement of the lease liabilities comprise mainly fixed lease payments, the lease payment for the extension period if the Group is reasonably certain to exercise its extension option, and payments of penalties for terminating the lease unless it is reasonably certain

that there will be no early termination.

After the commencement date, the Group measures the lease liabilities by increasing or decreasing the carrying amount to reflect interest on the lease liabilities and the lease payments made. The Group re-measures the lease liabilities and corrects the right-of-use assets to reflect any reassessment of the lease liabilities or lease modifications.

3. Corporate Mergers

Definition of Provisional Measures Relating to the Treatment of Corporate Mergers

Concerning the corporate merger of Mitula as of 8 January 2019, although provisional accounting measures were taken during the previous consolidated fiscal year, these have been defined for the first three-month period of the current consolidated fiscal year. With the definition of the provisional accounting measures, information for comparison included in the quarterly consolidated financial statements of the first three-month period of the current consolidated fiscal year have been altered to reflect the important changes in the distribution of acquisition costs.

As a result of the definition of the accounting procedures, the goodwill amount calculated at 9,099,075 thousand yen has been reduced by 340,668 thousand yen to 8,758,407 thousand yen. The reduction of goodwill is a result of the increase of 440,869 thousand yen in intangible assets and the increase of 100,201 thousand yen in deferred tax liabilities.

The following table has been adjusted to the amounts after definition.

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	691,740
Property, plant and equipment	67,858
Intangible assets	3,307,355
Other assets	61,653
Accounts payable and other current payables	(496,737)
Other liabilities	(440,468)
Total	5,027,597
Goodwill ^{1,2}	8,758,407

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.

Note 2: For goodwill, no deductible expenses for tax purposes are included.

In addition, as a result of the definition of provisional accounting measures, goodwill amounting to 316,579 thousand yen as of the ending of the previous consolidated fiscal period has decreased while intangible assets amounting to 481,017 thousand yen and deferred tax liabilities amounting to 118,441 thousand yen have increased.

4. Subsequent events

Not applicable.