



**2019**

**ANNUAL REPORT**





**Make every LIFE FULL.**

We want to deliver comfort and happiness to everyone. LIFULL values its spirit of innovation, unchanged since its founding and unrestrained by existing industry frameworks and customs. Moving forward, we will continue to blaze the trail by overcoming barriers to language and new lifestyle solutions while bringing comfort and happiness to people around the world.

# Contents

## CEO Message

## At a Glance

- 6 LIFULL Group Growth History
- 8 LIFULL Group Business Activities
- 10 Value Creation Process
- 12 Performance Highlights

## Business Overview by Segment

- 14 HOME'S Services Segment
- 17 Overseas Segment
- 20 Other Businesses Segment

## Will-Centric Public Interest Capitalism



## Capital and Organization

- 22 Intellectual Capital
  - 22 Human Resources
  - 24 Technology
  - 25 Initiatives to Improve Productivity
  - 26 Relationship with Society
- 28 Officers and Directors
- 36 Corporate Governance
- 39 Main Risk Factors

## Fact Data

- 42 Summary of Consolidated Financial Indicators for Five Fiscal Periods
- 44 Consolidated Financial Statements and Notes
- 86 Shareholder Information
- 87 Corporate Information

### Disclaimer

This report includes information on future plans, strategies, and performance outlooks. These outlooks are based on the information available to the Company at the time of writing. Please keep in mind that actual performance and results may vary significantly due to changes in the economic climate, market trends, demand, exchange rates and other factors.

Information on corporations not belonging to the Group is taken from publicly available data. As such, we cannot guarantee its accuracy.

## Provide timeless, essential value to our stakeholders while contributing toward the development of a sustainable society

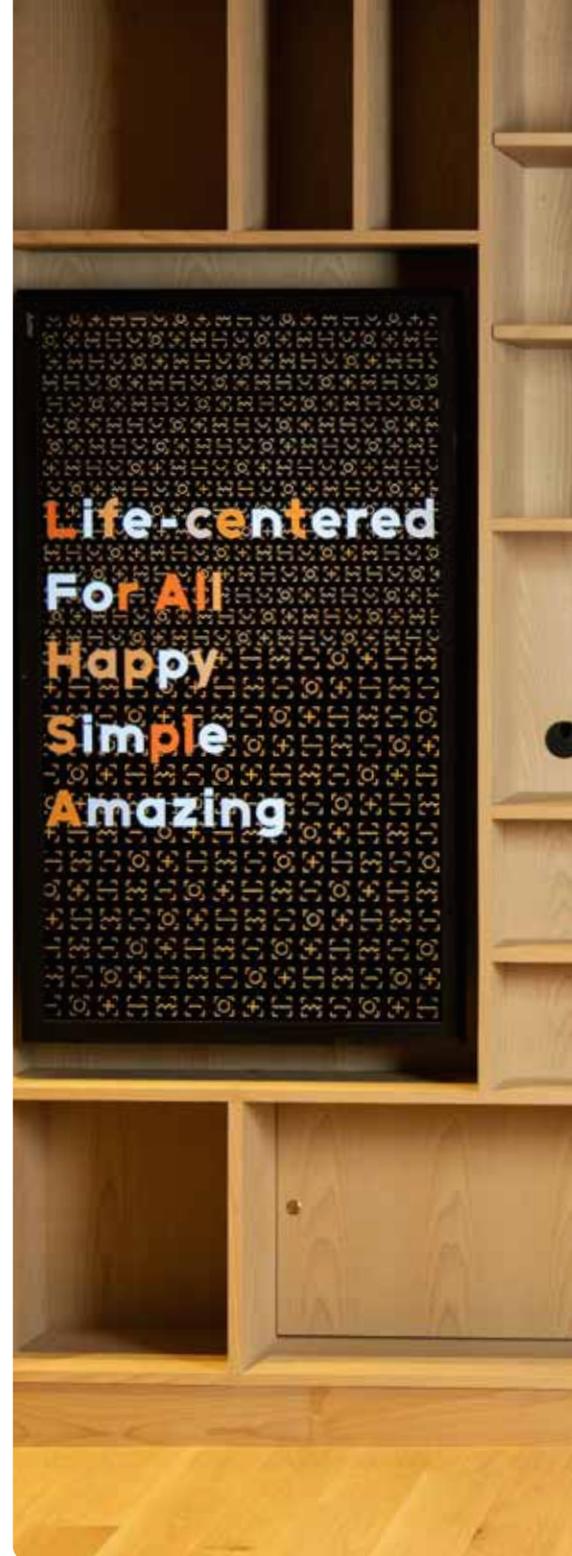
Following our corporate message of “making every LIFE FULL,” we are leveraging our business ventures to resolve social issues and have made progress toward our goal of realizing a world where all people can be themselves and live with a sense of safety and happiness. Over the last eight fiscal years, the real estate and housing website and our primary service, LIFULL HOME’S, has continued to produce more revenue while maintaining smooth upward trends in key performance indicators, such as our client network. Although we started in the real estate sector, our business has grown to include many other fields such as the revitalization of rural areas of Japan, moving, storage space and even nursing facilities—an increasingly important area in our rapidly aging society. Not to mention, we have also broadened the scope of our services from Japan to countries around the world.

### Constructing a Global Real Estate Platform

The world is in an age of progressive globalization. According to the most recent surveys, the number of international residents of Japan has been growing for the last seven years reaching a record 2.82 million people. Concurrently, the number of Japanese nationals residing overseas has increased to 1.39 million. These globalization trends point to the growing need for housing-related services transcending nationality and language.

Since the start of our global expansion in 2011, we have acquired companies operating aggregator websites\* in multiple countries and been making progress toward a global

platform that would allow users to seamlessly find and invest in property internationally. After acquiring Trovit Search, S.L.U. in 2014 and Mitula Group Limited in 2018, we established a new company called LIFULL CONNECT to bring them together. Through this combination, LIFULL CONNECT has become the largest real estate aggregator network in the world active in 63 countries with 180 million accesses a month. Combining the corporate resources of technological expertise, world-class user base and





experienced staff, LIFULL CONNECT has found its place and growing as the second pillar of the LIFULL Group.

In May 2019, we also acquired RESEM, a real estate listing website operator with a presence in 11 countries in Central and South America. With the combination of Dot Property, a real estate platform operator active in nine Southeast Asian countries added to the Mitula Group in 2016, we are placing special emphasis on our expansion into promising upcoming markets. In many of these markets, there is

currently no dominant real estate portal, so we believe that proactive investments will lead to strong business growth. In the future, we will continue to accelerate the construction of a global network through the development of localized real estate portals. At the same time, we will continue to expand our aggregation network which utilizes the collective strength of the group and improving profitability.

\* Aggregator Website: A website that collects information from other websites and displays it in one place for users.

### Sturdy Basis for Expansion

A strong management base is a necessity to keep business moving at a high speed. Just like an unbalanced axle causes the wheels of a car to wobble or a poor foundation can make a house lean to one side, companies without robust management are unable to thoroughly develop over the mid- to long-term. At LIFULL, we pay close attention to adjusting management in line with our expansion.

In 2018, we implemented a daily productivity system and have been collecting data on a micro level to bring employee performance to light. With the information we have acquired, we are able to improve work flows and implement RPA (robotic process automation) to automate various tasks and improve overall productivity in different areas.

We have also made our exit from unprofitable services and sold off non-core businesses to improve management productivity on a macro level. In addition to our exits, we are also

investing in the development of new businesses as well as mergers for future growth. By regularly reevaluating and refining our portfolio, we strive to provide more value to our stakeholders.

### Into a New Age and Beyond

The Emperor's coronation in May 2019 marked the beginning of the *Reiwa* Era for Japan. The reign of the previous emperor has been labeled as a period of diversification of values through globalization and the advancement of technology. These waves of change grow increasingly larger, and we currently live in a time of uncertainty with no correct answers. We can, however, look to one of the LIFULL Guidelines to help steer our actions: Continue Searching for the Truth. The "Truth" in this statement refers to virtues that transcend race, nationality, age and gender and are generally believed to be good by all people. We are always questioning the true nature of



these ideas and working to seek them out. Through our search for these Truths, we will continue to provide timeless, essential value to our stakeholders and contribute toward the development of a sustainable society. On this we have never faltered and will continue to manage our business ventures according to these principles.

The LIFULL Group is working together to create a world where everyone can live with a sense of safety and happiness, and we look forward to the continued support of our shareholders and investors who hold great expectations for LIFULL.

December 2019

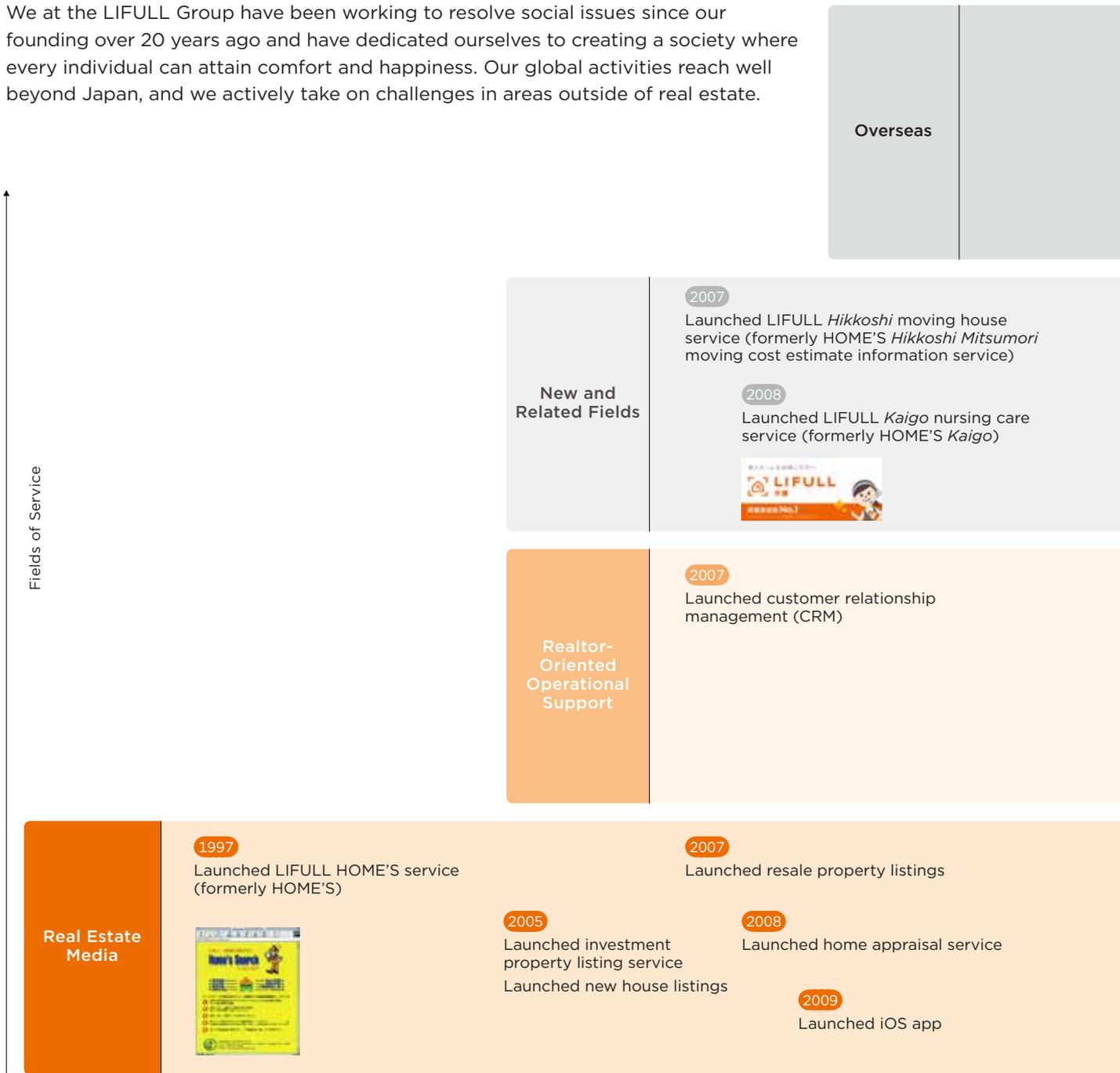
井上高志

Inoue Takashi  
President and CEO



## LIFULL Group Growth History

We at the LIFULL Group have been working to resolve social issues since our founding over 20 years ago and have dedicated ourselves to creating a society where every individual can attain comfort and happiness. Our global activities reach well beyond Japan, and we actively take on challenges in areas outside of real estate.



1995  
NEXT HOME Co.  
founded

2002  
Capital tie-up with  
Rakuten, Inc.

2006  
Shares listed on Tokyo Stock Exchange  
Mothers Section



1997  
NEXT Co., Ltd.  
(currently LIFULL Co., Ltd.) established

2011

Launched Overseas Business

2014

Acquired Trovit Search, S.L.U.

2017

Launched software development business (acquired LIFULL Tech Vietnam Co., Ltd.)



2012

Launched LIFULL *Rumah* in Indonesia (invested in PT. Rumah Media [currently PT. LIFULL MEDIA INDONESIA])

2019

Acquired Mitula Group (Mitula, Nestoria, Nuroa and Kleding)  
Took over operation of iCasas, Imocasa, Globaliza, LaEncontré and Quierocasa.hn (acquired RESEM Corporation Limited)

2017

Launched LIFULL HOME'S *Akiya Bank*  
Launched *Minna no Ihinseiri* (search service for estate cleanout companies)

2013

Launched LIFULL Trunk Room storage listing service (formerly HOME'S Storage)  
Launched LIFULL FaM career support service for mothers

2018

Launched LIFULL FLOWER  
Launched Vacation STAY (a joint venture with Rakuten, Inc.)  
Established the LIFULL Regional Revitalization Fund

2019

Began operation of LivingAnywhere Commons

2011

Launched content management system (CMS)

2014

Launched private Data Management Platform (DMP)



2015

Launched Internet marketing business (acquisition of LIFULL Marketing Partners Co., Ltd.)  
Launched HOME'S PRO multiple listing service

2013

Launched real estate agent mystery shopper service

2010

Launched Android app



2013

Launched remodeling listings

2015

Opened LIFULL HOME'S *Sumai no madoguchi* face-to-face housing consultation service (formerly HOME'S *Sumai no madoguchi*)



2016

Launched HOME'S LINE app inquiry feature



2010

Shares listed on Tokyo Stock Exchange First Section



2019

Issued common stock and increased capital

2017

Changed company name to LIFULL Co., Ltd.



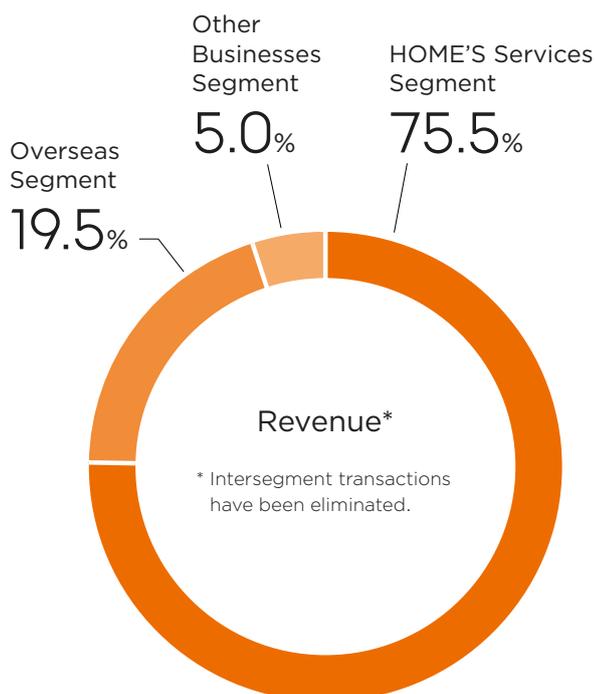
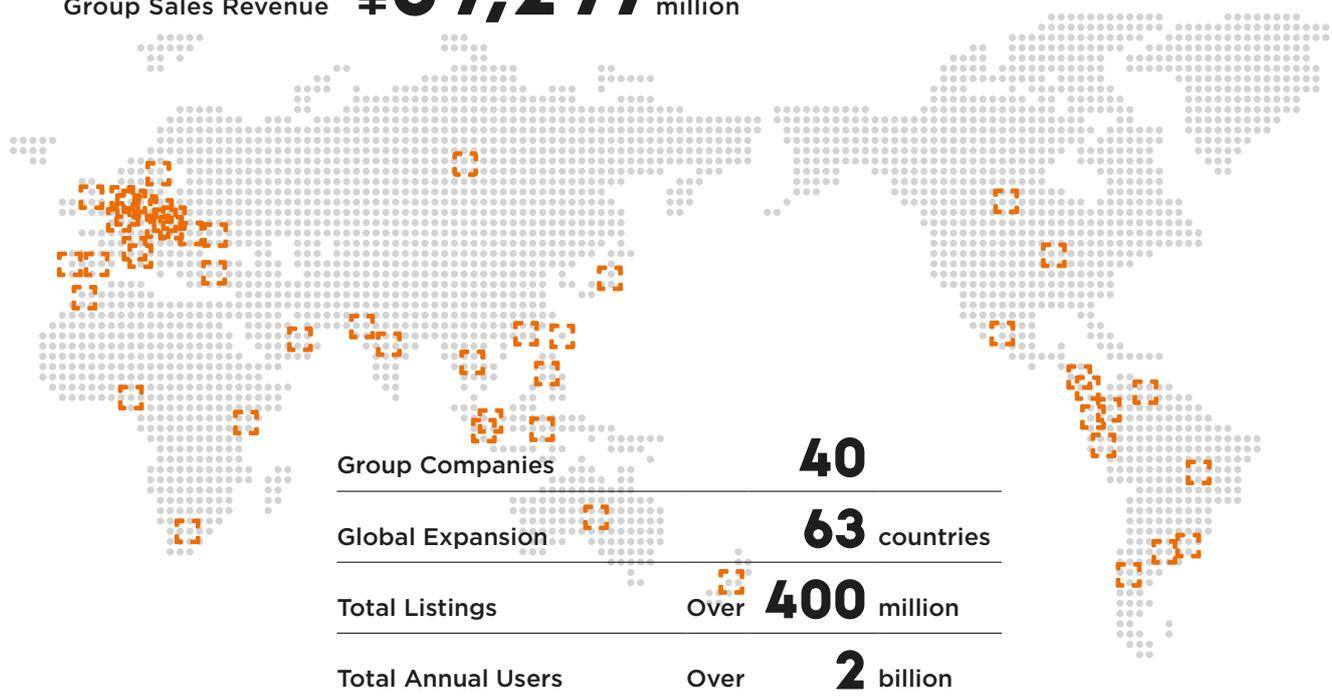
2015

Issued shares to Rakuten, Inc. via third-party allocation

## LIFULL Group Business Activities

We have always been dedicated to providing services that are directly connected to individuals' lives. Currently, the LIFULL Group operates the HOME'S Services Segment, centered around the LIFULL HOME'S website; the Overseas Segment, focused on aggregation sites; and Other Businesses Segment, which includes businesses in new fields apart from real estate.

Group Sales Revenue **¥39,297** million



### HOME'S Services Segment

→ For details, see page 14.

Offering reliable real estate and housing information via the LIFULL HOME'S website tailored to the individual needs of each user to simplify the moving process.

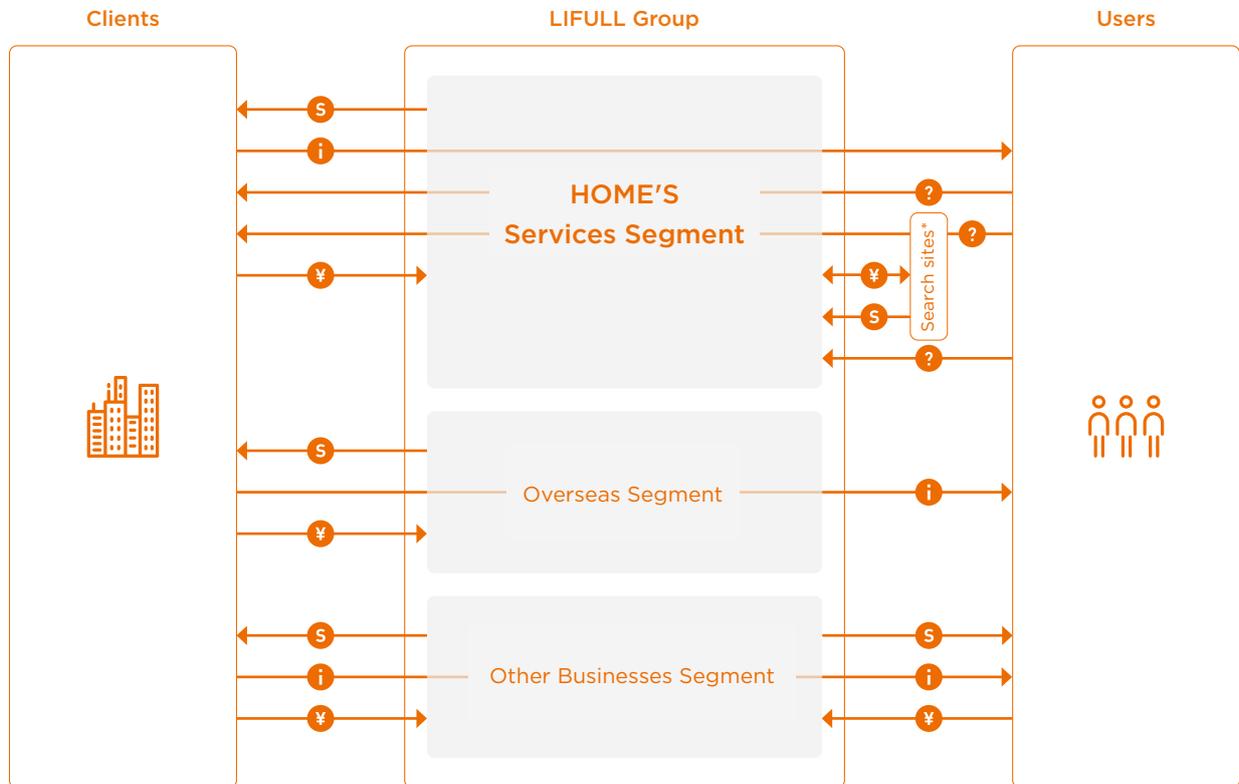
#### Main Businesses and Subsidiaries

- LIFULL HOME'S
- AD MASTER (formerly Renter's Net)
- NabiSTAR
- LIFULL Marketing Partners Co., Ltd.



## Business Diagram

The following is an overview of the LIFULL Group business model:



**i** Information **S** Services **¥** Money **?** Inquiries

\* Partner portals and search sites such as Rakuten

### Overseas Segment

→ For details, see page 17.

Operation of websites for real estate, job listings, used cars and fashion in over 60 countries and regions.

#### Main Businesses and Subsidiaries

- Trovit (Trovit Search, S.L.U.)
- Mitula (Mitula Group Limited)
- RESEM (RESEM Corporation Limited)
- LIFULL Tech Vietnam Co., Ltd.

trovit

Mitula

R · E · S · E · M

### Other Businesses Segment

→ For details, see page 20.

Business ventures in a variety of fields aimed at resolving social issues in different areas including businesses started through the SWITCH program (see page 23).

#### Main Businesses and Subsidiaries

- LIFULL *Kaigo* (Nursing Care)  
(operated by LIFULL senior Co., Ltd.)
- LIFULL *Hikkoshi* (Moving House)  
(operated by LIFULL MOVE Co., Ltd.)
- LIFULL Trunk Room (Storage)  
(operated by LIFULL SPACE Co., Ltd.)
- LIFULL Social Funding Co., Ltd.
- Regional Revitalization Business
- Other LIFULL subsidiaries and new services

LIFULL  
介護

LIFULL  
引越し

LIFULL  
トランクルーム

LIFULL  
地方創生

## Value Creation Process

Our goal is to achieve sustainable growth by fully utilizing our intellectual capital. Value born from that process is equitably returned to all our stakeholders, based on our concept of Will-Centric Public Interest Capitalism. We believe that addressing various social issues through this value-creation cycle is a necessary part of realizing our corporate philosophy.



**Company Credo**  
**Altruism**

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

→

### INTELLECTUAL CAPITAL →P.22

**Human Resources**

- The best place to work in Japan
- Policies to help employees challenge themselves

**Technology**

- Tackling problems in the real estate industry through cutting-edge technologies
- Research and development division, LIFULL Lab

**Initiatives to Improve Productivity**

- Initiatives to maintain a competitive edge

**Relationship with Society**

- Community-oriented head office
- Investment and capital alliances
- Social responsibility activities (One P’s)

### BUSINESS OVERVIEW

**Building a group of  
provide life solutions**

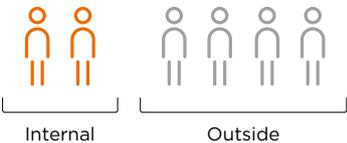
**HOME’S Services Segment**  
→ P.14

**Over  
Segm  
→ P.**

### CORPORATE GOVERNANCE →P.36

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

**Directors**



Internal      Outside



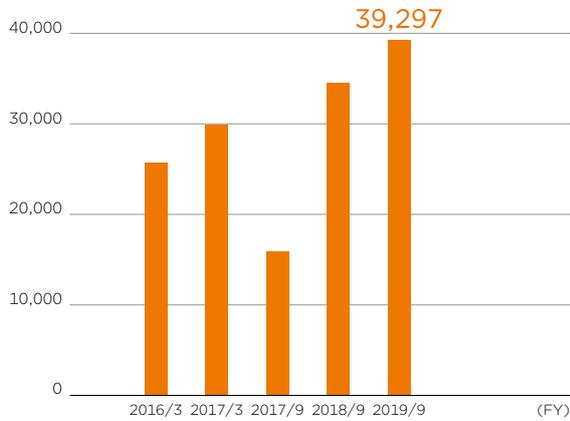
## Performance Highlights

LIFULL Co., Ltd. and its consolidated subsidiaries

The irregular six-month period ended September 30, 2017, is due to the change in the closing date of the fiscal year.

### Revenue

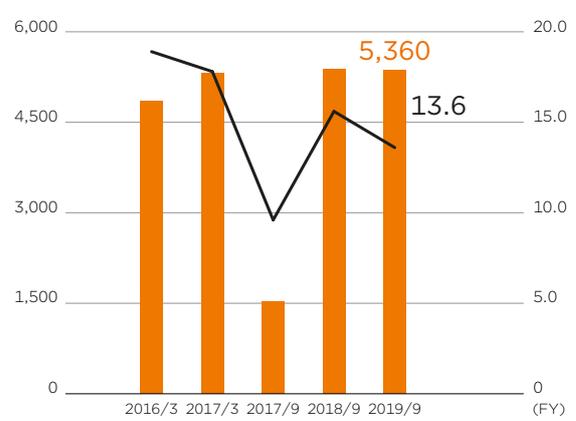
(Millions of yen)



### EBITDA / EBITDA Margin

(Millions of yen)

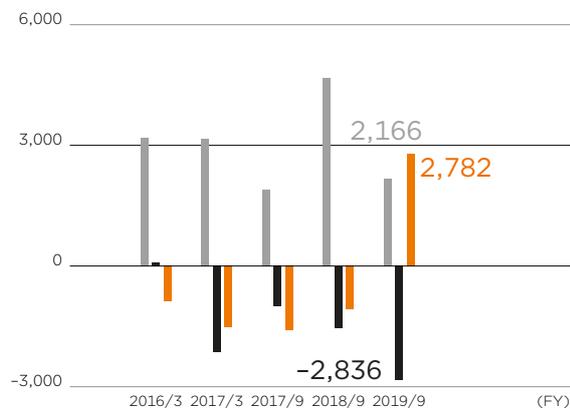
(%)



■ EBITDA — EBITDA Margin (right)

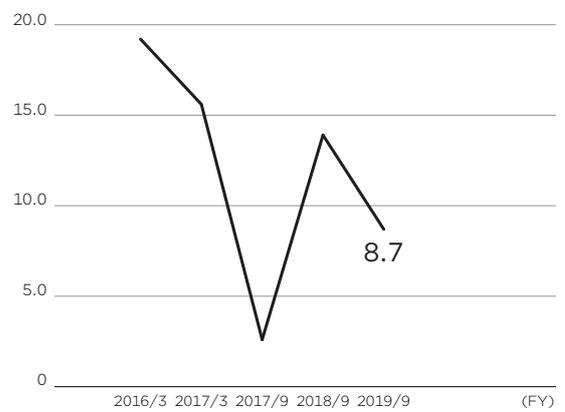
### Cash Flows

(Millions of yen)



### ROE

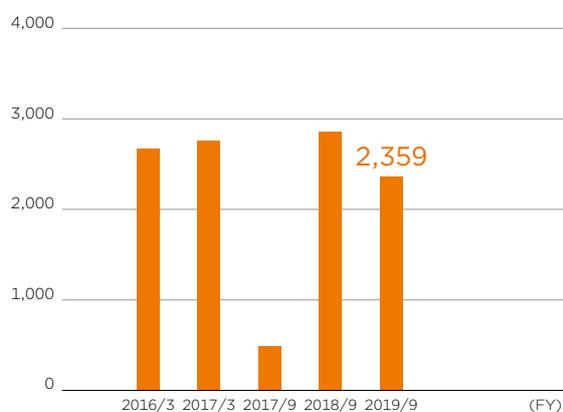
(%)



■ Cash flows from operating activities  
 ■ Cash flows from investing activities  
 ■ Cash flows from financing activities

### Net Profit Attributable to Owners of the Parent

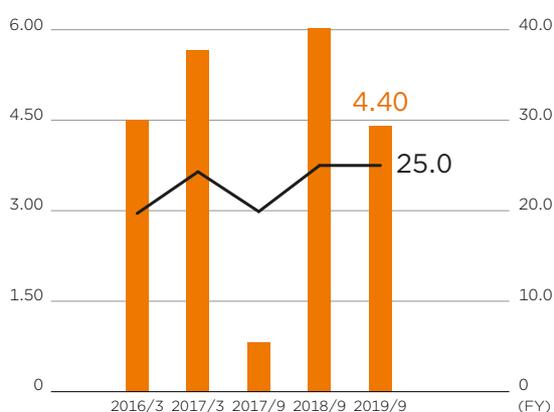
(Millions of yen)



### Dividends Per Share / Dividend Payout Ratio

(Yen)

(%)



■ Dividends per share — Dividend payout ratio

Notes: 1. Dividends for the fiscal year ended March 31, 2017 include an additional dividend of ¥1.00 per share in commemoration of the Company's 20th anniversary.  
2. Calculated based on the number of outstanding shares as of the end of September 2019.

### Overview

Revenue for the Group reached its highest level ever: ¥39.2 billion. This was primarily due to continued growth in the Overseas segment from the acquisition of Trovit Search, S.L.U. during the fiscal year ended March 31, 2015, and Mitula Group Limited during the current year.

In April 2017, we saw increased branding and advertising expenses due to the company name change to LIFULL as well as from moving our headquarters to its current location. These factors led to a temporary drop in the EBITDA margin for the irregular six-month period ended September 30, 2017.

In terms of results for the fiscal year ended September 30, 2019, revenue increased 13.7% year over year to ¥39,297 million; EBITDA fell 0.4% year over year to ¥5,360 million and net profit attributable to owners of the parent fell 17.5% year over year to ¥2,359 million. One-off costs incurred during the period included the acquisition costs for Mitula Group Limited and impairment of assets held by LIFULL Social Funding.

We have adopted a basic policy of flexible returns based on the performance for the year for dividend payouts. In order to clarify our position on providing positive returns to shareholders and expand the shareholder base, we increased our dividend payout ratio from 20% to 25% in the fiscal year ended September 30, 2018.



## HOME'S Services Segment

The HOME'S Services segment offers a variety of helpful services related to moving for users and realtors centered around the real estate and housing information platform, LIFULL HOME'S. Through the operations of this segment, we aim to make LIFULL HOME'S an integral service for the world.



### Segment Overview

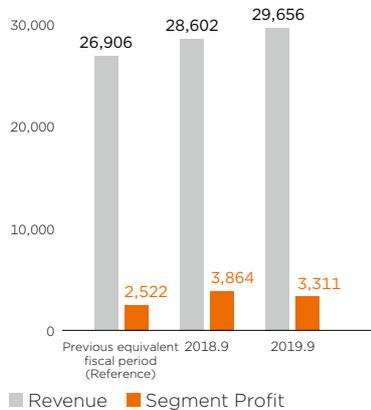
Our goal has been to transform the real estate industry since our founding. With that in mind, we have been leveraging technology to build a platform capable of giving each and every person options for their ideal living environment.

LIFULL HOME'S, a comprehensive information service for real estate and housing and the focal point of the HOME'S Services segment, is one of the largest domestic pools of real estate information in Japan. Apart from property information, the website also offers information regarding pricing as well as evaluations of real estate companies and home inspections. As a result of initiatives to improve the accuracy of this information, it has evolved into a platform capable of helping people find the perfect home while utilizing cutting-edge AI and Cross Reality (XR) technology.

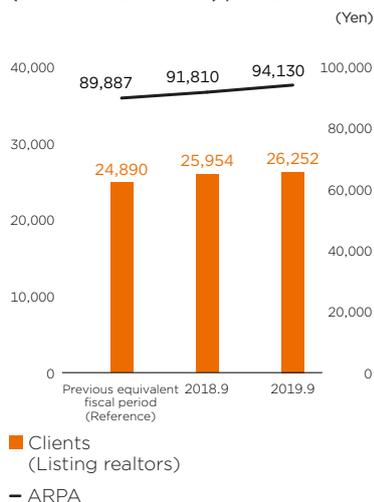
LIFULL HOME'S also supports realtors' businesses by offering a variety of services to improve efficiency such as Internet marketing, Customer Relationship Management (CRM) and Data Management Platforms (DMP).

We will continue to broaden our service offering to benefit our users and realtors and reshape the Japanese real estate industry.

**HOME'S Services Segment  
Revenue and Segment Profit**  
(Millions of yen)



**Number of Clients  
(contracted realtors) / ARPA**



Notes:

1. The term "previous equivalent fiscal period" refers to the period from October 1, 2016 to September 30, 2017 and has been used for comparative purposes in light of our decision to change closing dates.
2. The number of clients shown here is from preliminary reports and will be recalculated as soon as numbers are finalized. If the numbers are corrected, ARPA will be adjusted accordingly.
3. ARPA: Average Revenue per Agent

**Overview of the Fiscal Year Ended September 30, 2019**

As part of our aggressive promotion activities for LIFULL HOME'S and expansion of property search features, we released "LIFE LIST"—a set of contents to help users find a home based on their preferred lifestyle. Combining these features with other promotions and campaigns, we have continued to boost our media presence.

At the same time, we made progress in adjusting our investments in online marketing to create an optimal balance between media presence and profitability.

As a result, LIFULL HOME'S achieved sales revenue of ¥29,656 million (+3.7%) and segment profit of ¥3,311 million (-14.3%) year over year.

To push the services offered by LIFULL HOME'S to users and realtors to the next level, we spoke with clients about upcoming changes to the pricing structure and an overhaul of other services beginning in October 2019. These changes included eliminating fees for optional services while simplifying the pricing structure for our members. This means ultimately providing more detailed listings and streamlining the way realtors use LIFULL HOME'S.

To quickly mitigate effects caused by changes in the business environment, particularly Google adjusting its search algorithms, we are also working to focus our administrative resources and increase competitiveness. We took steps that include our withdrawal from the unprofitable remodeling business and departmental reorganization for functional integration.

Major indicators for this segment showed steady growth. The number of clients (contracted realtors) increased to 26,252, a year-over-year increase of 1.1%, and average revenue per agent (ARPA) increased 2.5%, to ¥94,130.

**LIFE LIST: Find a House Based on Your Preferred Lifestyle!**

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

Released in January 2019



- 01 Create tags for various lifestyles**
- # LivingNearTheBeach
  - # AmazingScenery
  - # Cyclists # ••••• etc.



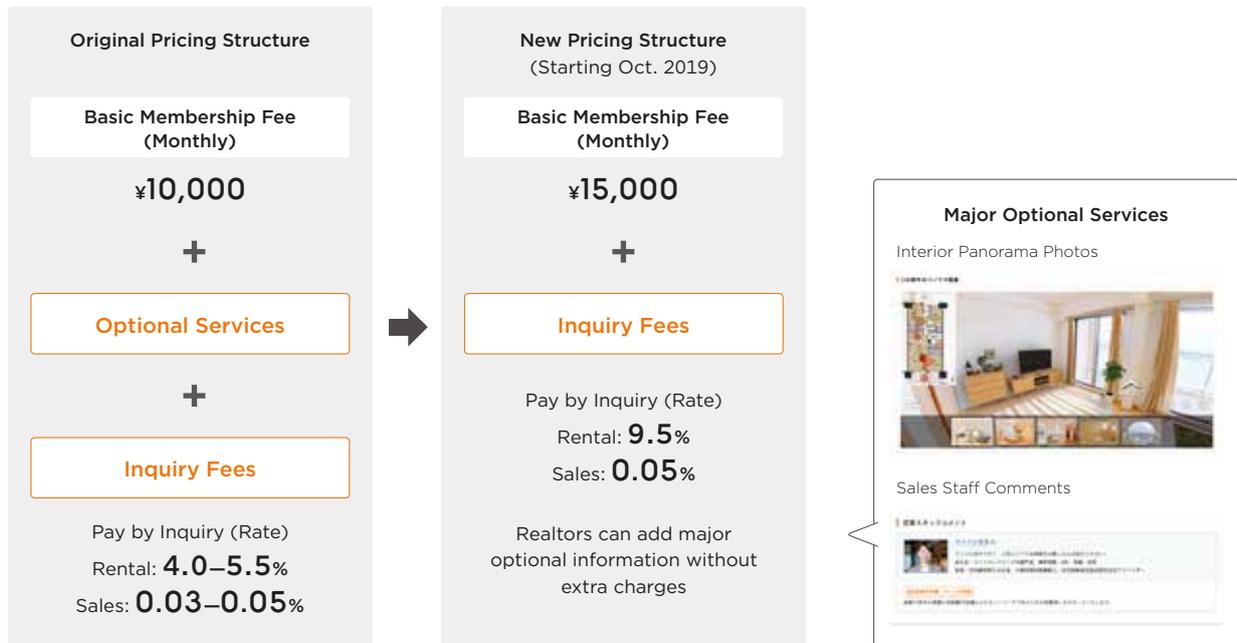
- 02 Suggest properties to users**



**Strategy Outlook**

Through the HOME'S Services segment, we will continue our efforts to transform the real estate industry by constructing a database encompassing all properties in Japan—which does not yet exist. We will solidify our client base by making it possible to see all real estate information on LIFULL HOME'S and offering more services to improve the efficiency of realtors. Through these efforts, we have increased the scale of our business by expanding our key performance indicators. Our client network grew to 26,252 clients (+1.1% year over year) while ARPA increased to ¥94,130 (+2.5% year over year.)

**Revisions to the Pricing Structure for Inquiry-Based Rental and Sale Properties Beginning in October 2019 to Enhance Listing Content**



**Richer Listings with Benefits for Users, Clients and LIFULL**



**Users**

Easier searches for an ideal home with richer listings



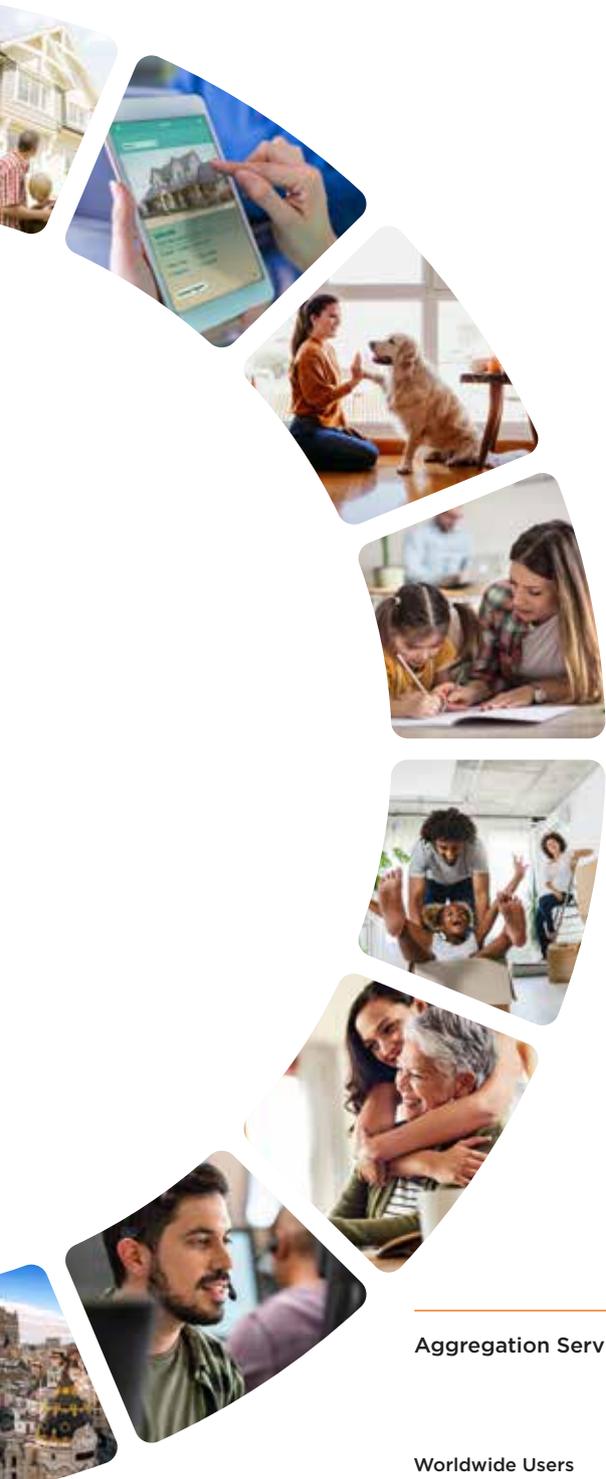
**Clients**

Less work in selecting optional information for listings to increase efficiency



**LIFULL**

More efficient sales initiatives and improved media presence from listings with richer content



## Overseas Segment

The Overseas segment is primarily focused around our aggregators for real estate, job listings, used cars and fashion active in over 60 countries and regions as well as real estate portals focused in Central and South America and Southeast Asia. We are making progress towards the completion of a global platform by leveraging the enormous amounts of life data and users on these websites.



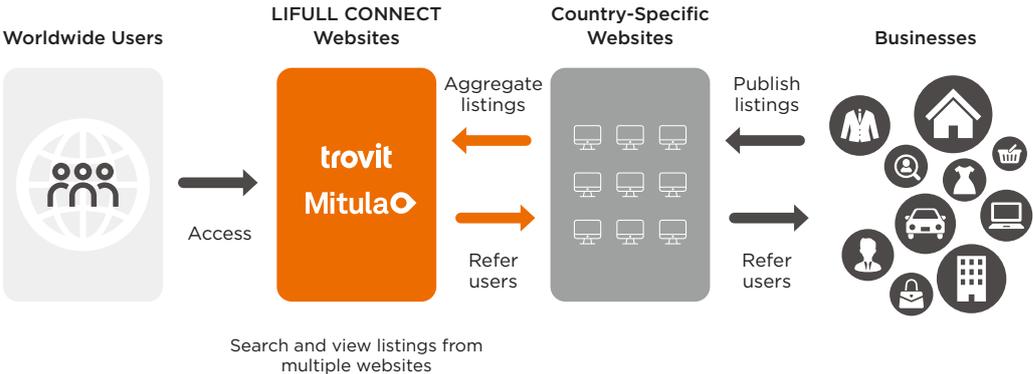
Trovit

Mitula

### Segment Overview

In the Overseas segment, we are developing our business with the goal of constructing a global platform that transcends language and nationality to help people find homes and real estate investment opportunities across borders seamlessly. With the acquisition of Trovit in November 2014 and Mitula in January 2019, we have succeeded in becoming an enormous platform showcasing real estate, job listings and used cars to more than 2 billion people in over 60 countries annually.

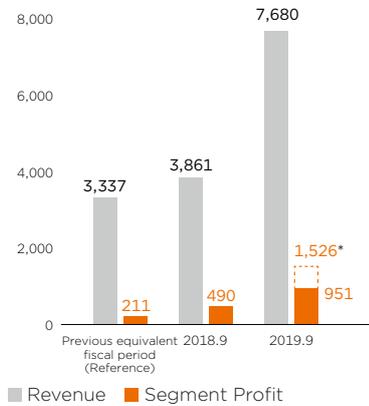
### Aggregation Service System



## Business Overview by Segment

### Overseas Segment

Overseas Segment  
Revenue and Segment Profit  
(Millions of yen)



\* Segment Profit without regard to costs for the acquisition of Mitula.

Note: The term "previous equivalent fiscal period" refers to the period from October 1, 2016, to September 30, 2017, and has been used for comparative purposes in light of our decision to change closing dates.

In this segment, we are committed to developing the largest database in the world and leveraging vast amounts of information to provide new value by becoming an indispensable global real estate platform for people worldwide.

### Overview of the Fiscal Year Ended September 30, 2019

Apart from focusing on the optimization of online marketing for Trovit during the current fiscal year, we also acquired a strong rival, Mitula, in January 2019 improving our overall competitiveness. Additionally in May, we acquired RESEM, a real estate portal operator active in 11 countries in Central and South America, to provide more direct house-hunting support to users.

As a result, business grew significantly with sales revenue totaling ¥7,680 million (+98.9% year over year) and segment profit ¥951 million (+94.1% year over year).

### Strategy Outlook

LIFULL CONNECT blends together the outstanding technical expertise of our employees, an enormous international user base and a deep understanding of online business. The combination of these management resources does not only translate into the optimization of each service, but also higher productivity and also increasing the overall business scale while maintaining a high level of profitability through active growth investments. Taking the characteristics of each country and region into consideration, LIFULL CONNECT is making progress toward the creation of a global platform, our long-term strategic pillar.

### LIFULL CONNECT

(Founded November 2019)



Services offered in 60 different countries with the largest real estate audience worldwide

trovit

Mitula

nurra

nestoria

Kleding.nl

FASHIOLA.

dotproperty  
MOVING ASIA ONLINE

R · E · S · E · M

## The Acquisition of Mitula

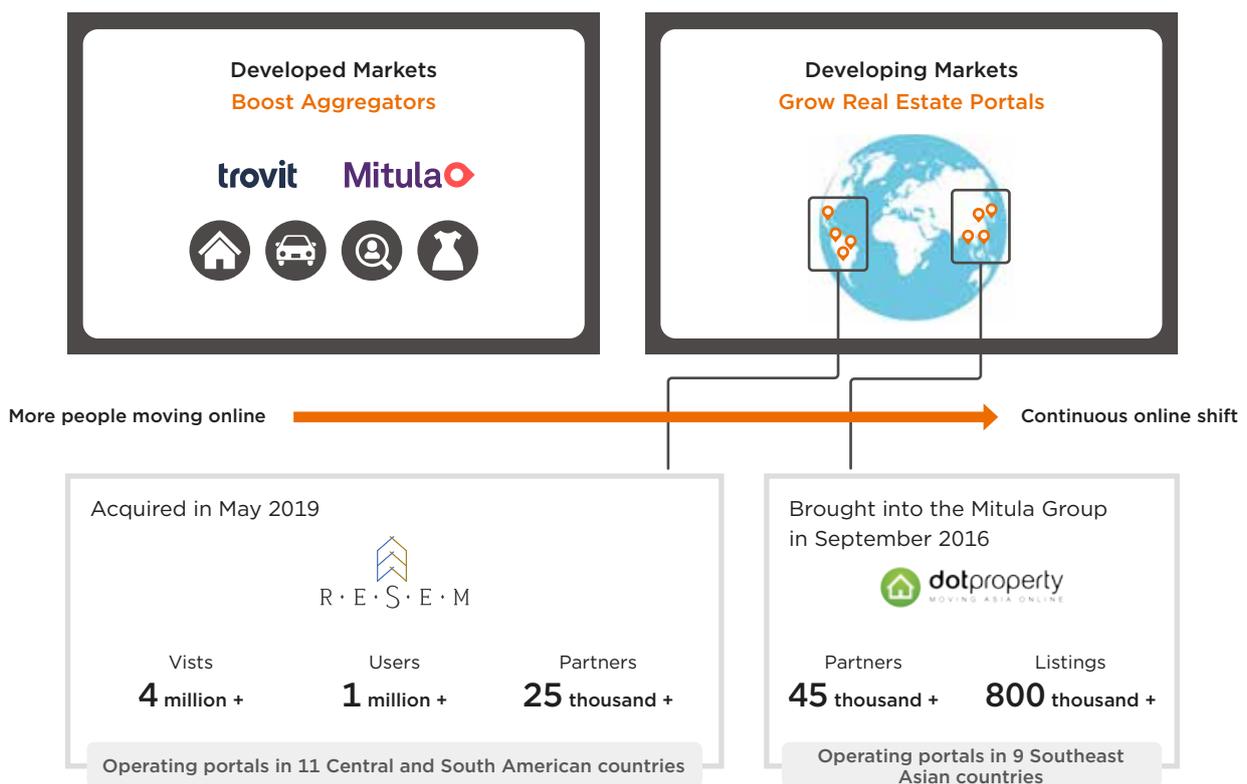
In January 2019, we acquired Mitula Group Limited, listed in Australia, through a scheme of arrangement. This is a friendly method of acquisition which requires the approval of the shareholders' meeting as well as the authorization of the Australian court system in order to acquire all shares of the target company.

Mitula shareholders were paid either A\$0.80 in cash (maximum 20,000 shares) or A\$0.85 worth of newly issued shares of LIFULL in exchange for their shares of Mitula. This was approved with 99% support at the shareholders' meeting held on December 11, 2018. Approval was received from the Australian Courts on December 13, 2018, and the scheme itself was enacted on January 8, 2019. LIFULL made payments of ¥2.35 billion in cash and issued 15,450,770 new shares of ordinary stock for a total of ¥13.8 billion.

Due to this acquisition, the total number of shares of LIFULL increased to 134,239,870, an increase of 118,789,100 shares (approx. 11.5%) and capital to ¥9,716 million from December 31, 2018.

Notes: 1. The market price on January 8, 2019 was used to calculate the value of LIFULL shares (¥740).  
2. The exchange rate on the last day Mitula was listed on the Australian Stock Exchange, December 13, 2018, was used for calculations (A\$1.00 = ¥82.02).

## Developing the Right Platform for Each Market





## Other Businesses Segment

In the Other Businesses segment, we are dedicated to investing in the development of new businesses and services to improve people’s lives without restricting ourselves to the Internet or real estate. Many of these business ventures were developed by our own employees and students through our business idea competitions and serve to train the next generation of business leaders as well as find solutions to social issues and contribute to the growth and profitability of the LIFULL Group.

### Segment Overview

The Other Businesses segment is comprised of LIFULL senior (operator of a search website for elderly care facilities and nursing homes), LIFULL MOVE (operator of a moving company estimate and reservation website), LIFULL SPACE (operator of a rental storage space search website), LIFULL Social Funding run by the Regional Revitalization Fund and the LIFULL Regional Revitalization business as well as several others.

---

### Other Business Ventures

New business ventures started through our internal business idea competition

#### LIFULL FLOWER

Subscription service for seasonal flower arrangements delivered directly.

<https://flower.lifull.jp/>



#### Clean Smoothie

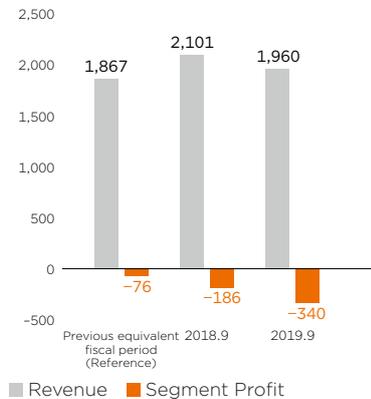
Fresh smoothies made from imperfect vegetables to enjoy in the office.

<https://smoothie.lifull.net/>

Corporate sales started in February 2019



**Other Businesses Segment  
Revenue and Segment Profit**  
(Millions of yen)



Note: The term "previous equivalent fiscal period" refers to the period from October 1, 2016 to September 30, 2017 and has been used for comparative purposes in light of our decision to change closing dates.

**Overview of the Fiscal Year Ended September 30, 2019**

During the current fiscal year, we continued making investments in the growth of our different services. Particularly for our efforts in rural Japan, we established the Regional Revitalization Fund and have been forming partnerships with local governments to turn vacant houses and buildings into leisure facilities for new lifestyles while also developing our vacant house consultant training program for local offices.

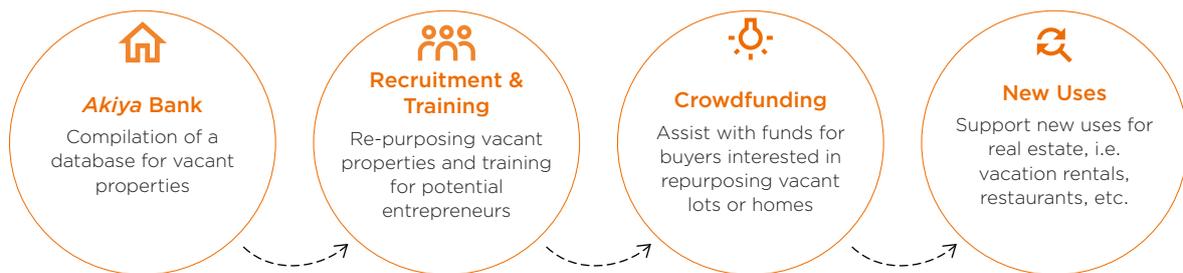
LIFULL FinTech had also been providing valuable services to users as the operator of the largest insurance comparison website in Japan until its transfer to Nippon Life Insurance Company in December 2018.

As a result of these operations, the Other Businesses segment saw sales revenue of ¥1,960 million (-6.7% year over year) and segment profit of -¥340 million (-¥154 million year over year).

We believe that finding solutions to social issues still poses opportunities for the LIFULL Group and will leverage our management resources to establish new business ventures and increase our business scope.

**LIFULL Group Regional Revitalization**

We are working on a variety of different solutions to the increasing number of vacant houses in Japan such as development and funding projects.



Progress during Fiscal Year 2019

**Utilization of Recreational Facilities**

**LivingAnywhere Commons**



Shared offices with attached residential facilities for many different lifestyles. Nationwide locations coming soon.

<https://livinganywherecommons.com/>

# Human Resources

In an effort to realize our corporate philosophy and make LIFULL the best place to work in Japan, our employees are doing their best to create programs that are competitive in many situations.

## The “Will” of Our Employees

LIFULL is defined by the “will” of our employees to realize our corporate philosophy. As part of that, we are creating an environment and internal programs that help the individual talents of each and every one of our employees flourish and enable them to challenge themselves in order to overcome difficulties in their lives. How well a candidate fits in with the corporate culture and philosophy is a pillar of our hiring process. Since all of our employees are working under the same set of values, we are able to maintain a high level of motivation in the workplace.

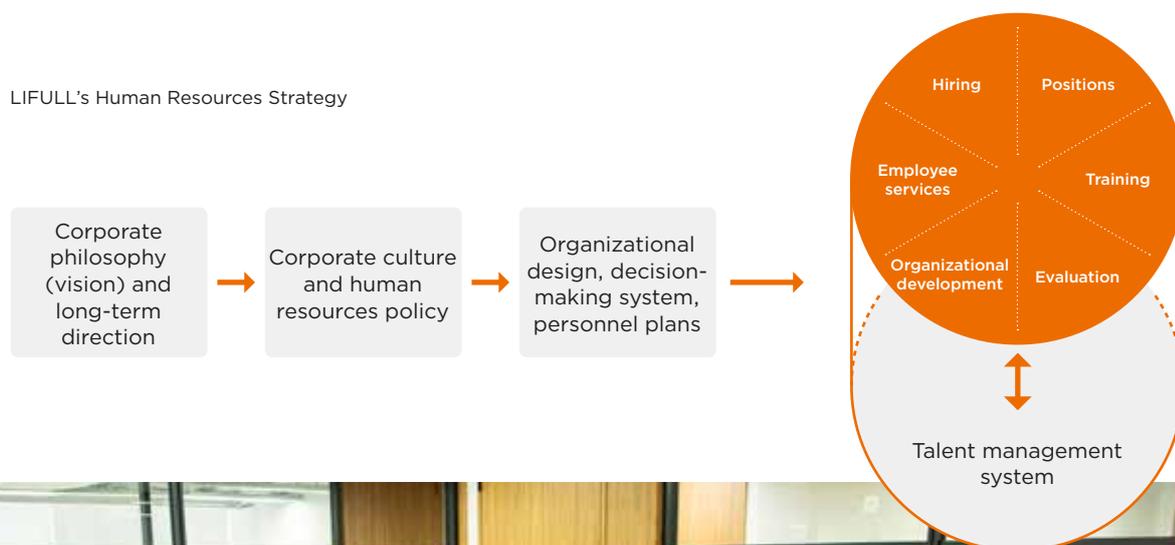
Furthermore, while putting our corporate philosophy into practice is one reason we have taken various measures to challenge our employees, the most important reason is to

encourage self-motivation and self-confidence.

We believe that we should provide employees with opportunities to act on their intrinsic desire to take action, and that creating an atmosphere and corporate culture that nurtures self-confidence to express themselves in a direct manner when speaking with their co-workers is a way to remove barriers to personal growth.

As a result of these efforts, beginning with our hiring process, which emphasizes how well a candidate fits with our corporate culture and philosophy, and our human resources policies and programs that encourage self-motivation and self-confidence, we were recognized as the Best Motivation Company 2017 in an award ceremony hosted by Link And Motivation Co., Ltd.

LIFULL’s Human Resources Strategy



## Humans Resources Program “Best Place to Work in Japan”

At LIFULL, human resources management is primarily based on employee self-motivation. That is to say, job appointments, transfers and job changes are not, as a rule, determined unilaterally. We have established a career choice program to enable job changes at the employee’s own volition. Employees are allowed to transfer to different departments to achieve their own career goals. Our employees are treated as professionals, can design their own career paths and are trusted to carry out their responsibilities. During employee evaluations, we do not only look at the short-term successes, but also place importance on living out the values of the company.

## SWITCH Our Program for Proposing New Businesses

SWITCH is a program for employees, prospective employees and students to present proposals for new businesses. Employees can use this system to take on new challenges and improve their skills regardless of position or seniority. Winners are selected from around 100 -150 annual entries at contests held throughout the year, and newly founded businesses are housed in the Other Businesses segment.



## LIFULL University

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

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

Basic Employee Data (Non-consolidated full-time employees of LIFULL Co., Ltd. as of September 30, 2019)

<p>Gender</p> <p>Male 68.3% Female 31.7%</p>	<p>Average age</p> <p>34.4</p>	<p>Average years of service</p> <p>5.7 years</p>
<p>Average percentage of paid time off taken*</p> <p>* Average for April 2018–March 2019 and April 2019–March 2020</p> <p>88.9%</p>	<p>Ratio of female employees taking maternity/childcare leave*</p> <p>* For maternity/childcare leave from April 1, 2018–March 31, 2019</p> <p>100%</p>	<p>Ratio of male employees taking paternity/childcare leave*</p> <p>* For paternity/childcare care leave from April 1, 2018–March 31, 2019</p> <p>11.4%</p>

# Technology

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

LIFULL has already taken on development of a number of industry-leading technologies and has cultivated a high level of technical ability in the process. We are also actively using cutting-edge technology to revolutionize, revitalize and expand the real estate industry.

## Services Utilizing Big Data

### Price Map

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

 <https://www.homes.co.jp/price-map/>  
(Available in Japanese only)

### Real Estate Price Visualization

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

 <https://lifullhomes-index.jp/>  
(Available in Japanese only)

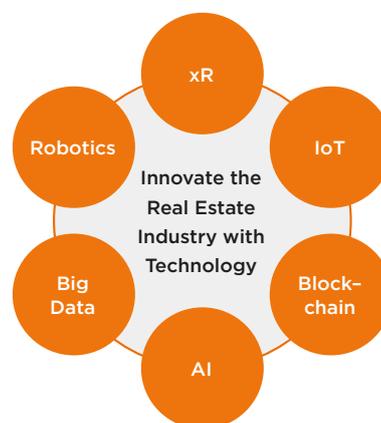
## Features Utilizing AI

The LIFULL HOME’S Android app includes a feature that takes advantage of AI to recommend properties. The app learns user preferences based on properties the user “likes” and recommends properties that match these preferences, making it easier for users to find the property for which they are looking.

## Research and Development Division

### LIFULL Lab (Formerly Littel Laboratory)

LIFULL Lab was launched as LIFULL’s research and development division in April 2011. The most important technologies currently under research and development at LIFULL Lab are VR, mixed reality (MR), IoT, product development and engines targeting smart homes—part of our effort to conduct research and development that support next-generation services.



## AI Development Unit

The AI Development Unit was established in August 2018 with the goal of leveraging the various big data that LIFULL holds to create new services and features with AI. Specific applications include deep learning through processing of images and big data to make estimates for the real estate market and development of models to analyze and predict user activity and create recommendation algorithms. Using AI in LIFULL’s business ventures, we are improving service quality and efficiency of workflows while creating new value.

## Blockchain Efforts

### Establishment of the Real Estate Information Consortium

In November 2018, eight companies came together to form a real estate data consortium. The consortium aims to open up real estate data to solve a number of social issues and is exploring the ways to use blockchain technology to improve information quality and utilize this technology in new services.

### Property Ownership Transfer Proof of Concept

In November 2019, we began a proof of concept for transferring property rights via blockchain. It is currently estimated that if all of the land with unknown owners in Japan were put together, the total area would be larger than Kyushu. One of the reasons for this is believed to be the costs associated with transferring property rights, but by using blockchain, we are testing to see if it is possible to complete transfers in a safe and cost effective way.

# Initiatives to Improve Productivity

One of the ways we keep LIFULL competitive is by condensing overlapping back office workflows and utilizing robotic process automation (RPA) to improve efficiency. By implementing an automated profitability management system, we are making each department more productive.

## Shared Services (LIFULL bizas)

We established LIFULL bizas Co., Ltd., our shared service center, in April 2016 to optimize back office tasks such as order processing, posting revenue, invoices and call center operation.

LIFULL bizas is specialized in back office work and supports the growth of the LIFULL Group by focusing these tasks into one place and, thereby, cutting costs and improving efficiency. With two locations in Kochi and Fukui Prefectures, LIFULL bizas is creating jobs and contributing to the workforce in those regions.

## RPA (Robotic Process Automation)

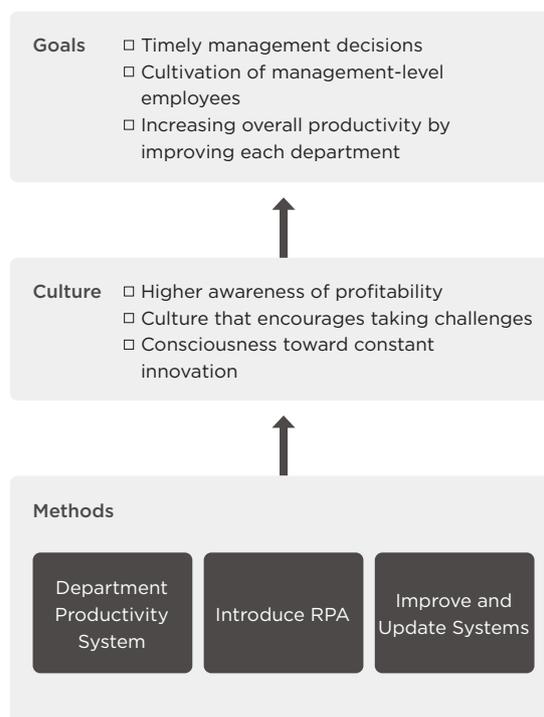
LIFULL has implemented an RPA system to improve productivity and the quality of our workflows primarily automating back office tasks such as downloading, organizing, entering and checking data. In October 2018, we started a specialized department to oversee the implementation and expansion of RPA within the company. As a result, we were able to save around ¥70 million in costs during the current fiscal year.

For the future, we are considering automating various tasks in sales and marketing. By accelerating these functions and concentrating our internal resources on creating new value, the LIFULL Group is making strides toward becoming a more efficient company overall.

## Management of Department Productivity

Our efforts to improve productivity at LIFULL include setting goals for the value provided by each individual and using management data and production data to help visualize productivity and the advancement of BPR. This is not just for departments with obvious revenue and costs. We are also working to create a system to provide numerical amounts for the contributions of departments whose mission is to provide value internally. The value provided by these departments is, then, “paid” by the receiving department and allows us to gain a clearer picture of the productivity of the organization as a whole.

Our specialized productivity department has constructed a system that manages the optimized efficiency of each group and position. In addition, this department provides training for management and staff and follows up on the improvements in efficiency. Managers are also expected to put together their own strategies for improving productivity and implementing these measures into their groups. These efforts have ensured that the system has been applied at all levels of the fabric of the company.



# Relationship with Society

The LIFULL Group, as an entity interested in solving social issues, places a priority on society and related matters. In that light, we strive to contribute to the development of a sustainable society through activities that provide a contribution to society and by creating new value by collaborating with local communities and organizations working for social reforms.

## LIFULL Headquarters

The design of LIFULL Headquarters invokes the concept of the Engawa, a wooden-floored veranda of a traditional Japanese house, aimed at opening the office to the surrounding area. To achieve this effect, the design incorporates a variety of systems and mechanisms within the functions of the headquarters and peripheral facilities that help form internal and external connections. Our goal is to stimulate internal and external communication and spur new ideas and open innovation by creating an office with which anyone can connect, including local residents, people who work nearby, clients, business partners, entrepreneurs, group employees and anyone in between.

## LIFULL Table

This deli-style restaurant does not just serve as a restaurant or a spot for casual meetings—it also functions as an event venue and a new space to rest and collaborate in the local community.

Open Weekdays 11:00am–3:00pm  
 Closed Weekends, national holidays  
 and the year-end and New Year holidays



## LIFULL Fab

LIFULL Fab is designed to support craftsmanship-oriented entrepreneurs not only as a work space equipped with tools, a ShopBot digital fabrication tool for wood and a 3D printer, but also as a place to host workshops and other events.



## LIFULL HUB

LIFULL HUB is a business incubation office located on the second floor of LIFULL Headquarters. The office is used by a variety of people, including entrepreneurs, freelancers and startup companies. It features an environment that allows users to focus on their work, a free-to-use event space and a lunch discount at LIFULL Table.



The soundproof telephone booth is useful for online meetings and conferences.



The event space regularly hosts over 10 events per month.

## COLUMN

### ENGAWA FES 2019

As part of the festival, there were talks about working styles held in the HUB, workshops for children to make wreaths in the Fab and snacks provided by LIFULL Table. The event brought together LIFULL employees and their families with individuals living and working in the area linking the company to the local community.



## Investment and Capital Alliances

We at the LIFULL Group are not only working toward the resolution of social issues through business activities, but also to support companies that are working to create new value in various fields. At the same time, we aim to put our corporate philosophy into practice and contribute to the development of a sustainable society.

### Establishing a CVC

In May 2017, we set up our corporate venture capital (CVC) to make our investment activities more flexible.

The total investment amount is laid out in the Mid-Term Business Plan, and the individual investment amount is determined by the Investment Committee after a review is completed by the department in charge. In the event that an investment amount exceeds a certain level, that investment is discussed

and determined by the Management Committee or the Board of Directors, rather than the Investment Committee, in accordance with our standards for decision-making authority.

### Entering the Vacation Rental Business

In March 2017, Rakuten LIFULL STAY, Inc. was established as a wholly owned subsidiary of RAKUTEN LIFULL STAY PTE. LTD., a joint investment with Rakuten, Inc. with the goal of entering the vacation rental business.

Utilizing the customer base of Rakuten in combination with the management resources and the expert real estate knowledge of LIFULL, we operate a variety of services targeting the growing vacation rental market. Our aim is to meet the diverse demand for vacation rentals in Japan and overseas while also helping to resolve the serious problem of vacant houses.

## Examples of Investments

### VUILD Co., Ltd.

 <https://vuild.co.jp/>

VUILD is a building tech startup that uses digital fabrication technology for design and construction. Utilizing proprietary software and digital equipment, the goal of the company is to create a world where anyone, at any time, can use the materials in their area to make the furniture they need for their lives by themselves.

### WOTA CORP.

 <https://wota.co.jp/en/>

A startup building the water infrastructure of the future by removing restrictions on the relationship between people and water. WOTA is working to create an autonomous, decentralized society in which water can be distributed through a system that utilizes AI technology to recycle and manage water quality.

### WiseVine Co., Ltd.

 <https://corp.wise-vine.com/>

WiseVine is a startup that operates a resource matching service for creating policies and measures. WiseVine supports public-private partnerships and local governments in their efforts to plan policies and measures through a platform with information from government offices.

## Social Responsibility Activities

### One P's

Since March 2017, we have been running One P's, a program that allows our employees to take time off from work for volunteer activities. The name comes from the idea of "everyone working together as one to transform the world," and LIFULL pledges 1% of the employee working hours and 1% of the profit after taxes from the previous year to cover a portion of the costs. In the current fiscal year, 230 employees participated logging a total of over 905 hours of volunteer work.

### Examples of Volunteer Activities

- Disaster Relief
- Recycle Drives (Clothes, Books, Food)
- Volunteering for the Childline Support Center and Childcare Facilities
- Clean-Up Activities (Around LIFULL Offices)



## Officers and Directors

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

(As of December 19, 2019)



President, CEO and Executive Officer

### INOUE Takashi

[22 years 9 months / 32,941,000 shares]

- Born in 1968
- 1991 Joined Recruit Cosmos Co., Ltd. (currently Cosmos Initia Co., Ltd.)
- 1992 Transferred to Recruit Co., Ltd.
- 1995 Founded NEXT HOME Co.
- 1997 Established the Company, Representative Director (current position)
- 2014 Representative Director of Next Wisdom Foundation (current position)  
Chairperson of Trovit Search, S.L.U. (current position)
- 2016 Director of Japan Association of New Economy (current position)
- 2018 President, CEO and Executive Officer (current position)  
General Manager of LIFULL HOME'S Services Department  
General Manager of Regional Revitalization Development Division of the Company
- 2019 Secretary of NPO PEACE DAY (current position)  
Mitula Group Limited Director (current position)  
LIFULL CONNECT, S.L.U. Board Member (current position)

Director, Executive Officer

### YAMADA Takashi

[5 years 6 months / 160,200 shares]

- Born in 1973
- 1992 Joined Bab-Hitachi Business Corporation (currently HITACHI INFORMATION ENGINEERING, LTD.)
- 1996 Joined Eto Soft Office Ltd.
- 2000 Joined the Company
- 2010 Managing Officer, Deputy General Manager of HOME'S Business Department and General Manager of Product Development Department
- 2014 Managing Officer and General Manager of HOME'S Business Department  
Director, Managing Officer, and General Manager of HOME'S Business Department
- 2017 Director, Managing Officer, and General Manager of LIFULL HOME'S Division and General Manager of Technology Platform Department  
Authorized Representative of LIFULL Tech Vietnam Co., Ltd. (current position)
- 2018 Director, Executive Officer, and General Manager of LIFULL Technology Platform Department and General Manager of AI Development Unit of the Company
- 2019 Director, Executive Officer and Leader of Product Management and AI Strategy (current position)





Outside Director

## TAKAHASHI Masato

[6 years 6 months / 0 shares]

Born in 1959

1982 Joined Recruit Co., Ltd.

2007 Joined Rakuten, Inc.

2011 Managing Executive Officer of Rakuten, Inc.

2012 Representative Director and President of Rakuten Shigoto Shokai, Inc.

2013 Outside Director of the Company (current position)

2014 Representative Director and President of Rakuten Auction, Inc.

2018 Outside Director of Fringe81 Co., Ltd. (current position)

Outside Director of WATABE WEDDING CORPORATION (current position)



Outside Director

## KOBAYASHI Masatada

[New / 0 Shares]

Born in 1971

1994 Joined Dai Nippon Printing Co., Ltd.

1997 Joined MDM, Inc. (currently Rakuten, Inc.)

2006 Managing Executive Officer (current position)

2012 CEO of Rakuten USA, Inc.

2014 CEO of Rakuten Asia Pte. Ltd.

2016 Chairman of Taiwan Rakuten Ichiba, Inc. (current position)

2019 Guest Professor of Keio University Shonan Fujisawa Campus (current position)

Chief Wellbeing Officer at Rakuten, Inc.

(current position)

Outside Director of the Company

(current position)



Officers and Directors



Outside Director, Independent Officer

## NAKAO Ryuichiro

[New / 0 Shares]

Born in 1964

1989 Joined Recruit Co., Ltd.  
(currently Recruit Holdings Co., Ltd.)

2006 Company Partner of Corporate Strategy Office

2007 Corporate Executive Officer of Recruit Sumai Company

2013 President and Representative Director of Recruit  
Technologies Co., Ltd.

2017 Vice President of Recruit Works Institute,  
Recruit Holdings Co., Ltd.

Outside Director of TABIKOBO Co. Ltd.  
(current position)

2019 CEO & Founder of Nakao Management Institute Inc.  
(current position)

Outside Director of the Company (current position)

Outside Director, Independent Officer

## OKUBO Kazutaka

[New / 0 Shares]

Born in 1973

1995 Joined Century Audit Corporation

(currently Ernst & Young ShinNihon LLC)

1999 Registered as certified public accountant

2003 Director of ShinNihon Integrity Assurance Inc.  
(currently Ernst & Young Sustainability Co., Ltd.)

2005 Managing Director

2006 Partner of Ernst & Young ShinNihon LLC

2012 Senior Partner

2016 Senior Managing Director and General Manager of

ERM Department of Ernst & Young ShinNihon LLC

2019 President and Representative Director of

Okubo Associates Inc. (current position)

External Auditor & Supervisory Board Member of

SEGA SAMMY HOLDINGS INC. (current position)

Outside Director of Sun Frontier Fudousan

Co., Ltd. (current position)

Project Professor of Graduate School of Media and

Governance of Keio University (current position)

External Auditor of BrainPad Inc. (current position)

Outside Director of the Company (current position)



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

(As of December 19, 2019)



Full-time Audit & Supervisory Board Member, Independent Officer

### SHISHIDO Kiyoshi

[3 years 6 months / 2,100 shares]

Born in 1956  
 1980 Joined Mitsubishi Corporation  
 1998 General Manager of Motor Vehicle Dept. of Mitsubishi International Steel Inc. (U.S.)  
 2006 Chief Executive Officer of Vitamin C60 BioResearch Corporation  
 2007 Specially Appointed Professor of Tokyo Institute of Technology  
 General Manager of Technology & Business Development Dept., Mitsubishi Corporation  
 2011 Member of the Board and Executive Officer in charge of Strategy Planning of Trility Pty Ltd. (Australia)  
 2016 General Manager in charge of audits of Global Environmental & Infrastructure Business Group of Mitsubishi Corporation  
 Outside Audit & Supervisory Board Member of the Company (current position)

Outside Audit & Supervisory Board Member

### MATSUSHIMA Hideki

[14 years 3 months / 0 shares]

Born in 1943  
 1971 Registered to Tokyo Bar Association  
 1976 Established Tokiwa Sogo Law Offices  
 2003 Representative Director of Japanese Association of Turnaround Professionals  
 2004 Senior Partner of Nishimura & Partners (currently Nishimura & Asahi)  
 2005 Outside Audit & Supervisory Board Member of the Company (current position)  
 2006 Outside Director of Business Planning Forum Co., Ltd. (current position)  
 2007 Outside Director of Nojima Corporation (current position)  
 Outside Audit & Supervisory Board Member of Raysum Co., Ltd. (current position)  
 2008 Outside Audit & Supervisory Board Member of Kumamoto Electric Railway Co., Ltd. (current position)  
 2012 Outside Director of Corporation for Revitalizing Earthquake Affected Business  
 2013 Non-Executive Director of Regional Economy Vitalization Corporation of Japan (current position)  
 Adviser of Japanese Association of Turnaround Professionals (current position)  
 2014 Partner of Nishimura & Asahi  
 2019 Advisor at Nishimura & Asahi (current position)



Officers and Directors



Outside Audit & Supervisory Board Member, Independent Officer

**HANAI Takeshi**

[6 years 6 months / 1,000 shares]

- Born in 1954
- 1977 Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)
- 2004 Executive Officer and General Manager of Shanghai Branch
- 2006 Managing Executive Officer and Head of Asia & Oceania
- 2007 Chairman of Mizuho Corporate Bank (China), Ltd. (currently Mizuho Bank, Ltd.)
- 2009 Director  
Managing Executive Officer of Rakuten, Inc.  
Corporate Auditor of eBANK Corporation (currently Rakuten Bank, Ltd.)  
Director of Rakuten Securities, Inc.
- 2010 Director of bitWallet Inc. (currently Rakuten Edy Inc.)  
Director and Managing Executive Officer of Rakuten, Inc.  
Director of Rakuten Bank, Ltd.  
Director of Airio Life Insurance Co., Ltd.
- 2011 Director of Rakuten KC Co., Ltd. (currently Rakuten Card Co., Ltd.)  
Director of Rakuten Insurance Planning Co., Ltd.  
Adviser of Kowa Real Estate Co., Ltd. (currently Nippon Steel Kowa Real Estate Co., Ltd.)
- 2012 Adviser of The Senshu Ikeda Bank, Ltd.  
Adviser of Corporate Directions, Inc. (current position)
- 2013 Outside Audit & Supervisory Board Member of the Company (current position)
- 2014 Outside Director of ASICS Corporation (current position)  
Outside Director of Maruwn Corporation (current position)
- 2015 Outside Director of Nippon Seisen Co., Ltd. (current position)
- 2017 Outside Director of TATSUTA Electric Wire and Cable Co., Ltd. (current position)

Outside Audit & Supervisory Board Member, Independent Officer

**NAKAMORI Makiko**

[6 years 6 months / 0 shares]

- Born in 1963
- 1987 Joined Nippon Telegraph and Telephone Corporation
- 1991 Joined Asahi & Co. (currently KPMG ASZA LLC)
- 1996 Registered as a Certified Public Accountant
- 1997 Director of Nakamori CPA offices (current position)
- 2000 Audit & Supervisory Board Member of Oracle Corporation Japan
- 2006 Outside Auditor of itsyle Inc. (current position)
- 2008 Director of Oracle Corporation Japan
- 2010 Outside Audit & Supervisory Board Member of Global-Dining, Inc.
- 2011 Outside Audit & Supervisory Board Member of the Jade Group K.K. (currently Locondo, Inc.)  
Outside Audit & Supervisory Board Member of M&A Capital Partners Co., Ltd. (current position)
- 2012 Outside Director of ITOCHU Techno-Solutions Corporation (current position)
- 2013 Outside Audit & Supervisory Board Member of the Company (current position)
- 2015 Outside Audit & Supervisory Board Member of TeamSpirit Inc. (current position)
- 2019 Outside Member of the Board of ITOCHU Corporation (current position)



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

	Name	Independent Officer	Experience	Reason for nomination	Number of Board of Directors (Audit & Supervisory Board) meetings attended in FY2018
Outside Directors	TAKAHASHI Masato	—	    	Mr. Takahashi Masato has worked for Recruit Holdings Co., Ltd. and possesses extensive experience in the real estate information business. He has produced results in B-to-C businesses and has extensive knowledge in the field of e-commerce.	16 of 17 Board of Directors meetings
	KOBAYASHI Masatada	—	    	Mr. Kobayashi Masatada has worked for many years at Rakuten, Inc. since its founding and has gained abundant experience as a director for several Rakuten Group companies.	Appointed in December 2019
	NAKAO Ryuichiro	○	    	Mr. Nakao Ryuichiro served as a director of an affiliated company of Recruit Holdings Co., Ltd. overseeing the housing and technology sectors and has experience in business development and activation of the organization.	Appointed in December 2019
	OKUBO Kazutaka	○	    	Mr. Okubo Kazutaka is familiar with governance and finance as a certified public accountant in a major accounting firm and has abundant expertise and experience in compliance and CSR, having served as an expert committee member at government offices and as secretary of business circles.	Appointed in December 2019
Outside Audit & Supervisory Board Members	SHISHIDO Kiyoshi	○	    	Mr. Shishido Kiyoshi has numerous years of experience working in the integrated trading company industry at Mitsubishi Corporation and also served as director of affiliates of the Mitsubishi group.	17 of 17 Board of Directors meetings, 17 of 17 Audit & Supervisory Board meetings
	MATSUSHIMA Hideki	—	    	While Mr. Matsushima Hideki's corporate management experience comes solely from holding outside director positions, as an attorney, he has considerable knowledge of judicial matters.	17 of 17 Board of Directors meetings, 17 of 17 Audit & Supervisory Board meetings
	HANAI Takeshi	○	    	Mr. Hanai Takeshi has many years of professional experience in the financial sector and as a director and auditor of affiliates of the Rakuten Group.	16 of 17 Board of Directors meetings, 16 of 17 Audit & Supervisory Board meetings
	NAKAMORI Makiko	○	    	While Ms. Nakamori Makiko's corporate management experience comes solely from holding outside director positions, as a certified public accountant, she has considerable knowledge of matters relating to finance and accounting.	16 of 17 Board of Directors meetings, 16 of 17 Audit & Supervisory Board meetings

 IT
  Management
  Finance / Accounting
  Global
  Judicial Affairs

Officers and Directors

Managing Officers

(As of December 31, 2019)



Managing Officer  
Section Manager of Executive Office

**TSUTSUI Keizo**

Born in 1967  
1990 Joined Merrill Lynch & Co.  
1998 Joined The Boston Consulting Group  
1999 Joined Rakuten, Inc.  
2006 Joined Dream Incubator Inc.  
2011 Joined the Company  
2012 Managing Officer of the Company  
(current position)

Scope of Oversight



Managing Officer  
CPO (Chief People Officer)  
General Manager of Human Resources Division

**HADA Yukihiro**

Born in 1976  
2005 Joined the Company  
2015 Managing Officer of the Company  
(current position)

Scope of Oversight



Managing Officer  
CFO (Chief Financial Officer)  
General Manager of Group Company Business Development Dept.

**FUKUZAWA Hidekazu**

Born in 1979  
2002 Joined I!LL Ltd. (currently GMO Cloud K.K.)  
2007 Joined the Company  
2019 Managing Officer of the Company  
(current position)

Scope of Oversight





Managing Officer  
 CCO (Chief Creative Officer)  
 General Manager of Creative Department  
 Head of LIFULL Lab

## KAWASAKI Kohei

Born in 1981  
 2004 Joined IMG SRC Inc., Art Director  
 2011 Joined beacon communications K.K.,  
 Creative Director  
 2015 Joined W underman Thompson Tokyo,  
 Senior Creative Director  
 2017 Joined the Company  
 2018 Managing Officer of the Company  
 (current position)

### Scope of Oversight



Managing Officer  
 General Manager of LIFULL HOME'S Services  
 Department

## ITO Yuji

Born in 1982  
 2006 Joined the Company  
 2015 Managing Officer of the Company  
 (current position)

### Scope of Oversight



## Corporate Governance

We will continue to improve our corporate management and construct a corporate governance system designed to accelerate decision making and ensure proper execution of business while increasing efficiency and transparency.

### Basic Philosophy

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

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

LIFULL has an Audit & Supervisory Board and has also established a corporate officer system to enhance the soundness and efficiency of management by separating management and executive functions.

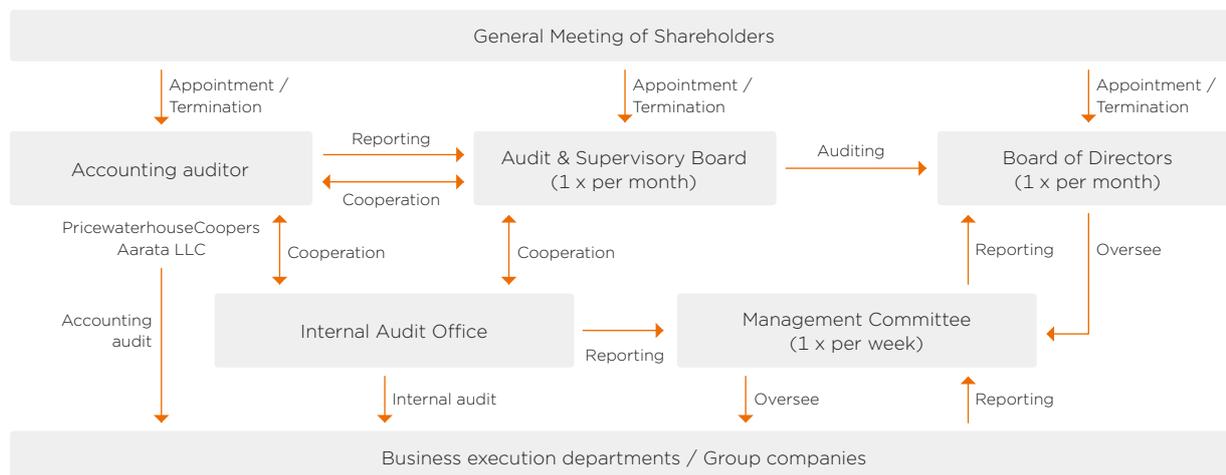
In principle, the Board of Directors convenes once per month and, in addition to making decisions on basic policies and other important matters, supervises the execution of business by the managing officers in line with these decisions. In addition, a Management Committee consisting mainly of the full-time directors

and managing officers convenes each week to make proposals to the Board of Directors on matters related to strategic decision making and deliberate in advance decisions to be made by the Board of Directors.

All Audit & Supervisory Board members attend the monthly Board of Directors meetings while full-time Audit & Supervisory Board members also attend the Management Committee meetings and other critical meetings and oversee the operations of the Board of Directors. In addition, in principle, a meeting of the Audit & Supervisory Board is convened once per month wherein Audit & Supervisory Board members exchange opinions on issues discussed at the meeting of the Board of Directors and the status of company management, draw up auditing plans including auditing policies and determine important auditing-related matters.

Owing to strengthened cooperation between directors and Audit & Supervisory Board members, under the current system, the Audit & Supervisory Board members play an effective role in our decision-making process.

### Corporate Governance System



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

We have established the following selection criteria for outside directors in order to enable the selection of highly independent outside directors. However, if the Board of Directors reasonably determines that a candidate is suitable for the post of outside director, the criteria set out in this policy shall not exclude the candidate from being selected. However, a candidate

selected in this manner cannot be appointed as an independent director.

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

- a. A person who executes business on behalf of the Company or its affiliated companies\*1

- b. A person who has an important business relationship with the Company\*<sup>2</sup> or who executes business on behalf of such a person\*<sup>1</sup>
- c. A person who is a major shareholder (directly or indirectly holding 10% or more of the voting rights) of the Company or who executes business on behalf of such a person
- d. A person who executes business on behalf of a major investor (directly or indirectly holding 10% or more of the voting rights) of the Company or its affiliated companies
- e. A consultant, an accounting expert, or a legal expert who receives a considerable amount of cash or other assets\*<sup>3</sup> other than remunerations as a director of the Company or its affiliated companies (when a party who receives such assets is an organization, such as a corporation or an association, this shall refer to a person who is associated with that organization)

- f. A person to whom any of (a) to (e) above have applied in the past three years
- g. A person who is a close relative of a person to whom any of (a) to (e) above apply\*<sup>4</sup>

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

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

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

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

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

Remuneration amounts for directors and Audit & Supervisory Board members are determined with consideration given to Company performance, management duties, economic conditions and other factors, with amounts for each director and auditor within the limit determined at the General Meeting of Shareholders.

Remuneration for directors is determined by their LIFULL Group Vision Achievement Score (LVAS), a proprietary evaluation system that incorporates over 30 evaluation criteria, including 1) altruistic contributions, referring to contributions to society; 2) degree of growth and innovation; 3) contributions to the Group; and 4) embodiment of the organization's vision. The amount calculated based on the LVAS is paid as remuneration over the following period. LVAS ensures that the rule for issuing periodic, same-amount payments is

followed and has been adopted to increase motivation for improving business performance and corporate value of the LIFULL Group. LVAS is an evaluation system based on Will-Centric Public Interest Capitalism designed to reflect all stakeholders in management even after LIFULL has grown to a group of over 100 companies. In addition, performance-linked remuneration includes both monetary and non-monetary remuneration.

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

#### Total Remuneration

Classification	Number of recipients	Payment amount (thousands of yen)
Directors (particulars relating to Outside Directors)	6 persons (3 persons)	63,228 (7,500)
Audit & Supervisory Board Members (particulars relating to Outside Audit & Supervisory Board Members)	4 persons (4 persons)	33,000 (33,000)
Total (particulars relating to Outside Officers)	10 persons (7 persons)	96,228 (40,500)

Note: As of the end of the fiscal year ended September 30, 2019, there were four directors (including two outside directors) with two stepping down at the General Shareholders' Meeting held on December 10, 2018. One outside director does not receive remuneration.

### Analysis and Evaluation Regarding the Effectiveness of the Board of Directors

To spur active discussion among the Board of Directors, and for the benefit of new outside directors, time is set aside to exchange opinions regarding overviews of company businesses and business strategies. When formulating or updating the Mid-Term Business Plan, time is also set aside for preemptive discussions

among the Board of Directors as well as opinion exchanges with the outside directors.

Furthermore, we have all auditors and Audit & Supervisory Board members complete a questionnaire for analysis and evaluation regarding the effectiveness of the Board of Directors. The results of this questionnaire are used to increase effectiveness of the Board of Directors and further improve discussions.

## Corporate Governance

### Internal Audit and Audit by the Audit and Supervisory Board Members

We have established an Internal Audit Office (three staff members) that is directly under the Representative Director and is independent of the Audit Department. The Internal Audit Office ascertains the risks related to the Company itself as well as our subsidiaries and carries out internal audits based on the internal audit plan that is formulated by taking importance and urgency into consideration. The office reports the internal audit results to the Representative Director and, as necessary, the Audit & Supervisory Board members; discusses the business management system, etc. of the departments and sections subject to auditing thoroughly; and provides information regarding the audits.

There are four Audit & Supervisory Board members of the Company, including one full-time Audit & Supervisory Board member. Each Audit & Supervisory Board member will attend the meetings of the Board of Directors and expressly provide questions, recommendations, and advice from their standpoints and monitor the execution of the duties of the directors.

The full-time Audit & Supervisory Board member will attend other important meetings, monitor the status of business execution, access important business documents, and also monitor and audit daily business activities through the research of subsidiaries. In addition, the full-time Audit & Supervisory Board member will receive reports on the outline and results of the accounting audit from the accounting auditors and conduct audits in close collaboration with the accounting auditors.

### Relationship Between Auditors, Accounting Auditors, and Internal Audit Office

Auditors receive periodic summaries and result reports of accounting audits from accounting auditor PricewaterhouseCoopers Aarata LLC. In addition to these audits, we exchange opinions and information with accounting auditors as it works to improve our internal system. Moreover, the Internal Audit Office carries out internal audits based on its internal audit plan, after which the results are reported to the Representative Director and the Audit & Supervisory Board and opinions are exchanged in order to improve the auditing system.

### Cross-Shareholdings

We do not possess any listed shares as cross-shareholdings. Our policy on cross-shareholdings is that such shareholdings are limited to those reasonable for promoting expansion and development of the Group and Company itself, fostering business alliances that may contribute to new business, or other management-related reasons. To ensure implementation of this policy, investments are made after approval by the

Management Committee or the Board of Directors, in keeping with standards for decision-making authority.

### Equity Securities Held for Purposes Other than Pure Investment

Amount issued **11** shares

Total amount on balance sheet **¥346,561** thousand

### Dialogues with Shareholders and Investors

In keeping with the Financial Instruments and Exchange Act as well as the regulations for listed companies put forth by the Tokyo Stock Exchange, which dictate timely disclosure of information as a general rule, we are committed to proactive disclosure of information that may affect investors' investment decisions.

Our IR Group communicates information in a timely manner via the IR section of the corporate website. As additional steps to promote constructive dialogues, the IR Group holds individual consultations with institutional investors as well as presentations and other efforts aimed at individual investors.

The opinions derived from the dialogues with our shareholders are shared widely among Group management and employees.

### Risk Management System

We have established a Risk Management Committee chaired by the Representative Director and a risk management system has been established wherein all risks that could have a significant impact on the Group are centrally managed. In order to ensure that we maintain a sound financial position and steadily achieve higher earnings by streamlining our operations, we have also established a department specializing in the maintenance of internal control systems and a system to check and improve the maintenance of internal regulations and the status of operations. Also, we have established a system to prevent risks related to irrecoverable debts and illegal transactions by strengthening the system of checks employed by the legal department, supplier audit department and in purchasing operations.

#### Risk Management System



# Main Risk Factors

## Business Risks

---

### Service Pricing Systems

The pricing system for each service could be revised owing to the launch of similar services by our competitors, improvement of the added value of our services and changes in relevant costs.

If the conditions under which clients use our service change due to a revision of prices or if we are unable to pass the impact of changing costs related to our services on to clients, this could have an impact on group earnings.

### Reliance on Outside Search Engines to Attract Users to the Group's Websites

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

### The Handling of Personal Information

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

While we do our utmost to protect confidential information and personal information, if this information is leaked to persons outside the Group, lost, falsified or

misused due to persons gaining improper access to our systems or as a result of defects in our systems, we could incur costs related to the taking of appropriate actions in response to the situation and, while we hold liability insurance which would cover all or part of any compensation for damages that we would be obliged to pay, the undermining of our social credibility could result in a decline in the number of users and clients, which could have a negative impact on group earnings.

### Disputes between Clients that Post Information on the Group's Websites and Users of the Information

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

### Development of Overseas Businesses

We are developing businesses overseas and such development involves business risks depending on regional characteristics. Overseas businesses must operate under different legal systems. While we plan to take sufficient measures to reduce such risks and develop overseas businesses in a manner that minimizes such risks, the emergence of difficult-to-predict business risks and risks related to overseas legal systems could have an adverse impact on group earnings.

### Foreign Exchange Fluctuations

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

### Main Risk Factors

#### Competition

There are currently multiple other companies operating businesses in the same industries as our real estate and housing information service, LIFULL HOME'S, and our aggregation websites operated by Trovit and Mitula Group.

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

#### Risks Related to the Group's Business Systems

##### Reliance on the CEO

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

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

##### System and Equipment Failure

Management of our businesses relies on computer systems and telecommunications networks. We use data centers that are protected against electric power outages and earthquakes by uninterruptible power supply equipment and earthquake-resistant construction and that regularly back up server data.

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

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

##### Expansion of Operations through Acquisitions, etc.

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

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

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

As of September 30, 2019, Rakuten, Inc. was a major shareholder in LIFULL, holding 17.74% of the shares, and Rakuten, Inc. is classified as one of our "other affiliated companies." We have had a wide-ranging and amicable relationship with Rakuten, Inc., including business transaction relationships such as LIFULL posting its real estate information on websites operated by Rakuten, Inc. Rakuten, Inc.'s executive vice president, Mr. Kobayashi Masatada, also serves as an outside director of LIFULL.

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



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



# Fact Data

## Summary of Consolidated Financial Indicators for Five Fiscal Periods

LIFULL Co., Ltd. and its consolidated subsidiaries

The irregular six-month period ended September 30, 2017, is due to the change in the closing date of the fiscal year.

(Millions of yen)

IFRS	2016/3	2017/3	2017/9	2018/9	2019/9
<b>Consolidated Operating Results (For the Year):</b>					
Revenue	25,707	29,920	15,948	34,564	39,297
Revenue by Segment* <sup>1</sup>					
HOME'S Services Segment* <sup>2</sup>	—	—	13,289	28,611	29,708
Domestic Real Estate Information Services* <sup>2</sup>	18,345	21,176	—	—	—
Domestic Services for Realtors* <sup>2</sup>	4,122	6,864	—	—	—
Overseas Segment	3,507	3,193	1,718	3,954	7,799
Other Businesses Segment	671	833	983	2,112	1,994
Cost of Sales	2,127	3,080	1,862	3,879	4,559
Selling, General and Administrative Expenses	18,625	21,408	12,446	25,354	29,537
Personnel Expenses	6,269	7,039	3,810	7,791	8,702
Advertising Expenses	7,345	8,400	5,414	11,384	13,273
Operating Expenses	1,016	1,010	455	943	925
Other Costs	3,993	4,957	2,766	5,235	6,636
EBITDA* <sup>3</sup>	4,859	5,312	1,536	5,382	5,360
Depreciation and Amortization Expenses	864	1,245	519	1,067	1,249
Operating Income	3,994	4,066	1,016	4,315	4,110
Operating Income by Segment* <sup>1</sup>					
HOME'S Services Segment* <sup>2</sup>	—	—	1,067	3,864	3,311
Domestic Real Estate Information Services* <sup>2</sup>	3,540	3,842	—	—	—
Domestic Services for Realtors* <sup>2</sup>	(7)	(117)	—	—	—
Overseas Segment	550	346	131	490	951
Other Businesses Segment	(80)	(22)	(120)	(186)	(340)
Net Profit Attributable to Owners of the Parent	2,670	2,765	489	2,859	2,359
<b>Consolidated Financial Position (At Year-End):</b>					
Total Assets	25,265	27,110	26,363	29,181	43,483
Equity Attributable to Owners of the Parent	16,922	18,471	19,227	21,881	32,507
Interest-bearing Liabilities	2,439	1,454	970	—	3,558
Net Interest-bearing Liabilities* <sup>4</sup>	(4,185)	(4,592)	(4,539)	—	(5,680)
<b>Consolidated Cash Flows (For the Year):</b>					
Cash Flows from Operating Activities	3,175	3,163	1,909	4,671	2,166
Cash Flows from Investing Activities	93	(2,134)	(999)	(1,533)	(2,836)
Cash Flows from Financing Activities	(868)	(1,517)	(1,601)	(1,072)	2,782
Free Cash Flow* <sup>5</sup>	3,268	1,028	910	3,138	(670)
Capital Expenditures	691	1,654	258	602	564
R&D Expenses	71	60	25	61	130

<b>IFRS</b>	2016/3	2017/3	2017/9	2018/9	2019/9
<b>Financial Indicators:</b>					
EBITDA Margin (%)	18.9	17.8	9.6	15.6	<b>13.6</b>
Operating Income Margin (%)	15.5	13.6	6.4	12.5	<b>10.5</b>
Return on Equity (ROE) (%)	19.2	15.6	2.6	13.9	<b>8.7</b>
Return on Assets (ROA) (%)	16.8	15.6	3.6	15.0	<b>9.8</b>
Debt to Equity Ratio (times)*6	0.14	0.08	0.05	—	<b>0.11</b>
Equity Attributable to Owners of the Parent Ratio (%)	67.0	68.1	72.9	75.0	<b>74.8</b>
<b>Amounts per Share:</b>					
Net Profit Attributable to Owners of the Parent (yen)					
Basic	22.87	23.30	4.12	24.09	<b>18.15</b>
Diluted	—	—	—	—	<b>—</b>
Dividends (yen)	4.50	5.66	0.82	6.02	<b>4.40</b>
Dividend Payout Ratio (%)	19.7	24.3	19.9	25.0	<b>25.0*7</b>
Equity Attributable to Owners of the Parent per Share (yen)	142.54	155.59	161.96	184.32	<b>242.30</b>
<b>Stock Price:</b>					
Share Price at Fiscal Year-End (yen)	1,381.0	755.0	978.0	630.0	<b>703.0</b>
Price to Earnings Ratio (PER) (times)	60.38	32.40	237.37	26.15	<b>38.73</b>
Price to Book Value Ratio (PBR) (times)	9.68	4.85	6.03	3.41	<b>2.74</b>
<b>Other:</b>					
Number of Consolidated Employees	946	1,140	1,207	1,274	<b>1,548*8</b>

\*1 Intersegment transactions have not been eliminated.

\*2 The Domestic Real Estate Information Services Business and the Domestic Services for Realtors Business were consolidated into the HOME'S Services Segment.

\*3 EBITDA = operating profit + depreciation

\*4 Net interest-bearing liabilities = interest-bearing liabilities - current cash flow

\*5 Free cash flow = cash flows from operating activities + cash flows from investing activities

\*6 Debt to equity ratio = interest-bearing liabilities / equity attributable to owners of the parent

\*7 Calculated based on the number of outstanding shares as of September 30, 2019, due to the issuance of new shares during the fiscal year.

\*8 As of September 30 (including temporary employees)

## Consolidated Financial Statements and Notes

## Consolidated Statements of Financial Position

LIFULL Co., Ltd. and its consolidated subsidiaries  
As of September 30, 2018 and 2019

		(Thousands of yen)	
	Notes	2018	2019
<b>Assets</b>			
Current assets			
Cash and cash equivalents	7, 24	7,571,312	9,239,027
Accounts receivable-trade and other current receivables	8, 24	4,577,193	5,494,381
Other short-term financial assets	16, 24	230,000	281,916
Other current assets	17	521,720	1,139,444
Total current assets		12,900,226	16,154,769
Non-current assets			
Property, plant and equipment	9, 12	1,810,709	1,706,743
Goodwill	11, 12	9,806,312	20,244,340
Intangible assets	10, 12	2,018,313	1,888,809
Investments accounted for using the equity method	14	785,146	671,210
Other long-term financial assets	16, 24	1,293,708	1,843,408
Deferred tax assets	15	563,833	962,652
Other non-current assets	17	3,714	12,047
Total non-current assets		16,281,738	27,329,212
<b>Total assets</b>		29,181,965	43,483,982

(Thousands of yen)

	Notes	2018	2019
<b>Liabilities and equity</b>			
Liabilities			
Current liabilities			
Accounts payable and other current payables	18, 24	2,791,544	3,630,173
Short-term loans	16, 19, 24	—	3,300,000
Lease obligations		4,205	5,201
Accrued corporate income taxes		1,356,368	687,308
Other current liabilities	17	2,029,275	1,863,096
Total current liabilities		6,181,394	9,485,780
Non-current liabilities			
Long-term loans	16, 19, 24	—	258,300
Lease obligations		80,600	75,398
Provisions	21	533,662	560,589
Deferred tax liabilities	15	364,316	505,416
Other non-current liabilities	17	25,664	14,882
Total non-current liabilities		1,004,244	1,414,587
Total liabilities		7,185,638	10,900,368
Equity			
Equity attributable to owners of the parent			
Capital stock	22	3,999,578	9,716,363
Capital surplus	22	4,256,942	9,922,432
Retained earnings	22	14,394,920	16,039,577
Treasury shares	22	(8,694)	(9,114)
Other components of equity	22	(761,446)	(3,161,626)
Total equity attributable to owners of the parent		21,881,301	32,507,631
Equity attributable to non-controlling interests		115,025	75,982
Total equity		21,996,326	32,583,614
<b>Total liabilities and equity</b>		<b>29,181,965</b>	<b>43,483,982</b>

## Fact Data

### Consolidated Financial Statements and Notes

## Consolidated Statements of Profit or Loss

LIFULL Co., Ltd. and its consolidated subsidiaries  
For the fiscal years ended September 30, 2018 and 2019

		(Thousands of yen)	
	Note	2018 (October 1, 2017, to September 30, 2018)	2019 (October 1, 2018, to September 30, 2019)
Revenue	25	34,564,915	39,297,010
Cost of revenue	26	3,879,270	4,559,840
<b>Gross profit</b>		<b>30,685,645</b>	<b>34,737,170</b>
Selling, general and administrative expenses	27	26,421,772	30,787,312
Other income	28	257,069	745,638
Other expenses	28	205,567	584,579
<b>Operating profit</b>		<b>4,315,374</b>	<b>4,110,917</b>
Financial revenue	29	25,907	4,917
Financial expenses	29	19,806	35,232
Share of profit (loss) of investments accounted for using the equity method	14	(164,964)	(528,197)
<b>Profit before taxes</b>		<b>4,156,511</b>	<b>3,552,404</b>
Income tax expenses	15	1,356,515	1,239,049
<b>Net profit</b>		<b>2,799,995</b>	<b>2,313,355</b>
<b>Net profit attributable to:</b>			
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)			
<b>Profit per share attributable to owners of the parent</b>			
Basic earnings per share	31	24.09	18.15
Diluted earnings per share	31	—	—

## Consolidated Statements of Comprehensive Income

LIFULL Co., Ltd. and its consolidated subsidiaries  
For the years ended September 30, 2018 and 2019

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

## Fact Data

### Consolidated Financial Statements and Notes

## Consolidated Statements of Changes in Equity

LIFULL Co., Ltd. and its consolidated subsidiaries

Fiscal year ended September 30, 2018 (October 1, 2017, to September 30, 2018)

		(Thousands of yen)							
	Note	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total 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
Net profit		—	—	2,859,671	—	—	2,859,671	(59,675)	2,799,995
Other comprehensive income		—	—	—	—	(28,928)	(28,928)	1	(28,927)
Total comprehensive income		—	—	2,859,671	—	(28,928)	2,830,742	(59,674)	2,771,067
Dividends of surplus	23	—	—	(97,346)	—	—	(97,346)	(1,577)	(98,924)
Capital transaction with owners of non-controlling interests		—	(79,288)	—	—	—	(79,288)	81,820	2,532
Increase due to business combinations		—	—	—	—	—	—	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

Fiscal year ended September 30, 2019 (October 1, 2018, to September 30, 2019)

		(Thousands of yen)							
	Note	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total 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
Net profit		—	—	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		—	—	2,359,603	—	—	(40,841)	(46,317)	(87,158)
New stock issues		5,716,784	5,687,694	—	—	—	11,404,479	—	11,404,479
Dividends of surplus	23	—	—	(714,666)	—	—	(714,666)	(507)	(715,173)
Transfer to retained earnings		—	—	(406)	—	264	(141)	—	(141)
Purchase of treasury shares		—	—	—	(420)	—	(420)	—	(420)
Capital transactions 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

## Consolidated Statements of Cash Flows

LIFULL Co., Ltd. and its consolidated subsidiaries  
For the years ended September 30, 2018 and 2019

		(Thousands of yen)	
	Note	2018 (October 1, 2017 to September 30, 2018)	2019 (October 1, 2018, to September 30, 2019)
<b>Cash flow from operating activities</b>			
Profit before taxes		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
Other		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 provided by operating activities		4,671,452	2,166,115
<b>Cash flow from investing activities</b>			
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	32	—	(1,645,463)
Proceeds from sale of shares in subsidiaries	32	—	473,216
Payments for lease and guarantee deposits		(57,862)	(92,196)
Proceeds from refund of leasehold deposits and guarantee deposits		2,892	4,608
Purchase of shares of affiliates	32	(717,784)	(421,501)
Proceeds from sale of shares in affiliates	32	135,000	—
Payments of loans receivable	32	(260,000)	(1,273,492)
Collection of loans receivable		30,000	767,540
Other		—	(189)
Net cash used in investing activities		(1,533,639)	(2,836,909)
<b>Cash flow from financing activities</b>			
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 to non-controlling interests		(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)
Other		—	(42,074)
Net cash provided by (used in) financing activities		(1,072,543)	2,782,803
<b>Effect of exchange rate changes on cash and cash equivalents</b>			
		(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	7	5,509,642	7,571,312
Cash and cash equivalents at end of period	7	7,571,312	9,239,027

## Notes to the Consolidated Financial Statements

### **Method of Preparation of Consolidated Financial Statements and Non-Consolidated Financial Statements**

(1) The Consolidated Financial Statements of the Company have been prepared in compliance with the International Financial Reporting Standards (IFRS) as provided in Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The Non-Consolidated Financial Statements of the Company are prepared in compliance with the Ordinance on Terminology, Forms and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance No. 59 of 1963).

Because the Company is classified as a company that prepares its financial statements pursuant to special provisions, the Non-Consolidated Financial Statements are prepared as provided in Article 127 of the Ordinance on Non-Consolidated Financial Statements.

### **Audit Certification**

The Company underwent an audit by PricewaterhouseCoopers Aarata LLC of the Consolidated Financial Statements for the consolidated fiscal year (from October 1, 2018, to September 30, 2019) and the Non-Consolidated Financial Statements for the fiscal year (from October 1, 2018, to September 30, 2019) in compliance with the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

### **Specific Efforts to Ensure the Appropriateness of the Consolidated Financial Statements, etc.**

The Company has undertaken specific measures to ensure the appropriateness of its Consolidated Financial Statements and other documents as follows.

In order to establish a system to adequately understand the details of the accounting standards, the Company has joined the Financial Accounting Standards Foundation and actively participates in its training workshops.

### **Establishment of a System Able to Appropriately Prepare the Consolidated Financial Statements Based on IFRS**

In order to maintain awareness of the most recent standards, the Company obtains press releases and standards announced by the International Accounting Standards Board. In addition, the Company has prepared the Group's Accounting Manual in compliance with IFRS to establish a system to appropriately prepare the Consolidated Financial Statements based on IFRS.

## 1. Reporting Entity

LIFULL Co., Ltd. is a company located in Japan. The registered address of the headquarters of LIFULL Co., Ltd. is 1-4-4 Kojimachi, Chiyoda-ku, Tokyo. The major businesses of the Company and its subsidiaries (hereinafter, the Group) are described in “6. Segment Information.”

## 2. Basis of Presentation

### (1) Consolidated Financial Statements Prepared in Compliance with IFRS

The Group's Consolidated Financial Statements meet the requirements of the Specified Company Complying with Designated International Accounting Standards set forth in Articles 1-2 of the Ordinance on Consolidated Financial Statements, and thus they were prepared in compliance with IFRS pursuant to the provisions of Article 93 of the abovementioned Ordinance.

### (2) Basis of Measurement

The Consolidated Financial Statements were prepared based on the accounting policies described in “3. Significant Accounting Policies.” The balances of assets and liabilities are measured on the basis of acquisition costs unless otherwise stated.

### (3) Functional Currency and Presentation Currency

The presentation currency of these statements is Japanese yen, which is the Company's functional currency, and amounts have been rounded down to the nearest 1,000 yen.

### (4) New Standards and Interpretation Guidelines not yet Applied

The major Standards and Interpretation Guidelines which the Company had established or revised by the date of approval but not yet implemented as of September 30, 2019, are as follows:

Standard	Name of standard	Date of mandatory application (fiscal year when application begins)	Fiscal year when the Group starts application	Summary
IFRS 16	Leases	January 1, 2019	Fiscal year ending September 30, 2020	Identification, accounting processing and disclosure requirements of lease contracts

IFRS 16 “Leases” does not require that a lessee's leases be classified as either finance or operating leases, but rather that a single accounting model be introduced in which the right to use the leased assets and lease liabilities (obligation to pay rent) are recognized for all leases. While lease payments for operating leases are recorded as rental payments under IAS 17, Leases, under IFRS 16 they are recorded as depreciation of right-of-use assets and interest expenses for lease liabilities.

With the application of IFRS 16, the Company may choose either to retroactively adjust amounts from previous fiscal years presented for comparison or recognize the cumulative effects from the date of application.

The Company currently plans to recognize the cumulative effects from the date of application. As a result of the application of IFRS 16, the Company expects that the total assets of 6,203,440 thousand yen and liabilities of 6,203,440 yen will both increase.

## 3. Significant Accounting Policies

The following accounting policies are applied to everything during the period described in the Consolidated Financial Statements under review unless otherwise stated.

### (1) Basis of Consolidation

The Consolidated Financial Statements under review include the Non-Consolidated Financial Statements of the Company and its subsidiaries and the amount equivalent to the equity interest of affiliated companies and jointly controlled entities.

#### (i) Subsidiaries

A subsidiary is an entity controlled by the Group. If the Group has exposure or the right to variable returns arising from involvement in the investee and has the ability to influence the relevant return with its power over the investee, it is judged that the entity is controlled. The acquisition date of a subsidiary is the date when the Group acquired the control, and the Group consolidates the subsidiary from the acquisition date to the date when the Group loses control of it.

If the accounting policies that a subsidiary has applied differ from those applied by the Group, the financial statements of the subsidiary have been adjusted as necessary.

Balances of receivables, payables and transactions within the Group and unrealized gains and losses arising from transactions within the Group were eliminated when preparing the Consolidated Financial Statements.

The comprehensive income of a subsidiary is attributed to the parent company's owners and non-controlling interest, even if the non-controlling interest resulted in a negative balance.

**Consolidated Financial Statements and Notes****(ii) Affiliated Companies and Jointly Controlled Entities**

An affiliated company is an entity not controlled by the Group but significantly influenced by the Group's financial and business policies. It is processed with the equity method from the date when the Group acquired significant influence on it to the date when the Group loses significant influence on it.

A jointly controlled entity is an entity to which more than one party has rights on its net assets through joint control, and it is processed with the equity method from the date when the Group acquired the joint control to the date when the Group loses the joint control. If the accounting policies that an affiliated company or a jointly controlled entity has applied differ from those applied by the Group, the financial statements of the affiliated company or the jointly controlled entity are adjusted.

Under the equity method, the investment amount is initially measured with cost, and thereafter the investment amount fluctuates in accordance with the fluctuation of the Group's equity interest to the net assets of an affiliated company or a jointly controlled entity. At this time, among the profit or loss of the affiliated company or the jointly controlled entity, the amount equivalent to the Group's equity interest is posted as profit or loss of the Group. In addition, among other comprehensive income of an affiliated company or a jointly controlled entity, the amount equivalent to the Group's equity interest is posted as other comprehensive income of the Group. Unrealized gains and losses generated from transactions with an affiliated company or a jointly controlled entity are added to or subtracted from the investment amount.

The amount by which the acquisition cost exceeded the equity interest of the net fair value of assets, liabilities and contingent liabilities of affiliated companies and jointly controlled entities recognized on the acquisition date was posted as the amount equivalent to goodwill, and the amount was included in the book value of the investment and was not amortized. Goodwill that constitutes part of the book value of the investment in affiliated companies accounted for by the equity method was not distinguished from the other part, and the investment in affiliated companies accounted for by the equity method was deemed as one asset subject to the impairment test.

If the Group lost significant influence on or joint control of the investment to an affiliated company or a jointly controlled entity, the income or loss was recognized as profit or loss. If the Group still has the equity interest of the relevant former affiliated company or jointly controlled entity even after losing significant influence or joint control, the equity interest was measured at the fair value on the date when the equity method was discontinued.

**(2) Business Combinations**

The accounting processing of business combinations uses the acquisition method. Acquisition consideration is measured as the total of the fair values of the assets transferred in exchange for the control of the acquiree, the liabilities assumed and the financial instruments issued by the Company on the acquisition date. The non-controlling equity interest, which is the current equity interest and gives the holder a proportional share of the entity's net assets at the time of liquidation, is measured at fair value or by the amount equivalent to the proportional share of the non-controlling equity interest for the recognized amount of the identifiable assets of the acquiree at the time of initial recognition. The choice of the measurement basis is made by the unit of transaction. Non-controlling equity interest other than the above is measured at fair value or, if applicable, by the measurement method identified in other standards. After recognizing assets and liabilities of the acquiree that are identifiable at the time of the acquisition at fair value, and if there is any existing equity interest held, remeasuring it at fair value at the time of acquisition, the total fair value of the identifiable assets and liabilities is subtracted from the total of the transferred consideration and the price of the existing equity interest held and the non-controlling equity interest remeasured. The resulting surplus is recorded as goodwill in the Consolidated Statements of Financial Position. If the resulting surplus is negative, it is posted as profit in the Consolidated Statements of Profit or Loss. If the accounting processing of the business combination was not completed by the end of the term during which the business combination occurred, a provisional amount is used in accounting processes. The provisional amount is adjusted during the measurement period within one year from the acquisition date. The acquisition cost incurred is processed as expenses. The non-controlling equity interest additionally acquired after the acquisition of control is processed as a capital transaction. The difference between the adjusted amount of the non-controlling equity interest and the fair value of consideration paid or consideration received is directly recognized as capital surplus, and no goodwill is recognized from the relevant transaction.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the requirements for recognition pursuant to IFRS 3 Business Combinations (hereinafter referred to as "IFRS 3") are measured at the acquisition date fair values, except for the following cases:

- Recognition and measurement are undertaken for deferred tax assets and deferred tax liabilities pursuant to IAS 12 Income Taxes, for liabilities (or assets) relating to employee benefits pertaining to IAS 19 Employee Benefits and for liabilities relating to stock compensation pursuant to IFRS 2 Share-based Payment, respectively.
- Non-current assets or businesses classified as held for sale are measured pursuant to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

### (3) Foreign Currencies

#### (i) Foreign Currency Transactions

Foreign currency transactions are converted into the functional currency by applying the spot exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies on the date at the end of the term are converted into the functional currency using the exchange rates on the date. Non-monetary assets and liabilities denominated in foreign currencies measured at fair values are converted into functional currency using the exchange rate on the date of the conversion of the said fair values.

Differences arising from the settlement of conversions of monetary assets and liabilities dominated in foreign currencies at the exchange rate on the date at the end of the term are recognized as profit or loss. However, if the income or loss relating to non-monetary items is recorded as other comprehensive income, exchange differences are also recognized as other comprehensive income.

#### (ii) Foreign Operations

Assets and liabilities of foreign operations (including adjustments of goodwill and fair value arising from acquisitions) are converted into Japanese yen by using the exchange rate on the date at the end of the term, and profit and expenses are converted using the average exchange rate during the term assuming that there was no significant fluctuation in the exchange rate.

The differences in currency conversion arising from the translation of financial statements of foreign operations are recognized as other comprehensive income.

The differences are included in other components of equity as conversion gains and losses. If disposing of the entire equity interest in a foreign operation or if disposing of part of the equity interest that results in a loss of control, significant influence or joint control, the conversion gains and losses are changed to profit or loss as a part of the disposal.

### (4) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand, deposits held on call with banks, and other short-term highly liquid investments with a maturity of three months or less from the acquisition date and an insignificant risk of changes in value.

### (5) Financial Instruments

#### (i) Recognition

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.

#### (ii) 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 (FVTOCI debt instrument assets), Equity Instrument Assets Measured at Fair Value through Other Comprehensive Income (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.

Financial assets purchased or sold by ordinary means are recognized and derecognized using trade date accounting. Ordinary means refers to a purchase or sale under contract terms which require the delivery of the asset within a timeframe generally established 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.

After initial recognition, financial assets measured at amortized cost are measured at amortized cost according to the effective interest rate method minus impairment losses if necessary. Interest income based on the effective interest rate method is recognized as profit or loss.

Consolidated Financial Statements and Notes

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) Current value of currency
- (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.

### (iii) 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.

### (iv) 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 its 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.

### (v) Offsetting Financial Assets and Financial Liabilities

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

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

(Thousands of yen)				
Measured Categories			Book Value	
	Previous Standard (IAS 39)	Current Standard (IFRS 9)	Previous Standard (IAS 39)	Current Standard (IFRS 9)
Financial Asset				
Accounts receivable and other short-term credit	Loans and receivables	Amortized cost	4,577,193	4,577,193
Other short-term financial assets	Loans and receivables	Amortized cost	230,000	230,000
Other long-term financial assets	Available-for-sale financial assets	FVTOCI (Equity)	512,907	512,907
	Loans and receivables	Amortized cost	780,801	780,801

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

## (6) Property, Plant and Equipment

The cost model has been adopted for property, plant and equipment, and items are recorded at the amount less any accumulated depreciation and accumulated impairment losses.

Expenses directly related to the acquisition of assets and expenses for demolition, removal and restoration have been included in acquisition costs.

Each asset depreciates using the straight-line method for its estimated useful life, except assets such as land that are not subject to depreciation. The estimated useful life for each main asset item is as follows:

- Buildings: 8 to 10 years
- Tools, furniture and fixtures: 4 to 15 years

The estimated useful lives, depreciation methods, etc. are reviewed at the end of each fiscal year, and changes are applied thereafter for the accounting estimates as necessary.

The recognition of property, plant and equipment is to be discontinued at the time of disposal of the asset or when an economic benefit is no longer expected from continued use or disposal in the future.

## (7) Goodwill

Goodwill is recorded at the price obtained by subtracting the accumulated amount of impairment loss from the acquisition cost.

Goodwill is not amortized but is allocated to each related unit that generates funds, and an impairment test is implemented every year or whenever any sign of impairment is found. The impairment loss of goodwill is recognized in the Consolidated Statements of Profit or Loss, and no subsequent reversal is implemented.

**(8) Intangible Assets**

The cost method is adopted for intangible assets acquired individually for which useful lives can be determined and are recorded at the amount of the acquisition cost less accumulated amortization and impairment losses. Intangible assets acquired individually for which useful lives cannot be determined are posted at the amount of the acquisition cost less accumulated impairment losses.

Intangible assets acquired through business consolidation and recognized as distinct from goodwill are initially recognized at fair value on the acquisition date. After the initial recognition, the intangible assets acquired through business consolidation are recorded at the amount of the acquisition cost less accumulated amortization and impairment losses, just like intangible assets acquired individually.

Expenditures incurred in the research phase are recorded as expenses in the period in which they occurred. Internally generated intangible assets created in the development phase are recognized at the total amount of expenditures during the period from the date when all the requirements for recording the assets were met until the completion of the development. After the initial recognition, internally generated intangible assets are recorded at the amount of the acquisition cost less accumulated amortization and impairment losses, just like intangible assets acquired individually.

Amortization expenses are recorded using the straight-line method for their estimated useful lives.

The estimated useful lives of the main intangible assets are as follows:

- Software: 5 years
- Trademark rights: 5 years
- Customer-related assets: 6 years to 11 years

The estimated useful lives and amortization methods are reviewed at the end of each fiscal year, and changes are applied thereafter for the accounting estimates as necessary.

**(9) Impairment of Non-Financial Assets**

The Group undertakes an assessment at the end of each reporting period as to whether there is any indication that any assets may be impaired. If there is any indication or an annual impairment test is required, the recoverable amount of the asset is estimated. If the recoverable amount of each asset cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. The recoverable amount is the higher of the fair value less the disposal cost of an asset or cash-generating unit and its value in use. If the carrying amount of the asset or cash-generating unit exceeds the recoverable amount, the impairment of the asset is recognized and recorded as the recoverable amount. In addition, the estimated future cash flow in evaluating the value in use is discounted to the present value using the pre-tax discount rate, reflecting the market valuation of the current monetary time value and the risks specific to the asset. The fair value less the disposal cost is calculated based on the appropriate valuation model backed by the fair value indicators available.

Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of business consolidation. If there is any indication that the cash-generating unit may be impaired, or at certain times of each fiscal year regardless of whether there is an indication of impairment, an impairment test is performed.

As for assets other than goodwill, if any change is made to the assumptions used for the calculation of the recoverable amount of the impairment loss recognized in the past fiscal year, the Group undertakes an assessment at the end of each reporting period as to whether there is any indication that the loss may be decreased or extinguished. If there is such an indication, the recoverable amount of the asset or cash-generating unit is estimated. If the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to the lower of the recoverable amount and the carrying amount less depreciation when an impairment loss was not recognized in the past fiscal year.

**(10) Short-term Employee Benefits**

Short-term employee benefits are recorded as expenses when related services are provided, without discount. Regarding bonuses, however, if the Group has a present constructive obligation to pay them and can make a reliable estimate of the amount, the estimated payment under such system is recognized as a liability.

**(11) Stock-based Compensation**

The Group adopts stock options as a compensation system based on equity-settled stocks. Stock options are estimated at the grant-date fair value, and are recognized as expenses in the Consolidated Statements of Profit or Loss over the vesting period based on the estimated number of stock options that eventually become exercisable. The same amount is recognized as an increase in equity in the Consolidated Statements of Financial Position.

## (12) Provisions

Provisions are recognized if the Group has a current obligation (legal or constructive) as a result of a past event and is likely to require an outflow of resources embodying economic benefits to settle the obligation, as well as if it can make a reliable estimate of the amount of the obligation.

Provisions are measured as the present value of the estimated expenditure required for settling the obligation, using the pre-tax discount rate reflecting the market valuation of the current monetary time value and the risks specific to the obligation. Increases in provisions over time are recognized as financial expenses.

The Group recognizes asset retirement obligations as provisions. The asset retirement obligations are estimated, recognized, and measured for dilapidation obligations for leased offices and buildings, with due consideration of the individual property status, based on past restoration records and the expected period of use determined in light of serviceable life.

## (13) Equity

### (i) Common Stock

The issue prices of the common shares held by the Company are recorded in capital stock and capital surplus, and direct issue costs (after tax effect considerations) are deducted from capital surplus.

### (ii) Treasury Shares

If treasury shares are acquired, the consideration paid after tax effect considerations, including direct transaction costs, is recognized as a deduction from capital stock. If treasury shares are on the market, the difference between the carrying amount and the consideration given is recognized in capital surplus.

## (14) Revenue

With the application of IFRS, the Company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services based on a 5-step approach:

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 primary standards for the recognition of revenue in each of the Group's segments are as follows. Revenue is measured after deducting discounts from the amount promised in the contract with the customer.

### (i) Revenue recognition standards by segment and performance obligations

#### i) HOME'S Services

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 e-mail 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.

#### ii) Overseas

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.

**Consolidated Financial Statements and Notes**

## iii) 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"; and interior design EC site "LIFULL Interior". These services provide platforms for listing information for a certain period of time. Revenue is recognized when clients continue to use the service for the pre-determined length of time.

Revenue is measured after deducting discounts from the amount promised in the contract with the customer.

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.

**(15) Leases**

Leases are categorized as financial leases if all risks of ownership and economic value are, in essence, transferred to the Group, and as operating leases in other cases.

A lease asset in a financial lease is recognized initially based on the fair value of the lease property calculated on the day when the lease starts or the present value of the total amount of minimum lease payments, whichever is lower. After the initial recognition, the asset is depreciated with the straight-line method over the lease term or economic life, whichever is shorter, except when it is reasonably certain that the Group will acquire the ownership before the expiration of the lease contract.

In an operating lease transaction, lease payments are recognized as expenses in the Consolidated Statements of Profit or Loss based on the straight-line method over the lease term. In addition, variable lease payments are recognized as expenses for the period in which they are paid.

Whether a contract is a lease or whether it includes a lease is determined based on the substance of the contract pursuant to IFRIC 4 Determining Whether an Arrangement Contains a Lease, even if it is not legally in the form of a lease.

**(16) Income Taxes**

The amount of income tax expenses in the Consolidated Statements of Profit or Loss is presented as the total of income taxes for the current fiscal year and deferred income taxes.

Income taxes for the current fiscal year are measured as the amount expected to be paid to or refunded by tax authorities. The tax rates and laws used in the calculation of tax amounts have been established or essentially established before the closing date. Income taxes for the current fiscal year are recognized as profit or loss, except for taxes on items directly recognized as other comprehensive income or capital.

Deferred income taxes are calculated based on the temporary differences between the tax bases of assets and liabilities on the closing date and their accounting book values. Deferred tax assets are recognized in the range where taxable income on deductible temporary differences, unused tax credits and unused tax losses that can be collected are expected to arise.

Deferred tax liabilities are, as a general rule, recognized for taxable temporary differences.

Deferred tax assets or liabilities are not recorded for the following temporary differences:

- Those arising from the initial recognition of goodwill
- Those arising from the initial recognition of assets or liabilities in a transaction that is not a business consolidation and does not affect accounting profit and taxable profit (tax loss)
- Regarding deductible temporary differences related to investments and shared control of subsidiaries and affiliated companies: If it is probable that the temporary differences will not be resolved in the foreseeable future, or if the taxable revenue applicable for the temporary difference is not likely to be earned
- For taxable temporary differences related to equity in the arrangements of investments in and shared control of subsidiaries and affiliates, when the timing of the reversal of temporary differences can be controlled and the temporary differences are not likely to be reversed in the foreseeable future

Deferred tax assets and liabilities are determined by estimating the tax rate for the fiscal year in which the assets have been realized or liabilities have been settled based on the established tax rate or one that has essentially been established before the closing date.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset the tax assets and liabilities for the current fiscal year and income taxes are imposed on the same taxable entity by the same tax authorities, or income taxes are imposed on different taxable entities but such taxable entities intend to settle the tax assets and liabilities for the fiscal year under review based on their net amounts, or these tax assets and liabilities are planned to be realized simultaneously.

**(17) Earnings per Share**

Basic earnings per share are calculated by dividing profit attributable to owners of the parent by the weighted average number of common shares outstanding after adjusting treasury stock for the period. Diluted earnings per share are the same amount as basic earnings per share due to the absence of dilutive shares.

#### 4. Changes in Accounting Policies

The Group has adopted the following accounting standards and interpretations from the fiscal year under review.

Standard	Category	Additions / Revisions
IFRS 9	Financial instruments	Classification and measurement of financial instruments, impairment, hedge accounting treatment and disclosure requirements
IFRS 15	Revenue from contracts with customers	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 adjustments or restatements have been made to the Consolidated Financial Statements or the Consolidated Statement of Financial Position as of the end of the prior consolidated fiscal year.

Refer to 24 Financial Instruments and 25 Financial Revenue and Financial Expenses for the main effects of the application of IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers, on the Consolidated Statements of Financial Position and other financial statements.

#### 5. Important Accounting Estimates and Decisions

In the preparation of these financial statements, the management has applied accounting policies; made decisions that affect the reported amounts of assets, liabilities, earnings, and expenses and makes estimates and assumptions. The results of the accounting estimates may differ from the actual results.

Assumptions forming the basis for estimates are reviewed continuously. The impact of revising accounting estimates is recognized in the fiscal year in which such estimates are revised as well as in future years. The following is a list of estimates involving material risks that could result in significant revision of the book values of assets and liabilities in the current and coming fiscal years as well as the assumptions behind them.

- Useful lives of property, plant and equipment and intangible assets ((6) Property, Plant and Equipment and 3. Significant Accounting Policies (8) Intangible Assets)
- Recoverable value of cash-generating units consisting of property, plant and equipment; goodwill; intangible assets, etc. (3. Significant Accounting Policies (9) and 12. Impairment of Non-Financial Assets)
- Recognition of deferred tax assets (3. Significant Accounting Policies (16) Income Taxes)
- Recognition of legal and constructive obligations related to asset retirement obligations (3. Significant Accounting Policies (12) Provisions)
- Valuation techniques for financial assets measured based on fair value, for which a market price in the active market does not exist (3. Significant Accounting Policies (5) Financial Instruments of and 24. Financial Instruments (4) Fair Value of Financial Instruments)
- Recoverable value of accounts receivable-trade and other current receivables and other financial assets (3. Significant Accounting Policies (5) Financial Instruments and 24. Financial Instruments (4) Fair Value of Financial Instruments)

#### 6. Segment Information

##### (1) Reportable Segments

The Group's reportable segments are components of the Group for which discrete financial information is available. The Board of Directors reviews these segments on a regular basis to determine 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 HOME'S Services segment and the Overseas segment. The classification is primarily based on the content of the services provided and the components of business earnings management.

The service categories of each reportable segment are as follows:

Reportable Segment	Service Category
HOME'S Services	Operation of the real estate information website "LIFULL HOME'S" and ancillary businesses related to this service (advertising agency business, systems development and website production business, among others). CRM, DMP, online marketing and a variety of other services are also offered to realtors and real estate developers.
Overseas	Operation of aggregation sites Trovit and Mitula for real estate, used cars, job listings and fashion as well as a variety of others.

## Fact Data

### Consolidated Financial Statements and Notes

#### (2) Revenue, Profit or Loss, and Other Items by Reportable Segment

The accounting policy for the reportable segments is the same as the accounting policy of the Group presented in "3. Significant Accounting Policies."

The amounts of intersegment revenue are based on market prices.

Revenue, profit or loss, and other items by reportable segment are as follows:

Fiscal year ended September 30, 2019

	Reportable segment		Other Businesses* <sup>2</sup>	Total	Reconciliation* <sup>3</sup>	Consolidated
	HOME'S Services	Overseas				
Revenue						
Customers	29,656,494	7,680,145	1,960,370	39,297,010	—	39,297,010
Intersegment	52,274	119,191	34,539	206,004	(206,004)	—
Total	29,708,768	7,799,337	1,994,909	39,503,015	(206,004)	39,297,010
Segment profit (loss)* <sup>1</sup>	3,311,615	951,200	(340,858)	3,921,957	27,900	3,949,858
Other income (expense)						161,059
Operating profit						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 Other items						3,552,404
Other Items						
Depreciation and amortization	720,161	477,719	51,928	1,249,809	—	1,249,809

\*1 Segment profit (loss) is revenue less cost of revenue and selling, general and administrative expenses.

\*2 The Other Businesses 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* (moving house), a website providing comprehensive estimates and online bookings for moving services; a property and liability insurance agency; LIFULL Interior, an e-commerce website for furniture and interior goods; and other new businesses.

\*3 Adjustments to segment profit (loss) include elimination of intersegment transactions.

Fiscal year ended September 30, 2018

	Reportable segment		Other Businesses* <sup>2</sup>	Total	Reconciliation* <sup>3</sup>	Consolidated
	HOME'S Services	Overseas				
Revenue						
Customers	28,602,177	3,861,345	2,101,393	34,564,915	—	34,564,915
Intersegment	9,276	92,935	11,124	113,335	(113,335)	—
Total	28,611,453	3,954,280	2,112,517	34,678,251	(113,335)	34,564,915
Segment profit (loss)* <sup>1</sup>	3,864,941	490,116	(186,330)	4,168,728	95,144	4,263,872
Other income (expense)						51,501
Operating profit						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	765,114	250,146	52,016	1,067,276	—	1,067,276

\*1 Segment profit (loss) is revenue less cost of revenue and selling, general and administrative expenses.

\*2 The Other Businesses 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* (moving house), a website providing comprehensive estimates and online bookings for moving services; a property and liability insurance agency; LIFULL Interior, an e-commerce website for furniture and interior goods; and other new businesses.

\*3 Adjustments to segment profit (loss) include elimination of intersegment transactions.

### (3) Information on Non-Current Assets by Region

Fiscal year ended September 30, 2019

	(Thousands of yen)			
	Japan	Europe	Other	Total
Non-current assets	3,127,538	20,622,070	90,284	23,839,893

Non-current assets by region are based on the locations of the assets and do not include financial assets or deferred tax assets.

	(Thousands of yen)			
	Japan	Europe	Other	Total
Customers	31,620,742	3,944,621	3,731,647	39,297,010

- Notes: 1. Revenue is classified by country or region based on the locations of customers.  
2. Countries and regions are classified on the basis of their geographical proximity.  
3. Major countries and regions in the respective classifications
- Europe: Italy, U.K., France, etc.
  - Other: Countries in North America, South America, Asia, Oceania and Africa

Fiscal year ended September 30, 2018

	(Thousands of yen)			
	Japan	Europe	Other	Total
Non-current assets	3,890,859	9,651,047	93,428	13,635,335

Non-current assets by region are based on the locations of the assets and do not include financial assets or deferred tax assets.

	(Thousands of yen)			
	Japan	Europe	Other	Total
Customers	30,705,305	2,019,916	1,839,694	34,564,915

- Notes: 1. Revenue is classified by country or region based on the locations of customers.  
2. Countries and regions are classified on the basis of their geographical proximity.  
3. Major countries and regions in the respective classifications
- Europe: Italy, U.K., France, etc.
  - Other: Countries in North America, South America, Asia, Oceania and Africa

### (4) Information on Major Customers

Because there is no single external customer for whom revenue from transactions comprises 10% or more of the revenue of the Group, the description is omitted.

## 7. Cash and Cash Equivalents Receivables

The breakdown of cash and cash equivalents is as follows. Cash and cash equivalents in the Consolidated Statements of Financial Position and the ending balance of cash and cash equivalents in the Consolidated Statements of Cash Flows are in accord.

	(Thousands of yen)	
	As of September 30, 2018	As of September 30, 2019
Cash and deposits	7,571,312	9,239,027
Total	7,571,312	9,239,027

## 8. Accounts Receivable-Trade and Other Current Receivables

The breakdown of accounts receivable-trade and other current receivables is as follows:

	(Thousands of yen)	
	As of September 30, 2018	As of September 30, 2019
Accounts receivable-trade	3,793,632	4,737,670
Accounts receivable-other	817,694	846,204
Allowance for credit losses	(34,132)	(89,493)
Total	4,577,193	5,494,381

## Fact Data

### Consolidated Financial Statements and Notes

Changes in the allowance for credit losses of the Group against accounts receivable-trade and other current receivables are as follows:

	(Thousands of yen)	
	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Beginning balance	29,754	<b>34,132</b>
Increase during the period (provision)	32,969	<b>32,860</b>
Business combinations	—	<b>64,167</b>
Decrease during the period (utilization)	(7,051)	<b>(2,519)</b>
Decrease during the period (reversal)	(21,443)	<b>(25,724)</b>
Exchange differences on translation of foreign operations	(97)	<b>(13,423)</b>
Ending balance	34,132	<b>89,493</b>

The Group has established an allowance for credit losses against the amount of impairment of accounts receivable-trade and other current receivables and subsequently reduced the allowance for credit losses if the additional recovery of the amount of impairment cannot be expected or if the amount of impairment has been recovered.

### 9. Property, Plant and Equipment

The acquisition costs, changes in accumulated amortization and accumulated impairment and book value of property, plant and equipment are as follows:

Acquisition cost	(Thousands of yen)					
	Buildings	Tools, equipment and supplies	Leased assets	Construction in progress	Other	Total
Balance as of October 1, 2017	1,607,266	680,028	90,321	—	4,285	2,381,902
Acquisition	52,453	43,900	—	88,499	1,245	186,099
Reclassification from construction in progress	70,605	15,218	—	(88,160)	2,336	—
Disposition	(4,372)	(13,380)	—	—	—	(17,753)
Exchange differences on translation of foreign operations	(79)	14,426	—	—	7	14,354
Balance as of September 30, 2018	1,725,873	740,194	90,321	339	7,874	2,564,602
Acquisition	<b>71,552</b>	<b>98,843</b>	—	<b>29,964</b>	<b>345</b>	<b>200,707</b>
Reclassification from construction in progress	<b>22,398</b>	<b>2,000</b>	—	<b>(24,398)</b>	—	—
Business combinations	—	<b>69,166</b>	—	—	<b>127</b>	<b>69,293</b>
Disposition	<b>(4,628)</b>	<b>(42,621)</b>	—	<b>(339)</b>	<b>(1,180)</b>	<b>(48,769)</b>
Impairment loss	<b>(13,442)</b>	—	—	—	—	<b>(13,442)</b>
Deconsolidation	—	<b>(4,576)</b>	—	<b>(5,238)</b>	—	<b>(9,814)</b>
Exchange differences on translation of foreign operations	<b>(6,947)</b>	<b>(39,272)</b>	—	—	<b>(218)</b>	<b>(46,439)</b>
Balance as of September 30, 2019	<b>1,794,805</b>	<b>823,733</b>	<b>90,321</b>	<b>328</b>	<b>6,948</b>	<b>2,716,137</b>

Note: Expenditure on property, plant and equipment under construction are shown as construction in progress above.

Accumulated depreciation and accumulated impairment	(Thousands of yen)					
	Buildings	Tools, equipment and supplies	Leased assets	Construction in progress	Other	Total
Balance as of October 1, 2017	(99,516)	(348,727)	(6,774)	—	(204)	(455,223)
Depreciation	(201,811)	(98,746)	(9,032)	—	(1,668)	(311,257)
Disposition	1,395	10,334	—	—	—	11,730
Exchange differences on translation of foreign operations	69	788	—	—	—	857
Balance as of September 30, 2018	(299,863)	(436,351)	(15,806)	—	(1,872)	(753,893)
Depreciation	<b>(200,363)</b>	<b>(123,444)</b>	<b>(9,032)</b>	—	<b>(1,458)</b>	<b>(334,298)</b>
Disposition	<b>7,785</b>	<b>36,206</b>	—	—	—	<b>43,991</b>
Deconsolidation	—	<b>329</b>	—	—	—	<b>329</b>
Exchange differences on translation of foreign operations	<b>2,934</b>	<b>31,404</b>	—	—	<b>138</b>	<b>34,477</b>
Balance as of September 30, 2019	<b>(489,506)</b>	<b>(491,856)</b>	<b>(24,838)</b>	—	<b>(3,192)</b>	<b>(1,009,393)</b>

(Thousands of yen)						
Book value	Buildings	Tools, equipment and supplies	Leased properties	Construction in progress	Other	Total
Balance as of October 1, 2017	1,507,749	331,300	83,547	—	4,080	1,926,679
Balance as of September 30, 2018	1,426,010	303,843	74,515	339	6,001	1,810,709
Balance as of September 30, 2019	<b>1,305,299</b>	<b>331,876</b>	<b>65,483</b>	<b>328</b>	<b>3,756</b>	<b>1,706,743</b>

There is no property, plant and equipment for which ownership is restricted and on which a mortgage is placed as collateral for debt.

Depreciation of property, plant and equipment is included in selling, general and administrative expenses in the Consolidated Statements of Profit or Loss. There are no borrowing costs included in the acquisition cost of property, plant and equipment.

## 10. Intangible Assets

The acquisition costs, changes in accumulated amortization and accumulated impairment, and book value of intangible assets are as follows:

(Thousands of yen)				
Acquisition	Software	Customer-related assets	Other	Total
Balance as of October 1, 2017	4,483,951	1,462,608	162,824	6,109,384
Acquisition	88,682	—	500	89,182
Internal development	339,038	—	—	339,038
Disposition	(454,815)	—	—	(454,815)
Exchange differences on translation of foreign operations	—	(6,255)	(666)	(6,921)
Balance as of September 30, 2018	4,456,857	1,456,353	162,658	6,075,868
Acquisition	<b>34,474</b>	<b>—</b>	<b>12,281</b>	<b>46,756</b>
Internal development	<b>382,124</b>	<b>—</b>	<b>—</b>	<b>382,124</b>
Business combinations	<b>139,250</b>	<b>460,977</b>	<b>79,145</b>	<b>679,373</b>
Disposition	<b>(177,890)</b>	<b>—</b>	<b>—</b>	<b>(177,890)</b>
Impairment loss	<b>(73,774)</b>	<b>—</b>	<b>—</b>	<b>(73,774)</b>
Exchange differences on translation of foreign operations	<b>(23,708)</b>	<b>(153,754)</b>	<b>(18,842)</b>	<b>(196,305)</b>
Balance as of September 30, 2019	<b>4,737,333</b>	<b>1,763,576</b>	<b>235,243</b>	<b>6,736,153</b>

(Thousands of yen)				
Accumulated amortization and accumulated impairment	Software	Customer-related assets	Other	Total
Balance as of October 1, 2017	(2,982,231)	(614,674)	(88,998)	(3,685,905)
Amortization	(539,480)	(219,473)	(27,192)	(786,146)
Disposition	412,425	—	—	412,425
Exchange differences on translation of foreign operations	—	1,837	232	2,070
Balance as of September 30, 2018	(3,109,287)	(832,310)	(115,958)	(4,057,555)
Amortization	<b>(551,660)</b>	<b>(362,237)</b>	<b>(26,837)</b>	<b>(940,734)</b>
Disposition	<b>27,410</b>	<b>—</b>	<b>—</b>	<b>27,410</b>
Exchange differences on translation of foreign operations	<b>15,366</b>	<b>96,878</b>	<b>11,290</b>	<b>123,535</b>
Balance as of September 30, 2019	<b>(3,618,170)</b>	<b>(1,097,668)</b>	<b>(131,504)</b>	<b>(4,847,344)</b>

(Thousands of yen)				
Book value	Software	Customer-related assets	Other	Total
Balance as of October 1, 2017	1,501,720	847,933	73,825	2,423,479
Balance as of September 30, 2018	1,347,570	624,043	46,699	2,018,313
Balance as of September 30, 2019	<b>1,119,162</b>	<b>665,907</b>	<b>103,738</b>	<b>1,888,809</b>

Software in intangible assets is mostly generated internally.

There are no intangible assets of which ownership is restricted and on which a mortgage is placed as collateral for debt.

Amortization of intangible assets is included in selling, general and administrative expenses in the Consolidated Statements of Profit or Loss.

Research and development expenses total 61,054 thousand yen in the previous consolidated fiscal period and 130,984 thousand yen in the current fiscal year.

## 11. Goodwill

The acquisition cost, changes in accumulated impairment and book value of goodwill are as follows:

	(Thousands of yen)	
	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
(Acquisition cost)		
Beginning balance	9,857,104	9,806,312
Business combinations	—	12,499,973
Exchange differences on translation of foreign operations	(50,791)	(1,806,049)
Ending balance	9,806,312	20,500,236
(Accumulated impairment)		
Beginning balance	—	—
Impairment losses	—	(255,895)
Ending balance	—	(255,895)
(Book value)		
Beginning balance	9,857,104	9,806,312
Ending balance	9,806,312	20,244,340

## 12. Impairment of Non-Financial Assets

### (1) Impairment of Property, Plant and Equipment and Intangible Assets

The Group determines whether there are any signs of impairment in property, plant and equipment and intangible assets on the last day of each reporting period. If there are any signs of impairment, the Group estimates the recoverable amount of the relevant asset.

Property, plant and equipment and intangible assets are grouped in the smallest cash-generating unit that will generate generally independent cash inflows.

The Group did not recognize impairment losses.

Within the current fiscal year, the book value of buildings and software held by subsidiaries has been reduced to the recoverable amount, and an impairment loss of 87,217 thousand yen has been recognized. This impairment loss has resulted from the loss of future revenue expected at the beginning of the fiscal year. As the future cash flow is predicted to be negative, the utility value has been calculated as zero.

The impairment loss was included under "Other expenses" in the Consolidated Statements of Profit or Loss. Refer to 28. Other Income and Expenses regarding impairment loss.

### (2) Impairment of Goodwill and Intangible Assets for which the Useful Life Cannot be Fixed

#### (i) Cash-generating units

The balance of goodwill in each cash-generating unit or cash-generating group is as follows. There are no intangible assets for which the useful life cannot be fixed.

	(Thousands of yen)	
	As of September 30, 2018	As of September 30, 2019
Cash-generating unit		
Trovit Search S.L.U.*2	9,119,340	8,144,881
Mitula Group Limited*1,2	—	10,499,200
RESEM Corporation Limited*1,2	—	1,172,767
Other	686,971	427,492
Total	9,806,312	20,244,340

\*1. As the calculation of neither fair value for recognizable assets as of the date of consolidation nor the allocation of acquisition costs have been completed for the current consolidated fiscal year, the amount for goodwill has been estimated based on logical information available at the current time.

\*2. With the acquisition of Mitula Group Limited and RESEM Corporation Limited during the current fiscal year, the internal structure has been reorganized, and these cash-generation units have been grouped with Trovit Search, S.L.U. as a single cash-generation unit, LIFULL CONNECT.

(ii) Calculation basis of recoverable amounts

The following assumptions were used in the calculation of recoverable amounts for the previous (September 30, 2018) and the current (September 30, 2019) consolidated fiscal years. The following estimates are used to analyze the individual cash-generating units or groups of cash-generating units.

As of September 30, 2019

Cash-generating unit : LIFULL CONNECT

This cash-generating unit group is comprised of Trovit, Mitula Group Limited and RESEM Corporation Limited. In goodwill impairment tests for LIFULL CONNECT, the recoverable amount of the asset is calculated based on fair value after deducting disposal costs.

Fair value after deduction of disposal costs is calculated using the comparable company analysis method and has been classed into hierarchy Level 3.

In the comparable company analysis method, the EBITDA forecast is multiplied by the Enterprise Value (calculated based on the market capitalization of stock) / EBITDA multiple of other listed companies in the same industry and adding the control premium.

The primary assumption on which the management bases its fair value after deduction of disposal costs is as follows:

- EV/EBITDA from the comparable company analysis: 16.1

If EV/EBITDA drops below 49%, it is possible that an impairment loss may be recorded.

Cash-generating unit: Other

The goodwill impairment test for other items calculates the recoverable amount of the asset based on its utility value. Discount cash flow forecasts are used to calculate the utility value.

The calculations for the utility value are based on the 5-year business plan approved by the management. This business plan reflects the management's predictions for the future of the industry as well as previous business results and has been created with both internal and external information. For periods which extend beyond the scope of this plan, a growth rate estimate between 0.0 and 5.0% and a pre-tax discount rate of between 15.6 and 20.4% have been applied to predict the future cash flow forecast.

As of September 30, 2018

Cash-generating unit: Trovit

The goodwill impairment test for Trovit calculates the recoverable amount of the asset based on its utility value. Discount cash flow forecasts are used to calculate the utility value.

The calculations for the utility value are based on the 5-year business plan approved by the management. This business plan reflects the management's predictions for the future of the industry as well as previous business results and has been created with both internal and external information. For periods which extend beyond the scope of this plan, a growth rate estimate of 2.7% and a pre-tax discount rate of 13.7% have been applied to predict the future cash flow forecast.

Cash-generating unit: Other

The goodwill impairment test for other items calculates the recoverable amount of the asset based on their utility value. Discount cash flow forecasts are used to calculate the utility value.

The calculations for the utility value are based on the 5-year business plan approved by the management. This business plan reflects the management's predictions for the future of the industry as well as previous business results and has been created with both internal and external information. For periods which extend beyond the scope of this plan, a growth rate estimate between 0.0 and 2.0% and a pre-tax discount rate of between 13.7 and 15.6% have been applied to predict the future cash flow forecast.

(iii) Recognition of impairment losses

The Group did not recognize impairment losses in the previous consolidated fiscal period or the consolidated fiscal year under review.

As it was determined that it would not be possible to achieve the sales revenue originally intended at the time of acquisition, the management has revised the business plan and recalculated the goodwill for the consolidated subsidiary LIFULL Social Funding in the current consolidated fiscal year. As a result, an impairment loss of 255,895 thousand yen was recorded.

This impairment loss is included in "Other Expenses" on the Consolidated Statements of Profit or Loss. Regarding Impairment losses, refer to 28. Other Revenue and Expenses.

## Consolidated Financial Statements and Notes

## 13. Subsidiaries

Major subsidiaries of the Group are as follows. There are no subsidiaries that fall under subsidiaries with individual non-controlling interests in the previous consolidated fiscal period or the consolidated fiscal year under review.

Company name	Location	Principal business	Percentage of voting rights (%)	
			As of September 30, 2018	As of September 30, 2019
Trovit Search, S.L.U.	Barcelona, Spain	Operation of aggregation websites	100	100
Mitula Group Limited	Madrid, Spain	Operation of aggregation websites	—	100
LIFULL senior Co., Ltd.	Chiyoda-ku, Tokyo	Operation of the website for searching for housing and nursing facilities for seniors, LIFULL <i>Kaigo</i> (nursing care)	93	93
LIFULL MOVE Co., Ltd.	Chiyoda-ku, Tokyo	Operation of the website for comprehensive estimates and online bookings for relocation, LIFULL <i>Hikkoshi</i> (moving house)	97	97
LIFULL SPACE Co., Ltd.	Chiyoda-ku, Tokyo	Operation of the website for searching for rental storage space, LIFULL Trunk Room	94.3	94.3
LIFULL Marketing Partners Co., Ltd.	Chiyoda-ku, Tokyo	Agency service for online advertisements, consulting, planning and management	100	100

## 14. Investments Accounted for Using the Equity Method

Information about affiliates is as follows. The Company has no significant affiliates. However, some of the affiliates are included because the Group has a primary influence on their financial conditions and management policies for reasons including the ownership of the right to nominate their directors despite holding a voting rights ratio of less than 20% and the conclusion of important business agreements.

	(Thousands of yen)	
	As of September 30, 2018	As of September 30, 2019
Book value of investments accounted for using the equity method	785,146	671,210

Note: Of investments accounted for using the equity method, the sum of associates and joint ventures accounted for using the equity method is stated because joint ventures are immaterial.

The financial information on individually immaterial investments accounted for using the equity method is as follows:

	(Thousands of yen)	
	As of September 30, 2018	As of September 30, 2019
Incorporated amount for share of profit for the period	(164,964)	(528,197)
Incorporated amount for share of other comprehensive income	(1,270)	(7,240)
Incorporated amount for share of total comprehensive income	(166,235)	(535,437)

Note: Of investments accounted for using the equity method, the sum of associates and joint ventures accounted for using the equity method is stated because joint ventures are immaterial.

## 15. Corporate Income Taxes

### (1) Deferred Taxes

Changes in deferred tax assets and deferred tax liabilities are as follows:

Fiscal year ended September 30, 2019

						(Thousands of yen)
	October 1, 2018	Recognized as profit or loss	Recognized as other comprehensive income	Business combinations	Other*	September 30, 2019
Deferred tax assets						
Allowance for credit losses	16,112	(4,976)	—	—	(311)	10,823
Employees' bonuses	232,024	965	—	—	(1,190)	231,800
Accrued paid leave	131,677	8,532	—	—	(166)	140,044
Enterprise taxes payable	78,376	(20,699)	—	—	—	57,676
Impairment losses	1,893	6,093	—	—	—	7,987
Asset retirement obligations	163,697	383	—	—	—	164,080
Fair value measurement of financial assets	5,673	(4,061)	—	—	—	1,612
Expenses for acquisition of interests	43,817	220,646	—	—	—	264,464
Other	44,357	142,131	—	23,428	16,642	226,560
Total deferred tax assets	717,630	349,016	—	23,428	14,973	1,105,048
Deferred tax liabilities						
Trademark rights	7,168	(5,787)	(466)	—	—	914
Customer-related assets	169,309	(105,141)	(8,866)	157,499	(9,140)	203,661
Other	341,635	101,469	(1,066)	158	1,040	443,237
Total deferred tax liabilities	518,113	(9,459)	(10,399)	157,658	(8,100)	647,813

\* Other includes exchange differences of foreign operations.

Fiscal year ended September 30, 2018

						(Thousands of yen)
	October 1, 2017	Recognized as profit or loss	Recognized as other comprehensive income	Other*	September 30, 2018	
Deferred tax assets						
Allowance for credit losses	16,066	43	—	2	16,112	
Employees' bonuses	206,629	25,474	—	(78)	232,024	
Accrued paid leave	125,574	6,110	—	(7)	131,677	
Enterprise taxes payable	21,276	57,099	—	—	78,376	
Impairment losses	4,211	(2,317)	—	—	1,893	
Asset retirement obligations	159,303	4,393	—	—	163,697	
Fair value measurement of financial assets	5,673	0	—	—	5,673	
Expenses for acquisition of interests	43,817	—	—	—	43,817	
Other	171,372	(115,848)	—	(11,166)	44,357	
Total deferred tax assets	753,926	(25,045)	—	(11,250)	717,630	
Deferred tax liabilities						
Trademark rights	13,384	(6,109)	(106)	—	7,168	
Customer-related assets	227,016	(56,602)	(1,104)	—	169,309	
Other	320,876	20,348	411	—	341,635	
Total deferred tax liabilities	561,277	(42,363)	(800)	—	518,113	

\* Other includes exchange differences of foreign operations.

Deferred tax assets and deferred tax liabilities in the Consolidated Statements of Financial Position are as follows.

	(Thousands of yen)	
	As of September 30, 2018	As of September 30, 2019
Deferred tax assets	563,833	962,652
Deferred tax liabilities	364,316	505,416
Net	199,516	457,235

## Fact Data

### Consolidated Financial Statements and Notes

#### (2) Deductible Temporary Differences for which Deferred Tax Assets are not Recognized, etc.

Deductible temporary differences for which deferred tax assets are not recognized were 304,165 thousand yen and 1,287,537 thousand yen in the previous consolidated fiscal period and the consolidated fiscal year under review, respectively.

The description of the amount of loss carried forward for each carryover deadline for which deferred tax assets are not recognized is omitted, because the amount is immaterial in both the previous consolidated fiscal period and the consolidated fiscal year under review.

#### (3) The amount of taxable temporary differences relating to investments in subsidiaries for which deferred tax liabilities are not recognized is as follows:

	(Thousands of yen)	
	As of September 30, 2018	As of September 30, 2019
Total amount of taxable temporary differences relating to investments in subsidiaries	1,090,066	<b>2,093,394</b>

#### (4) Income Tax

The breakdown of current tax expense and deferred tax expense is as follows:

	(Thousands of yen)	
	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Current tax expense		
Current tax expense for profit for the period	1,373,834	<b>1,597,524</b>
Total current tax expense	1,373,834	<b>1,597,524</b>
Deferred tax expense		
Origination and reversal of temporary differences	(17,318)	<b>(358,475)</b>
Total deferred tax expense	(17,318)	<b>(358,475)</b>
Income tax expenses	1,356,515	<b>1,239,049</b>

Reconciliation of income tax based on the statutory effective tax rate and the average effective tax rate is as follows. The average effective tax rate shows the ratio of the burden of income tax to profit before taxes for the period.

Mainly corporate tax, residential tax and enterprise tax are imposed on the Group, and the statutory effective tax rate calculated based on these taxes is 30.9% in the previous consolidated fiscal period and 30.6% in the consolidated fiscal year under review. However, corporate taxes, etc. are imposed on overseas subsidiaries in their respective locations.

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Statutory effective tax rate	30.9%	<b>30.6%</b>
Reconciliation		
Items that are not permanently deductible, such as entertainment expenses	0.5%	<b>0.5%</b>
Tax rate difference for foreign subsidiaries	(1.8%)	<b>(2.7%)</b>
Tax rate difference for domestic subsidiaries	0.5%	<b>0.6%</b>
Retained profit of foreign subsidiaries	2.6%	<b>3.2%</b>
Changes in unrecognized deferred tax assets	1.4%	<b>2.7%</b>
Share of loss (profit) of entities accounted for using equity method	1.2%	<b>4.6%</b>
Other	(2.7%)	<b>(4.6%)</b>
Average effective tax rate	32.6%	<b>34.9%</b>

## 16. Other Financial Assets and Financial Liabilities

The breakdown of other financial assets and other financial liabilities is as follows:

### (1) Other Financial Assets

	(Thousands of yen)	
	As of September 30, 2018	As of September 30, 2019
Other financial assets		
Available-for-sale financial assets	512,907	—
Equity instruments	—	564,771
Financial assets measured at amortized cost		
Lease and guarantee deposits	—	872,327
Loans and receivables	—	720,445
Allowance for credit losses	—	(32,219)
Loans and receivables		
Lease and guarantee deposits	772,875	—
Loans and receivables	267,539	—
Allowance for credit losses	(29,613)	—
Total	1,523,708	2,125,325
Current assets	230,000	281,916
Non-current assets	1,293,708	1,843,408
Total	1,523,708	2,125,325

The increase in loans and receivables in the current fiscal year resulted from lending operations by LIFULL Social Funding Co., Ltd., a consolidated subsidiary.

Changes in provision for credit losses of the Group against the impairment of loans and receivables are as follows:

	(Thousands of yen)	
	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Beginning balance	37,817	29,613
Increase during the period (provision)	34,101	35,666
Decrease during the period (utilization)	(35,490)	(23,922)
Decrease during the period (reversal)	(6,815)	(9,138)
Ending balance	29,613	32,219

Of loans and receivables, the Group has established an allowance for credit losses against the amount of impairment of operating receivables that are individually impaired and subsequently reduced the allowance for credit losses if the additional recovery of the amount of impairment cannot be expected or if the amount of impairment has been recovered.

The amounts of receivables that are individually impaired are mainly those from customers whose retention period has been prolonged and were 35,557 thousand yen and 41,064 thousand yen in the previous and current fiscal years, respectively. The Group does not have security on these receivables.

### (2) Other Financial Liabilities

	(Thousands of yen)	
	As of September 30, 2018	As of September 30, 2019
Current loans	—	3,300,000
Non-current loans	—	258,300
Total	—	3,558,300
Current liabilities	—	3,300,000
Non-current liabilities	—	258,300
Total	—	3,558,300

## Consolidated Financial Statements and Notes

**17. Other Assets and Liabilities**

The breakdown of other current assets and non-current assets and other current liabilities and non-current liabilities is as follows:

**(1) Other Assets**

	(Thousands of yen)	
	As of September 30, 2018	As of September 30, 2019
Product inventory	—	273,079
Unfinished products	—	192,928
Prepaid expenses	403,926	492,808
Other	121,508	192,675
Total	525,434	1,151,491
Current assets	521,720	1,139,444
Non-current assets	3,714	12,047
Total	525,434	1,151,491

Note: Product inventory used as collateral for debt amounted to 228,667 thousand yen in the current fiscal year.

**(2) Other Liabilities**

	(Thousands of yen)	
	As of September 30, 2018	As of September 30, 2019
Accrued expenses	305,005	286,677
Accrued employees' bonuses	736,717	755,347
Accrued paid leave	416,190	444,492
Accrued consumption taxes	391,672	86,706
Other	205,354	304,755
Total	2,054,940	1,877,979
Current liabilities	2,029,275	1,863,096
Non-current liabilities	25,664	14,882
Total	2,054,940	1,877,979

**18. Accounts Payable and Other Current Payables**

The breakdown of trade and other current payables is as follows:

	(Thousands of yen)	
	As of September 30, 2018	As of September 30, 2019
Trade payables	479,648	848,348
Accounts payable-other	2,311,896	2,781,825
Total	2,791,544	3,630,173

**19. Interest-bearing Debt**

The breakdown of interest-bearing debt is as follows:

	(Thousands of yen)			
	As of September 30, 2018	As of September 30, 2019	Average interest rate (%)	Repayment date
Current loans *1	—	3,300,000	0.11	—
Non-current loans *2	—	258,300	2.37	March 31, 2021 - August 31, 2023
Total	—	3,558,300		
Total current liabilities	—	3,300,000		
Total non-current liabilities	—	258,300		

\*1 Average interest rates refer to the weighted average interest rate on the remaining balance at the end of the current financial period.

\*2 Average interest rates refer to the Japanese yen TIBOR (3-months) +2.3% released by the Japanese Bankers Association TIBOR Administration.

## 20. Lease Transactions

Minimum lease payments of operating leasing arrangements that are recognized as expenses are as follows:

	(Thousands of yen)	
	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Minimum lease payments	713,692	<b>1,071,774</b>

The breakdown of the future minimum lease payments relating to non-cancellable operating leases is as follows:

	(Thousands of yen)	
	As of September 30, 2018	As of September 30, 2019
Within one year	731,189	<b>953,260</b>
After one year but within five years	3,015,163	<b>3,013,283</b>
After five years	1,801,765	<b>1,247,376</b>
Total	5,548,118	<b>5,213,920</b>

Operating lease payments are rent expenses to be paid by the Group for buildings and tools, furniture and fixtures, etc.

There is no restriction imposed by contingent rents, subleasing arrangements, purchase options, renewal options, an escalation clause, or leasing arrangements.

## 21. Provisions

The breakdown of provisions is as follows:

	(Thousands of yen)	
	As of September 30, 2018	As of September 30, 2019
Asset retirement obligations	533,662	<b>560,589</b>
Total	533,662	<b>560,589</b>
Non-current provisions	533,662	<b>560,589</b>

Note: Details of provisions are stated in (12) Provisions of "3. Significant Accounting Policies."

Details of changes in provisions are as follows:

	(Thousands of yen)
	Asset retirement obligations
Balance as of September 30, 2018	533,662
Increase during the period	26,532
Adjustments arising from the passage of time	393
Balance as of September 30, 2019	560,589

Note: Details of provisions are stated in (12) Provisions of "3. Significant Accounting Policies."

Asset retirement obligations

Based on contracts, the estimated amount of expenses for the obligation to restore the original state of leased buildings is posted at the time of concluding the lease contract. Future business plans, etc. will have an effect on the timing of this expenditure.

## 22. Equity and Other Equity Components

### (1) Number of Shares Authorized and Number of Shares Issued

Changes in the number of shares authorized and the number of shares issued are as follows:

	Number of shares authorized (shares)	Number of shares issued (shares)
Balance as of October 1, 2017	350,452,800	<b>118,789,100</b>
Changes	—	—
Balance as of September 30, 2018	350,452,800	<b>118,789,100</b>
Changes	—	<b>15,450,770</b>
Balance as of September 30, 2019	350,452,800	<b>134,239,870</b>

Notes: 1. The shares issued by the Company are non-par value common stock.  
2. The shares issued are fully paid up.

## Fact Data

### Consolidated Financial Statements and Notes

#### (2) Treasury Shares

Changes in treasury shares are as follows:

	Number of shares (shares)
Balance as of October 1, 2017	73,736
Changes	—
Balance as of September 30, 2018	73,736
Changes	705
Balance as of September 30, 2019	74,441

#### (3) Capital and Capital Surplus

The Companies Act of Japan stipulates that half or more of the amount of the contribution upon a share issue shall be recorded as capital and that the remaining amount shall be recorded as capital reserve that is included in capital surplus. The Companies Act also allows the amount of capital reserve to be recorded as capital by the resolution of a shareholders' meeting.

#### (4) Retained Earnings

The Companies Act stipulates that an amount equivalent to one-tenth of the surplus that will be reduced by the payment of dividends of surplus shall be recorded as capital reserve or retained earnings until the total amount of capital reserve and retained earnings reaches one-fourth of capital.

In the Company, the distributable amount under the Companies Act is calculated based on the amount of retained earnings in its accounting book that is prepared in compliance with the generally accepted accounting standards in Japan. The Companies Act sets a certain limit in the calculation of the distributable amount.

#### (5) Other Components of Equity

Fiscal year ended September 30, 2019

	Exchange differences on translation of foreign operations	Equity instrument assets	Other	Total
As of October 1, 2018	(821,841)	60,363	31	(761,446)
Other comprehensive income	(2,385,022)	(15,423)	—	(2,400,445)
Total comprehensive income	(2,385,022)	(15,423)	—	(2,400,445)
Total transactions with owners	—	264	—	264
As of September 30, 2019	(3,206,863)	45,205	31	(3,161,626)

Fiscal year ended September 30, 2018

	Exchange differences on translation of foreign operations	Available-for-sale financial assets	Other	Total
As of October 1, 2017	(759,301)	26,301	482	(732,517)
Other comprehensive income	(62,539)	34,062	(451)	(28,928)
Total comprehensive income	(62,539)	34,062	(451)	(28,928)
As of September 30, 2018	(821,841)	60,363	31	(761,446)

#### (i) Exchange differences on translation of foreign operations

Exchange differences on translation of foreign operations represent conversion differences that are generated when financial statements of foreign operations are converted into the presentation currency of the Group.

#### (ii) Available-for-sale financial assets

Available-for-sale financial assets represent valuation differences in the fair value of available-for-sale financial assets that are measured through other comprehensive income.

## 23. Dividends

Only year-end dividends are paid. The decision-making body for the year-end dividends is the shareholders' meeting.

### (1) Amount of Dividends Paid

Fiscal year ended September 30, 2019					
Date of resolution	Class of shares	Dividend per share (Yen)	Total amount of dividends (Thousands of yen)	Record date	Effective date
Dec. 10, 2018	Common stock	6.02	714,666	Sep. 30, 2018	Dec. 11, 2018

Fiscal year ended September 30, 2018					
Date of resolution	Class of shares	Dividend per share (Yen)	Total amount of dividends (Thousands of yen)	Record date	Effective date
Dec. 21, 2017	Common stock	0.82	97,346	Sep. 30, 2017	Dec. 22, 2017

Dividends payable are included and presented in "Trade and other current payables" in the Consolidated Statements of Financial Position.

### (2) Dividends with Record Dates in the Current Fiscal Year and Effective Dates in the Coming Fiscal Year

Fiscal year ended September 30, 2019				
Date of resolution	Dividend per share (Yen)	Total amount of dividends (Thousands of yen)	Record date	Effective date
Dec. 19, 2019	4.4	590,327	Sep. 30, 2019	Dec. 20, 2019

## 24. Financial Instruments

### (1) Equity Management

The Group works on new services and businesses to expand the scope of its scale and diversify revenue sources in addition to maintaining and strengthening the competitiveness of its businesses. As a result, investments for realizing sustainable growth will be necessary. The basic policy is to cover demand for funds for the growth with cash on hand, but the Group will raise funds as needed. For this reason, the Group pays attention to the balance among cash and cash equivalents, interest-bearing debt and equity.

	(Thousands of yen)	
	As of September 30, 2018	As of September 30, 2019
Cash and cash equivalents	7,571,312	9,239,027
Interest-bearing debt	—	3,558,300
Total Equity	21,996,326	32,583,614

There are no important equity regulations that are applied to the Group.

### (2) Management Policy on Financial Risks

In the Group, various financial risks (currency risk, interest rate risk, credit risk and liquidity risk) occur in the course of running the business. The Group manages risks according to a certain policy to prevent and reduce the financial risks.

As its policy, the Group limits derivatives to transactions with the aim of mitigating the risks involved in transactions based on actual demand and does not conduct transactions for speculative or trading purposes.

#### (i) Currency risk management

The Group operates businesses in multiple countries and regions, and its operating results and financial position are exposed to currency risk. The Company performs the continuous monitoring of exchange rates for the purpose of managing the currency risk.

The Group hedges the risk of exchange fluctuations in foreign currency borrowings with currency swaps, etc. and conducts interest rate swaps for the purpose of fixing interest rates of funds raised at the floating rate. However, if the requirements for hedge accounting are not met, the interest rate swaps could have an impact on profit before taxes and equity in the Consolidated Statements of Profit or Loss.

Details of interest rate and currency swaps are as follows, and there are no derivative transactions to which hedge accounting is not applied.

## Fact Data

### Consolidated Financial Statements and Notes

Derivative transactions to which hedge accounting is applied:

Fiscal Year ended September 30, 2019

Not applicable

Fiscal year ended September 30, 2018

Not applicable.

The impact on profit before taxes and equity in the Consolidated Statements of Profit or Loss in the case that each currency other than the functional currency of each company changes by 1% against the functional currency in financial instruments held by the Group at the end of fiscal years is as follows:

This does not include the impact when financial instruments in the functional currency, assets and liabilities, and revenue and expenses of foreign operations are converted into yen. This is also based on the assumption that the currencies other than each currency used for the calculation do not change.

	(Thousands of yen)	
	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Profit before taxes	(2,338)	<b>(14,861)</b>
Equity	(1,754)	<b>(11,145)</b>

Note: The ( ) above shows that if the exchange rate of the functional currency appreciates by 1%, the impact on profit before taxes and equity of the Group becomes negative, and that if the exchange rate of the functional currency depreciates by 1%, the impact becomes positive by the same amount.

#### (ii) Interest rate risk management

The Group borrows funds at both fixed interest rates and floating interest rates, and the borrowed funds are exposed to the risk of fluctuations in interest rates. While almost half of interest-bearing debt is borrowings raised at a fixed interest rate, borrowings raised at a floating interest rate substantively derive an equivalent benefit to borrowings raised at a fixed interest rate from interest rate swaps.

As a result, the risk of fluctuations in interest rates is insignificant, and therefore the disclosure of the sensitivity analysis of the risk of fluctuations in interest rates is omitted.

#### (iii) Credit risk management

Receivables arising from operating activities of the Group are exposed to the credit risk of customers. Against the credit risk, the Group has established a system for managing the due dates and the balance of receivables for each customer according to the sales management regulations, etc. and regularly ascertaining the credit situation of the main customers.

The book value of the financial assets after impairment that are presented in the Consolidated Financial Statements is the maximum value of the exposure of the Group's financial assets to the credit risk that does not take the appraised value of the collateral obtained into consideration.

The age analysis of financial assets that are past due but are not impaired is as follows:

In the age analysis, an amount for each delinquency period starting from the due date as of the end of the consolidated fiscal year is stated for financial assets for which payment is past due based on the terms of contract or is not made.

	(Thousands of yen)		
	As of September 30, 2019		
	Up to 3 months	Over 3 months and up to 6 months	Over 6 months
Accounts receivable-trade and other current receivables	<b>136,241</b>	<b>17,381</b>	<b>375</b>
Total	<b>136,241</b>	<b>17,381</b>	<b>375</b>

	(Thousands of yen)		
	As of September 30, 2018		
	Up to 3 months	Over 3 months and up to 6 months	Over 6 months
Accounts receivable-trade and other current receivables	40,435	1,234	734
Total	40,435	1,234	734

For the financial assets stated above, there is no property held as security or property that enhances credit.

(iv) Liquidity risk management

The Group manages liquidity risk through the analysis of budgets and actual results of cash flows and basically ensures necessary liquidity by cash flows from operating activities.

The Group also reduces liquidity risk by setting a credit line provided by large financial institutions in Japan.

	(Thousands of yen)	
	As of September 30, 2018	As of September 30, 2019
Credit line	5,500,000	<b>7,000,000</b>
Outstanding borrowings	—	<b>3,300,000</b>
Unused portions	5,500,000	<b>3,700,000</b>

The remaining amount of contractual maturities of financial liabilities is as follows:

	(Thousands of yen)			
	Within one year	After one year but within five years	After five years	Total
Balance as of September 30, 2018				
Accounts payable and other current payables	2,791,544	—	—	2,791,544
Balance as of September 30, 2019				
Accounts payable and other current payables	3,630,173	—	—	3,630,173

### (3) Classification of Financial Instruments

The classification of financial instruments (excluding cash and cash equivalents) in the Group is as follows:

As of September 30, 2019

(Financial assets)

	(Thousands of yen)			
	FVTOCI Equity Instrument Assets	FVTPL Equity Instrument Assets	Financial liabilities at amortized cost	Total
Accounts receivable-trade and other current receivables	—	—	5,494,381	5,494,381
Other short-term financial assets	—	—	281,916	281,916
Other long-term financial assets	564,771	315,651	962,986	1,843,408
Total	564,771	315,651	6,739,284	7,619,706

(Financial liabilities)

	(Thousands of yen)	
	Financial liabilities at amortized cost	Total
Accounts payable and other current payables	3,630,173	3,630,173
Current loans	3,300,000	3,300,000
Non-current loans	258,300	258,300
Total	7,188,473	7,188,473

As of September 30, 2018

(Financial assets)

	(Thousands of yen)		
	Financial assets at fair value	Loans and receivables	Total
	Available-for-sale financial assets		
Accounts receivable-trade and other current receivables	—	4,577,193	4,577,193
Other short-term financial assets	—	230,000	230,000
Other long-term financial assets	512,907	780,801	1,293,708
Total	512,907	5,587,994	6,100,901

## Fact Data

### Consolidated Financial Statements and Notes

(Financial liabilities)

	(Thousands of yen)		
	Financial liabilities at fair value	Loans and receivables	Total
	Derivatives designated as hedge		
Accounts payable and other current payables	—	2,791,544	2,791,544
Total	—	2,791,544	2,791,544

#### (4) Fair Value of Financial Instruments

(i) Financial instruments measured at amortized cost

The fair value of financial instruments measured at amortized cost is as follows:

	(Thousands of yen)			
	As of September 30, 2018		As of September 30, 2019	
	Book value	At fair value	Book value	At fair value
Financial assets at amortized cost Other long-term financial assets	772,875	766,346	954,140	962,829
Financial liabilities at amortized cost Short-term loans	—	—	258,300	259,199

Notes: 1. Financial instruments for which book value is a reasonable approximate value of fair value are not included in the table above.

2. Of "Other long-term financial assets" under non-current assets in the Consolidated Financial Statements, lease and guarantee deposits are stated.

The main measurement methods of the fair value of financial instruments above are as follows:

(a) Other long-term financial assets

Other long-term financial assets are segmented based on their use, and their fair value is calculated using the present value that is discounted by an interest rate that takes the period of use and the credit risk in the segmented categories into consideration. Their fair value is classified as Level 2.

(b) Loans

The fair value of loans is calculated by discounting the total amount of principal and interest from the interest rate that would be expected if a similar new loan were taken out.

(ii) Financial instruments measured at fair value

Financial instruments measured at fair value are classified into three levels in the stratum of fair value according to the observability and materiality of the inputs used for measurement.

The stratum of fair value consists of the following levels:

Level 1: Fair value measured by the (unadjusted) price of the same asset or liability in the active market

Level 2: Fair value measured by using directly or indirectly observable inputs other than those in Level 1

Level 3: Fair value measured by using inputs that are not observable

The levels in the stratum of fair value used in the measurement of fair value are determined using the lowest level of material inputs in the measurement of fair value. The financial assets to be recognized at fair value in the Consolidated Statements of Financial Position that are classified into each level of fair value are as follows:

Financial assets measured at fair value in the Consolidated Statements of Financial Position:

	(Thousands of yen)			
	As of September 30, 2019			Total
	Level 1	Level 2	Level 3	
Financial assets				
FVTOCI Equity Instrument Assets	—	—	564,771	564,771
FVTPL Equity Instrument Assets	—	—	315,651	315,651

There is no reclassification among Level 1, Level 2 and Level 3 in the consolidated fiscal year under review.

	(Thousands of yen)			
	As of September 30, 2018			Total
	Level 1	Level 2	Level 3	
Financial assets				
Available-for-sale financial assets	—	—	512,907	512,907

There is no reclassification among Level 1, Level 2 and Level 3 in the previous consolidated fiscal period.

The main measurement methods of the fair value of financial instruments above are as follows:

(a) Available-for-sale financial assets, FVTOCI equity instruments and FVTPL debt instruments

While the fair value of marketable securities is measured by using the market price, the tradable price in the case that an active market does not exist is classified as Level 2 as an observable input. The fair value of unlisted common shares is calculated by a valuation model based on the discounted future cash flow, revenue, profitability, and net assets and other valuation methods, and classified as Level 3.

Reconciliation from the beginning balance to the ending balance of financial assets that are classified as Level 3 is as follows:

	(Thousands of yen)		
	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019	
	Available-for-sale financial assets	FVTOCI Equity Instrument Assets	FVTPL Equity Instrument Assets
Beginning balance	442,159	512,907	—
Total gains and losses			
Profit or loss	(1,366)	(9,753)	15,651
Other comprehensive income	47,592	(21,180)	—
Acquisition	75,672	95,924	300,000
Disposal by sale	(51,151)	(13,125)	—
Ending balance	512,907	564,771	315,651

Gains and losses of the financial instruments above that were recognized in profit or loss are included in Financial Revenue and Financial Expenses in the Consolidated Statements of Profit or Loss. In addition, gains and losses that were recognized in other comprehensive income are included in “Available-for-sale financial assets” and “Exchange differences on translation of foreign operations” in the Consolidated Statements of Comprehensive Income.

(iii) Valuation techniques and inputs

FVTOCI equity instruments and FVTPL debt instruments are financial assets that are classified as Level 3 are mainly composed of unlisted shares. The fair value of these unlisted shares is measured by applying the similar company comparison method, the discounted cash flow method, valuation models based on most recent transaction prices and net assets, and the like. Significant unobservable inputs in the previous fiscal period equaled the discount ratio (20.0%) in the discounted cash flow method among these valuation techniques. Such inputs in the fiscal year under review equaled the price sales ratio (8.04 times) in the similar company comparison method. An increase (a decrease) in the discount ratio and a fall (a rise) in the price sales ratio cause the fair value of unlisted shares to drop (climb).

(iv) Valuation process

For assets and liabilities that are classified as Level 3, external valuation experts or appropriate persons in charge of valuation perform a valuation and analyze the results according to the valuation policy and procedures approved by the responsible person in the business administration department. The valuation results are reviewed and approved by the responsible person in the business administration department.

## Fact Data

### Consolidated Financial Statements and Notes

## 25. Financial Revenue and Financial Expenses

### (1) Financial Revenue

The amounts of revenue resulting from customer contracts is as follows:

	(Thousands of yen)			
	HOME'S Services	Overseas	Other Businesses	Total
Initial revenue	3,075,714	—	587,253	3,662,967
Running revenue	12,800,369	—	759,897	13,560,266
Inquiry revenue	9,539,252	—	390,545	9,929,797
Online advertising revenue	3,612,344	66,342	6,429	3,685,116
Web design revenue	624,277	19,479	—	643,756
Premium revenue	—	4,257,896	—	4,257,896
AdSense revenue	—	2,667,384	194	2,667,579
Other	6,532	669,042	214,053	889,628
Revenue from customer contracts	29,658,490	7,680,145	1,958,374	39,297,010
Revenue from other sources	—	—	—	—

Note: No revenue was generated from other sources.

	Service Description
Initial revenue	Includes revenue related to items such as system costs and property data sales for the LIFULL HOME'S website. Service performance obligations are satisfied at a particular point in time. Mostly included in the information on "HOME'S Rental / Sales," "HOME'S New-build Detached Houses" and "Internet Marketing" services.
Running revenue	Includes basic membership fees and advertising fees generated through the LIFULL HOME'S website. Service performance obligations are satisfied upon expiration of a pre-determined period of time. Mostly included in the information on "HOME'S Rental / Sales," "HOME'S New-build Detached Houses" and "Internet Marketing" services.
Inquiry revenue	Includes revenue generated from user inquiries to clients. Service performance obligations are satisfied at the time when an inquiry is made. Mostly included in the information on "HOME'S Rental / Sales," "HOME'S New-build Detached Houses" and "Internet Marketing" services.
Online advertising revenue	Revenue generated from online advertisements or managing listings. Service performance obligations are satisfied upon expiration of a pre-determined period of time. Mainly included in the information on "Internet Marketing" services.
Web design revenue	Revenue generated from web design products for clients. Service performance obligations are satisfied at the time the items are provided to clients. Mainly included in the information on "Internet Marketing" services.
Premium revenue	Revenue generated from users clicking search advertisements and moving to a client's website. Service performance obligations are satisfied when a user clicks on an advertisement. Mainly included in the information on "Premium" services.
AdSense revenue	Revenue generated from advertisements listed on the website for a pre-determined period of time. Service performance obligations are satisfied upon expiration of a pre-determined period of time. Mainly included in the information on "Other" services.

### (2) Remaining Balances on Contracts

A breakdown of credits from contracts with customers and liabilities is as follows:

Fiscal year ended September 30, 2019

	(Thousands of yen)	
	October 1, 2018	September 30, 2019
Credit on contracts with customers	3,793,632	4,737,670
Contract liabilities	38,767	46,872

In the Consolidated Financial Statements, credits on contracts with customers is included under "Accounts Receivable-Trade and Other Current Receivables" and contract liabilities under "Other Current Liabilities."

Within the income recognized during the current consolidated fiscal year, the current remaining balance of contract liabilities is 37,408 thousand yen as of October 1, 2018.

Contract liabilities primarily consist of advances received from customers.

There are no assets recognized within the Group from costs for acquisition or implementation of customer contracts.

Changes in credits from customer contracts during the current consolidated fiscal year were primarily due to increases from the acquisition of Mitula Group Limited.

Changes in liabilities from contracts during the current consolidated fiscal year were primarily from cash payments.

### (3) Transaction Amounts Allocated to Remaining Performance Obligations

There are no significant transactions with contracts that extend beyond one year within the Group. There are no transaction amounts not included in payment generated from contracts with customers.

### (4) Assets Recognized from Costs for Acquiring or Implementing Contracts with Customers

The amount of assets recognized from costs of acquiring or implementing contracts with customers during the current consolidated fiscal year is immaterial. If the depreciation period of the assets to be recognized is one year or less, a practical expedient is selectively applied for each contracts and the incremental cost of acquiring the contracts is recognized as an expense.

### (5) Significant Financial Factors

Services provided by the Group do not have payment terms that exceed one year, and there are no significant financial factors.

### (6) Impairment Losses Recognized from Credit or Contract Assets from Contracts with Clients (According to IFRS 9)

There are no effects from the application of IFRS 9 (2014).

## 26. Cost of Revenue

The breakdown of the cost of revenue is as follows:

	(Thousands of yen)	
	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Commission fee	3,522,069	<b>3,878,261</b>
Subcontract expenses	38,974	<b>98,273</b>
Cost of revenue of product inventory	232,681	<b>497,879</b>
Other	85,545	<b>85,425</b>
<b>Total</b>	<b>3,879,270</b>	<b>4,559,840</b>

## 27. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

	(Thousands of yen)	
	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Advertising expenses	11,384,177	<b>13,273,388</b>
Benefit expenses for employees and directors	7,727,220	<b>8,635,790</b>
Rents	839,465	<b>904,374</b>
Commission fee	2,346,731	<b>3,119,855</b>
Subcontract expenses	1,205,333	<b>1,290,547</b>
Depreciation and amortization	1,067,276	<b>1,249,809</b>
Other	1,851,566	<b>2,313,546</b>
<b>Total</b>	<b>26,421,772</b>	<b>30,787,312</b>

The breakdown of benefit expenses for employees and directors is as follows:

	(Thousands of yen)	
	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Salaries and allowances	5,187,303	<b>5,838,781</b>
Directors' compensation	303,430	<b>375,548</b>
Employees' bonuses	1,222,435	<b>1,267,729</b>
Legal welfare expenses	934,039	<b>1,068,039</b>
Other	80,010	<b>85,690</b>
<b>Total</b>	<b>7,727,220</b>	<b>8,635,790</b>

## Fact Data

### Consolidated Financial Statements and Notes

#### 28. Other Income and Expenses

##### (1) Other Income

The breakdown of other income is as follows:

	(Thousands of yen)	
	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Subsidy income	43,647	28,979
Income from the restaurant business	61,536	53,021
Gain on sales of shares of subsidiaries and associates	89,902	435,932
Gain on foreign exchange	—	64,614
Gain on cancellation of accounts payable	—	82,676
Other	61,983	80,413
Total	257,069	745,638

Note: Subsidies of a total of 29,655 thousand yen and 12,675 thousand yen were granted in the previous and current fiscal years, respectively, based on the "Industrial Revitalization Municipal Ordinance of Kochi City."

The subsidies are recognized at fair value if the collateral conditions for the grant of a subsidy are met and if reasonable assurance about the receiving subsidiary is obtained. They are recognized as other income in profit or loss.

Subsidies related to income are recognized as profit or loss over the period when expenses compensated by subsidies are recognized.

##### (2) Other Expenses

The breakdown of other expenses is as follows:

	(Thousands of yen)	
	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Loss on sales and retirement of non-current assets	37,385	98,132
Impairment	—	343,112
Expenses for the restaurant business	108,677	90,114
Rent expenses on real estate	50,721	44,108
Foreign exchange losses	2,047	—
Other	6,736	9,110
Total	205,567	584,579

#### 29. Financial Revenue and Financial Expenses

##### (1) Financial Revenue

The breakdown of financial revenue is as follows:

	(Thousands of yen)	
	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Interest income		
Cash and cash equivalents	96	2,336
Disposition gains		
Available-for-sale financial assets	25,810	—
Equity instrument assets	—	2,581
Total	25,907	4,917

##### (2) Financial Expenses

The breakdown of financial expenses is as follows:

	(Thousands of yen)	
	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Interest expenses		
Interest-bearing debt provisions	18,383	22,503
Provisions	389	393
Impairment losses		
Available-for-sale financial assets	1,032	—
Equity instrument assets	—	12,303
Other	—	31
Total	19,806	35,232

### 30. Other Comprehensive Income

Items of other comprehensive income and the amount of tax effect on them are as follows:

(Thousands of yen)					
Fiscal year ended September 30, 2019					
	Accruals during the period	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss:					
FVTOCI equity instruments	(21,180)	—	(21,180)	5,757	(15,423)
Items that may be reclassified as profit or loss, net of tax:					
Exchange differences on translation of foreign operations	(2,353,019)	(24,831)	(2,377,851)	—	(2,377,851)
Cash flow hedges	—	—	—	—	—
Share of other comprehensive income of investments accounted for using the equity method	(7,240)	—	(7,240)	—	(7,240)
<b>Total other comprehensive income</b>	<b>(2,381,440)</b>	<b>(24,831)</b>	<b>(2,406,272)</b>	<b>5,757</b>	<b>(2,400,514)</b>

(Thousands of yen)					
Fiscal year ended September 30, 2018					
	Accruals during the period	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that may be reclassified as profit or loss, net of tax:					
Available-for-sale financial assets	45,780	—	45,780	(11,718)	34,062
Exchange differences on translation of foreign operations	(61,046)	(221)	(61,267)	—	(61,267)
Cash flow hedges	—	(604)	(604)	152	(451)
Share of other comprehensive income of investments accounted for using the equity method	(1,270)	—	(1,270)	—	(1,270)
<b>Total other comprehensive income</b>	<b>(16,536)</b>	<b>(825)</b>	<b>(17,361)</b>	<b>(11,565)</b>	<b>(28,927)</b>

### 31. Per Share Information

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

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Profit attributable to owners of the parent (Thousands of yen)	2,859,671	<b>2,359,603</b>
Average number of basic common shares during the period	118,715,364	<b>129,975,031</b>
Profit per share attributable to owners of the parent (Yen)		
Basic earnings per share	24.09	<b>18.15</b>
Diluted earnings per share	—	—

Note: Disclosure of diluted profit per share is omitted, as there were no dilutive shares.

## Consolidated Financial Statements and Notes

**32. Supplementary Information on the Consolidated Statements of Cash Flows**

Fiscal year ended September 30, 2019

Expenditures for the acquisition of subsidiaries, 1,645,463 thousand yen, is comprised of the amount paid in cash for the acquisition of shares of Mitula Group Limited less the total of 516,237 thousand yen in cash and cash equivalents held on the date of acquisition and the amount paid in cash for the acquisition of RESEM Corporation Limited less the total of 1,129,225 thousand yen in cash and cash equivalents.

Income from sale of shares of subsidiaries 473,216 thousand yen resulted from sale of shares of LHL Co., Ltd., a consolidated subsidiary.

Expenditures for lending primarily consisted of 899,500 thousand yen for the lending business of the subsidiary LIFULL Social Funding Co., Ltd.

Fiscal year ended September 30, 2018

Major items in the purchase of shares in affiliates were additional investments in RAKUTEN LIFULL STAY PTE. LTD. of 267,918 thousand yen and investments in KAMARQ HOLDINGS PTE. LTD. of 399,866 thousand yen.

Proceeds from sales of shares in affiliates resulted from the disposal of shares in FLYMEe Inc.

Lending expenses resulted from lending operations performed by LIFULL Social Funding Co., Ltd., a consolidated subsidiary.

**33. Corporate Mergers**

(Companies Acquired)

Mitula Group Limited

The Company entered into a scheme of arrangement with Mitula Group Limited (hereinafter, Mitula) under the Australian corporations law to acquire Mitula as a wholly-owned subsidiary. As of January 8, 2019, the Company has acquired all shares of Mitula based on the scheme implementation deed, making it a wholly-owned subsidiary.

**(1) Overview of Acquired Company**

(i) Name and Nature of Business of Acquired Company

Name: Mitula Group Limited

Nature of Business: Operation of aggregation and portal sites for real estate, job listings, automobiles and fashion

(ii) Date of Acquisition

January 8, 2019

(iii) Percentage of Voting Rights

100%

(iv) Acquisition Method

Share acquisition with ordinary shares of the Company and cash

(v) Primary Reasons for Acquisition

After acquiring Trovit Search, S.L.U., which operates a similar aggregation site to Mitula, the Group has come to the conclusion that acquiring Mitula and integrating its the technology, know-how and management expertise with Trovit will be beneficial to further increasing the corporate value of the Group.

**(2) Breakdown of Acquisition Price**

Item	(Thousands of yen)
	Amount
Cash and cash equivalents	2,352,435
Ordinary shares of LIFULL paid on the date of acquisition*	11,433,569
Total	13,786,004

\* The Group has issued 15,450,770 ordinary shares at the share price estimated on at the end of the date of acquisition (740 yen).

**(3) Acquisition-related Costs**

720,597 thousand yen in acquisition costs has been recorded under "Selling, General and Other Administration Fees."

In addition, fees incurred during the previous consolidated fiscal year have been recorded in that year.

#### (4) Recognized Amounts for Acquired Assets and Liabilities as of the Day of Acquisition

	(Thousands of yen)
Acquisition cost	
Ordinary shares of the Company and cash	13,786,004
Amounts recognized as acquired assets and liabilities	
Cash and cash equivalents	1,836,197
Accounts receivable and other short-term credit	691,740
Tangible fixed assets	67,858
Intangible assets	2,866,485
Other assets	61,653
Accounts payable and other short-term liabilities	(496,737)
Other liabilities	(340,267)
Total	4,686,929
Goodwill	9,099,075

Notes: 1. The main components of goodwill, such as synergies with existing businesses and increased earning power, do not meet individual requirements, but are expected to arise through the acquisition.  
2. As of the end of the current consolidated fiscal year, the fair value of identifiable assets as of the date of acquisition has yet to be calculated and acquisition costs have yet to be allocated. Therefore, this amount has been calculated on a provisional basis based on statistical information available.  
3. No goodwill is expected to be deductible for tax purposes.

#### (5) Cash Flow from Acquisition

	(Thousands of yen)
Amount paid in cash	(2,352,435)
Remaining balance of cash and cash equivalents from the acquisition	1,836,197
Expenditures for acquisition of subsidiary	(516,237)

#### (6) Effects on Earnings Results

Sales revenue and net profit generated after the acquisition of Mitula are included in the Consolidated Statements of Profit or Loss for the current consolidated fiscal year and amount to 2,943,049 thousand yen and 98,911 thousand yen, respectively.

Assuming that the acquisition had been carried out at the beginning of the fiscal year, the impact on the Consolidated Statements of Profit or Loss would be an increase in sales revenue of 1,070,851 thousand yen and in net profit of 2,906 thousand yen. This comment has not been subject to audit.

#### RESEM Corporation Limited

As decided in the Executive Board Meeting on April 17, 2019, the Company has acquired all shares of RESEM Corporation Limited (hereinafter, RESEM.) The share transfer agreement was completed on May 8, 2019, and initiated on May 21, 2019, in which all shares of RESEM were acquired.

#### (1) Overview of Acquired Company

##### (i) Name and Nature of Business

Name: RESEM Corporation Limited

Nature of Business: Real estate information

##### (ii) Date of Acquisition

May 21, 2019

##### (iii) Percentage of Voting Rights

100%

##### (iv) Method of Acquisition

Share acquisition through cash

##### (v) Primary Reasons for Acquisition

The Company has established "Transforming the Real Estate Industry" and "Constructing a Global Platform" as pillars of its mid-term business plan. After acquiring Trovit Search, S.L.U. (Spain), aggregation website operator for real estate, job listings and automobiles, in November 2014 and Mitula Group Limited, aggregation website operator for real estate, job listings, automobiles and fashion, in January 2019, the Group has made progress toward global business expansion.

Through the acquisition of RESEM, the Company plans to continue to expand its global business ventures.

## Fact Data

### Consolidated Financial Statements and Notes

#### (2) Acquisition Price

1,158,837 thousand yen in cash

#### (3) Acquisition-related Costs

These costs have been omitted, as the impact on the Consolidated Statements of Profit or Loss is minor.

#### (4) Recognized Amounts for Acquired Assets and Liabilities as of the Day of Acquisition

	(Thousands of yen)
Acquisition cost cash	
Cash and cash equivalents recognized as acquired assets and liabilities	1,158,837
Cash and cash equivalents	29,611
Accounts receivable and other short-term credits	45,269
Tangible fixed assets	1,435
Intangible assets	232,918
Other assets	2,773
Accounts payable and other short-term debts	(47,614)
Other liabilities	(86,424)
Total	177,969
Goodwill	980,867

Notes: 1. The main components of goodwill, such as synergies with existing businesses and increased earning power, do not meet individual requirements, but are expected to arise through the acquisition.  
2. As of the end of the current consolidated fiscal year, the fair value of identifiable assets as of the date of acquisition has yet to be calculated and acquisition costs have yet to be allocated. Therefore, this amount has been calculated on a provisional basis based on statistical information available.  
3. No goodwill is expected to be deductible for tax purposes.

#### (5) Cash Flow from Acquisition

	(Thousands of yen)
Amount paid in cash	(1,158,837)
Remaining balance of cash and cash equivalents from the acquisition	29,611
Expenditures for acquisition of subsidiary	(1,129,225)

#### (6) Effects on Earnings Results

Sales revenue and net profit generated after the acquisition of RESEM are included in the Consolidated Statements of Profit or Loss for the current consolidated fiscal year and amount to 71,391 thousand yen and -31,785 thousand yen, respectively.

Assuming that the acquisition had been carried out at the beginning of the fiscal year, the impact on the Consolidated Statements of Profit or Loss would be an increase in sales revenue of 165,397 thousand yen and a decrease in net profit of 78,792 thousand yen.

This comment has not been subject to audit.

### 34. Contingent Liability

Not applicable.

### 35. Commitment

Commitment to significant expenditures after the reporting date is as follows:

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Commitment to the purchase of property, plant and equipment and intangible assets	47,042	54,352

### 36. Subsequent Events

Not applicable.

### 37. Transactions with Related Parties

#### (1) Transactions with Related Parties

Not applicable.

#### (2) Compensation for Principal Executives

Compensation for principal executives of the Group is as follows:

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Short-term compensation	127,252	101,053
Total	127,252	101,053

### 38. Approval of the Consolidated Financial

The consolidated financial statements were approved by the President and CEO of the Group, Inoue Takashi, on December 19, 2019.

### Consolidated Supplementary Schedules

#### Bonds Schedule:

Not applicable.

#### Borrowings Schedule:

The information is provided in notes to the consolidated financial statements "19. Interest-bearing Debt" and "24. Financial Instruments."

#### Asset Retirement Obligations Schedule:

The information is provided in notes to the consolidated financial statements "21. Provisions."

### Other

Quarterly information in the current consolidated fiscal year under review, etc.

(Cumulative period)		First quarter	Second quarter	Third quarter	Fiscal year under review
Revenue	(Thousands of yen)	8,391,479	19,599,537	29,352,758	39,297,010
Profit before taxes	(Thousands of yen)	1,520,980	1,512,195	3,098,813	3,552,404
Profit attributable to owners of the parent	(Thousands of yen)	1,003,518	945,357	2,018,559	2,359,603
Basic earnings per share	(Yen)	8.45	7.52	15.7	18.15

(Accounting period)		First quarter	Second quarter	Third quarter	Fourth quarter
Basic profit per share	(Yen)	8.45	(0.44)	8.00	2.54

#### The preparation of the annual report and the positioning of the audit

The Consolidated Financial Statements and Notes in this annual report were extracted from the financial conditions, including the Consolidated Financial Statements, described in the 25th Yuho\* Financial Report, which was based on the audit carried out by PricewaterhouseCoopers Aarata LLC. While part of the layout has been changed, every effort was made in the preparation of this annual report to ensure there were no discrepancies between it and the content of the Yuho Financial Report.

Please note that neither the Japanese nor English integrated reports were included in the scope of the audit carried out by PricewaterhouseCoopers Aarata LLC.

\* A document Japanese companies must prepare each fiscal year to comply with the Financial Instruments and Exchange Act.

## Shareholder Information

(As of September 30, 2019)

### Stock Information

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

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

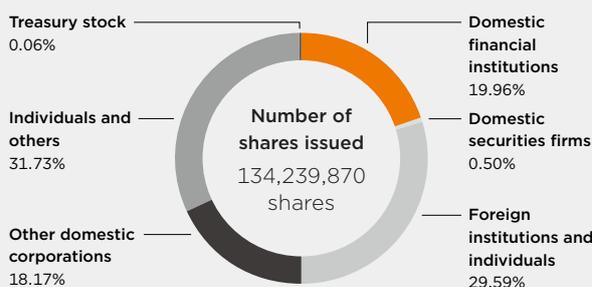
Questions on stocks and dividends  
Please direct inquiries to the abovementioned administrator of shareholder lists. Shareholders using securities firms, please direct inquiries to the firm administering the account.

### Major Shareholders

Name	Number of shares	Shareholding ratio (%)
Takashi Inoue	32,941,000	24.55
Rakuten, Inc.	23,797,100	17.74
Japan Trustee Services Bank, Ltd. (Trust Account)	15,300,000	11.40
SANTANDER SECURITIES SERVICES, S. A. / DCV CLIENTS	8,466,136	6.31
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,738,200	3.53
CHASE NOMINEES RE JASDEC TREATY CLIENT A/C (GENERAL)	3,448,100	2.57
THE BANK OF NEW YORK MELLON 140051	3,165,000	2.36
Daisuke Gomi	2,700,000	2.01
SAJAP	2,194,700	1.64
GOLDMAN SACHS INTERNATIONAL	1,604,325	1.20
Total	98,354,561	73.31

Note: Calculations for investment ratio exclude treasury stock (74,441 shares).

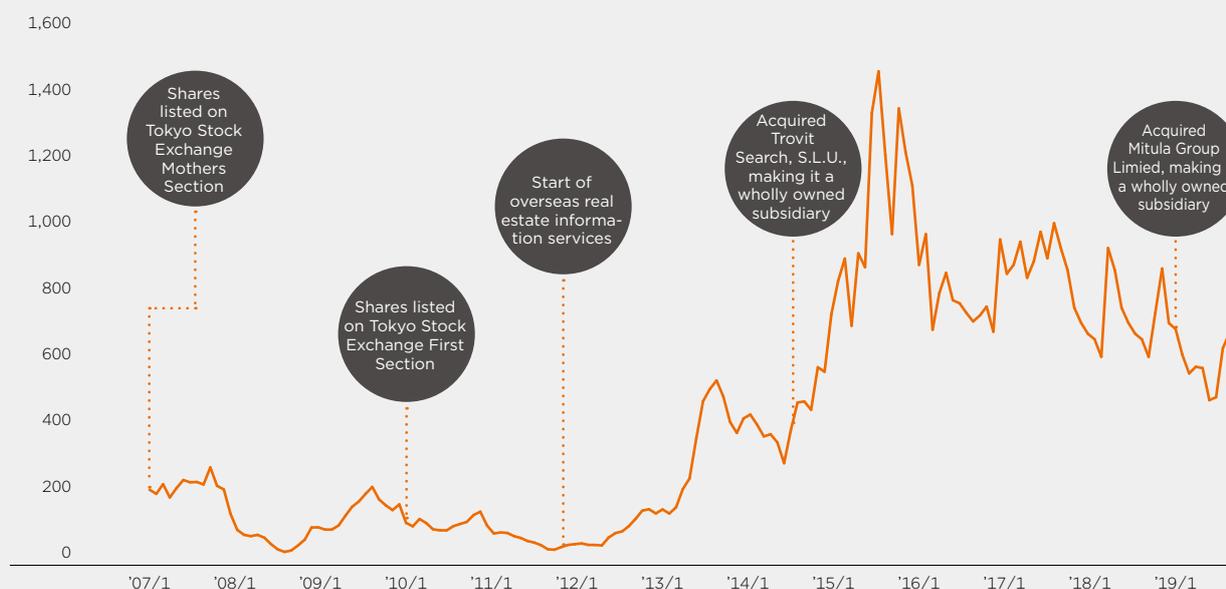
### Distribution of Shareholders



Note: The number of outstanding shares increased to 15,450,770 due to payment in kind for the acquisition of Mitula Group Limited in January 2019.

### Stock Price Performance

(Yen)



Note: Recalculations have been made to account for the impact of the following stock splits.

- April 1, 2008: 2-to-1 share split
- October 1, 2011: 100-to-1 share split
- January 1, 2014: 3-to-1 share split
- June 1, 2015: 2-to-1 share split

## Corporate Information

(As of September 30, 2019)

Company name	LIFULL Co., Ltd. (formerly NEXT Co., Ltd.)
Date of establishment	March 12, 1997
Representative	Inoue Takashi, President and CEO
Headquarters	1-4-4 Kojimachi, Chiyoda-ku, Tokyo 102-0083, Japan
Capital	9,716 million yen
Employees	1,548 (Group consolidated figure, including dispatch and part-time workers)
Main business	Real estate information services and other services
Branches and offices	Sapporo, Nagoya, Osaka, Fukuoka, Okinawa
Major subsidiaries	Trovit Search, S.L.U. Mitula Group Limited LIFULL Marketing Partners Co., Ltd.

### Company website

In addition to this report, a variety of information is published on our website.

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

IR website

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



### Group Companies, Equity-Method Affiliates, and Investments and Alliances (As of September 30, 2019)

#### Group Companies

Japan	LIFULL senior Co., Ltd. LIFULL MOVE Co., Ltd. LIFULL SPACE Co., Ltd. LIFULL Marketing Partners Co., Ltd. LIFULL bizas Co., Ltd. LIFULL Social Funding Co., Ltd. LIFULL FaM Co., Ltd.
Spain	Trovit Search, S.L.U. Mitula Group Limited
Vietnam	LIFULL Tech Vietnam Co., Ltd.
Singapore	RESEM Corporation Limited

#### Other Investments and Alliance

Japan	Glue-th, Inc. GO TODAY SHAI'RE SALON Inc. Ishin Global Fund Limited Living Anywhere, GIA WOTA CORP. WILLFU CO., LTD. Jdimoty, Inc. Neo Career Co., Ltd. ZAB, GIA
North America	Zumper, Inc.
Estonia	BitOfProperty Pte. Ltd.

#### Equity-Method Affiliates

Japan	VUILD Co., Ltd. Rakuten LIFULL STAY, Inc.* <sup>1</sup> WiseVine Co., Ltd.* <sup>2</sup>
Spain	Osclass, S.L.
Indonesia	PT. LIFULL MEDIA INDONESIA
Singapore	KAMARQ HOLDTINDGS PTE. LTD. RAKUTEN LIFULL STAY PTE. LTD.

\*<sup>1</sup> In March 2017, Rakuten LIFULL STAY, Inc. was established as a wholly owned subsidiary of RAKUTEN LIFULL STAY PTE. LTD., a joint investment with Rakuten, Inc.

\*<sup>2</sup> Changed in October 2019 from Weldrow Co., Ltd.

LIFULL Co., Ltd.

1-4-4 Kojimachi, Chiyoda-ku, Tokyo 102-0083, Japan

