

Consolidated Financial Report for the Fiscal Year Ended September 30, 2020 (IFRS)

November 13, 2020

Company name: LIFULL Co., Ltd. **Listed exchange:** Tokyo Stock Exchange
Stock code: 2120 **URL:** <https://lifull.com/en/ir/>
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Ordinary General Shareholders Meeting (scheduled): December 23, 2020
Commencement of dividend payments (scheduled): December 24, 2020
Filing annual securities report (scheduled): December 24, 2020
Preparation of supporting documentation for earnings: Yes **Earnings presentations:** Yes (For institutional investors and analysts)

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

1. Consolidated Financial Results for Fiscal 2020 (October 1, 2019 to September 30, 2020)

(1) Consolidated Operating Results

(Percentages indicate year-over-year change)

	Revenue		Operating income		Profit before income taxes		Net profit		Profit attributable to owners of the parent		Total comprehensive income	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal 2020	35,402	(9.9)	2,497	(40.3)	2,148	(40.7)	1,175	(50.2)	1,170	(51.4)	2,539	-
Fiscal 2019	39,297	13.7	4,184	(3.0)	3,626	(12.8)	2,360	(15.7)	2,406	(15.8)	(43)	-

	Basic earnings per share	Diluted net income per share	Return on equity	Return on assets	Operating income ratio
	yen	yen	%	%	%
Fiscal 2020	8.77	8.77	3.5	4.3	7.1
Fiscal 2019	18.52	18.52	8.8	10.0	10.6

(Reference) Equity in income from investments in Affiliates Fiscal 2020: (249) million yen Fiscal 2019: (528) million yen
 EBITDA (operating income before depreciation and amortization) Fiscal 2020: 4,504 million yen Fiscal 2019: 5,360 million yen
 (Note) As provisional accounting methods have been determined during FY 2020/9 for acquisitions, the same provisional accounting methods have been applied for values in FY 2019/9.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to the owners of the parent	Equity attributable to the owners of the parent ratio	Equity attributable to owners of the parent per share
	million yen	million yen	million yen	%	yen
As of September 30, 2020	55,319	33,647	33,495	60.5	254.18
As of September 30, 2019	43,672	32,627	32,551	74.5	242.62

(Note) As a provisional accounting method has been determined during FY 2020/9 for acquisitions, the same provisional accounting method has been applied for values in FY 2019/9.

(3) Consolidated Cash Flows

	Total assets	Total equity	Equity attributable to owners of the parent	Equity attributable to owners of the parent ratio (%)
	million yen	million yen	million yen	%
Fiscal 2020	4,884	(1,730)	3,391	15,962
Fiscal 2019	2,166	(2,836)	2,782	9,239

2. Dividends

	Annual dividend					Total dividends	Payout ratio (consolidated)	Dividend on equity ratio (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal 2019	-	0.00	-	4.40	4.40	590	23.8	2.1
Fiscal 2020	-	0.00	-	5.29	5.29	697	60.3	2.1
Fiscal 2021 (Forecast)	-	-	-	-	-	-	-	-

Note 1: Cash dividends per share have been calculated at a payout ratio of 25% and rounded up at the third decimal point.

Note 2: Dividends per share are calculated according to the total number of issued shares at the end of the financial period

Note 3: Dividend forecast for FY 2020/9 will be calculated based on a payout ratio of 25%.

3. Forecasts on the Consolidated Results for Fiscal 2021 (October 1, 2020 to September 30, 2021)

(Percentages indicate year-over-year change)

	Revenue		Operating income		Profit attributable to owners of the parent		Basic earnings per share
	million yen	(%)	million yen	(%)	million yen	(%)	yen
Fiscal Year 2021	38,476	8.7	3,434	37.5	2,033	73.7	15.43

* Notes

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

(2) Changes in accounting policies and changes or restatement of accounting estimates

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

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

[3] Changes in accounting estimates : Yes

(Note) For details, refer to "Condensed Consolidated Financial Statements and Significant Notes (5) Notes on the Consolidated Financial Statements" on Page 14.

(3) Number of shares issued (common stock)

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

[2] Treasury shares at the end of the period

[3] Average shares during the period

As of September 30, 2020	134,239,870	As of September 30, 2019	134,239,870
As of September 30, 2020	2,458,256	As of September 30, 2019	74,441
Fiscal 2020	133,534,160	Fiscal 2019	129,975,031

This consolidated financial report is not subject to audit.

Regarding appropriate use of result forecasts and other notes

- Result forecasts and other statements about the future found in this document are based on information available to the Company and assumptions deemed reasonable at the current time. Actual results and outcomes may vary significantly due to various factors. For more information on the terms related to the assumptions used for result forecasts and notes on the use of result forecasts and other information, please refer to page 7 "(4) Outlook" of the supplemental documentation.
- The Company has scheduled an online earnings presentation for institutional investors and analysts at the following date. Materials, recordings and records of the question and answer session will be made available on the Company's website in a timely fashion.
- November 16, 2020 (Monday): Earnings presentation for institutional investors and analysts.
- In addition, the Company holds briefings as appropriate for individual investors. Please refer to the LIFULL IR website (<https://LIFULL.com/en/ir/>) for more details.

(Appendix)

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1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year Ended September 30, 2020

During the current fiscal year (October 2019 – September 2020), there was initially a gradual improvement in corporate revenue and the overall employment environment of Japan. However, the international COVID-19 pandemic has created an unprecedented and unpredictable situation.

On April 27, the Japanese government declared a national state of emergency. Despite a large downturn in the number of people moving house to 300,861 in May (-28.1% YoY, same for all subsequent percentages), there has been a gradual recovery after the state of emergency was dissolved at the end of May resulting in a total of -3.16% for the year (Source: Ministry of Internal Affairs and Communications “Internal Report on Migration in Japan Derived from the Basic Resident Registration.”)

In the construction and real estate industries, which represents the primary clients of LIFULL, the total number of new constructions for residential properties decreased considerably to 820,052 units (-10.75%). During the state of emergency, the government stay home request resulted in temporary closures of model rooms and real estate offices, but realtors resumed business along with other economic activities after the state of emergency was dissolved at the end of May. Although the shift in working styles beginning to emerge with the proliferation of remote work has placed new demands on housing environments, the number of properties sold in the Tokyo metropolitan area declined across the board. Total new-build condominium sales totaled 25,418 units (-23.7%) and resale houses 34,792 units (-10.0%) while the reduction of properties available on the market caused the price of new builds to increase 4.2% and resale units 4.1%. (Sources: Ministry of Land, Infrastructure, Transport and Tourism “Report on Building Construction Work Started;” Real Estate Economic Institute Co., Ltd. “Condominium Sales Trends in the Greater Tokyo Area” and Real Estate Information Network for East Japan “Monthly Market Watch.”)

In the Japanese advertising market, the Internet advertising sector, the primary target of services offered by LIFULL, grew 14.8% despite a 7.0% loss in real estate and housing for newspapers, magazines, radio and television (January – December 2019). This represents six years of continuous double-digit growth for the Internet sector, which surpassed television for the first time with a total of 2.1 trillion yen. “Information Media Trends in Japan 2019,” published by Dentsu Inc., also projected that the shift from traditional mass media to online advertising will continue to pick up speed.

On an international scale, responses to the COVID-19 pandemic have differed between regions with some opting for complete lockdowns of cities while others have implemented travel restrictions. Currently it is believed that the situation is having a heavy impact on economies, as no end to the pandemic is in sight.

The LIFULL Group has taken measures to prevent spreading the virus and to protect employees and stakeholders such as allowing employees to work from home and holding client meetings online. Consequently, there have been no major issues for the businesses of the Group so far.

In order to maintain sustainable business activities despite the uncertainty in the current fiscal year, the LIFULL Group revised its investment plans and reduced expenses to improve efficiency.

In addition, the LIFULL Group also posted an impairment loss due to changes in the plans for its overseas businesses made in light of the effects of the pandemic abroad.

As a result, the LIFULL Group’s consolidated financial results for the fiscal year ended September 30, 2020 were as follows: Revenue amounted to ¥35,402,758 thousand (-9.9% YoY); EBITDA amounted to ¥4,504,280 thousand (-16.0%); profit before taxes amounted to ¥2,148,590 thousand(-40.7%); net profit for the period amounted to ¥1,175,551 thousand (-50.2%) and net profit attributable to owners of the parent amounted to ¥1,170,782 thousand (-51.4%).

Revenue (loss) by segment was as follows:

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

Segment	Revenue		Segment profit and loss	
	Amount	Change %	Amount	Change %
(1) HOME’S Services	27,179,155	(8.5)	3,910,463	18.1
(2) Overseas	6,574,892	(15.7)	807,703	(21.2)
(3) Other Businesses	1,927,526	(3.4)	(396,933)	Note 2

Note 1: Intersegment transactions have not been eliminated.

Note 2: Segment loss in the previous term was ¥340,858 thousand.

(1) HOME’S Services Business

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

In the current fiscal year, the goal of LIFULL has been to strengthen media presence and brand awareness toward LIFULL HOME’S. Apart from creating new content which recommends potential homes

to users and promotion investments related to this content, the Company also implemented changes to its pricing structure and developed tools to improve the accuracy of listing details.

In response to the COVID-19 pandemic, the Group took a number of initiatives to support realtors and the market. For example, LIFULL HOME'S clients voluntarily refraining from business activities were offered reduced fees for suspending their services during the state of emergency in Japan. As the business environment is changing almost daily, LIFULL has taken a flexible approach to business operations by revising costs and endeavoring to manage expenses to maintain profitability.

As a result, the HOME'S Services segment ended the year with sales revenue totaling ¥27,179,155 thousand (-8.5% YoY) and segment profit totaling ¥3,910,463 thousand (+18.1% YoY.)

(2) Overseas

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

During the current fiscal year, the Group focused on the merger of the technology and knowhow of Trovit, Mitula and RESEM (acquired in May 2019.) Not only concentrating on advancing the individual services and strengthening online marketing, but also on hiring specialized staff to increase the competitiveness of each company.

With the COVID-19 pandemic, countries and regions around the world have been implementing measures restricting movement and lockdowns. Real estate portal websites, the primary clients of the Group, have seen drops in the numbers of users and listings on their individual sites. These websites have consequently revised their expense plans and limited spending.

As a result, sales revenue for the Overseas segment amounted to ¥6,574,892 thousand (-15.7% YoY) and segment profit to ¥807,703 thousand (-21.2% YoY) for the current fiscal year.

(3) Other Businesses

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

As a result, the sales revenue for the Other Businesses segment amounted to ¥1,927,526 thousand (-3.4% YoY) and segment loss to ¥396,933 thousand (a ¥56,074 thousand loss compared to the total loss of ¥340,858 thousand in the previous fiscal year.)

For further details on financial results, including the following items, please refer to LIFULL'S IR website, specifically the "Earnings Presentation for the Fiscal Year Ended September 30, 2020", announced on November 13, 2020.

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

<Primary items in the earnings presentation materials>

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

(2) Overview of Financial Position for the Fiscal 2020 Analysis of financial position

(Current assets)

Current assets stood at ¥23,083,211 thousand as of September 30, 2020, an increase of ¥6,928,442 thousand from the previous fiscal year-end. The primary components were an increase of ¥6,723,719 thousand in cash and cash equivalents, a decrease of ¥771,222 thousand in accounts receivable-trade and other current receivables, an increase of ¥342,196 thousand in other short-term financial assets, and an increase of ¥633,749 thousand in other short-term financial assets.

(Non-current assets)

Non-current assets stood at ¥32,236,387 thousand as of September 30, 2020, an increase of ¥4,718,532 thousand from the previous fiscal year-end. The primary components were an increase of ¥4,476,985 thousand in right-of-use assets; an increase of ¥55,538 thousand in goodwill; a decrease of ¥214,012 thousand in intangible assets;

a decrease of ¥224,043 thousand in investments accounted for using the equity method; an increase of ¥227,709 thousand in other long-term financial assets; and an increase of ¥344,888 thousand in deferred tax assets, etc.

As a result, total assets were ¥55,319,599 thousand as of September 30, 2020, an increase of ¥11,646,974 thousand from the previous fiscal year-end.

(Current liabilities)

Current liabilities stood at ¥16,016,038 thousand as of September 30, 2020 an increase of ¥6,530,257 thousand from the previous fiscal year-end. The primary components were a decrease of ¥965,549 thousand in accounts payable and other current payables, an increase of ¥5,331,569 thousand in short-term loans, an increase in lease liabilities of ¥827,597 thousand, a increase of ¥562,429 thousand in accrued corporate income taxes and an increase of ¥731,876 thousand in other current liabilities.

(Non-current liabilities)

Non-current liabilities stood at ¥5,656,232 thousand as of September 30, 2020, an increase of ¥4,096,872 thousand from the previous fiscal year-end. The primary components were an increase in short-term loans amounting to ¥508,998 thousand, an increase in lease liabilities amounting to ¥3,644,611 thousand, a decrease in deferred tax liabilities amounting to ¥348,094 thousand and an increase in other non-current liabilities amounting to ¥341,288 thousand.

As a result, total liabilities were ¥21,672,270 thousand, an increase of ¥10,627,130 thousand from the end of the previous fiscal year.

(Equity)

Total equity stood at ¥33,647,328 thousand, an increase of ¥1,019,844 thousand from the previous fiscal year-end. The primary components were an increase of ¥1,170,782 thousand in retained earnings due to the recording of profit attributable to owners of the parent, a decrease of ¥590,327 thousand in retained earnings from payment of dividends, an increase of ¥1,000,148 thousand for the repurchase of treasury shares, an increase of ¥1,363,553 thousand in other comprehensive income components of equity and an increase of ¥75,460 thousand in non-controlling interests.

(3) Overview of Cash Flows for Fiscal 2020

In the fiscal year ended September 30, 2020, cash and cash-equivalents (hereinafter, "cash") amounted to ¥15,962,746 thousand(+¥6,723,719 thousand YoY).

(Cash flows from operating activities)

Net cash inflow from operating activities amounted to ¥4,884,150 thousand, an increase of ¥2,718,035 thousand compared to the net cash inflow of ¥2,166,115 thousand during the previous consolidated fiscal period (hereinafter "previous year"). The primary components were profit before taxes amounting to ¥2,148,590 thousand (-¥1,477,540 thousand YoY), depreciation and amortization amounting to ¥2,024,509 thousand (+¥824,218 thousand YoY), impairment losses amounting to ¥1,619,202 thousand (+¥1,276,090 thousand YoY), accounts receivable-trade and other current receivables amounting to ¥985,356 thousand (+¥1,362,045 thousand YoY), accounts payable and other current payables amounting to -¥1,161,048 thousand (-¥1,606,023 thousand YoY), other items amounting to ¥505,632 thousand (+¥1,194,197 YoY) and income taxes amounting to ¥1,250,710 thousand (-¥1,142,577 thousand YoY.)

(Cash flows from investing activities)

Net cash outflow from investing activities amounted to ¥1,730,477 thousand, an increase of ¥1,106,432 thousand compared to the net cash outflow of ¥2,836,909 thousand in the previous year. The primary components were the income from the sale of shares of LHL Co., Ltd. (established through a new company split) amounting to ¥473,216 thousand and expenses amounting to ¥421,501 thousand for the purchase of shares of affiliates in the previous fiscal year. In the current fiscal year, proceeds from the sale of financial instrument assets amounted to ¥505,127 thousand, expenses for the purchase of property, plant and equipment amounted to ¥497,451 thousand (+¥322,473 thousand YoY), expenses for the purchase of intangible assets amounted to ¥559,535 thousand (+¥179,910 thousand YoY), expenses for the purchase of subsidiaries amounted to ¥593,045 thousand (-¥1,052,418 thousand YoY), expenses for payments of loans receivable amounted to ¥805,500 thousand (-¥467,992 thousand YoY) and collection of loans receivable amounted to ¥560,518 thousand (-¥207,022 thousand.)

(Cash flows from financing activities)

Net cash inflow from financing activities amounted to ¥3,391,985 thousand, an increase of ¥609,182 thousand compared to the net cash outflow of ¥2,782,803 thousand in the previous year. The primary components were ¥833,350 thousand from the repayment of long-term loans, ¥10,710,128 thousand in proceeds from short-term loans receivable (+¥7,110,128 thousand YoY), ¥2,392,700 thousand in proceeds from from long-term loans

receivable (+¥2,134,400 thousand YoY), ¥6,430,000 thousand for repayment of short-term loans (+¥6,130,000 thousand YoY), ¥590,294 thousand for dividend payments (-¥123,722 YoY), ¥1,000,148 thousand for repurchased treasury shares (+¥999,728 thousand YoY), and ¥905,817 thousand for repayment of lease liabilities (+¥901,612 thousand YoY).

(4) Outlook

Outlook for Consolidated Earnings in Fiscal 2021

(Millions of yen)

	Fiscal year ended September 30, 2020	Forecast for the year ending September 30, 2021	Change	Rate of change (%)
Revenue	35,402	38,476	+3,074	+8.7
HOME'S Services Business	27,136	29,485	+2,349	+8.7
Overseas Business	6,377	6,320	(57)	(0.9)
Other Businesses	1,888	2,670	+782	+41.4
EBITDA	2,497	3,434	+937	+37.5
Profit attributable to owners of the parent for the year	1,170	2,033	+863	+73.8

Note: Intersegment transactions have been eliminated.

For further details on forecasts of financial results including forecast of main SG&A expense items, please refer to the LIFULL IR website for the "Earnings Presentation for the Fiscal Year Ended September 30, 2020" announced on November 13, 2020.

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

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

2. Basic Approach to the Selection of an Accounting Standard

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

3. Condensed Consolidated Financial Statements and Significant Notes

(1) Condensed Consolidated Statements of Financial Position

(Thousands of yen)

	As of September 30, 2019	As of September 30, 2020
Assets		
Current assets		
Cash and cash equivalents	9,239,027	15,962,746
Accounts receivable-trade and other current receivables	5,494,381	4,723,158
Other short-term financial assets	281,916	624,112
Other current assets	1,139,444	1,773,193
Total current assets	16,154,769	23,083,211
Non-current assets		
Property, plant and equipment	1,706,743	1,756,982
Right-of-use assets	-	4,476,985
Goodwill	19,857,589	19,913,128
Intangible assets	2,464,202	2,250,189
Investments accounted for using the equity method	671,210	447,167
Other long-term financial assets	1,843,408	2,071,117
Deferred tax assets	962,652	1,307,541
Other non-current assets	12,047	13,275
Total non-current assets	27,517,855	32,236,387
Total assets	43,672,624	55,319,599

	As of September 30, 2019	As of September 30, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Accounts payable and other current payables	3,630,173	2,664,624
Short-term loans	3,300,000	8,631,569
Lease liabilities	5,201	832,799
Accrued corporate income taxes	687,308	1,249,737
Provisions	—	42,333
Other current liabilities	1,863,096	2,594,973
Total current liabilities	9,485,780	16,016,038
Non-current liabilities		
Short-term loans	258,300	767,298
Lease obligations	75,398	3,720,010
Provisions	560,589	510,657
Deferred tax liabilities	650,189	302,094
Other non-current liabilities	14,882	356,171
Total non-current liabilities	1,559,359	5,656,232
Total liabilities	11,045,140	21,672,270
Equity		
Attributable to the owners of the parent		
Capital stock	9,716,363	9,716,363
Capital surplus	9,922,432	9,922,957
Retained earnings	16,086,854	16,842,500
Treasury shares	(9,114)	(1,009,262)
Other components of equity	(3,165,034)	(1,976,672)
Attributable to the owners of the parent	32,551,501	33,495,885
Attributable to non-controlling interests	75,982	151,443
Total equity	32,627,484	33,647,328
Total liabilities and equity	43,672,624	55,319,599

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

Condensed Consolidated Statements of Profit or Loss

(Thousands of yen)

	Fiscal 2019 (October 1, 2018, to September 30, 2019)	Fiscal 2020 (October 1, 2019, to September 30, 2020)
Revenue	39,297,010	35,402,758
Cost of revenue	4,559,840	4,096,838
Gross profit	34,737,170	31,305,920
Selling, general and administrative expenses	30,713,587	27,002,781
Other revenue	745,638	113,534
Other expenses	584,579	1,919,054
Operating income	4,184,642	2,497,617
Financial revenue	4,917	3,769
Financial expenses	35,232	102,805
Share of profit (loss) of investments accounted for using the equity method	(528,197)	(249,990)
Profit before taxes	3,626,130	2,148,590
Income tax expenses	1,265,496	973,038
Profit for the period	2,360,633	1,175,551
Profit (loss) for the period attributable to:		
Owners of the parent	2,406,881	1,170,782
Non-controlling interests	(46,247)	4,769
Total	2,360,633	1,175,551
		(yen)
Profit for the period per share attributable to owners of the parent		
Basic profit for the period per share	18.52	8.77
Diluted profit for the period per share	18.52	8.77

Condensed Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Fiscal 2019 (October 1, 2018, to September 30, 2019)	Fiscal 2020 (October 1, 2019, to September 30, 2020)
Profit for the period	2,360,633	1,175,551
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Equity instruments measured at FVTOCI	(15,423)	223,870
Total of items that will not be reclassified to profit or loss	(15,423)	223,870
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(2,381,258)	1,156,045
Share of other comprehensive income of investments accounted for using the equity method	(7,240)	(16,429)
Total of items that may be reclassified subsequently to profit or loss	(2,388,498)	1,139,616
Other comprehensive income, net of tax	(2,403,922)	1,363,486
Total comprehensive income for the period	(43,288)	2,539,038
Comprehensive income for the period attributable to:		
Owners of the parent	3,028	2,534,335
Non-controlling interests	(46,317)	4,702
Total	(43,288)	2,539,038

(3) Condensed Consolidated Statements of Changes in Equity

For Fiscal 2019 (October 1, 2018, to September 30, 2019)

(Thousands of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Balance as of October 1, 2018	3,999,578	4,256,942	14,394,920	(8,694)	(761,446)	21,881,301	115,025	21,996,326
Profit for the period	-	-	2,406,881	-	-	2,406,881	(46,247)	2,360,633
Other comprehensive income	-	-	-	-	(2,403,852)	(2,403,852)	(69)	(2,403,922)
Total comprehensive income for the period	-	-	2,406,881	-	(2,403,852)	3,028	(46,317)	(43,288)
New stock issues	5,716,784	5,687,694	-	-	-	11,404,479	-	11,404,479
Dividends of surplus	-	-	(714,666)	-	-	(714,666)	(507)	(715,173)
Transfer to retained earnings	-	-	(406)	-	264	(141)	-	(141)
Purchase of treasury shares	-	-	-	(420)	-	(420)	-	(420)
Capital transaction with owners of non-controlling interests	-	(22,205)	-	-	-	(22,205)	13,901	(8,304)
Changes from exclusion from consolidation	-	-	125	-	-	125	(6,119)	(5,994)
Total transactions with owners	5,716,784	5,665,489	(714,947)	(420)	264	10,667,171	7,274	10,674,446
Balance as of September 30, 2019	9,716,363	9,922,432	16,086,854	(9,114)	(3,165,034)	32,551,501	75,982	32,627,484

For Fiscal 2020 (October 1, 2019, to September 30, 2020)

(Thousands of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Balance as of October 1, 2019	9,716,363	9,922,432	16,086,854	(9,114)	(3,165,034)	32,551,501	75,982	32,627,484
Profit for the period	-	-	1,170,782	-	-	1,170,782	4,769	1,175,551
Other comprehensive income	-	-	-	-	1,363,553	1,363,553	(66)	1,363,486
Total comprehensive income for the period	-	-	1,170,782	-	1,363,553	2,534,335	4,702	2,539,038
Transfer to retained earnings	-	-	175,191	-	(175,191)	-	-	-
Dividends of surplus	-	-	(590,327)	-	-	(590,327)	(1,209)	(591,537)
Purchase of treasury shares	-	-	-	(1,000,148)	-	(1,000,148)	-	(1,000,148)
Increase from corporate mergers	-	-	-	-	-	-	33,864	33,864
Capital transaction with owners of non-controlling interests	-	525	-	-	-	525	38,774	39,300
Changes from exclusion from consolidation	-	-	-	-	-	-	(672)	(672)
Total transactions with owners	-	525	(415,136)	(1,000,148)	(175,191)	(1,589,951)	70,757	(1,519,193)
Balance as of September 30, 2020	9,716,363	9,922,957	16,842,500	(1,009,262)	(1,976,672)	33,495,885	151,443	33,647,328

(4) Condensed Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal 2019 (October 1, 2018, to September 30, 2019)	Fiscal 2020 (October 1, 2019, to September 30, 2020)
Net cash from operating activities		
Profit for the period before tax	3,626,130	2,148,590
Depreciation and amortization	1,200,291	2,024,509
Impairment loss	343,112	1,619,202
Financial revenue	(4,917)	(3,769)
Financial expenses	35,232	102,805
Decrease (increase) in accounts receivable-trade and other current receivables	(376,688)	985,356
Increase (decrease) in accounts payable-trade and other current payables	444,975	(1,161,048)
Other	(688,564)	505,632
Subtotal	4,579,571	6,221,280
Interest and dividends received	2,336	19,868
Interest paid	(22,503)	(106,288)
Income taxes paid	(2,393,288)	(1,250,710)
Net cash from operating activities	2,166,115	4,884,150
Net cash used in investing activities		
Proceeds from sale of financial instrument assets	-	505,127
Purchase of financial instrument assets	(95,924)	(93,989)
Purchase of property, plant and equipment	(174,978)	(497,451)
Proceeds from sale of property, plant and equipment	1,095	1,263
Purchase of intangible assets	(379,625)	(559,535)
Purchase of subsidiaries	(1,645,463)	(593,045)
Proceeds from acquisition of subsidiaries	-	35,461
Proceeds from sales of shares in subsidiaries	473,216	-
Payments of lease deposits and guarantees	(92,196)	(16,966)
Proceeds from refund of lease deposits and guarantees	4,608	24,134
Purchase of shares of affiliates	(421,501)	(7,212)
Payments of loans receivable	(1,273,492)	(1,085,500)
Collection of loans receivable	767,540	560,518
Others	(189)	(3,281)
Net cash from investing activities	(2,836,909)	(1,730,477)
Net cash provided by (used in) financing activities		
Proceeds from short-term loans payable	3,600,000	10,710,128
Repayment of short-term loans	(300,000)	(6,430,000)
Proceeds from long-term loans payable	258,300	2,392,700
Repayment of long-term loans	-	(833,350)
Dividends paid	(714,016)	(590,294)
Repayment of lease obligations	(4,205)	(905,817)
Dividends paid to non-controlling interests	(6,475)	(1,881)
Purchase of shares in subsidiaries from non-controlling interests	(8,304)	-
Proceeds from share issuance to non-controlling interests	-	40,300
Purchase of treasury shares	(420)	(1,000,148)
Others	(42,074)	10,350
Net cash from financing activities	2,782,803	3,391,985

Effect of exchange rate changes on cash and cash equivalents	(444,295)	178,060
Net increase (decrease) in cash and cash equivalents	1,667,714	6,723,719
Cash and cash equivalents at beginning of period	7,571,312	9,239,027
Cash and cash equivalents at end of period	9,239,027	15,962,746

(5) Notes on the Consolidated Financial Statements

(Note Regarding Going Concern Assumption)

Not applicable.

(Changes to Accounting Policies)

The Group has adopted the IFRS standards and interpretation guidelines described below from the current fiscal year:

Standard	Category	Additions/Revisions
IFRS 16	Leases	Accounting procedures regarding leases and disclosure requirements

(1) Adoption of IFRS 16, Leases

In accordance with the transitional provisions of "IFRS 16 Leases" (hereinafter, IFRS 16), the Group has made adjustments by recognizing the cumulative effect as an adjustment to the beginning balance of retained earnings as of the date of initial application. Accordingly, no adjustment or restatement has been made to the condensed quarterly consolidated financial statements for the second quarter of the prior consolidated fiscal year or the condensed quarterly consolidated statements of financial position as of the end of the prior consolidated fiscal year.

IFRS 16 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 right-to-use 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.

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

In addition to the above, the Group has adopted IAS 17 and the following practical expedients for the classification of operating leases. Whether or not these practical expedients are applied is determined based on each lease:

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

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

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

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

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

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

The Group determines at the start of an agreement whether the agreement constitutes a lease or if it includes any leases. Lease terms are the combination of the non-cancellable periods of the lease, periods subject to an extension option that is reasonably certain to be exercised and periods subject to a termination option that is reasonably certain not to be exercised. The Group has chosen not to recognize right-of-use assets and lease liabilities for short-term leases or leased assets with low values.

The Group has applied IFRS 16 from the current fiscal year. However, due to the transitional measures for IFRS 16, we have decided not to make revisions to comparison information. For that reason, information provided for comparison is based on IAS 17. The accounting policies for the fiscal year ended September 30, 2020, are as follows:

(Lessee side)

[1] Lease transactions for intangible assets

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

[2] Right-of-use assets

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

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

[3] Lease liabilities

The Group recognizes lease liabilities on the lease commencement date. The lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. When measuring lease liabilities, the Group applies a practical expedient and recognizes lease components and its associated non-lease components as a single lease. The lease payments included in the measurement of the lease liabilities comprise mainly fixed lease payments, the lease payment for the extension period if the Group is reasonably certain to exercise its extension option, and payments of penalties for terminating the lease unless it is reasonably certain that there will be no early termination.

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

(Changes to accounting quotations)

(Changes to lease conditions)

The Company and some subsidiaries have resolved to cancel or relocate some offices. As a result, in the current fiscal year, we have remeasured lease liabilities due to these changes in lease terms and adjusted the book balance of right-of-use assets.

As a result, compared to before the change, right-of-use assets at the end of the current fiscal year decreased by ¥794,800 thousand, lease liabilities decreased by ¥802,361 thousand, and retained earnings increased by ¥7,561 thousand.

(Business mergers and acquisitions)

(Business combination by acquisition)

1. Kenbiya Co., Ltd.

At the Meeting of the Board of Directors held on July 20, 2020, LIFULL resolved to acquire all outstanding shares of Kenbiya Co., Ltd. making it a subsidiary as of July 31, 2020.

(1) Outline of the business combination

- [1] Name of the acquired company and nature of its businesses
Name of the acquired company: Kenbiya Corporation Limited
Primary Field of Business: Operation of the real estate investment and property information platform “Kenbiya”
- [2] Date of acquisition
July 31, 2020
- [3] Percentage of voting rights to be acquired
100%
- [4] Acquisition method
Cash acquisition
- [5] Primary reason for the business combination
LIFULL and Kenbiya expect to build upon their investment property listings and client base, attract more users to both websites, increase revenue in the real estate investment sector, and ultimately accelerate their growth strategies by energizing the secondary real estate market.

(2) Consideration for acquisition

Cash ¥1,335,000 thousand

(3) Cost relating to acquisition

As the cost relating to the business combination of the company, selling and general administrative expenses of ¥5,291 thousand yen were recorded.

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

(Thousands of yen)

Consideration for acquisition Common shares and cash of the Company	1,335,000
Assets acquired and liabilities assumed	
Cash and cash equivalents	741,954
Accounts receivable-trade and other current receivables	26,619
Property, plant and equipment	2,148
Intangible assets	7,165
Other assets	217,332
Other liabilities	(423,299)
Total	571,922
Goodwill ^{1, 2, 3}	763,077

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

Note 2: Since the fair value of the identifiable assets on the date of the business combination has not been calculated and the acquisition costs have not been allocated, goodwill has been provisionally calculated based on reasonable information available at the end of the fiscal year.

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

(5) Cash flow for business merger

(Thousands of yen)

	Amount
Consideration for acquisition by cash	(1,335,000)
Remaining value of cash and cash equivalent acquired through business combination	741,954
Cash use for acquisition of subsidiaries	(593,045)

(6) Impact on performance

The consolidated statement of income and loss for the current consolidated fiscal year includes revenues and net income generated by Kenbiya Co., Ltd. after the acquisition date of ¥78,648 thousand and ¥7,186 thousand, respectively.

Assuming that the business combination had been implemented at the beginning of the period, the impact on the consolidated income statement for the current consolidated fiscal year would be an increase in revenue of ¥420,000 thousand and a decrease in profit for the period of ¥72,437 thousand.

(Definition of Provisional Measures Relating to the Treatment of Corporate Mergers)

1. **Mitula Group Limited**

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

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

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

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

(Thousands of yen)

Consideration for acquisition Common shares and cash of the Company	13,786,004
Assets acquired and liabilities assumed	
Cash and cash equivalents	1,836,197
Accounts receivable-trade and other current receivables	691,740
Property, plant and equipment	67,858
Intangible assets	3,307,355
Other assets	61,653
Accounts payable and other current payables	(496,737)
Other liabilities	(440,468)
Total	5,027,597
Goodwill ^{1, 2}	8,758,407

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

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

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

2. RESEM Corporation Limited

Although provisional accounting measures were used for the consolidation of Resem Corporation Limited on May 21, 2019, these measures have been defined in the current accounting period. With the definition of the provisional accounting measures, significant revisions have been made to allocation of acquisition costs included in the current accounting period financial statements.

As a result of the definition of the accounting measures, the goodwill amount calculated at ¥980,867 thousand has been reduced by ¥72,382 thousand to ¥908,484 thousand. The reduction of goodwill is a result of the increase of ¥100,392 thousand in intangible assets and the increase of ¥28,009 thousand in deferred tax liabilities.

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

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

(Thousands of yen)	
Consideration for acquisition	
Common shares and cash of the Company	1,158,837
Assets acquired and liabilities assumed	
Cash and cash equivalents	29,611
Accounts receivable-trade and other current receivables	45,269
Property, plant and equipment	1,435
Intangible assets	333,310
Other assets	2,773
Accounts payable and other current payables	(47,614)
Other liabilities	(114,433)
Total	250,352
Goodwill ^{1,2}	908,484

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

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

In addition, as a result of the definition of provisional accounting measures, goodwill amounting to ¥70,171 thousand as of the ending of the previous consolidated fiscal period has decreased while intangible assets amounting to ¥94,375 thousand and deferred tax liabilities amounting to ¥26,330 thousand have increased.

(Segment Information)

(1) (Overview of Reported Segments)

The reported segments of the Group have separate financial information available from the Group's constituent units and are subject to regular review by the Board of Directors to determine the allocation of management resources and evaluate performance.

The Company and its subsidiaries divide their business segments into two reporting segments, HOME'S Services and Overseas. The segments have been primarily divided based on the service content provided and the constituent units of performance management.

The types of services that belong to each reporting segment are as follows:

Segment	Service Type
HOME'S Services	Operation of the real estate and housing information website, LIFULL HOME'S and services originating therefrom (including advertising agency, system development and web design services), operation of a CRM for realtors, DMP for developers and Internet marketing for the real estate sector
Overseas	Operation of the aggregator sites, including Trovit and Mitula, as well as operator of property portals overseas

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

The accounting policies of the reportable segments are the same as the Group's accounting policies.

The amounts of inter-reportable segment revenue are based on market prices.

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

For Fiscal 2019 (October 1, 2018 to September 30, 2019)

(Thousands of yen)

	Reportable segment		Other ²	Total
	HOME'S Services	Overseas		
Revenue				
Customers	29,656,494	7,680,145	1,960,370	39,297,010
Intersegment	52,274	119,191	34,539	206,004
Total	29,708,768	7,799,337	1,994,909	39,503,015
Segment profit (loss) ¹	3,311,615	1,024,925	(340,858)	3,995,682
Other income (expense)				
Operating income				
Financial revenue and expenses (net)				
Share of profit (loss) of investments accounted for using the equity method				
Profit before taxes				
Other items				
Depreciation and amortization	720,161	403,993	51,928	1,176,084
		Reconciliation ³	Consolidated	
Revenue				
Customers		-	39,297,010	
Intersegment		(206,004)	-	
Total		(206,004)	39,297,010	
Segment profit (loss) ¹		27,900	4,023,583	
Other income (expense)			161,059	
Operating income			4,184,642	
Financial revenue and expenses (net)			(30,314)	
Share of profit (loss) of investments accounted for using the equity method			(528,197)	
Profit before taxes			3,626,130	
Other items				
Depreciation and amortization		-	1,176,084	

Notes:

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 relocation services; a property and casualty insurance agency; LIFULL Interior, an e-commerce website for furniture and interior goods; and other new business ventures.
3. Adjustments to segment profit include elimination of intersegment transactions.

For Fiscal 2020 (October 1, 2019, to September 30, 2020)

(Thousands of yen)

	Reportable segment		Other ²	Total
	HOME'S Services	Overseas		
Revenue				
Customers	27,136,272	6,377,627	1,888,857	35,402,758
Intersegment	42,883	197,264	38,668	278,815
Total	27,179,155	6,574,892	1,927,526	35,681,574
Segment profit (loss) ¹	3,910,463	807,703	(396,933)	4,321,234
Other income (expense)				
Operating income				
Financial revenue and expenses (net)				
Share of profit (loss) of investments accounted for using the equity method				
Profit before taxes				
Other items				
Depreciation and amortization	1,433,189	515,381	58,091	2,006,662
	Reconciliation ³	Consolidated		
Revenue				
Customers	-	35,402,758		
Intersegment	(278,815)	-		
Total	(278,815)	35,402,758		
Segment profit (loss) ¹	(18,095)	4,303,138		
Other income (expense)		(1,805,520)		
Operating income		2,497,617		
Financial revenue and expenses (net)		(99,036)		
Share of profit (loss) of investments accounted for using the equity method		(249,990)		
Profit before taxes		2,148,590		
Other items	-	2,006,662		

Notes:

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 *Hikkoshi* (move), a website providing comprehensive estimates and online bookings for relocation services; a property and casualty insurance agency; and other new business ventures.
3. Adjustments to segment profit include elimination of intersegment transactions.

(Per-share information)

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

	Fiscal 2019 (October 1, 2018, to September 30, 2019)	Fiscal 2020 (October 1, 2019, to September 30, 2020)
Profit attributable to owners of the parent (Thousands of yen)	2,406,881	1,170,782
Average number of basic common shares during the period	129,975,031	133,534,160
Profit for the period per share attributable to owners of the parent (yen)		
Basic profit for the period per share	18.52	8.77
Diluted net income per share	18.52	8.77

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

(Important subsequent events)

Not applicable