

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, 2020 (IFRS)

May 14, 2020

Company name: LIFULL Co., Ltd.	Listed exchange: Tokyo Stock Exchange
Stock code: 2120	URL: https://lifull.com/en/ir/
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: May 14, 2020	
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, 2020 (October 1, 2019 to March 31, 2020)

(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	%
Six-months ended March 31, 2020	19,185	(2.1)	2,442	42.1	2,284	48.5	1,481	58.5	1,480	53.8	1,752	-
Six-months ended March 31, 2019	19,599	10.9	1,719	(31.0)	1,538	(36.6)	934	(39.3)	962	(38.8)	27	(97.9)

	Basic earnings per share (yen)	Diluted earnings per share (yen)
Six-months ended March 31, 2020	11.03	-
Six-months ended March 31, 2019	7.65	-

(Reference) EBITDA (operating income before depreciation and amortization) Six-months ended March 31, 2020: 3,445 million yen
Six-months ended March 31, 2019: 2,284 million yen

Note: The provisional accounting procedures for corporate mergers were defined in the first three months ended December 31, 2019. These provisional accounting measures have also been applied for values for the six-month ended in March 31, 2019.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Equity attributable to owners of the parent ratio (%)
	million yen	million yen	million yen	%
As of March 31, 2020	48,324	33,821	33,728	69.8
As of September 30, 2019	43,648	32,629	32,553	74.6

Note: The provisional accounting procedures for corporate mergers were defined in the first three months ended December 31, 2019. These provisional accounting measures have also been applied for values for the six-months ended in March 31, 2019.

2. Dividends

	Annual dividend				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended September 30, 2019	-	0.00	-	4.40	4.40
Fiscal year ending September 30, 2020	-	0.00	-	-	-
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 Year 2020	30,760	(21.7)	977	(76.7)	269	(88.8)	2.01

Note 1: Revision to the most recently announced consolidated forecasts: Yes

Note 2: Details of the revision were announced on April 20, 2020, in "Notice of Revisions to Consolidated Financial Results Forecast"

Note 3: As the provisional accounting procedures for corporate mergers were defined in the first six-month period of the current consolidated fiscal year, these measures have also 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 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, 2020	134,239,870	As of September 30, 2019	134,239,870
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[2] Treasury shares at the end of the period

As of March 31, 2020	74,587	As of September 30, 2019	74,441
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[3] Average shares during the period

As of March 31, 2020	134,165,340	As of March 31, 2019	125,761,551
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*** This consolidated financial report is not subject to quarterly review procedures.**

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

- The Company plans to hold an online 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 15, 2020 (Friday) : Earnings presentation for institutional investors and analysts.
- 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 March 31, 2020
Assets		
Current assets		
Cash and cash equivalents	9,239,027	7,984,960
Accounts receivable-trade and other current receivables	5,494,381	5,586,230
Other short-term financial assets	281,916	322,987
Other current assets	1,139,444	1,361,356
Total current assets	16,154,769	15,255,534
Non-current assets		
Tangible fixed assets	1,706,743	1,895,878
Right-of-use assets	-	5,726,207
Goodwill	19,927,761	19,969,116
Intangible assets	2,369,827	2,077,099
Investments accounted for using the equity method	671,210	603,947
Other long-term financial assets	1,843,408	1,961,019
Deferred tax assets	962,652	819,787
Other non-current assets	12,047	15,943
Total non-current assets	27,493,650	33,069,001
Total assets	43,648,420	48,324,536

(Thousands of yen)

	As of September 30, 2019	As of March 31, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Accounts payable and other current payables	3,630,173	3,289,166
Short-term loans	3,300,000	1,100,020
Lease obligations	5,201	895,391
Accrued corporate income taxes	687,308	829,111
Other current liabilities	1,863,096	1,401,619
Total current liabilities	9,485,780	7,515,308
Non-current liabilities		
Short-term loans	258,300	924,940
Lease obligations	75,398	4,893,769
Provisions	560,589	560,773
Deferred tax liabilities	623,858	569,831
Other non-current liabilities	14,882	38,853
Total non-current liabilities	1,533,028	6,988,167
Total liabilities	11,018,809	14,503,476
Equity		
Attributable to the owners of the parent		
Capital stock	9,716,363	9,716,363
Capital surplus	9,922,432	9,935,742
Retained earnings	16,089,020	17,163,186
Treasury shares	(9,114)	(9,202)
Other components of equity	(3,165,073)	(3,078,011)
Attributable to the owners of the parent	32,553,627	33,728,077
Attributable to non-controlling interests	75,982	92,982
Total equity	32,629,610	33,821,059
Total liabilities and equity	43,648,420	48,324,536

(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, 2020

(Thousands of yen)

	Six-month Period Ended March 31, 2019	Six-month Period Ended March 31, 2020
Revenue	19,599,537	19,185,320
Cost of revenue	2,306,613	2,274,094
Gross profit	17,292,923	16,911,226
Selling, general and administrative expenses	15,665,803	14,417,702
Other income	529,405	72,224
Other expenses	437,058	122,990
Operating income	1,719,467	2,442,758
Financial revenue	3,143	2,128
Financial expenses	22,126	47,361
Share of profit (loss) of investments accounted for using the equity method	(161,939)	(113,308)
Profit before taxes	1,538,544	2,284,217
Income tax expenses	603,553	802,679
Profit for the period	934,991	1,481,537
Profit (loss) for the period attributable to:		
Owners of the parent	962,345	1,480,252
Non-controlling interests	(27,354)	1,285
Total	934,991	1,481,537
		(yen)
Profit for the period per share attributable to owners of the parent		
Basic profit for the period per share	7.65	11.03
Diluted profit for the period per share	-	-

For the Three-month Period Ended March 31, 2020

(Thousands of yen)

	Three-month period ended March 31, 2019	Three-month Period Ended March 31, 2020
Revenue	11,208,057	9,983,313
Cost of revenue	1,258,350	1,157,202
Gross profit	9,949,706	8,826,111
Selling, general and administrative expenses	9,526,800	7,356,063
Other income	49,069	42,767
Other expenses	381,882	84,164
Operating income	90,093	1,428,650
Financial revenue	561	671
Financial expenses	5,283	22,159
Share of profit (loss) of investments accounted for using the equity method	(67,807)	(51,002)
Profit before taxes	17,564	1,356,160
Income tax expenses	86,159	378,889
Profit for the period	(68,595)	977,271
Profit (loss) for the period attributable to:		
Owners of the parent	(41,172)	975,570
Non-controlling interests	(27,422)	1,701
Total	(68,595)	977,271
		(yen)
Profit for the period per share attributable to owners of the parent		
Basic profit for the period per share	(0.31)	7.27
Diluted profit for the period per share	-	-

**Condensed Consolidated Statements of Comprehensive Income
For the Six-month Period Ended March 31, 2020**

(Thousands of yen)

	Six-month Period Ended March 31, 2019	Six-month Period Ended March 31, 2020
Profit for the period	934,991	1,481,537
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Equity instruments measured at FVTOCI	(3,885)	231,398
Total of items that will not be reclassified to profit or loss	(3,885)	231,398
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(903,098)	29,185
Share of other comprehensive income of investments accounted for using the equity method	(168)	10,625
Total of items that may be reclassified subsequently to profit or loss	(903,267)	39,810
Other comprehensive income, net of tax	(907,153)	271,209
Total comprehensive income for the period	27,837	1,752,747
Comprehensive income for the period attributable to:		
Owners of the parent	55,226	1,751,555
Non-controlling interests	(27,389)	1,191
Total	27,837	1,752,747

For the Three-month Period Ended March 31, 2020

(Thousands of yen)

	Three-month Period Ended March 31, 2019	Three-month Period Ended March 31, 2020
Profit for the period	(68,595)	977,271
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Equity instruments measured at FVTOCI	(1,391)	240,088
Total of items that will not be reclassified to profit or loss	(1,391)	240,088
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(428,210)	(943,867)
Share of other comprehensive income of investments accounted for using the equity method	(41)	(492)
Total of items that may be reclassified subsequently to profit or loss	(428,251)	(944,359)
Other comprehensive income, net of tax	(429,642)	(704,271)
Total comprehensive income for the period	(498,237)	273,000
Comprehensive income for the period attributable to:		
Owners of the parent	(470,815)	271,473
Non-controlling interests	(27,421)	1,526
Total	(498,237)	273,000

(3) Condensed Consolidated Statements of Changes in Equity

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 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	-	-	962,345	-	-	962,345	(27,354)	934,991
Other comprehensive income	-	-	-	-	(907,119)	(907,119)	(34)	(907,153)
Total comprehensive income for the period	-	-	962,345	-	(907,119)	55,226	(27,389)	27,837
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 shares	-	-	-	(97)	-	(97)	-	(97)
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	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	14,642,725	(8,791)	(1,668,565)	32,629,523	81,957	32,711,481

For the Six-month Period Ended March 31, 2020 (October 1, 2019 to March 31, 2020)

(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	-	-	1,480,252	-	-	1,480,252	1,285	1,481,537
Other comprehensive income	-	-	-	-	271,303	271,303	(94)	271,209
Total comprehensive income for the period	-	-	1,480,252	-	271,303	1,751,555	1,191	1,752,747
Transfer to retained earnings	-	-	184,241	-	(184,241)	-	-	-
Dividends of surplus	-	-	(590,327)	-	-	(590,327)	(1,209)	(591,537)
Purchase of treasury shares	-	-	-	(88)	-	(88)	-	(88)
Increases attributable to consolidation	-	-	-	-	-	-	1,000	1,000
Capital transactions with owners of non-controlling interests	-	13,309	-	-	-	13,309	16,690	30,000
Changes from exclusion from consolidation	-	-	-	-	-	-	(672)	(672)
Total transactions with owners	-	13,309	(406,085)	(88)	(184,241)	(577,106)	15,808	(561,297)
Balance as of March 31, 2020	9,716,363	9,935,742	17,163,186	(9,202)	(3,078,011)	33,728,077	92,982	33,821,059

(4) Condensed Consolidated Statements of Cash Flows

(Thousands of yen)

	Six-month Period Ended March 31, 2019	Six-month Period Ended March 31, 2020
Net cash from operating activities		
Profit for the period before tax	1,538,544	2,284,217
Depreciation and amortization	578,239	1,011,235
Impairment loss	298,071	-
Financial revenue	(3,143)	(2,128)
Financial expenses	22,126	47,361
Decrease (increase) in accounts receivable-trade and other current receivables	(880,548)	(69,533)
Increase (decrease) in accounts payable-trade and other current payables	904,730	(333,928)
Others	(892,473)	(538,564)
Subtotal	1,565,546	2,398,659
Interest and dividends received	561	4,488
Interest paid	(9,727)	(48,502)
Income taxes paid	(1,317,198)	(683,013)
Net cash from operating activities	239,182	1,671,631
Net cash used in investing activities		
Purchase of financial instrument assets	(40,000)	(7,212)
Purchase of financial instrument assets	-	505,124
Purchase of tangible fixed assets	(107,746)	(427,045)
Proceeds from sale of tangible fixed assets	957	1,113
Purchase of intangible assets	(174,087)	(163,802)
Purchase of subsidiaries	(516,237)	-
Proceeds from sales of shares in subsidiaries	473,216	-
Purchase of shares of affiliates	(70,000)	-
Payments of loans receivable	(586,000)	(697,500)
Collection of loans receivable	253,000	350,017
Others	(85,960)	(1,887)
Net cash from investing activities	(852,858)	(441,192)
Net cash provided by (used in) financing activities		
Proceeds from short-term loans payable	3,500,000	-
Proceeds from long-term loans payable	-	2,000,000
Repayment of short-term loans	(200,000)	(3,200,000)
Repayment of long-term loans	-	(333,340)
Dividends paid	(714,016)	(590,063)
Repayment of lease obligations	(1,991)	(444,810)
Dividends paid for non-controlling interest	(507)	(1,881)
Purchase of shares in subsidiaries	(1,891)	-
Proceeds from share issuance to non-controlling interests	-	31,000
Purchase of treasury shares	(97)	(88)
Others	(42,074)	-
Net cash from financing activities	2,539,422	(2,539,183)
Effect of exchange rate changes on cash and cash equivalents	(168,112)	54,677
Net increase (decrease) in cash and cash equivalents	1,757,632	(1,254,067)
Cash and cash equivalents at beginning of period	7,571,312	9,239,027
Cash and cash equivalents at end of period	9,328,945	7,984,960

(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 second 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 yen and 6,063,585 thousand yen, respectively, and accrued expenses included in other liabilities decreased by 23,775 thousand yen.

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 January 8, 2019, although provisional accounting measures were taken during the previous consolidated fiscal year, these have been defined for the 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

(Borrowing of Large Funds)

In order to increase cash reserves and prepare for future capital demand, the Company has made the following borrowings through overdraft agreements with the five financial institutions below.

(1) Lenders	5 financial institutions including Sumitomo Mitsui Banking Corporation
(2) Borrowing Amount	7,100,000 thousand yen
(3) Borrowing Conditions	Determined by the market interest rate
(4) Start Date	April 30, 2020
(5) Borrowing Term	3 Months
(6) Pledged Assets as Collateral	None

(Acquisition of Treasury Stock)

At the Board Meeting held on May 14, 2020, the Company has resolved to acquire treasury stock in accordance with the provisions of Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of the same law.

1. Reasons for Acquisition

To allow the Company more flexibility in its capital policy when reacting to changes in its business environment in addition to enhancing returns for shareholders.

2. Notes Regarding Acquisition

(1) Type of Shares	Common stock of the Company
(2) Total Number of Shares	Up to 3,000,000 shares
	Ratio of treasury stock to be acquired to shares outstanding [excluding treasury stock]: 2.24%
(3) Aggregate Purchase Price	Up to 1,000,000 thousand yen
(4) Acquisition Period	May 15 - September 30, 2020
(5) Acquisition Method	Market purchase based on discretionary trading contract