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Notice of an Impairment Loss and a Difference Between the Consolidated Result Forecast and Actual Results for the Fiscal Year

LIFULL Co., Ltd. hereby announces the following difference between the result forecast announced on November 13, 2020, and actual results released today. This is also a notification of the differences between individual results from the previous fiscal year.

Notes

1. Impairment Loss

We have been making proactive growth investments to increase the scope of its overseas businesses and construct a global platform, a pillar of our mid- to long-term growth strategy. In 2014, we acquired Trovit Search S.L.U. (hereinafter, "Trovit"), an operator of real estate and housing information-focused aggregation sites as well as Mitula Group (hereinafter, "Mitula"), a listed company on the Australian Stock Exchange, in 2019. In the same year, we also acquired RESEM Corporation Limited (hereinafter, "RESEM"), an operator of real estate portals primarily in Latin America and finally HipFlat, a real estate portal operator in South East Asia, in 2020.

We, then, founded LIFULL CONNECT as a holding company to advance the integration of the human capital, technology and know-how of Mitula and Trovit in order to improve our services and increase international competitiveness.

However, due the long-term instability in our business environment caused by the worldwide COVID-19 pandemic, we revised our plans for the future and posted an impairment loss in the previous fiscal year (Sep. 18, 2020).

Regarding the amount of goodwill for LIFULL CONNECT, due to the high level of uncertainty for the mid-term business plan directly after acquisition, we based our assessment of the recoverable value of the business on the widely utilized valuation methods fair value less costs to sell (FVLCTS) and value in use (VIU). We, then, took the higher valuation and compared it with the book value to make impairment assessments. Based on this assessment, the FVLCTS was higher than VIU, so we calculated the recoverable amount based on FVLCTS and posted the difference as an impairment loss.

In the current fiscal year (FY 2021/9), we have continued to make advancements towards our mid-term pillar of constructing a global platform by driving the integration of Trovit and Mitula as well as making progress in our businesses in Latin America and South East Asia through RESEM and HipFlat. As an adequate amount of time has passed since the original business acquisition, we are convinced of the feasibility of our management plan. Therefore, we have made the decision to evaluate LIFULL CONNECT based solely on its

ability to generate cash flows in the future (VIU) and discontinue our valuations based on FVLCTS, which are generally used for selling off parts of companies.

As a result, we have recognized VIU as the recoverable value for LIFULL CONNECT. After comparing this value with the book value, we have posted an impairment loss of ¥9,749 million in Other Costs.

Regarding the overseas business environment during the current fiscal year, LIFULL CONNECT has continued to experience the effects of the COVID-19 pandemic and the conditions in the countries where we are active are still considerably varied. However, we have been investing to enhance our services and improve our competitiveness. As a result of the balance between these investments and ensuring the continuation of our businesses, we have reached higher levels of profit than originally forecasted. Profit has improved 66.7% YoY and the valuation has increased 7.2% YoY.

2. Forecast and Actual Results for FY 2021/9 (IFRS)

Consolidated Results (Oct. 1, 2020 to Sep. 30, 2021) (Unit: JPY Mil.)

	Revenue	Operating Profit	Profit for the Period Attributable to Owners of the Parent	Basic Earnings per Share
Forecast (A)	38,476	3,434	2,033	15.43
Actual Results (B)	35,857	-6,644	-5,901	-44.78
Change (B - A)	-2,619	-10,078	-7,934	-60.21
Change (%)	-6.8	-	-	-
Ref) Prev. Results (FY 2020/9)	35,402	2,485	1,162	8.71

Reasons for the Difference

In the current fiscal year, the effects of the COVID-19 pandemic have continued in Japan, and the Japanese government has announced a series of states of emergency in addition to stay-home orders from local governs. As a result, a large number of people have been refraining from leaving their homes. Also, as a result of our changes to the pricing scheme as well as the decline in the numbers of listings for new-build due to increased demand, the number of listings on LIFULL has decline, and recovery is behind our original predictions. Therefore, consolidated revenue has dropped below our forecasts. (Refer to 3. "Forecast and Actual Results for FY 2021/9" for details.)

As outlined in "1. Impairment Loss," an impairment loss of ¥9,749 mil. has been posted in Other Costs, as the recoverable amount of goodwill for LIFULL CONNECT was calculated using value in use (VIU.)

3. Forecast and Actual Results for FY 2021/9 (Japanese Accounting Standards)

Individual Results (Oct. 1, 2020 to Sep. 30, 2021) (Unit: JPY Mil.)

	Revenue	Operating Profit	Ordinary Profit	Profit for the Period
Prev. FY Results (A)	23,896	3,488	3,495	2,538
Cur. FY Results (B)	23,106	1,487	1,508	-9,790
Change (B - A)	-790	-2,000	-1,986	-
Change (%)	-3.3	-57.4	-56.8	-485.7

Reasons for the Difference

As a result of the COVID-19 pandemic, we temporarily suspended our investment plans in order to prioritize sustainable business activities in the previous fiscal year. Easing restrictions in the current fiscal year due to the roll-out of vaccination programs have allowed us to restart our growth investments while monitoring the current situation resulting in increased costs. In addition to the effects of our growth investments, the increase in remote work and extended stay-home orders have triggered new needs, and more people are using LIFULL HOME'S, and we have provided more value to our client real estate professionals.

At the same time, there have been a number of setbacks and changes in our business environment which negatively impacted our sales revenue and profit. The number of total listings decreased due to the change to the pricing structure of a portion of LIFULL HOME'S services implemented in October 2019. Increased demand in the new-build and re-sale markets has also caused a decline in the number of properties available for sale. Also, there was a temporary drop in the number of searches for real estate during the Tokyo Olympic and Paralympic Games.

As outlined in "1. Impairment Loss," we have posted a loss on valuation of shares of affiliates amounting to ¥12,582 mil. due to the difference in the value of goodwill and intangible assets after changing the valuation method for the recoverable amount.