LIFULL

ANNUAL REPORT 2020

Corporate Credo **Altruism**

We want to deliver comfort and happiness to everyone.
At LIFULL, we value our spirit of innovation, unchanged since our founding and unrestrained by existing industry frameworks and customs.
Due to the spread of COVID-19 around the world, people's lives have changed considerably, and a new normal for our everyday exchanges has emerged. However, through our services, we are accelerating the digital transformation (DX) of the industry by utilizing the Internet and new technologies to solve many social issues and contribute to the sustainable development of society.
We continue to take on new challenges every day.

Moving forward, we will continue to expand our services for housing and other aspects of life both within Japan and abroad to make more peoples' LIFE FULL of comfort and happiness.






Make every LIFE FULL.

For all of our stakeholders and the good of society

We consider all of our stakeholders based on the ideals of Will-Centric Public Interest Capitalism while making contributions to the creation of a sustainable society and implementing our corporate philosophy.

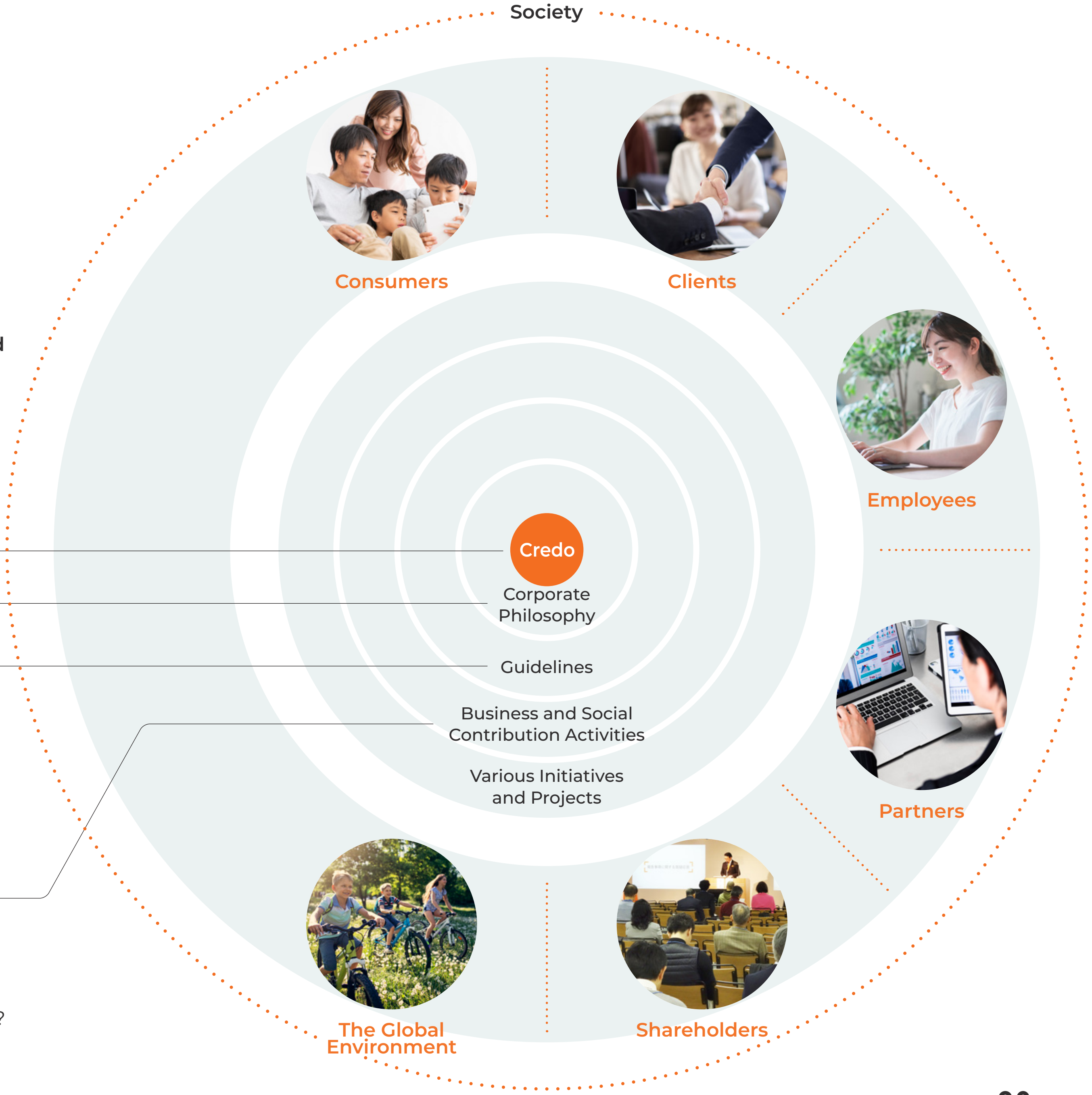
Company Credo
Altruism

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

Guidelines
1. Continue Searching for the Truth
2. Be at the Center of Positive Change
3. Act with Highest Integrity
4. Exceed Expectations as a Professional
5. Foster True Teamwork
6. Value Every Stakeholder

LIFULL Quality Standards (LQS)
Life-centered - Does it fulfill people's lives?
For Everyone - Does it respect people's individuality?
Well-being - Does it contribute to people's well-being?
Focused - Does it focus on the true essence of the subject?
Amazing - Does it amaze people?

Will-Centric Public Interest Capitalism



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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.

OUR CHALLENGES

01

OUR CHALLENGES

LIFULL Group Driving the Digital Transformation of the Real Estate Industry

The LIFULL Group was founded with the desire to resolve the opaque nature of housing information. We have been driving the digital transformation of the real estate industry and related fields and have begun our expansion overseas.

Digitalizing Housing Information

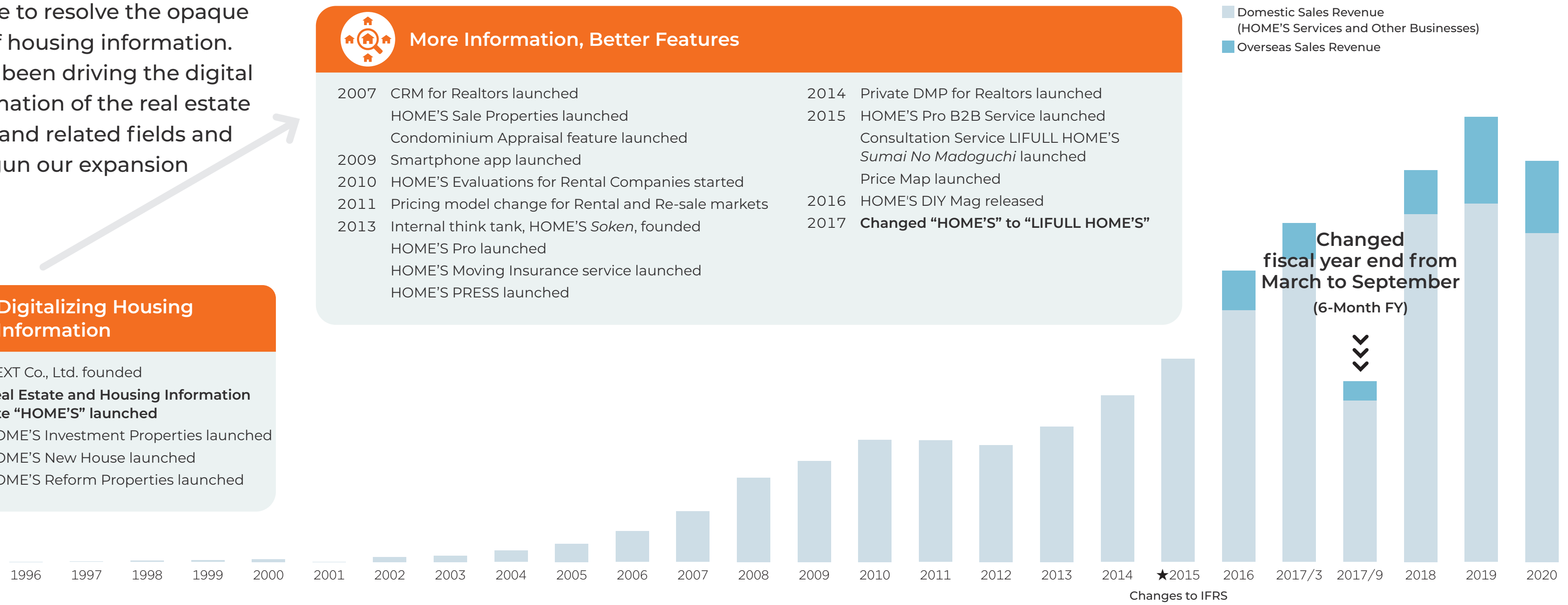
1997 NEXT Co., Ltd. founded
Real Estate and Housing Information Site "HOME'S" launched
2005 HOME'S Investment Properties launched
HOME'S New House launched
HOME'S Reform Properties launched

More Information, Better Features

2007 CRM for Realtors launched
HOME'S Sale Properties launched
Condominium Appraisal feature launched
2009 Smartphone app launched
2010 HOME'S Evaluations for Rental Companies started
2011 Pricing model change for Rental and Re-sale markets
2013 Internal think tank, HOME'S *Soken*, founded
HOME'S Pro launched
HOME'S Moving Insurance service launched
HOME'S PRESS launched
2014 Private DMP for Realtors launched
2015 HOME'S Pro B2B Service launched
Consultation Service LIFULL HOME'S *Sumai No Madoguchi* launched
Price Map launched
2016 HOME'S DIY Mag released
2017 **Changed "HOME'S" to "LIFULL HOME'S"**

Innovating the Real Estate Industry and Solutions to Social Issues Related to Housing

2007 LIFULL *Hikkoshi* launched
2008 LIFULL *Kaigo* launched
2013 LIFULL Trunk Room launched
2017 LIFULL HOME'S *Akiya* Bank launched
2018 LIFULL Regional Revitalization Fund founded
2019 LivingAnywhere Commons founded
LIFULL ArchiTech founded
LIFULL HOME'S ACTION FOR ALL lanched



1995 | 2000 | 2005 | 2010 | 2015 | 2020

Corporate activities

1995 NEXT HOME founded
1997 **NEXT Co., Ltd. founded**

2002 Capital tie-up with Rakuten, Inc.
2006 Listed on Tokyo Stock Exchange (TSE) Mothers Exchange
2007 Acquisition of Renters Co., Ltd. (Merged in 2017)

2010 Listed on First Section of TSE
2014 Acquisition of Trovit S.L.U.
2015 Acquisition of LIFULL Marketing Partners Co., Ltd.
Separation of LIFULL senior Co., Ltd., LIFULL MOVE Co., Ltd. and LIFULL SPACE Co., Ltd. from HOME'S
Issued shares to Rakuten, Inc. via third-party allocation (Capital JPY 3,999 mil.)

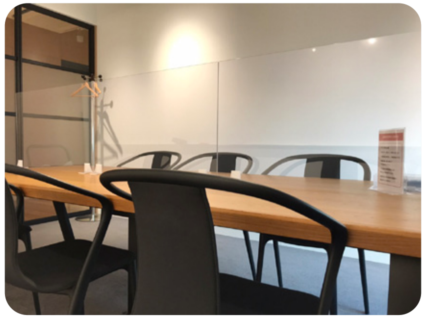
2017 **Changed company name to LIFULL Co., Ltd.**
Acquisition of LIFULL Tech Vietnam Co., Ltd.
2019 Acquisition of Mitula Group Limited. (Australia) based on scheme of arrangement
Issued common stock for acquisition of Mitula (Capital JPY 9,716 mil.)
Founded LIFULL CONNECT S.L.U in Spain to integrate Trovit and Mitula
2020 Acquired Kenbiya Co., Ltd.

Notes: 1. We have used listed service names in the HOME'S Services segment started before March 2017 in their original form, but these services have currently been changed to "LIFULL HOME'S."
2. Acquired subsidiaries are listed under their current names as of September 2020.

OUR CHALLENGES

Response to the COVID-19 Pandemic

As the COVID-19 pandemic spread around the world, we at LIFULL placed priority on the safety of our employees and partners and quickly took action in the following ways to provide stability in the real estate industry and support our clients.



Actions Taken

The information below has been abbreviated. Refer to our corporate site for more details.

Feb. 2020

- Promotion of off-peak commutes
- Restrictions on business trips to China
- Restrictions on face-to-face meetings
- Restrictions on business trips in Japan
- Restrictions on business meals with external clients
- Employee reimbursement for buying masks

Mar.

- Option to work from home
- Restrictions on international business trips
- Cancellation and rescheduling of events

Apr.

- Beginning of state of emergency. Allowed employees to work from home and paid a one-time work-from-home allowance
- Altered policies for LIFULL Table/ HUB/Fab and closed during state of emergency
- Temporarily closed LIFULL HOME'S *Sumai No Madoguchi*

May

- Released statement from President and CEO, INOUE Takashi "For all those taking one step forward with us to make all LIFE FULL"

  ▸ **https://lifull.com/news/17354/** (in Japanese)

Jun.

- Labor rules amended after the abolishment of the state of emergency. Employees allowed to continue to work from home

After Oct. 2020

- Consolidation of domestic group offices
- 10% raise for full-time employees
- Discontinuation of commuter passes

Supporting the Real Estate Market with Safety Measures for Clients and Users

Support for Real Estate Professionals
From March to September, we provided our online consultation, property viewing and paperwork system, LIFULL HOME'S LIVE, to new clients free of charge. We also provided discounts for listing fees to real estate professionals who suspended their businesses during the state of emergency.

LIFULL HOME'S LIVE

Consultations, viewings and disclosures via online video chat

Opinion Polls of Real Estate Professionals and Users
In March 2020, we released our first opinion poll on the COVID-19 pandemic from the perspective of real estate professionals, and in April, May and July we followed up with more surveys of realtors and users. The results of these polls were published in a timely manner to provide important information to business owners and users considering a move to help them make important decisions.

LIFULL Group's Vision for Society in the New Normal

The LIFULL Group has been growing by driving the digital transformation of the real estate industry since its founding. Currently, the COVID-19 pandemic has been pushing societies toward a new normal for our everyday lives.
Even in these changing times, we will continue to contribute to the sustainable development of society by increasing the efforts we are making in our businesses.

Ongoing Initiatives

We are innovating relocation to eliminate the imbalance of real estate information while revitalizing and expanding the market in rural areas of Japan.

More Transparent and Richer Property Data

On the LIFULL HOME'S website, users can find over four million listings for new build, re-sale investment and many other types of property.

DX Makes Moving Easier

We are using technology to make moving even easier with virtual tours through 3D model houses and connecting users to realtors for online viewings and completing paperwork via LIFULL HOME'S LIVE.

Stimulating Rural Markets

In rural areas, we offer LIFULL HOME'S *Akiya* Bank where local governments can list abandoned properties. We also help people find employment opportunities and help fund development projects in these regions.

+

Evolution of Value

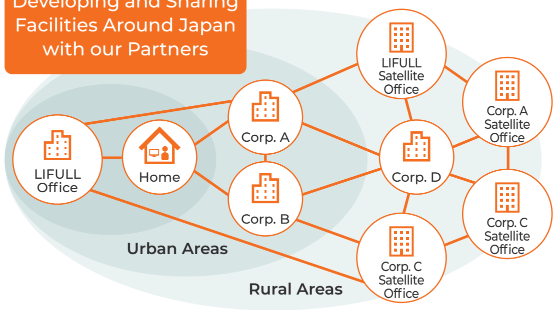
As people avoid the close quarters of urban areas, we are working to offer new opportunities for individuals and local governments to engage in diverse conversations and creating new lifestyle solutions in the New Normal.

LivingAnywhere WORK: Live and Work from Anywhere

LivingAnywhere Commons is a network of 11 (as of December 2020) multipurpose facilities for living and working created from repurposed public buildings which had fallen into disuse.

In July 2020, we started LivingAnywhere WORKS—a co-initiative with partner companies and local governments to foster diverse lifestyles where people can live and work from any location.

Developing and Sharing Facilities Around Japan with our Partners



LIFULL's Vision for Society

Make every LIFE FULL of Comfort and Happiness

- Sustainable Revitalization of Real Estate
- Well-being

OUR CHALLENGES

At a Glance (FY 2020/9)

Sales Revenue

¥35.4 billion

Providing Services in

63 countries and regions

Websites

280+

Employees

1,470

Monthly Visits

250 million +

Subsidiaries

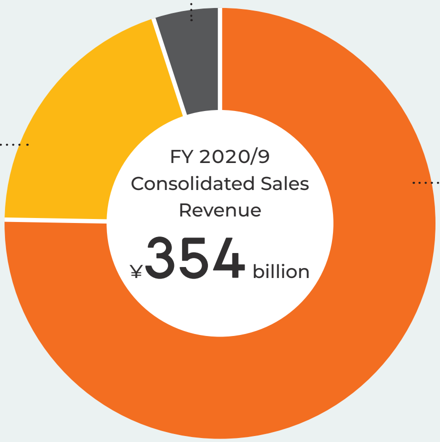
36

LIFULL Group Businesses

Breakdown of Revenue

Other Businesses Segment
5.3%

Overseas Segment
18.0%



HOME'S Services Segment
76.7%

HOME'S Services Segment (For details, see → page 17)

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.

Primary Services

- LIFULL HOME'S
- AD Master (Prev. Renters Net)
- NabiSTAR
- Internet Marketing: LIFULL Marketing Partners Co., Ltd.
- Kenbiya

Overseas Segment (For details, see → page 21)

Offering real estate, job listing, used automobiles and fashion information in over 63 countries and regions around the world.

Primary Services and Subsidiaries

- Trovit, Mitula: LIFULL CONNECT S.L.U.
- iCasas: RESEM Corporation Limited
- Dot Property
- Software development: LIFULL Tech Vietnam Co., Ltd.

Other Businesses Segment (For details, see → page 24)

Collection of business ventures in a variety of fields aimed at resolving social issues, including businesses started through the SWITCH Program (see page 27)

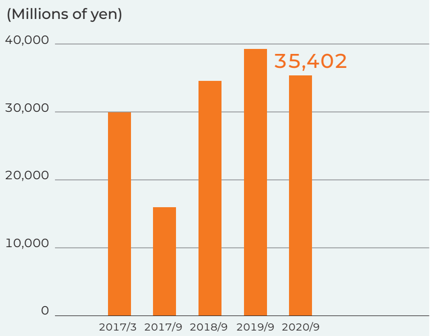
Primary Services and Subsidiaries

- LIFULL *Kaigo*: LIFULL senior Co., Ltd.
- LIFULL *Hikkoshi*: LIFULL MOVE Co., Ltd.
- LIFULL Trunk Room: LIFULL SPACE Co., Ltd.
- LIFULL Regional Revitalization
- Other subsidiaries and new services

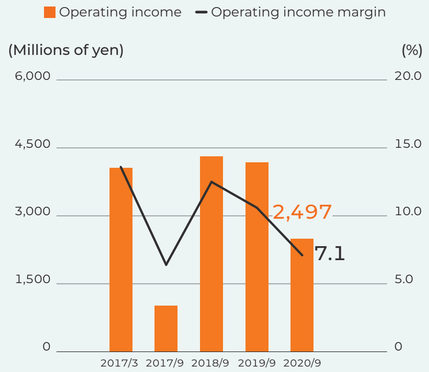
Performance Highlights

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 ¥35,402 million

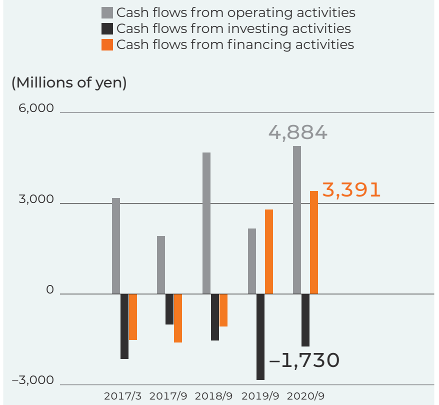


Operating Income ¥2,497 million
Operating Income Margin 7.1%

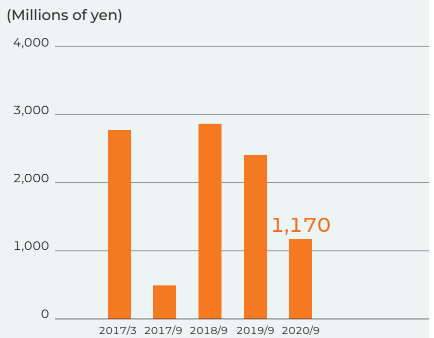


Return on Equity (ROE) 3.5%

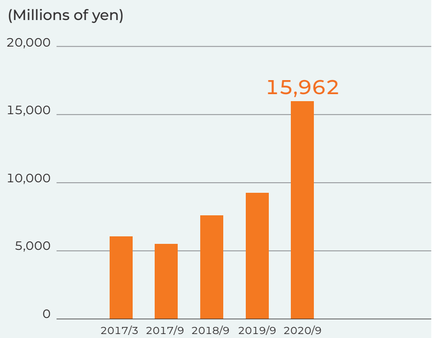
Cash Flows from Operating Activities **¥4,884** million
Cash Flows from Investing Activities **–¥1,730** million
Cash Flows from Financing Activities **¥3,391** million



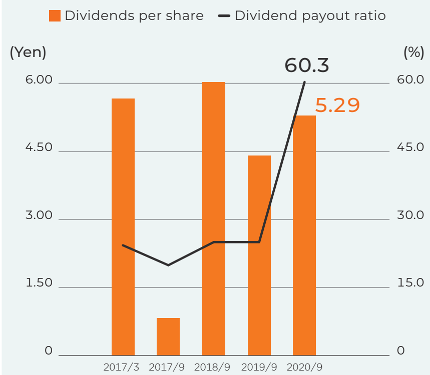
Net Profit Attributable to Owners of the Parent ¥1,170 million



Cash and Cash Equivalents at the End of the Period ¥15,962 million



Dividends Per Share ¥5.29
Dividend Payout Ratio 60.3%



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

The LIFULL Group has grown from LIFULL HOME'S with an emerging overseas presence from the acquisitions of Trovit and Mitula in FY 2015/3 and 2019/9. This growth has resulted in the highest sales revenue ever for FY 2019/9. However, in FY 2020/9, sales revenue declined across segments due to factors such as the growing pandemic. (FY 2017/9 was an irregular six-month fiscal year due to a change in the accounting period.)

In May 2020, we implemented a share buyback to enhance shareholder returns, improve capital efficiency and allow for flexible utilization of capital.

Overseas, we reviewed and altered our plans for future growth of LIFULL CONNECT to reflect our prediction that the effects of the pandemic will continue until into 2022. We, therefore, posted a goodwill impairment loss of ¥1.6 billion.

As a result, we also adjusted our dividend policy to allow us to take circumstances into consideration which cause profit for the period attributable to owners of the parent to fluctuate to ensure that we are giving back to our shareholders appropriately.

GROWTH STRATEGY

02

CEO Message

Working Towards Solutions to Social Issues Through Our Businesses to Make Every LIFE FULL

Since the end of 2019, the novel coronavirus (COVID-19) has been rapidly spreading around the world from East Asia and has become a pandemic the like of which the world has never seen.

I would like to express my most sincere regret to those who have lost loved ones and wish a speedy recovery to everyone currently struggling with ongoing infections. I would also like to extend my gratitude to the medical professionals and all others on the front lines preventing the spread of the virus. We are grateful for everyone working to maintain the basic infrastructure of our society.

Since our founding, "Altruism" has been our corporate credo, and the idea of Will-Centric Public Interest Capitalism, taking all stakeholders into consideration, has been the foundation for our corporate philosophy. Based on these principles, we have been doing business with the objective of realizing a society where everyone can attain comfort and happiness.

We continue to work in cooperation with stakeholders to respond to this unprecedented crisis. In our flagship service, LIFULL HOME'S, we offered a tool which helps home-seekers and real estate professionals listing on LIFULL HOME'S to complete consultations, property viewings and paperwork all online for free as well as offering our clients reductions to listing fees during the state of emergency. In addition, we have implemented a new working style for our employees allowing them to work remotely to prevent the spread of the virus. Through these changes, we reduced commuting and office costs and raised salaries of full-time employees by 10%.

In May, we also implemented a share buyback for approximately ¥1 billion to give back to our shareholders and improve capital efficiency.

Reflection on Fiscal Year 2020/9

During FY 2020/9, we also embarked on a new challenge with the pricing change for our flagship service, LIFULL HOME'S. One of the goals of this change was to increase the value we offer to our users and clients by strengthening our media presence and the depth of property information we provide. While we increased the monthly membership fees as well as the percentage clients paid per incoming inquiry, we also removed costs on primary optional services, such as panorama photos and realtor staff comments. As a result, the percentage of listed properties with optional services increased, which means we are providing more information about each individual property. Therefore, home-seekers now have more information at their disposal to see how each property will fit their lifestyle and better compare and contrast.

Other aspects that we have enriched include, for example, professional assessments of the management of community spaces in condominiums, a "Walkability Index," which scores the immediate area around properties in regard to convenience as well as a flood hazard map detailing the risk of natural disasters. In addition, in November 2019, we began offering a support service called LIFULL HOME'S ACTION FOR ALL for individuals with limited choices in housing, such as the elderly, welfare recipients, international residents of Japan, the LGBTQ+ community and victims of domestic violence. Currently, we have also added individuals with reduced income or who have lost their jobs due to the pandemic and are promoting public awareness of these groups.

Overseas, the numbers of infections around the world continue to increase making for a future that is difficult to predict. For this reason, we significantly revised our forecasts from the beginning of the fiscal year and have reorganized our internal structure and positioning for after the pandemic by shifting our focus onto creating a consolidated system between group websites as well as internal knowledge sharing. These changes have resulted in positive growth in traffic for our websites around the world. Flexible spending and cost controls have allowed us to maintain controls on advertising spending and profit levels, but we predict that revenue will be conservative moving forward while the future remains unsure and maintain. With this in mind, we believe more time is needed until our Overseas segment fully recovers and have revised our mid-term plans with an impairment loss. At the same time, we have revised our dividend policy to ensure that we are giving back adequately to our stakeholders by taking the impact of special circumstances that cause large fluctuations in profit for the period into consideration.

In our Other Businesses segment, we have entered into partnerships for revitalizing rural regions through the re-purposing of abandoned properties (*Akiya*) with four new municipalities (Shimoda (Shizuoka), Kinokawa (Wakayama), Tagawa (Fukuoka) and Nakano (Nagano) in chronological order). These partnerships have expanded the number of local governments with which the LIFULL Regional Revitalization team works to 10 (as of October 30, 2020.)

In July, 2020, we launched LivingAnywhere WORK, a platform helping people work with less restrictions. As of July 2020, 46 companies and local governments

LIFULL HOME'S Figures
FY 2020/9

Organic Visits (YoY)

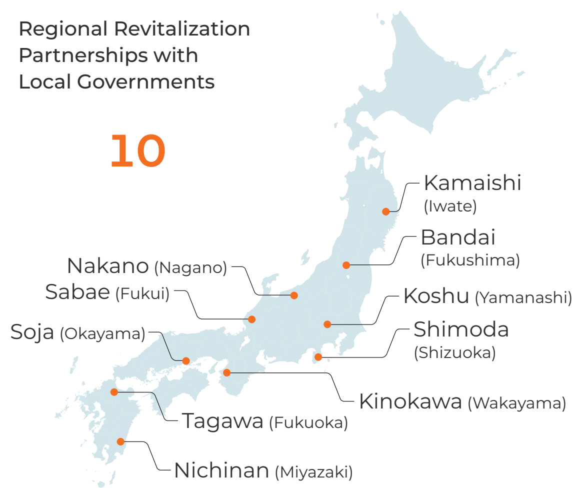
2Q	3Q	4Q
106%	119%	125%

Inquiries (YoY)

2Q	3Q	4Q
77%	87%	97%

Regional Revitalization Partnerships with Local Governments

10



have supported this initiative, and we are running trials for a working style uninhibited by location with share and satellite offices located in previously abandoned or idle facilities.

Regarding our Five-Year Mid-Term Management Plan

The basis of the target for 2025 in our new Mid-Term Management Plan is finding solutions to social issues. When I founded this company nearly a quarter of a century ago, I wanted to eliminate the insecurity and dissatisfaction people experienced when looking for a home and construct a system where people could access all real estate information. Looking back on that starting point, I was trying to find solutions to social issues through business, and we have enshrined this idea into our corporate philosophy of “Create a society where everyone can attain ‘comfort’ and ‘happiness’ through continuous social innovations.” This principle has also formed the basis of our Mid-Term Management Plan.

The focal points of our Mid-Term Management Plan are divided into three segments: HOME’S Services, Overseas and Other Businesses. In each of these segments, we are dedicated to finding solutions to social issues through our existing businesses, create value for our stakeholders and increase the scope and profitability of the Group as a whole.

❶ LIFULL HOME’S Services Segment

Our goal is to raise user satisfaction and increase our market share through our omnichannel approach and digital transformation (DX.) Users can contact the *Sumai No Madoguchi* consultation service not only via online channels such as its official website, e-mail and messaging apps, but even through offline channels such as its telephone hotline and face-to-face counters. Our staff caters to a variety of different needs from renting an apartment to buying or even building your own home. LIFULL has also helped to bring real estate paperwork online for speedier transactions. We are utilizing vast amounts of data and the newest AI and VR technology to create features and services to support each user in finding just the right place to live.

We are also employing the rich data and latest technology and vast network of the LIFULL CONNECT group to build a global real estate platform.

❷ Overseas Segment

In order to provide higher quality information and services for our users and clients, we are investing in the expansion of our network of portals primarily in countries in Latin America and Southeast Asia where there are currently no major competitors. As we observe the current status of COVID-19 and market trends between different regions, we have been managing our businesses implementing flexible cost-control measures to maintain profitability.

❸ Other Businesses Segment

Here, we will focus on the regional revitalization of rural Japan as well as services for our rapidly aging society. In the LIFULL Regional Revitalization business, we are coordinating with local governments around Japan to repurpose *Akiya* for various lifestyles. We plan on expanding our success across Japan to stimulate more rural communities. We are already currently actively assisting senior citizens in our subsidiary, LIFULL senior. However, as more and more people are living over 100 years and this market continues to grow, we have established a new department to find innovative ways to assist the aging community.

In order to solve these social issues, we have to strive for innovation beyond the existing frameworks. By collaborating with various partners including our clients, startups, local governments and educational organizations, we will continue to create solutions to social issues.





Enhancing Our Human Capital and Disclosures

The value we provide and the execution of our corporate philosophy are due the people who make them possible. The idea behind our growth investments is that we want to provide the necessary conditions and environment for our employees to reach their full potential. By doing this, we will continue to attract outstanding individuals and create new, innovative products and services. This will, in turn, lead to higher customer satisfaction. As a part of our corporate culture, we further engage our employees by providing them with opportunities to challenge themselves. Through these challenges, each individual works toward their own personal career goals as well as the overarching vision of the organization. Now, the environment is changing with more people working remotely or working multiple jobs. To ensure that these changes are reflected in our organization, we have been focusing on the well-being of our employees in our human resources and organizational strategies.

The "Report of the Study Group on Improvement of Sustainable Corporate Value and Human Capital"* released in September 2020 emphasizes the importance of human capital management in the sustainable improvement of corporate value where the main determinants of corporate value have been shifting from tangible to intangible assets due to structural changes in society. Even in the capital market, the demand for more disclosure of non-financial information such as human capital has also been increasing.

At LIFULL, we would like to provide the necessary support to create a healthy environment for our employees where they can lead fulfilling lives enjoying both their work and their relationships with their families, friends and co-workers. At the same time, we are also committed to disclosing more information regarding human capital and continuing to improve our corporate value.

* Published by the Ministry of Economy, Trade and Industry on September 30, 2020

Adverse Situations Leading to New Innovation

The pandemic has changed all of our lives in just a few months. It was a rapid change that came with considerable pain. However, the restrictions in place to prevent further spreading of the virus have also led to increased innovation. With a few exceptions for outstanding circumstances, all LIFULL employees are able to work remotely, and this has been the primary working style throughout the states of emergency. This shift has brought more benefits than we originally expected. Our engineers have said that they are able to concentrate better and make more progress on system development, and—although we had our doubts at first—sales meetings have also been moving online. When combined with less travel time, sales teams can now focus on more clients and have improved overall efficiency.

There are still some things that require face-to-face interactions, but technology is creating new possibilities for connections even from remote locations. Since we are a company founded on the idea of transforming the real estate industry through technology, we believe that the pandemic is a chance for us to further promote digital transformation and make the best of an adverse situation.

We appreciate the support of our shareholders and other stakeholders and look forward to continuing to grow in the future.

Our corporate message "Make Every LIFE FULL" is based on our desire to help people find the life they want and live in comfort and happiness, and we will continue to work toward this goal.

April 2021

井上高志

INOUE Takashi
President and CEO

Value Creation Process

We are working toward sustainable growth by maximizing the effects of our intellectual capital. Through these efforts, we are creating value based on Will-Centric Public Interest Capitalism and giving back to all of our stakeholders fairly. By continuing this process, we believe we will realize our corporate philosophy by finding solutions to various social issues.

Management Resources (As of FY 2020/9)

Corporate Vision

- Credo
- Corporate Philosophy
- Will-Centric Public Interest Capitalism
- Guidelines
- LQS

Human Capital

Consolidated Employees: 1,470

- Opportunities for Individual Growth
- Building Trust for Direct Communication

Intellectual Capital

- Business Know-how and Data

Technological Capital

- Placement of Development Teams
- Utilization of Modern Technology

Social Capital

- Relationships to Stakeholders Through Our Businesses, Investments and Donations

Financial Capital

Total Assets:	¥55,319 million
Cash and Cash Equivalents:	¥15,962 million

Foundation of Value Creation

Understanding the Market

Understanding of Social Issues
Understanding Long-term Social Changes
Understanding Other Business Environments

Primary Focal Points (Main Businesses)

HOME'S Services Segment

- Lifestyles in Japan

Overseas Segment

- Lifestyles Around the World

Other Businesses Segment

- Regional Revitalization
- Rapidly Aging Society

Management

Corporate Governance
Secure Financial Foundation

Value Creation

Solutions to Social Issues Through Business

- Relaxed and Efficient Relocation
- Global Expansion
- Sustainable Regional Growth
- Better Lifestyles

Economical Value

- Increasing the Scope of Our Businesses in Our Mid-Term Management Plan for 2025
- Returning Profits

Creating a society where more people can experience comfort and happiness

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.

Overview

Comprehensive Information Platform for Real Estate and Housing Information in Japan

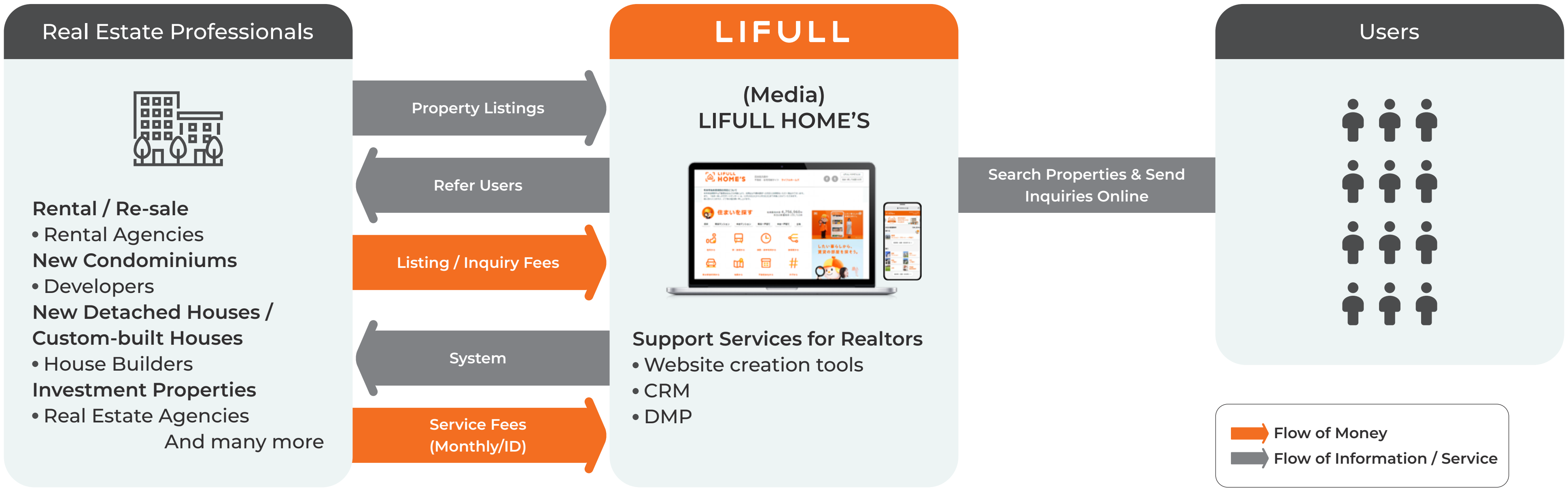
LIFULL HOME’S

https://www.homes.co.jp/

The majority of real estate listing websites around the world charge their customers by the number of listings. However, due to the large volume of rental and re-sale units on the market and our desire to ensure that all property information is listed on LIFULL HOME’S, we also offer a plan where clients pay for each user inquiry received. Relators listing on LIFULL HOME’S are able to choose freely between these two pricing plans.

At the same time, we are committed to providing high-quality information to our users. In addition to establishing a department specialized in overseeing the accuracy of listings on LIFULL HOME'S, we have set up contact methods for users who discover incorrect information or listings for unavailable properties.

Business Model



PICK UP

Enriching Property Information

In October 2019, we implemented a change to our pricing model within the rental and re-sale markets. In order to help users find the right home, we have made it possible for realtors to enhance their listings by offering formerly paid optional services free of charge.

By including these optional services into monthly usage and inquiry fees, we have eliminated the time-consuming process of selecting options and improved realtors' overall efficiency. For us, it also means that we can focus on developing and offering new services in the future.

Original Pricing Structure	Basic Membership Fee (Monthly) ¥10,000	+	Optional Services	+	Inquiry Fees Pay by Inquiry (Rate) Rental: 4.0% to 5.5% Sales: 0.03% to 0.05%
New Pricing Structure (Starting Oct. 2019)	Basic Membership Fee (Monthly) ¥15,000	+	Inquiry Fees Pay by Inquiry (Rate) Rental: 9.5% Sales: 0.05%		Realtors can add major optional information without extra charges

Results and Overview of Fiscal Year 2020/9

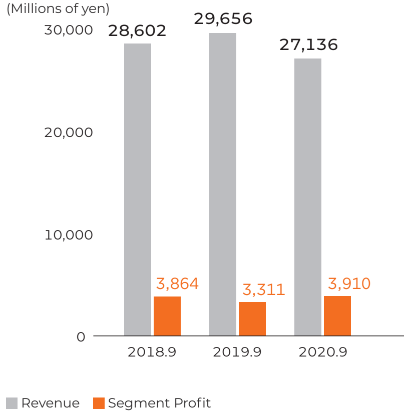
In the HOME'S Services segment, we took a number of different actions during FY 2020/9. In October 2019, we made alterations to the pricing schemes for a portion of clients listing rental and re-sale properties to increase the overall amount of additional information per property. In order to increase brand awareness of LIFULL HOME'S, we combined new content with investments in promotion. In addition to the richer content on the website, we also introduced new tools ensure the accuracy of listings.

However, the number of infections of COVID-19 began to increase in Japan at the end of March 2020, and the national government announced the first state of emergency for Tokyo, Saitama, Chiba, Kanagawa, Osaka, Hyogo and Fukuoka on April 7. The state of emergency was increased to all of Japan on April 16, and people's movement was restricted. In reaction to this and in order to help support the real estate market, we provided discounts for realtors temporarily suspending their services during this period and provided LIFULL HOME'S LIVE, a tool for online consultations, property viewings and necessary paperwork, to new clients free of charge. (See page 6)

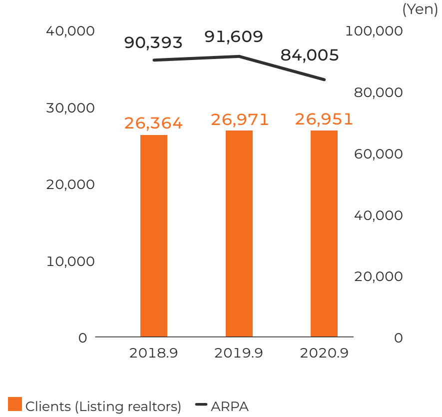
Since October 2016, we have offered the *Sumai No Madoguchi* consultation service for users to speak directly with our housing advisors. Although this service had been experiencing steady growth since its launch, we shorted its business hours and temporarily closed some locations. At the same time, we also increased staff speaking with users via video chat, which allowed us to increase the total number of consultations by 82% year over year (YoY).

Although our sustainable business operations and cost controls throughout the daily changes in our business environment resulted in sales revenue of ¥27,136 million (-8.5% YoY), segment profit conversely increased 18.1% to ¥3,910 million.

HOME'S Services Segment Revenue and Segment Profit



Number of Clients (contracted realtors) / ARPA



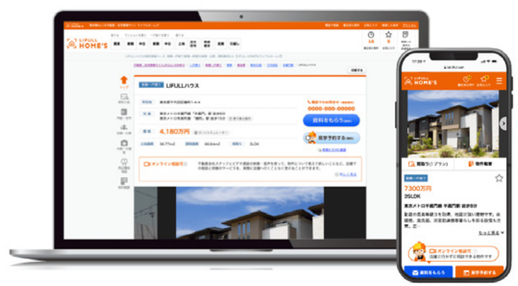
Notes: 1. Changed calculation method from monthly invoices to total monthly clients. (Adj. made for prev. years)
2. Does not include clients for Kenbiya.
3. ARPA: Average Revenue Per Agent

PICK UP

Response to the COVID-19 Pandemic

Added filters to allow users to see which properties are available for online consultations.

https://lifull.com/news/17326/ (in Japanese)



Our Growth Strategy Moving Forward

In the HOME'S Services segment, we will continue to innovate the real estate industry through digitalization as we have since our founding. At the same time, we strive toward the formation of a real estate database covering all of the properties in Japan—which is as of yet nonexistent.

Our modern markets are full of data which we hope to utilize to help everyone easily find the right place to live. In order to provide a comfortable and secure experience for all of our users, we will continue to improve the accuracy of listing information while incorporating the latest technology such as AI, blockchain and VR to develop new features for our websites.

Apart from the LIFULL HOME'S website, we have expanded our network of mortar-and-brick offices, LIFULL HOME'S *Sumai No Madoguchi*, to support users through a variety of channels. Our housing advisors offer advice face-to-face, over the phone or via video chat to assist users in finding the right place to live.

With these different initiatives, we will realize our goal of providing users access to all real estate and housing information by visiting LIFULL HOME'S. In addition, by helping real estate professionals work more efficiently, we continue to strengthen our client base and increase our two key performance indicators: our client network and ARPA.

LIFULL HOME'S *Sumai No Madoguchi*

Acquisition of Kenbiya Co., Ltd.

In July 2020, we completed the acquisition of Kenbiya Co., Ltd. which operates one of the largest real estate investment websites in Japan, Kenbiya, for ¥1.33 billion.

Kenbiya has been active since the early 2000s, and by combining the listings, investment-related content and user base from Kenbiya with LIFULL HOME'S Investment, we have considerably increased our client and user networks. The synergy from these websites will help us to accelerate our growth strategy by stimulating the real estate market.

Large-scale Japanese Real Estate Investment Listing Sites

健美家 KENBIYA	LIFULL HOME'S 不動産投資
https://www.kenbiya.com/	https://toushi.homes.co.jp/

×

Active Community of Real Estate Investors	Support for New Real Estate Investors

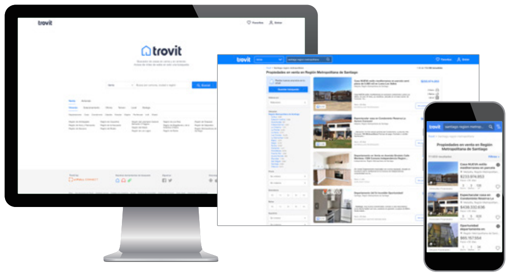
Site Characteristics

Kenbiya			LIFULL HOME'S Investment		
Over 40,000 Listings	**Clients** Focused on investment property agents	**User Base** Experienced real estate investors	Over 50,000 Listings	**Clients** Diverse network of agents	**User Base** Beginner investors via SEO

Overseas Segment

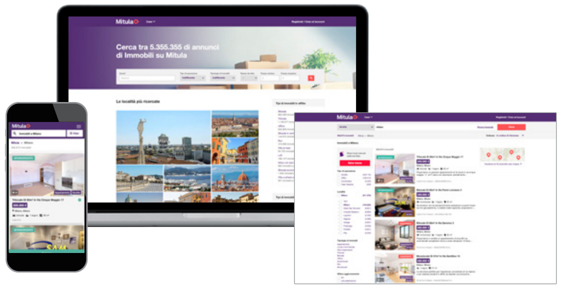
The Overseas segment is primarily focused around our aggregators and real estate portals outside of Japan. Our aggregation sites, Trovit, Mitula, Nestoria, Nuroa and Fashiola, operate in over 60 countries around the world providing users with information about real estate, job listings, used cars and fashion. On the other hand, our network of real estate portals is comprised of RESEM and Dot Property primarily in Central and South America and Southeast Asia. Through these services, we are making progress towards the completion of a global platform by leveraging enormous amounts of life data and users.

Overview and Business Model



trovit

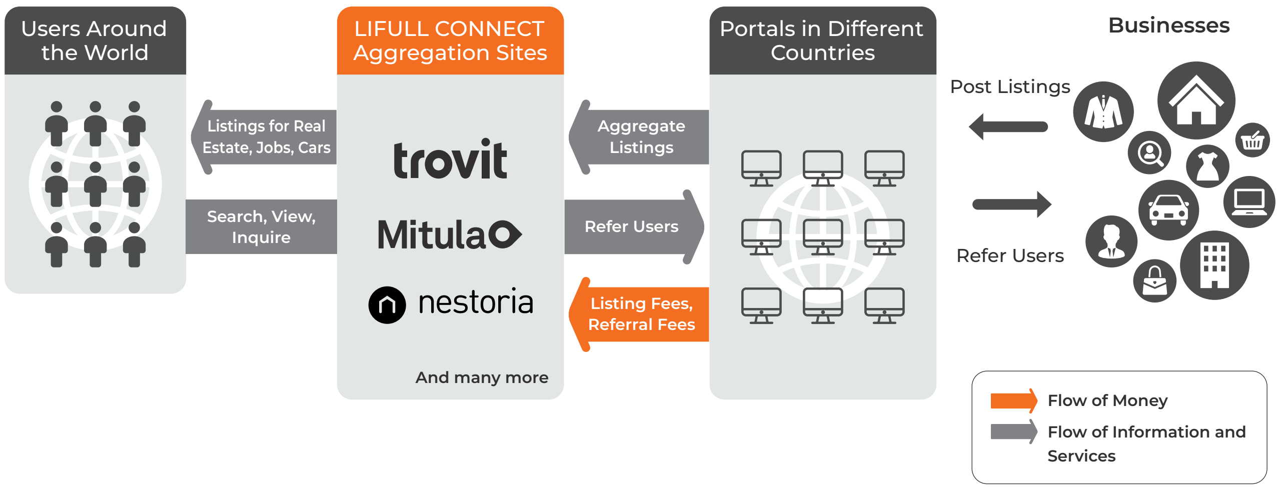
https://www.trovit.com/



Mitula

https://www.mitula.com/

Aggregation Business Model



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.

In November 2014, we acquired Trovit followed by Mitula in 2019 and have been uniting these companies under LIFULL CONNECT since November 2019. By expanding our aggregation services for real estate, job listings and used cars as well as our real estate portals into over 60 countries worldwide, we have formed an enormous network of websites offering valuable information to over two billion users every year.

As we continue to broaden our worldwide database, we will utilize the data we are collecting to provide more value to our users and clients by creating an indispensable global platform for people around the world.

Results and Overview of Fiscal Year 2020/9

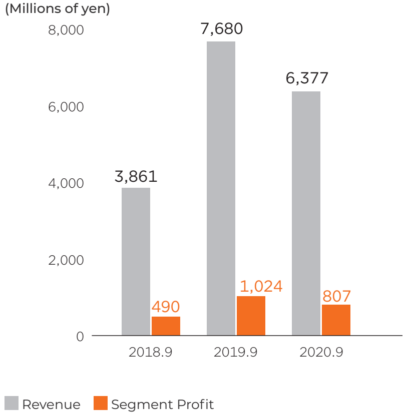
During FY 2020/9, we established LIFULL CONNECT in November 2019 to merge the management and organizations of Trovit (acquired in October 2014,) Mitula (acquired in January 2019) and RESEM (acquired in May 2019.) Bringing together the technical knowledge each company has put into their websites, LIFULL CONNECT will accelerate the expansion and marketing potential of each service.

We have also developed and launched a marketing tool for clients of our aggregation sites operated under LIFULL CONNECT (Trovit, Mitula, Nuroa, Nestoria, etc.) called Thribee. This tool allows clients to optimize their campaigns across brands and has had a positive influence on traffic growth which translates into more value for our clients.

In our original plan for the year, we were going to hire new staff for the expansion of our real estate portals operated by RESEM and Dot Property in Latin America and Southeast Asia.

However, as the pandemic spread around the world in March 2020, many countries and cities went into lockdowns. These measures caused traffic to many of our client real estate portals in Europe and North America to decline, and as a result, these clients began to reduce their advertising volumes.

Overseas Segment
Revenue and Segment Profit



In response, we have postponed hiring plans and are optimizing online marketing expenses and controlling office-related expenses to maintain a balance with our current performance for sustainable operations. This resulted in sales revenue of ¥6,377 million (-17.0% YoY) with segment profit at ¥807 million in the Overseas segment.

As infections increase around the world, stronger restrictions than Japan are creating longer-lasting effects than originally predicted on our performance. Therefore, we predict that sales revenue for LIFULL CONNECT will not recover until during FY 2022/9 and have adjusted our future expectations resulting in an impairment loss of ¥1,619 million during the fourth quarter.

PICK UP

Manage and Optimize Campaigns Across Brands

In the past, clients of the LIFULL CONNECT aggregation sites had to manage their campaigns for each individual site. However, with the introduction of the traffic acquisition service, Thribee, clients can now manage and optimize their campaigns across the network in real time.

Our Growth Strategy Moving Forward

In the Overseas segment, we founded LIFULL CONNECT in November 2019 to bring our overseas subsidiaries closer together. Through the combination of the technological skills and professional experience of our employees, we continue to make progress in our focus areas. In addition, combining our management resources, such as our enormous global audience and deep understanding of online operations, will allow us to expand our services and increase management efficiency. With this in mind, we will continue to actively invest in areas such as recruitment to maintain sustainable growth and profitability.

We will also continue to strengthen and grow our client base by offering systems that allow our clients to manage their advertisements more effectively.

In the past, we took the characteristics of the markets in each region into consideration. However, with the widespread pandemic continuing to affect markets around the world, we have chosen to focus our investments in our real estate portals in Latin America and Southeast Asia and future mergers and acquisitions.

While creating new synergy through the technology and enormous user and client bases of our aggregation and portal sites, we will continue to work towards offering optimal services and platforms in all of our regions. In the mid- to long-term, we will also continue to challenge ourselves with the development of a global real estate platform.

October 2020

Acquisition of Hipflat

(Real Estate Platform in Thailand)

Characteristics

- Strong base in the rental market
- Large network of small to mid-size realtors

Client network and listings distinct from Dot Property

Hipflat

+

dotproperty
MOVING ASIA ONLINE

Other Businesses Segment

Our goal is to go beyond real estate and the Internet to offer different kinds of services that will help people have fuller lives, and we have started and invested in a number of new businesses in order to make this happen. The businesses in this segment even include startups led by our own employees and students through the SWITCH program (see page 27). Through these initiatives, our desire is to train the next generation of leaders and find new, innovative solutions to social issues in order to broaden the business scope and contribute to overall sales revenue for the LIFULL Group.

Selection of Services

Development of Residence / Relocation-related Services

LIFULL 介護

LIFULL *Kaigo*
Largest site in Japan for elderly care facilities
Operated by: LIFULL senior

LIFULL トランクルーム

LIFULL Trunk Room
Largest site in Japan for rental storage space
Operated by: LIFULL SPACE

LIFULL 引越し

LIFULL *Hikkoshi*
Nationwide comparison site for moving companies
Operated by: LIFULL MOVE

Enriching Life in Rural Areas

LIFULL 地方創生

LIFULL Regional Revitalization
Helping people to discover new lifestyles in rural regions while finding solutions to the issue of abandoned houses

LIFULL Investment

Providing funding and financial assistance for repurposing abandoned properties
Operated by: LIFULL Investment

Services to Brighten People's Everyday Lives

LIFULL FaM

Assisting working mothers with career assistance and child-friendly offices

LIFULL FLOWER

Subscription flower delivery service to bring more color into people's lives

SUFU

Online support and training information for athletes and coaches

New Ways to Work and Live

LivingAnywhere Commons

Multipurpose working spaces with Wi-Fi and short/long-term living spaces

LIFULL ArchiTech

Research and development for new living environments
Operated by: LIFULL ArchiTech

Results and Overview of Fiscal Year 2020/9

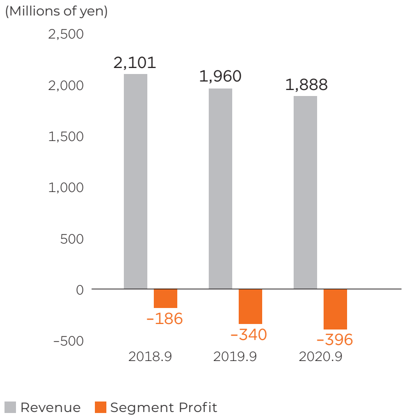
This segment consists of a number of startup ventures such as LIFULL *Kaigo* (a search website for elderly care facilities), LIFULL Trunk Room (a search website for rental storage space), LIFULL *Hikkoshi* (a comparison site for moving companies) and the LIFULL Regional Revitalization Business.

During FY 2020/9, we have continued growth investments in our various services. We also entered into partnerships with three additional local governments for the LIFULL HOME'S *Akiya* Bank and LivingAnywhere Commons and have been making active growth investments in seminars and are developing programs to train people in the repurposing of *Akiya*.

Sales revenue was affected by the transfer of the insurance agency business (LHL Co., Ltd.) in December 2018 and amounted to ¥1,888 million (–3.6% YoY) while segment losses totaled –¥396 million (–¥340 million in the previous year), a decrease of ¥56 million.

The LIFULL Group will continue to look at social issues as business opportunities and launch new business ventures to increase group profits while utilizing our management resources.

Other Businesses Segment
Revenue and Segment Profit



PICK UP

November 2019
LIFULL ArchiTech Co., Ltd. Founded
A venture started using technology developed at the Nagoya Institute of Technology. Development and research on new living environments, such as Instant House, and management of patents.

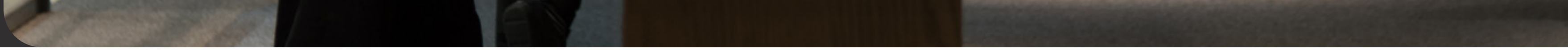
Instant House: Entire Houses in Just a Few Hours

- Structures can be built quickly and in any shape by spraying a light foam substance onto the inside of a film structure.
- Buildings block heat and sound and can be used as temporary housing after natural disasters.

Started a test for regional revitalization by repurposing vacant facilities at a train station in Doai, Gunma.

FOUNDATION FOR CREATING VALUE

03



Human Resources

LIFULL is a collection of individuals working toward the goal of realizing our corporate philosophy, so we are creating diverse opportunities that allow them to freely take on new challenges. Therefore, we place special emphasis on providing an environment that caters to employees' well-being.

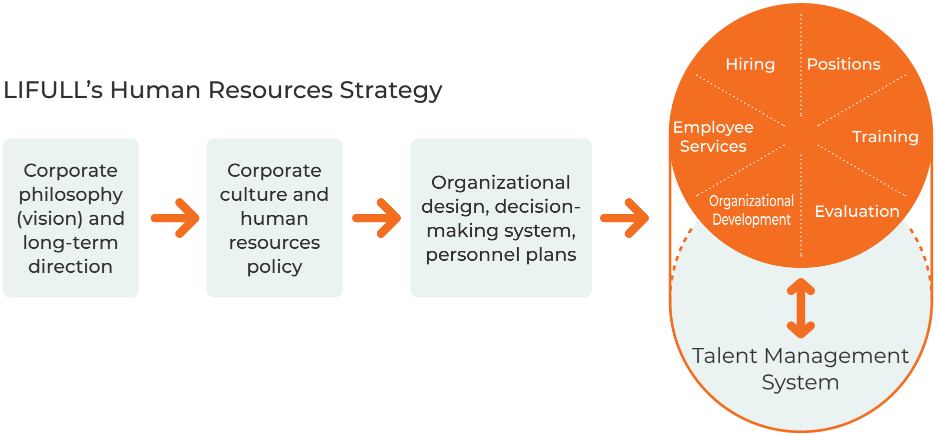
The "Will" of Our Employees

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, we have taken various measures to challenge our employees to encourage self-motivation and self-confidence. Not only are we offering the opportunity for our employees to act on their intrinsic motivation, we also believe that providing a working environment and corporate culture where employees can speak freely across organizational levels will help remove barriers from 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.

LIFULL's Human Resources Strategy



Intrinsic Motivation

Human Resources Program "Best Place to Work in Japan"

Human resources management is primarily based on employee self-motivation. Job appointments, transfers and job changes are not 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.

Developing Expertise and Training the Future Leaders

LIFULL University

We started LIFULL University to develop the abilities of our employees. This program consists of a compulsory program for everyone, which includes critical thinking and management seminars as well as an elective program. Participants can choose from a number of different options including business management seminars led by our CEO, project management and English just to name a few. In addition, there is a selective program to foster future leaders where top sellers and outstanding managers are selected each year for overseas training.

SWITCH: Business Venture Proposal Program

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.

Other Opportunities

- Career Support Services
- Internal Dual Career Program
- Incentive Program for New
- Creator Day

Actions to Promote Employee Well-Being

One of our most important management objectives is ensuring that our employees lead lives of fulfillment. We believe that by enriching the lives of our employees they will be more passionate about their work and create more services to make every LIFE FULL.

We are taking actions for the well-being of our employees to ensure that they enjoy their jobs and develop connections with a variety of different people (families, colleagues) to support their own physical and mental health for fulfilling lives.

LIFULL Employee Well-Being

We support our employees through three main pillars: Learn, Check and Support.

1. Learn

Professional seminars to improve mental and physical health

- Seminars held by corporate physician (topics in 2020: healthy eating, sleep, quitting smoking and mental health)

2. Check

Regular feedback on employees' physical and mental health and engagement

- Physical examinations
- Working time management
- Employee engagement survey
- Well-being survey
- Stress check

3. Support

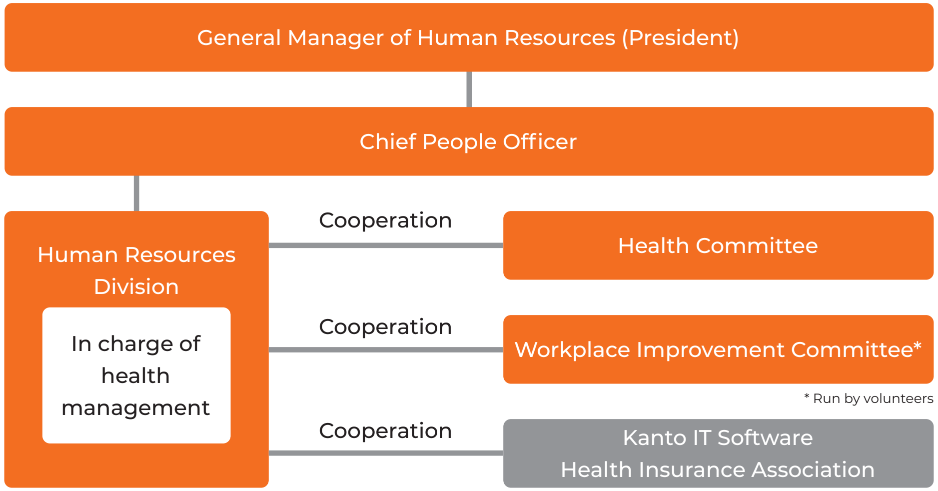
Providing necessary opportunities for employees to maintain/improve their health

- Health consultations
- Partial coverage of gynecological examinations (ovarian, uterine and breast cancer prognoses)
- Prevention of infections
  Coverage of annual influenza vaccinations
  Support for COVID-19 vaccinations
- Support program for returning to work after extended leave (re:START)
- Support for employees with long-term illnesses
- Company clubs

Support for COVID-19 vaccinations

- Time taken for vaccinations during working hours counted as work; granted paid leave for downtime due to side-effects from vaccinations
- Paid time off for vaccinations for family members

Promotion Team for Health Management



Main Indicators

Results	Most Recent Results	Next Goals
Engagement Rating	AAA	AAA
Percentage of Employees who Received a Health Check	99.9%	100%
Percentage of Sleep-Deprived Employees	63%	70%
Percentage of Employees who Smoke	23%	20%

Technology

LIFULL has actively adopted a number of leading technologies and promoted industry firsts to revolutionize, stimulate and strengthen the real estate industry. With our technological skill set, we are creating new value in a number of different fields and areas.

Organization

In order to maintain and improve the technological skills we have amassed over time, we have created a specialized department for development team members within the company. Here, our developers can share their knowledge and goals while providing feedback and career support to one another. At the same time, we are better able to manage projects across the entire company and distribute internal resources even more effectively.

In our overseas subsidiary, LIFULL CONNECT, we have combined our development teams and are managing our internal resources for our different brands active in more than 60 countries and regions. Apart from that, we believe it is necessary for the LIFULL Group to continue to increase technological development and production of new value. Therefore, we offer our engineers in Japan and around the world opportunities to regularly exchange knowledge and skills with each other.

Development Teams

Currently, we have about 20% employees involved with research and development for our various services in Japan and 35% at LIFULL CONNECT. Development personnel total about 25% of all employees.

In addition, product planning personnel, such as web designers, directors and service planners, amount to about 40% of all employees at LIFULL.

AI Strategy Office

Utilizing our big data with AI technology, we have released new services and features since August 2018. For example, we are able to analyze images through deep learning as well as use our data to make models to predict trends in the real estate market and user behaviors to develop recommendation algorithms. Through these endeavors with AI technology, we have created new value and improved the performance and quality of our services.

LIFULL Tech Vietnam

In April 2017, we acquired an offshore software and application development company in Vietnam, LIFULL Tech Vietnam Co., Ltd. and employ 51 people locally as of September 2020. The team works primarily on projects for LIFULL HOME'S and is growing consistently year by year.

Examples of Blockchain-related Projects

Proof of Concept for Transfer of Property Ownership via Blockchain

In November 2019, we began a proof of concept for transferring property rights via blockchain. Currently in Japan, if you would put together all of the land with unknown owners, it would be about the size of Kyushu. It is believed that this area is continuing to grow due to the fees for transferring ownership. Through our experiment, we have shown that it is possible to transfer ownership rights safely and at a low cost with blockchain technology and are currently researching how to implement it.

Launch of an STO Platform for Real Estate Joint Ventures

LIFULL has partnered with Securitize, a U.S. firm with a proven track record in offering security tokens, for an experiment on implementing security token offerings (STOs) in Japan and launching a platform for real estate joint venture STOs. This platform was opened in October 2020 and was the first of its kind in Japan where regular investors could take part in STOs. Going forward, we expect that securitized real estate will become a viable investment for more potential investors.

Examples of Projects Using Big Data

LIFULL HOME'S Price Map

From the prices of previous listings on LIFULL HOME'S, we have developed a system that allows us to calculate price estimates and display them in map form along with information about the properties. Free for use without member registration.

http://www.homes.co.jp/price-map/ (in Japanese)

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, users can see market values of properties they own or are interested in via real-time simulations. (Currently, it has been integrated into the "housing index.")

https://lifullhomes-index.jp/ (in Japanese)

Examples of AI-related Projects

LIFULL HOME'S Android App

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.

3D Apartment Floor Plans

We are developing computer systems that are able to learn from and analyze the massive amounts of floor plan data found on LIFULL HOME'S to turn them into 3D models. With this patented technology, we can create 3D walk-through experiences for our users from 2D data and help them gain a better idea of the properties online.

Predicting Properties Already Sold/Rented

In some instances, properties remain online after they are rented or sold due to agencies forgetting to delete them or as a way of attracting more inquiries. However, we believe that these listings should be removed, as they do not provide value to our users. For this purpose, we established a specialized department to ensure the accuracy of our listings. We feed data into an AI system to allow it to identify properties that are most likely no longer available and have improved our efficiency through this system. In addition, we offer a listing maintenance feature to all of our members as part of LIFULL HOME'S PRO. This feature predicts the likelihood that a property is no longer available and displays a message to our clients to help them recognize properties to remove more easily.

Calculating Return on Advertising Investments

We have implemented systems that allow us to calculate our expected return on advertising investments based on previous performance. The predictions from these systems are used when determining budgets for advertising.

Relationship with Society

We attach great importance to our involvement with society as a social enterprise. In addition to making contributions to society through our businesses, we also coordinate with companies and organizations advocating for rural communities and social change to create new value and contribute to the creation of a sustainable society.

Social Initiatives Through Our Businesses

ACTION FOR ALL

In Japan, a number of people with different backgrounds, such as senior citizens, non-Japanese residents, people receiving welfare as well as individuals looking for a new place to live after leaving their homes due to domestic violence, are often met with difficulty when looking for a new place to live. ACTION FOR ALL was started in November 2019 as an initiative within LIFULL HOME'S to support people of all backgrounds in their search.

• FRIENDLY DOOR

https://actionforall.homes.co.jp/friendlydoor (in Japanese)

2,000+ Partners
(As of September 30, 2020)

A service that introduces real estate agencies which cater to senior citizens, non-Japanese residents, LGBTQ+, welfare recipients, single parents or victims of natural disasters. In April 2020, we launched a special page for individuals who have been affected by the COVID-19 pandemic and are assisting realtors who offer consultation services and support for those affected.

• Users' Choice Donation Campaign

https://actionforall.homes.co.jp/erandeyell (in Japanese)

2,492 Votes
(November 23, 2019 - August 31, 2020)

After users submit an inquiry via LIFULL HOME'S, they are invited to a page to select the type of organization to which they would like LIFULL HOME'S to make donations. Choices include victims of domestic violence and abuse, children who cannot live with their parents for financial reasons, refugees in Japan, homeless or other people in need.

Partnerships with Local Governments

As a part of our Regional Revitalization business, we have been forming partnerships to stimulate rural communities since September 2018. These initiatives include support for repurposing *Akiya* and to provide incentives for people to move into the communities. As of the end of September 2020, we have formed partnerships with 10 governments and have created share offices in facilities which have fallen into disuse and started matching programs for people interested in working to repurpose *Akiya*. These activities are stimulating local communities and contributing to sustainable development.

OPEN SWITCH

OPEN SWITCH started in July 2019 as a contest for startup business ideas to find solutions to social issues and was attended many individuals and companies from outside LIFULL. Plans that are selected during the sales pitch contest receive all-around support for starting their businesses and are operated within the LIFULL Group.

Social Responsibility Initiatives

Corporate Initiatives

The laptops our employees use are on a replacement cycle, and we donate used devices to an education-related nonprofit organization.

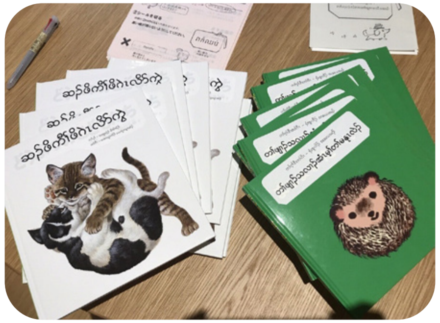
One P's

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.

Activities in Fiscal Year 2020/9

- Morning cleanup around Nagoya Station
- After-school support for handicapped children
- Volunteers for cleanup after natural disasters
- Conservation activities
- And many more



Investments and Capital Tie-Ups

Our goal is not only to find solutions to social issues, but also to support other organizations working towards this goal while realizing our corporate philosophy and contributing to the development of a sustainable society.

Vacation Rental Business

We have joined the vacation rental business through RAKUTEN LIFULL STAY PTE. LTD. In Japan, we are working on expanding the market for private lodgings through services developed under RAKUTEN LIFULL STAY, Inc., a wholly owned subsidiary of RAKUTEN LIFULL STAY PTE., LTD. We believe that this business will help create a solution to the growing number of abandoned houses in Japan due to the population decline.

WOTA Co., Ltd.

WOTA Co., Ltd. is a startup with the goal to create the future of water infrastructure such as portable water reclamation devices.

The company has developed technology to recycle water, which can reduce total water waste to less than 1/50 of the current amount. This technology also makes it possible, for example, to install showers without the need for water pipes. In the event of a natural disaster such as an earthquake or heavy rains, the company also provides disaster packages free of charge. These have been used by more than 20,000 people at 20 evacuation centers organized by 13 local governments. (As of October 2020).

Officers and Directors

Directors (As of December 23, 2020)

Outside Director	Outside Director	Director, Executive Officer	President, CEO and Executive Officer	Director, Executive Officer	Outside Director	Outside Director
KOBAYASHI Masatada	OKUBO Kazutaka	YAMADA Takashi	INOUE Takashi	ITO Yuji	TAKAHASHI Masato	NAKAO Ryuichiro

Directors (As of December 23, 2020)

President, CEO and Executive Officer

INOUE Takashi

[23 years 9 months / 27,941,000 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)
2019 Secretary of NPO PECAE DAY (current position)
LIFULL CONNCECT, S.LU. Board Member (current position)

Director, Executive Officer

YAMADA Takashi

[6 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
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
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
General Manager of AI Development Unit of the Company
2020 Director, Managing Officer, Head of AI Strategy Office and Head of LIFULL HOME'S Department Product Planning #2 Division (current position)

Director, Executive Officer

ITO Yuji

[New election / 8,300 shares]
Born in 1982
2006 Joined the Company
2015 Managing Officer, Head of HOME'S Business Department Rental and Sale Divisions
2016 Managing Officer, Head of HOME'S Business Department New UX Development Division
2018 Managing Officer, Deputy General Manager of LIFULL HOME'S Department and Head of Sale and New UX Development Divisions
2019 Managing Officer and General Manager of LIFULL HOME'S Department
2020 Managing Officer, General Manager and Head of LIFULL HOME'S Department Management Office (current position)

Outside Director

TAKAHASHI Masato

[7 years 6 months / 0 shares]
Born in 1959
1982 Joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.)
2007 Joined Rakuten, Inc.
2011 Managing Executive Officer of Rakuten, Inc.
2013 Outside Director of the Company (current position)
2017 Outside Director of EPARK, Inc.
2018 Outside Director of Fringe81 Co., Ltd. (current position)
Outside Director of WATABE WEDDING CORPORATION (current position)

Outside Director

KOBAYASHI Masatada

[1 year / 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)

Outside Director, Independent Officer

NAKAO Ryuichiro

[1 year / 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

[1 year / 700 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)
2020 Outside Director of SALA Corporation (current position)
Outside Director of The Shoko Chukin Bank, Ltd. (current position)
Outside Director of Musashi Seimitsu Industry Co., Ltd. (current position)

Audit & Supervisory Board Members (As of December 23, 2020)

Full-time Audit & Supervisory Board Member SHISHIDO Kiyoshi	Outside Audit & Supervisory Board Member MATSUSHIMA Kie	Outside Audit & Supervisory Board Member NAKAMORI Makiko	Outside Audit & Supervisory Board Member HANAI Takeshi

Audit & Supervisory Board Members (As of December 23, 2020)

Full-time Audit & Supervisory Board Member, Independent Officer

SHISHIDO Kiyoshi

[4 years 6 months / 4,100 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, Independent Officer

HANAI Takeshi

[7 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
2015 Outside Director of Nippon Seisen Co., Ltd. (current position)
2017 Outside Director of TATSUTA Electric Wire and Cable Co., Ltd. (current position)
2020 Outside Director of geechs inc. (current position)

Outside Audit & Supervisory Board Member, Independent Officer

NAKAMORI Makiko

[7 years 6 months / 0 shares]
Born in 1963
1987 Joined Nippon Telegraph And Telephone Corporation
1991 Joined Inoue Saito Eiwa Audit Corporation (currently KPMG AZSA 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)
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)

Outside Audit & Supervisory Board Member

MATSUSHIMA Kie

[New election / 0 shares]
Born in 1975
2001 Registered with Tokyo Bar Association
Associate of Tokiwa Law Office
2005 Technical Cooperation Expert Development Trainee of Japan International Cooperation Agency (Training in International Cooperation Department of Research and Training Institute, Ministry of Justice)
2006 Long-Term Expert in Uzbekistan of Japan International Cooperation Agency
2010 Senior Consultant of PricewaterhouseCoopers Russia B.V.
2014 Manager of PricewaterhouseCoopers Russia B.V.
2015 Manager of PricewaterhouseCoopers Advisory LLC
2017 Associate of Anderson Mori & Tomotsune LPC (current position)
2019 Outside Auditor of THE KAGOSHIMA BANK, LTD. (current position)
2020 Outside Audit & Supervisory Board Member of the Company (current position)

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

	Name	Independent Officer	Experience: IT	Experience: Management	Experience: Finance / Accounting	Experience: Global	Experience: Judicial Affairs	Reason for nomination	Number of Board of Directors (Audit & Supervisory Board) meetings attended in FY2020
Outside Directors	TAKAHASHI Masato	○	●					Mr. Masato Takahashi 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.	17 of 17 Board of Directors meetings
Outside Directors	KOBAYASHI Masatada	–		●		●		Mr. Masatada Kobayashi has worked for many years at Rakuten, Inc. since its founding and has gained abundant experience as a director for several Rakuten Group companies.	13 of 13 Board of Directors meetings
Outside Directors	NAKAO Ryuichiro	○		●				Mr. Ryuichiro Nakao 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.	13 of 13 Board of Directors meetings
Outside Directors	OKUBO Kazutaka	○			●			Mr. Kazutaka Okubo 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.	12 of 13 Board of Directors meetings
Outside Audit & Supervisory Board Members	SHISHIDO Kiyoshi	○		●		●		Mr. Kiyoshi Shishido 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
Outside Audit & Supervisory Board Members	HANAI Takeshi	○		●	●			Mr. Takeshi Hanai has many years of professional experience in the financial sector and as a director and auditor of affiliates of the Rakuten Group.	17 of 17 Board of Directors meetings, 17 of 17 Audit & Supervisory Board meetings
Outside Audit & Supervisory Board Members	NAKAMORI Makiko	○			●			While Ms. Makiko Nakamori'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.	17 of 17 Board of Directors meetings, 17 of 17 Audit & Supervisory Board meetings
Outside Audit & Supervisory Board Members	MATSUSHIMA Kie	–					●	Although Ms. Matsushima Kie has not been involved with corporate management other than as an outside officer, she has considerable experience and broad insight as an attorney-at-law.	Appointed in December 2020

IT　Management　Finance / Accounting　Global　Judicial Affairs

Managing Officers (As of December 31, 2020)

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

Human Resources	**Overseas**	**New Businesses**
Administration / Disclosure	Creative	**Investment M&A**

Managing Officer
CFO (Chief Financial Officer)
General Manager of Group Administration Promotion Department

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

Human Resources	Overseas	New Businesses
Administration / Disclosure	Creative	**Investment M&A**

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

Human Resources	Overseas	New Businesses
Administration / Disclosure	Creative	Investment M&A

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 Wunderman Thompson Tokyo, Senior Creative Director
2017 Joined the Company
2018 Managing Officer of the Company (current position)

Scope of Oversight

Human Resources	Overseas	New Businesses
Administration / Disclosure	**Creative**	Investment M&A

Corporate Governance

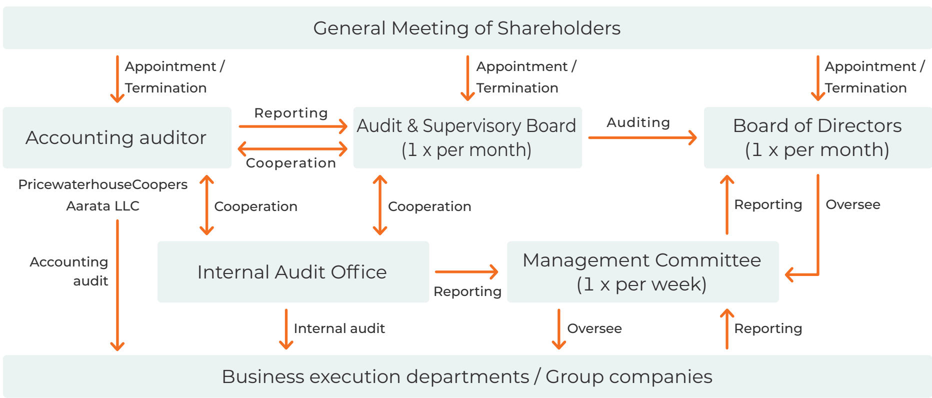
Basic Philosophy

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.

Governance Summary

Organization	Total Directors	Total Audit & Supervisory Board Members
Audit & Supervisory Board in Place	7 Outside members (including female directors) 4 (0)	4 Outside members (including female auditors) 4 (2)
Independent Directors (Including Auditors)	**Attendance of Outside Members at Board of Directors**	**Company Performance-based Remuneration**
6	Outside directors Avg. 98% Outside auditors Avg. 97%	Yes

Corporate Governance System



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.

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

We have formulated our "Policy on Independence of Outside Officers" based on the standards set by the Tokyo Stock Exchange in order to select highly independent outside officers. However, if the Board of Directors reasonably determines a candidate for outside director to be appropriate, the selection criteria stipulated in this policy will not prevent the selection of the candidate. In that case, the candidate shall not be designated as an independent officer.

For the full text of the Standards for Selecting Independent Outside Directors and Outside Audit & Supervisory Board Members, please refer to our website.
https://ir.lifull.com/ir/policy/governance/

Analysis and Evaluation Regarding the Effectiveness of the Board of Directors

With the goal of creating more corporate value, we have been analyzing and evaluating the effectiveness of the Board of Directors. The results of this evaluation for FY 2020/9 are as follows:

Methods of Analysis / Evaluation

All members of the Board of Directors and corporate auditors received and completed questionnaires regarding the effectiveness of the Board of Directors. After analyzing the data, the operating office reported on points for improvement to the Board of Directors and conducted discussions based on the results.

Primary Question Categories

· Members and composition of the Board of Directors
· Board of Directors standards
· Operation of the Board of Directors
· Discussions on the Mid-Term Management Plan and role of executives

Results for FY 2020/9

Based on the following aspects, we have determined that the Board of Directors has been effective:

Primary Reasons

· Diverse discussions are held during meetings also reflecting the opinions of outside directors
· Open dialogues are held during meetings
· Ample time for sharing documents and preparation has been available before meetings
· Ample time allocated for deliberation
· Satisfactory number of directors

Areas for Discussion and Improvement

· Criteria for items for discussion
There have been a large number of discussion items without enough time for deliberation on important matters, so the decision was made to revise the authority standards for FY 2020/9. We will continue to review the authority standards and make changes as necessary.

· Involvement with the Mid-Term Management Plan
We received a comment that although improvements were made, not enough time was devoted to reviewing the Mid-Term Management Plan during Board of Director meetings.

· Explanation and discussion of the appointment and dismissal of executives
Although the proposal for appointment of officers has been discussed, a new meeting including outside directors should be established that oversees the appointment and training of future executives. We will take these points into consideration for the future.

Remuneration of Directors and Audit & Supervisory Board Members

Remuneration amounts for directors and Auditory & 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 limits 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 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.

In order to ensure the fairness and impartiality of Audit and Supervisory Board members, as Audit and Supervisory Board members are responsible for auditing the business execution of the entire Group, remuneration of Audit and 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 and Supervisory Board.

Business Performance-based Remuneration

In view of our corporate philosophy and business strategy, compensation criteria related to business performance, such as profit return and productivity, are an important aspect. For this purpose, we monitor multiple key performance indicators including financial performance indicators such as gross profit, EBITDA and net income.

Business Contribution-based Remuneration

Apart from financial performance indicators, we believe other evidence is necessary to fully evaluate contributions to the mid- to long-term growth of the Group. Therefore, we have included contribution-based factors in evaluation criteria. Remuneration amounts will be based directly on contribution evaluations. Since these could also result in negative figures, evaluations are conducted based on a combination of contribution and performance-based criteria with the goal of strengthening contributions to the Group in the mid- to long-term.

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.

Total Remuneration

Classification	Number of recipients	Payment amount (thousands of yen)
Directors (particulars relating to Outside Directors)	5 persons (3 persons)	69,325 (16,000)
Audit & Supervisory Board Members (particulars relating Outside Audit & Supervisory Board Members)	4 persons (4 persons)	33,000 (33,000)
Total (particulars relating to Outside Officers)	9 persons (7 persons)	102,325 (49,000)

Note: As of the end of FY 2020/9, there were six directors (including four outside directors,) but one of them does not receive remuneration and has been excluded from the above count. Also, one director stepped down at the General Shareholders' Meeting held on December 19, 2019, but has also not been included, since they received no remuneration.

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	¥257,246 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 Investor Relations Officers communicate information in a timely manner via the IR section of the corporate website. As additional steps to promote constructive dialogues, our Investor Relations Officers hold 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.

Enforcement of Information Security

As an information service provider, the Group aims to safely maintain and utilize internal information as well as information entrusted to us by our customers. For this purpose, we have established a policy regarding information security for the security of our clients. Based on this policy, we have established a number of regulations to ensure information security and have educated our employees to maximize the appropriate management of all information.

Information Security Management Structure (ISMS)

We established our ISMS with the goal of ensuring that all employees possess the necessary security literacy to take actions in their daily work to protect all of the information assets and systems based on our security policy.

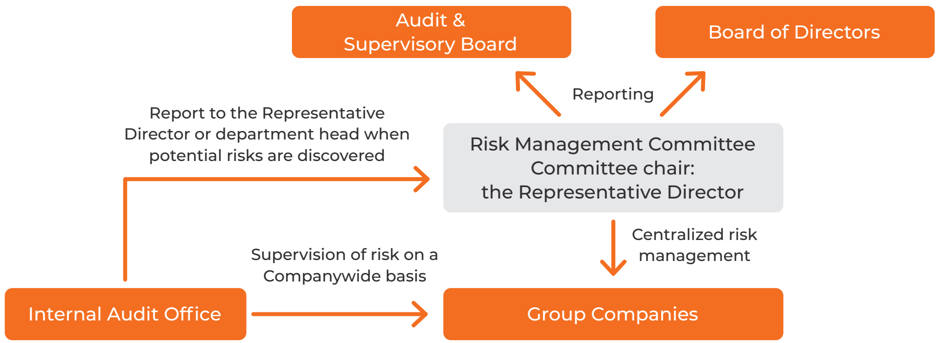
In addition, we have established a committee devoted to the management of confidential information as the decision-making body on information security issues within the Group. This committee is composed of a chairperson, members and operational staff and regularly deliberate arising security matters with the information system manager. The leaders of each individual department are responsible for the management of information systems within their department. In addition, we audit whether the structure and operation of each ISMS is functioning effectively and continue to maintain and improve information security.

Refer to our website for more details on information security
https://ir.lifull.com/ir/policy/governance/

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. Through active branding promotion providing support via smartphone apps, we are increasing the ratio of direct traffic. We also continue to adjust our SEO to appear at the top of search results.

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.

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.

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.

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.

Risks from Natural Disasters

We have formulated a business continuity plan (BCP) for emergencies. However in the event of an unanticipated large-scale disaster, epidemic or regional / international conflict, it may become impossible for the Group to continue business activities or provide its services. In addition, if the economy of an entire society becomes stagnant due to disaster or a prolonged period of impact, the need for the services provided by the Group may decline. The worldwide spread of COVID-19 is affecting the macro economy on a global scale, and as measures such as city lockdowns and restrictions on movement are being implemented around the world, users are refraining from searching for a place to live thereby reducing demand. This has affected multiple services operated by the Group in Japan and overseas, such as reduced advertising volumes due to the suspension of business activities of real estate companies. If the numbers of new infections or period of impact of COVID-19 continues, it may affect the business performance of the Group.

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.

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.

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.

Other Risks

Dividend Policy

As we actively promote and develop our business, we are making investments for future growth in order to continue to increase profitability and strengthen our financial position. For this purpose, our policy is to balance profit sharing with investors with retained earnings. In regard to dividends, our fundamental policy is to flexibly distribute profit based on the results of each fiscal year in regard to our mid- to long-term business plans. Therefore, if the Group should have negative results in a given fiscal year, dividends may be reduced to zero.

The Group's Relationship with Rakuten Group, Inc.

As of September 30, 2020, Rakuten Group, Inc. is a major shareholder in LIFULL, holding 18.06% of the shares, and Rakuten Group, Inc. is classified as one of our "other affiliated companies." We have had a wide-ranging and amicable relationship with Rakuten Group, Inc., including business transaction relationships such as LIFULL posting its real estate information on websites operated by Rakuten Group, Inc. It is unclear whether the 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://ir.lifull.com/ir/ir-data/

FACT DATA

04

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	2017/3	2017/9	2018/9	2019/9	2020/9
Consolidated Operating Results (For the Year)					
Revenue	29,920	15,948	34,564	39,297	35,402
Revenue by Segment*1					
HOME'S Services Segment*2	—	13,289	28,611	29,708	27,179
Domestic Real Estate Information Services*2	21,176	—	—	—	—
Domestic Services for Realtors*2	6,864	—	—	—	—
Overseas Segment	3,193	1,718	3,954	7,799	6,574
Other Businesses Segment	833	983	2,112	1,994	1,927
Cost of Sales	3,080	1,862	3,879	4,559	4,096
Selling, General and Administrative Expenses	21,408	12,446	25,354	29,537	24,996
Personnel Expenses	7,039	3,810	7,791	8,702	8,960
Advertising Expenses	8,400	5,414	11,384	13,273	10,487
Operating Expenses	1,010	455	943	925	464
Other Costs	4,957	2,766	5,235	6,636	5,083
EBITDA*3	5,312	1,536	5,382	5,360	4,504
Depreciation and Amortization Expenses	1,245	519	1,067	1,176	2,006
Operating Income	4,066	1,016	4,315	4,184	2,497
Operating Income by Segment*1					
HOME'S Services Segment*2	—	1,067	3,864	3,311	3,910
Domestic Real Estate Information Services*2	3,842	—	—	—	—
Domestic Services for Realtors*2	–117	—	—	—	—
Overseas Segment	346	131	490	1,024	807
Other Businesses Segment	–22	–120	–186	–340	–396
Net Profit Attributable to Owners of the Parent	2,765	489	2,859	2,406	1,170
Consolidated Financial Position (At Year-End)					
Total Assets	27,110	26,363	29,181	43,672	55,319
Total Equity Attributable to Owners of the Parent	18,471	19,227	21,881	32,551	33,495
Interest-bearing Liabilities	1,454	970	—	3,638	9,398
Net Interest-bearing Liabilities*4	–4,592	–4,539	—	–5,680	3,682
Consolidated Cash Flows (For the Year)					
Cash Flows from Operating Activities	3,163	1,909	4,671	2,166	4,884
Cash Flows from Investing Activities	–2,134	–999	–1,533	–2,836	–1,730
Cash Flows from Financing Activities	–1,517	–1,601	–1,072	2,782	3,391
Free Cash Flow*5	1,028	910	3,138	–670	3,153
Capital Expenditures	1,654	258	602	564	1,051
R&D Expenses	60	25	61	130	89

IFRS	2017/3	2017/9	2018/9	2019/9	2020/9
Financial Indicators					
EBITDA Margin (%)	17.8	9.6	15.6	13.6	12.7
Operating Income Margin (%)	13.6	6.4	12.5	10.6	7.1
Return on Equity (ROE) (%)	15.6	2.6	13.9	8.8	3.5
Return on Assets (ROA) (%)	15.6	3.6	15.0	10.0	4.3
Debt to Equity Ratio (times)*6	0.08	0.05	—	0.11	0.42
Equity Attributable to Owners of the Parent Ratio (%)	68.1	72.9	75.0	74.5	60.5
Amounts per Share					
Net Profit Attributable to Owners of the Parent (yen)					
Basic	23.30	4.12	24.09	18.52	8.77
Diluted	—	—	—	—	—
Dividends (yen)	5.66	0.82	6.02	4.40	5.29
Dividend Payout Ratio (%)	24.3	19.9	25.0	25.0*7	60.3
Equity Attributable to Owners of the Parent per Share (yen)	155.59	161.96	184.32	242.62	254.18
Stock Price					
Share Price at Fiscal Year-End (yen)	755.0	978.0	630.0	703.0	443.0
Price to Earnings Ratio (PER) (times)	32.40	237.37	26.15	37.95	50.51
Price to Book Value Ratio (PBR) (times)	4.85	6.03	3.41	2.89	1.74
Other					
Number of Consolidated Employees	1,140	1,207	1,274	1,548	1,470*8

*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)

Shareholder Information

(As of September 30, 2020)

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: https://ir.lifull.com/

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

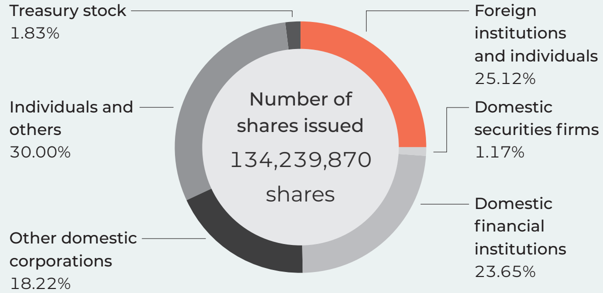
Questions on stocks and dividends
Please direct inquiries to the abovementioned administrator of shareholder lists. Shareholders using securities firms, please direct inquiries to the firm administering the account.

Major Shareholders

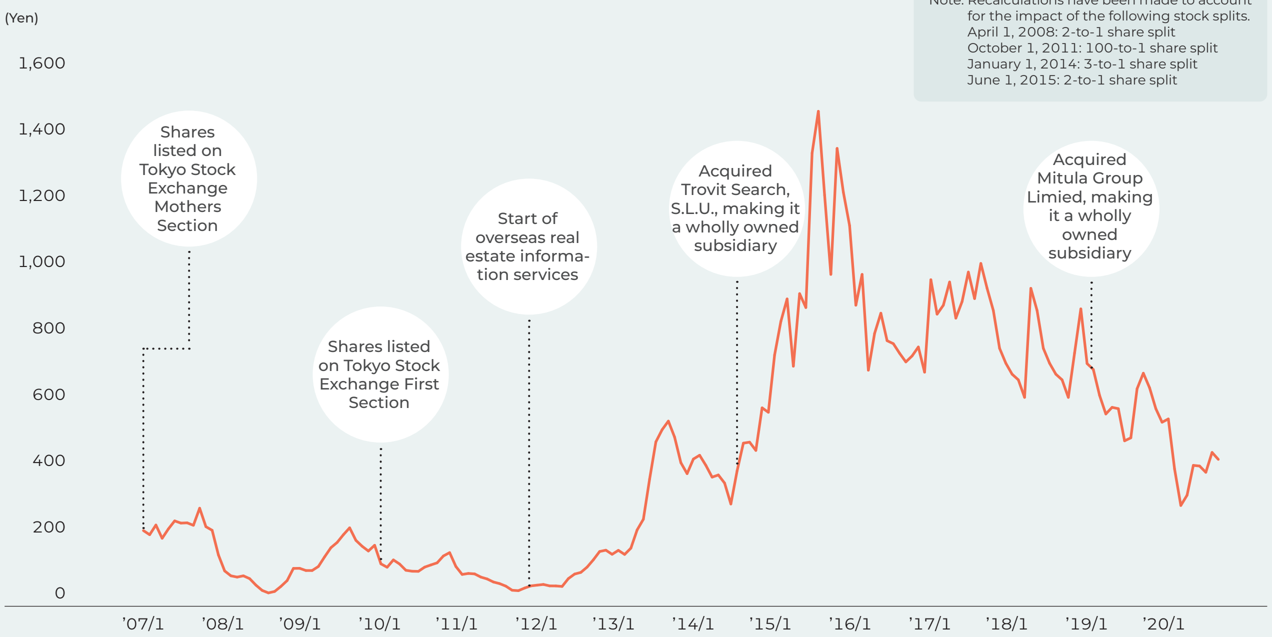
Name	Number of shares	Investment ratio
INOUE Takashi	27,941,000	21.20
Rakuten Group, Inc.	23,797,100	18.06
Custody Bank of Japan, Ltd. (Trust Account)	18,352,900	13.93
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,464,400	5.66
CBS/DCV CLIENTS	5,227,675	3.97
THE BANK OF NEW YORK MELLON 140051	3,208,000	2.43
GOMI Daisuke	2,700,000	2.05
BNYM NON-TREATY DTT	2,440,300	1.85
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	2,273,600	1.73
SAJAP	1,798,100	1.36

Note: Calculations for investment ratio exclude treasury stock (2,458,256 shares)

Distribution of Shareholders



Stock Price Performance



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

Consolidated Financial Statements

Consolidated Statements of Financial Position

LIFULL Co., Ltd. and its consolidated subsidiaries
As of September 30, 2019 and 2020

(Thousands of yen)

	Notes	2019	2020
Assets			
Current assets			
Cash and cash equivalents	8, 25	9,239,027	15,962,746
Accounts receivable-trade and other current receivables	9, 25	5,494,381	4,723,158
Other short-term financial assets	17, 25	281,916	624,112
Other current assets	18	1,139,444	1,773,193
Total current assets		16,154,769	23,083,211
Non-current assets			
Property, plant and equipment	10, 13	1,706,743	1,756,982
Right-of-use assets	10, 13, 21	–	4,476,985
Goodwill	12, 13	19,857,589	19,913,128
Intangible assets	11, 13	2,464,202	2,250,189
Investments accounted for using the equity method	15	671,210	447,167
Other long-term financial assets	17, 25	1,843,408	2,071,117
Deferred tax assets	16	962,652	1,307,541
Other non-current assets	18	12,047	13,275
Total non-current assets		27,517,855	32,236,387
Total assets		43,672,624	55,319,599

(Thousands of yen)

	Notes	2019	2020
Liabilities and equity			
Liabilities			
Current liabilities			
Accounts payable and other current payables	19, 25	3,630,173	2,664,624
Short-term loans	17, 20, 25	3,300,000	8,631,569
Lease liabilities	20, 21	5,201	832,799
Accrued corporate income taxes		687,308	1,249,737
Provisions	22	–	42,333
Other current liabilities	18	1,863,096	2,594,973
Total current liabilities		9,485,780	16,016,038
Non-current liabilities			
Long-term loans	17, 20, 25	258,300	767,298
Lease liabilities	20, 21	75,398	3,720,010
Provisions	22	560,589	510,657
Deferred tax liabilities	16	650,189	302,094
Other non-current liabilities	18	14,882	356,171
Total non-current liabilities		1,559,359	5,656,232
Total liabilities		11,045,140	21,672,270
Equity			
Equity attributable to owners of the parent			
Capital stock	23	9,716,363	9,716,363
Capital surplus	23	9,922,432	9,922,957
Retained earnings	23	16,086,854	16,842,500
Treasury shares	23	(9,114)	(1,009,262)
Other components of equity	23	(3,165,034)	(1,976,672)
Total equity attributable to owners of the parent		32,551,501	33,495,885
Equity 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

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Profit or Loss

LIFULL Co., Ltd. and its consolidated subsidiaries
For the fiscal years ended September 30, 2019 and 2020

(Thousands of yen)

	Note	2019 (October 1, 2018, to September 30, 2019)	2020 (October 1, 2019, to September 30, 2020)
Revenue	26	39,297,010	35,402,758
Cost of revenue	27	4,559,840	4,096,838
Gross profit		34,737,170	31,305,920
Selling, general and administrative expenses	21, 28	30,713,587	27,002,781
Other income	29	745,638	113,534
Other expenses	29	584,579	1,919,054
Operating profit		4,184,642	2,497,617
Financial revenue	30	4,917	3,769
Financial expenses	21, 30	35,232	102,805
Share of profit (loss) of investments accounted for using the equity method	15	(528,197)	(249,990)
Profit before taxes		3,626,130	2,148,590
Income tax expenses	16	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)

	Note	2019	2020
Profit (loss) for the period per share attributable to owners of the parent			
Basic earnings per share	32	18.52	8.77
Diluted earnings per share	32	18.52	8.77

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

LIFULL Co., Ltd. and its consolidated subsidiaries
For the fiscal years ended September 30, 2019 and 2020

(Thousands of yen)

	Note	2019 (October 1, 2018, to September 30, 2019)	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	**31**	(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 to profit or loss, net of tax			
Exchange differences on translation of foreign operations	**31**	(2,381,258)	**1,156,045**
Share of other comprehensive income of investments accounted for using the equity method	**15, 31**	(7,240)	**(16,429)**
Total of items that may be reclassified to profit or loss		(2,388,498)	**1,139,616**
Other comprehensive income, (after tax)		(2,403,922)	**1,363,486**
Total comprehensive income		(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**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Equity

LIFULL Co., Ltd. and its consolidated subsidiaries

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
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		—	—	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	24	—	—	(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	1,686,854	(9,114)	(3,165,034)	32,551,501	75,982	32,627,484

Fiscal year ended September 30, 2020 (October 1, 2019, to September 30, 2020)

(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, 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		—	—	1,170,782	—	1,363,553	2,534,335	4,702	2,539,038
Dividends of surplus	24	—	—	(590,327)	—	—	(590,327)	(1,209)	(591,537)
Transfer to retained earnings		—	—	175,191	—	(175,191)	—	—	—
Purchase of treasury shares		—	—	—	(1,000,148)	—	(1,000,148)	—	(1,000,148)
Capital transactions with owners of non-controlling interests		—	525	—	—	—	525	38,774	39,300
Increase by business combinations		—	—	—	—	—	—	33,864	33,864
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

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

LIFULL Co., Ltd. and its consolidated subsidiaries
For the fiscal years ended September 30, 2019 and 2020

(Thousands of yen)

	Note	2019 (October 1, 2018, to September 30, 2019)	2020 (October 1, 2019, to September 30, 2020)
Cash flow from operating activities			
Profit before taxes		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
Cash flow from investing activities			
Proceeds from sale of equity 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	33	(1,645,463)	(593,045)
Proceeds from acquisition of subsidiaries		–	35,461
Proceeds from sale of shares in subsidiaries	33	473,216	–
Payments for lease and guarantee deposits		(92,196)	(16,966)
Proceeds from refund of leasehold deposits and guarantee deposits		4,608	24,134
Purchase of shares of affiliates		(421,501)	(7,212)
Payments of loans receivable	33	(1,273,492)	(1,085,500)
Collection of loans receivable		767,540	560,518
Other		(189)	(3,281)
Net cash from investing activities		(2,836,909)	(1,730,477)

(Thousands of yen)

	Note	2019 (October 1, 2018, to September 30, 2019)	2020 (October 1, 2019, to September 30, 2020)
Cash flow from financing activities			
Proceeds from short-term loans	20	3,600,000	10,710,128
Repayment of short-term loans	20	(300,000)	(6,430,000)
Proceeds from long-term loans	20	258,300	2,392,700
Repayment of long-term loans	20	–	(833,350)
Dividends paid		(714,016)	(590,294)
Repayment of lease liabilities	20	(4,205)	(905,817)
Dividends paid to non-controlling interests		(6,475)	(1,881)
Purchase of shares in subsidiaries		(8,304)	–
Proceeds from share issuance to non-controlling interests		–	40,300
Purchase of treasury shares		(420)	(1,000,148)
Other		(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 in cash and cash equivalents		1,667,714	6,723,719
Cash and cash equivalents at beginning of period	8	7,571,312	9,239,027
Cash and cash equivalents at end of period	8	9,239,027	15,962,746

The accompanying notes are an integral part of these financial statements.

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, 2019, to September 30, 2020) and the Non-consolidated Financial Statements for the fiscal year (from October 1, 2019, to September 30, 2020) 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 "7. 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

Not applicable.

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.

(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 entity 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 classified as held for sale or asset groups to be disposed of 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.

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, 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 into FVTPL debt instrument assets or FVTPL equity instrument 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.

(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: five years
- Trademark rights: five years
- Customer-related assets: six 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 or cash-generating unit groups that are expected to benefit from the synergies of business consolidation. If there is any indication that the cash-generating unit or cash-generating unit group 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 five-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.

Revenue recognition standards by segment and performance obligations
(i) HOME'S Services
The HOME'S Services segment consists of advertising-related services, including comprehensive information services on real estate and housing, "LIFULL HOME'S" and Internet marketing services for real estate business operators. Revenues are mainly generated from "LIFULL HOME'S" and Internet marketing, and recognized as follows:

i) "LIFULL HOME'S"
LIFULL HOME'S is a platform providing information about real estate where users can inquire about listed properties and be connected with real estate professionals.

(a) Providing a platform and advertising
The performance obligation of this service is to provide a platform for posting property information on the LIFULL HOME'S website for a certain period of time and to post advertisement on the website for a certain period of time, based on customers' applications. This performance obligation is satisfied over the period of services; thus, revenue is recognized on a straight-line basis over the respective period of time.

(b) User transfer services
The performance obligation of this service is to transfer a user to the respective customer through "LIFULL HOME'S."
This performance obligation is satisfied when a user makes an inquiry to the respective customer; thus, revenue is recognized based on the actual number of inquiries.

ii) Internet Marketing
As the Internet marketing service for real estate business operators, the Group provides the advertising service, advertising operations agent service and consulting service to support promotion and production.

(a) Advertising service, advertising operations agent service
The performance obligation of this service is to post advertisements on the internet and operate advertisement as an agent on behalf of a customer over a certain period of time.
This advertising operation service is provided over a certain period of time and this performance obligation is satisfied over the period of operation; thus, revenue is recognized on a straight-line basis over the respective period of time.

(b) Consulting service and business support
The performance obligation of this service is to deliver a produced outcome to a customer. This performance obligation is satisfied when the product is completed and delivered; thus, revenue is recognized at that time.

(ii) Overseas
The Overseas segment 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. The revenue is recognized as follows:

i) Search Advertising
The performance obligation of this service is to transfer a user to the website of a customer who posts search advertisements through the Company. This performance obligation is satisfied when a users clicks a search advertisement; thus, revenue is recognized at that time.

ii) Advertisements
The performance obligation of this service is to transfer a user to a website of the customer who posts advertisement through an aggregation site. This performance obligation is satisfied when a user clicks an advertisement on the website; thus, revenue is recognized at that time.

(iii) Other Businesses
This segment consists of search sites for nursing homes (LIFULL *Kaigo*), rental storage space (LIFULL Trunk Room) and moving services (LIFULL *Hikkoshi*) as well as other businesses.
The performance obligation of this service is to provide a platform and provide information for a certain period of time. The services are continuously provided and this performance obligation is satisfied over the respective contract period; thus, revenue is recognized on a straight-line basis over the respective contract period.

(15) Leases
The Group has adopted IFRS 16 from the fiscal year ended September 30, 2020; however, the Group has decided not to restate comparative information based on the transitional measures in IFRS 16. Accounting policies for the fiscal year ended September 30, 2020, are as follows:
The Group assesses whether a contract is, or contains, a lease at inception of the contract. The lease term is determined as the non-cancellable period of the lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The Group decides not to recognize a right-of-use asset and a lease liability for short-term leases and leases for which the underlying asset is of low value.

(Lessee)
(i) Lease Transaction of Intangible Assets
The Group has not applied IFRS 16 for lease transactions of intangible assets.

(ii) Right-of-use Assets
A right-of-use asset is recognized at the commencement date of the lease. At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:
(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, adopting a cost model, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses.
The right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, unless the Group is reasonably certain to acquire ownership of the underlying asset at the end of the lease term.
The useful life of the right-of-use asset is determined in the same manner as property, plant and equipment.

(iii) Lease Liabilities
The Group recognizes a lease liability at the commencement date of the lease. The Group measures the lease liability 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 lease payments are discounted using the incremental borrowing rate.
In measuring a lease liability, by applying a practical expedient, the Group decides not to separate non-lease components from lease components, and instead recognizes each lease component and any associated non-lease components as a single lease component. The lease payments included in the measurement of the lease liability mainly comprise (a) fixed payments, (b) lease payments for an extension period if the lessee is reasonably certain to exercise the option to extend the lease and (c) payments resulting from termination penalties unless the lessee is reasonably certain not to exercise the option to terminate the lease.
After the commencement date, the Group increases or decreases the carrying amount of the lease liability to reflect interest on the lease liability and the lease payments made. If the lease liability is reassessed or lease modifications are made, the lease liability is remeasured and the carrying amount of the right-of-use asset is adjusted.
Comparative information is in accordance with IAS 17. Accounting policies for the fiscal year ended September 30, 2019 is as follows:
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 Statement 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 16	Leases	Identification, accounting processing and disclosure requirements of lease contracts

(1) Application of IFRS 16 "Leases"
The Group retrospectively adjusted its leases by recognizing the cumulative effect of initially applying IFRS 16 "Leases" (hereinafter "IFRS 16") as an adjustment to the opening balance of retained earnings at the date of initial application (October 1, 2019) in accordance with transitional measures in IFRS 16. Accordingly, the Group does not restate the consolidated financial statements for the fiscal year ended September 30, 2019, as comparative information.

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 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" (hereinafter "IAS 17"), 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 reassessment of whether a contract is, or contains, a lease at the date of initial application. For this reason, IFRS 16 is applied to contracts that were previously identified as leases and not applied to contracts that were not previously identified as leases applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease."

Accordingly, the Group has applied the identification of a lease based on IFRS 16 to contracts entered into or revised on or after the date of initial application.
In addition to the above, the Group has adopted the following practical expedients, which are permitted as transitional measures, for operating leases previously classified as an operating lease applying IAS 17. The Group determines whether to apply these practical expedients on a lease-by-lease basis.
- The practical expedient that a lessee may rely on its assessment of whether leases are onerous applying IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative to performing an impairment review of the right-of-use asset at the date of initial application.
- The practical expedient that a lessee may exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The practical expedient that a lessee may use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Due to the application of IFRS 16, right-of-use assets increased by 6,039,810 thousand yen, lease liabilities increased by 6,063,585 thousand yen and accrued expenses under other liabilities decreased by 23,775 thousand yen at the date of initial application.

A right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

A lease liability is measured at the present value of the lease payments that are not paid at that date using the Group's incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to lease liabilities is 1.18%. Regarding future minimum lease payments for operating leases disclosed applying IAS 17 at the end of the fiscal year ended September 30, 2019, the reconciliation of the difference between the future minimum lease payments discounted using the incremental borrowing rate at the date of initial application and lease liabilities recognized in the Consolidated Statement of Financial Position at the date of initial application is as follows:

(Thousands of yen)

Future undiscounted minimum lease payments for operating leases at September 30, 2019	5,213,920
Discount adjustment for future minimum lease payments for operating leases above	(320,079)
Future discounted minimum lease payments for operating leases at October 1, 2019	4,893,840
Leases classified as finance leases	80,600
Adjustment due to review of lease term	1,252,711
Adjustment due to other factors	(82,965)
Lease liabilities at October 1, 2019	6,144,185

(2) Significant Accounting Policies Changed in Accordance with Application of New Standards and Interpretations
The Group assesses whether a contract is, or contains, a lease at inception of the contract. The lease term is determined as the non-cancellable period of the lease together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The Group decides not to recognize right-of-use assets and lease liabilities for short-term leases and leases for which the underlying asset is of low value.

The Group has adopted IFRS 16 from the fiscal year ended September 30, 2020; however, the Group has decided not to restate comparative information based on the transitional measures in IFRS 16. Accordingly, comparative information is in accordance with IAS 17. Accounting policies for the fiscal year ended September 30, 2020, are as follows:

(Lessee)
(i) Lease Transactions of Intangible Assets
The Group has not applied IFRS 16 for lease transactions of intangible assets.

(ii) Right-of-use Assets
A right-of-use asset is recognized at the commencement date of the lease. At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:
(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, adopting a cost model, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. The right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, unless the Group is reasonably certain to acquire ownership of the underlying asset at the end of the lease term.
The useful life of the right-of-use asset is determined in the same manner as property, plant and equipment.

(iii) Lease Liabilities
The Group recognizes a lease liability at the commencement date of the lease. The Group measures the lease liability 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 lease payments are discounted using the incremental borrowing rate. In measuring a lease liability, by applying a practical expedient, the Group decides not to separate non-lease components from lease components, and instead recognize each lease component and any associated non-lease components as a single lease component. The lease payments included in the measurement of the lease liability mainly comprise (a) fixed payments, (b) lease payments for an extension period if the lessee is reasonably certain to exercise the option to extend the lease and (c) payments resulting from termination penalties unless the lessee is reasonably certain not to exercise the option to terminate the lease.

After the commencement date, the Group increases or decreases the carrying amount of the lease liability to reflect interest on the lease liability and the lease payments made. If the lease liability is reassessed or lease modifications are made, the lease liability is remeasured and the carrying amount of the right-of-use asset is adjusted.

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 or cash-generating unit groups consisting of property, plant and equipment; goodwill; intangible assets, etc. (3. Significant Accounting Policies (9) and 13. 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 25. Financial Instruments (4) Fair Value of Financial Instruments)

(Additional Information)
The spread of COVID-19 has had a broad impact on the economy and business activities. It is difficult to predict how it will spread and when it will be contained. Based on the information available as of the end of the current fiscal year, the Group has made accounting estimates regarding matters including the impairment of goodwill, based on the assumption that such effects will continue for a certain period of time in the next fiscal year and thereafter.

6. Changes in Accounting Estimates

(Change in Terms of Leases)
At the Company and certain consolidated subsidiaries, it was resolved to cancel lease contracts of certain offices and move. Accordingly, the lease liabilities are remeasured based on the changes in lease terms and adjustments to carrying amount of right-of-use assets.

As a result, comparing to balances before change, the balances of right-of-use assets and lease liabilities decreased by 794,800 thousand yen and 802,361 thousand yen, respectively, and retained earnings increased by 7,561 thousand yen.

7. 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 advertising-related services of comprehensive real estate and housing information "LIFULL HOME'S", internet marketing services for real estate business operators and operation of the website for information on real estate investment and investment properties "Kenbiya."
Overseas	Operation of aggregation websites for real estate/housing, used cars and job listings "Trovit" and "Mitula."

(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, 2020

(Thousands of yen)

	Reportable segment		Other Businesses*2	Total	Reconciliation*3	Consolidated
	HOME'S Services	Overseas				
Revenue						
Customers	27,136,272	6,377,627	1,888,857	35,402,758	—	35,402,758
Intersegment	42,883	197,264	38,668	278,815	(278,815)	—
Total	27,179,155	6,574,892	1,927,526	35,681,574	(278,815)	35,402,758
Segment profit (loss)*1	3,910,463	807,703	(396,933)	4,321,234	(18,095)	4,303,138
Other income (expense)						(1,805,520)
Operating profit						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						
Depreciation and amortization	1,433,189	515,381	58,091	2,006,662	—	2,006,662

*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* (moving house), a website providing comprehensive estimates and online bookings for moving services and other new businesses.
*3 Adjustments to segment profit (loss) include elimination of intersegment transactions.

Fiscal year ended September 30, 2019

(Thousands of yen)

	Reportable segment		Other Businesses*2	Total	Reconciliation*3	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)*1	3,311,615	1,024,925	(340,858)	3,995,682	27,900	4,023,583
Other income (expense)						161,059
Operating profit						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	720,161	403,993	51,928	1,176,084	—	1,176,084

*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 Major Goods or Services

Fiscal year ended September 30, 2020

(Thousands of yen)

	LIFULL HOME'S	Internet marketing	Overseas media	Other	Total
Revenues from outside customers	23,609,550	3,446,730	6,351,142	1,995,335	35,402,758

Fiscal year ended September 30, 2019

(Thousands of yen)

	LIFULL HOME'S	Internet marketing	Overseas media	Other	Total
Revenues from outside customers	25,416,762	4,237,969	7,660,666	1,981,612	39,297,010

(Reason for Change)
When establishing the Mid-Term Management Plan, the Group evaluates its own businesses and services and determines how to invest for growth based on its segment units of HOME'S Services, Overseas and Other Businesses, which are mainly classified by market. Each segment consists of multiple services, each of which is different in terms of profitability. By classifying into LIFULL HOME'S, Internet marketing and Overseas media, which have a significant impact on the earnings and profit generated from the Group's performance, for the disclosure to investors and shareholders, the Group believes it enables to make the understanding and evaluation to the Group more in line with the actual performance; thus, the Group has changed the classification.

(4) Information on Non-current Assets by Region

Fiscal year ended September 30, 2020

(Thousands of yen)

	Japan	Europe	Other	Total
Non-current assets	7,691,285	20,616,481	89,518	28,397,286

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	29,027,517	3,343,995	3,031,245	35,402,758

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, 2019

(Thousands of yen)

	Japan	Europe	Other	Total
Non-current assets	3,127,538	20,810,713	90,284	24,028,536

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

(5) 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, this item has been omitted.

8. 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, 2019	As of September 30, 2020
Cash and deposits	9,239,027	**15,962,746**
Total	9,239,027	**15,962,746**

Note: Cash and cash equivalents receivables are classified into financial assets measured at amortized cost.

9. 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, 2019	As of September 30, 2020
Accounts receivable–trade	4,737,670	**4,001,979**
Accounts receivable–other	846,204	**831,490**
Allowance for credit losses	(89,493)	**(110,311)**
Total	5,494,381	**4,723,158**

Note: Accounts receivable–trade and other short-term current receivables are classified into financial assets measured at amortized cost.

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, 2019	Fiscal year ended September 30, 2020
Beginning balance	34,132	**89,493**
Increase during the period (provision)	32,860	**91,777**
Business combinations	64,167	**19**
Decrease during the period (utilization)	(2,519)	**(5,270)**
Decrease during the period (reversal)	(25,724)	**(66,793)**
Exchange differences on translation of foreign operations	(13,423)	**1,084**
Ending balance	89,493	**110,311**

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.

10. Property, Plant and Equipment and Right-of-use Assets

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

(Thousands of yen)

Acquisition cost	Buildings	Tools, equipment and supplies	Leased assets	Construction in progress	Other	Total property, plant and equipment	Right-of-use assets
Balance as of October 1, 2018	1,725,873	740,194	90,321	339	7,874	2,564,602	—
Acquisition	71,552	98,843	—	29,964	345	200,707	—
Reclassification from construction in progress	22,398	2,000	—	(24,398)	—	—	—
Business combinations	—	69,166	—	—	127	69,293	—
Disposition	(4,628)	(42,621)	—	(339)	(1,180)	(48,769)	—
Impairment loss	(13,442)	—	—	—	—	(13,442)	—
Deconsolidation	—	(4,576)	—	(5,238)	—	(9,814)	—
Exchange differences on translation of foreign operations	(6,947)	(39,272)	—	—	(218)	(46,439)	—
Balance as of September 30, 2019	1,794,805	823,733	90,321	328	6,948	2,716,137	—
Cumulative effect from the change in accounting policies	**—**	**—**	**(90,321)**	**—**	**—**	**(90,321)**	**6,105,293**
Acquisition	**325,013**	**164,483**	**—**	**8,968**	**1,845**	**500,310**	**82,685**
Reclassification from construction in progress	**3,109**	**5,477**	**—**	**(8,587)**	**—**	**—**	**—**
Business combinations	**2,139**	**9**	**—**	**—**	**—**	**2,148**	**—**
Disposition	**(49,051)**	**(200,129)**	**—**	**—**	**—**	**(249,181)**	**—**
Exchange differences on translation of foreign operations	**3,075**	**22,300**	**—**	**—**	**137**	**25,513**	**30,292**
Changes due to change in terms	**—**	**—**	**—**	**—**	**—**	**—**	**(795,460)**
Balance as of September 30, 2020	**2,079,092**	**815,874**	**—**	**709**	**8,930**	**2,904,607**	**5,422,811**

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

(Thousands of yen)

Accumulated depreciation and accumulated impairment	Buildings	Tools, equipment and supplies	Leased assets	Construction in progress	Other	Total property, plant and equipment	Right-of-use assets
Balance as of October 1, 2018	(299,863)	(436,351)	(15,806)	—	(1,872)	(753,893)	—
Depreciation	(200,363)	(123,444)	(9,032)	—	(1,458)	(334,298)	—
Disposition	7,785	36,206	—	—	—	43,991	—
Excluding from consolidation	—	329	—	—	—	329	—
Exchange differences on translation of foreign operations	2,934	31,404	—	—	138	34,477	—
Balance as of September 30, 2019	(489,506)	(491,856)	(24,838)	—	(3,192)	(1,009,393)	—
Cumulative effect from the change in accounting policies	—	—	24,838	—	—	24,838	—
Depreciation	(228,172)	(141,355)	—	—	(1,783)	(371,311)	(942,180)
Disposition	38,234	188,184	—	—	—	226,418	—
Exchange differences on translation of foreign operations	(1,705)	(16,361)	—	—	(109)	(18,176)	(3,644)
Balance as of September 30, 2020	(681,150)	(461,388)	—	—	(5,085)	(1,147,625)	(945,825)

(Thousands of yen)

Book value	Buildings	Tools, equipment and supplies	Leased properties	Construction in progress	Other	Total property, plant and equipment	Right-of-use assets
Balance as of October 1, 2018	1,426,010	303,843	74,515	339	6,001	1,810,709	—
Balance as of September 30, 2019	1,305,299	331,876	65,483	328	3,756	1,706,743	—
Balance as of September 30, 2020	1,397,941	354,485	—	709	3,845	1,756,982	4,476,985

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.

11. 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, 2018	4,456,857	1,456,353	162,658	6,075,868
Acquisition	34,474	—	12,281	46,756
Internal development	382,124	—	—	382,124
Business combinations	139,250	881,801	199,671	1,220,724
Disposition	(177,890)	—	—	(177,890)
Impairment loss	(73,774)	—	—	(73,774)
Exchange differences on translation of foreign operations	(23,708)	(182,717)	(27,364)	(233,790)
Balance as of September 30, 2019	4,737,333	2,155,437	347,247	7,240,018
Acquisition	273,578	—	143	273,721
Internal development	288,788	—	—	288,788
Business combinations	7,165	—	—	7,165
Disposition	(333,799)	—	—	(333,799)
Exchange differences on translation of foreign operations	16,353	97,092	15,810	129,257
Balance as of September 30, 2020	4,989,419	2,252,530	363,201	7,605,152

(Thousands of yen)

Accumulated amortization and accumulated impairment	Software	Customer-related assets	Other	Total
Balance as of October 1, 2018	(3,109,287)	(832,310)	(115,958)	(4,057,555)
Amortization	(551,660)	(259,547)	(55,802)	(867,009)
Disposition	27,410	—	—	27,410
Exchange differences on translation of foreign operations	15,366	90,832	15,139	121,339
Balance as of September 30, 2019	(3,618,170)	(1,001,024)	(156,620)	(4,775,815)
Amortization	(389,232)	(275,302)	(48,705)	(713,240)
Disposition	216,155	—	—	216,155
Exchange differences on translation of foreign operations	(5,792)	(52,723)	(23,546)	(82,062)
Balance as of September 30, 2020	(3,797,039)	(1,329,051)	(228,872)	(5,354,962)

(Thousands of yen)

Book value	Software	Customer-related assets	Other	Total
Balance as of October 1, 2018	1,347,570	624,043	46,699	2,018,313
Balance as of September 30, 2019	1,119,162	1,154,413	190,626	2,464,202
Balance as of September 30, 2020	1,192,380	923,479	134,329	2,250,189

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 130,984 thousand yen in the previous consolidated fiscal period and 89,825 thousand yen in the current fiscal year.

12. Goodwill

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

(Thousands of yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
(Acquisition cost)		
Beginning balance	9,806,312	20,113,485
Business combinations	12,086,922	763,234
Exchange differences on translation of foreign operations	(1,779,749)	911,506
Ending balance	20,113,485	21,788,226
(Accumulated impairment)		
Beginning balance	—	(255,895)
Impairment losses	(255,895)	(1,619,202)
Ending balance	(255,895)	(1,875,098)
(Book value)		
Beginning balance	9,806,312	19,857,589
Ending balance	19,857,589	19,913,128

13. Impairment of Non-Financial Assets

(1) Impairment of Property, Plant and Equipment, Right-of-Use Assets and Intangible Assets

The Group determines whether there are any signs of impairment in property, plant and equipment; right-of-use assets 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, right-of-use assets and intangible assets are grouped in the smallest cash-generating unit that will generate gen erally independent cash inflows.

Within the previous fiscal year, the book value of buildings and software held by subsidiaries was reduced to the recoverable amount, and an impairment loss of 87,217 thousand yen was 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 recoverable amount was measured as zero as a result of determining the recoverable amount to be the value in use.

The Group did not recognize impairment losses for the current fiscal year.

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)

Cash-generating unit or cash-generating unit group	As of September 30, 2019	As of September 30, 2020
LIFULL CONNECT*1,2	19,430,097	18,724,194
Other*3	427,492	1,188,934
Total	19,857,589	19,913,128

*1. While applying a preliminary accounting treatment to estimate the amount as of September 30, 2019, the Company finalized the amount as of September 30, 2020. Accordingly, the allocation of acquisition costs was finalized and reflected in the respective amounts as of September 30, 2020.

*2. With the acquisition of Mitula Group Limited and RESEM Corporation Limited during the previous fiscal year, the internal structure was reorganized, and these cash-generating units were grouped with Trovit Search, S.L.U. as a single cash-generating unit, LIFULL CONNECT, for the previous fiscal year.

*3. As the calculation of neither fair value for identifiable assets as of the date of the business combination nor the allocation of acquisition costs have been completed for the current consolidated fiscal year, the amount of goodwill has been estimated based on reasonable information available as of September 30, 2020.

(ii) Calculation Basis of Recoverable Amounts

The following assumptions were used in the calculation of recoverable amounts for the previous (September 30, 2019) and the current (September 30, 2020) 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, 2020

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) and divided by 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: 20.4

If EV/EBITDA drops, 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 five-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 15.9% and 20.4% have been applied to predict the future cash flow forecast.

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 hieirarchy 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) and divided by 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 five-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.

(iii) Recognition of Impairment Losses
In the previous consolidated fiscal year, 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 (currently LIFULL Investment Co., Ltd.). As a result, an impairment loss of 255,895 thousand yen was recorded.

In the current consolidated fiscal year, the Company performed the impairment test on LIFULL CONNECT, a cash-generating unit group and realized that the recoverable amount became lower than its carrying amount. As a result, the difference between the recoverable amount and the carrying amount, in the amount of 1,619,202 thousand yen, was recognized as an impairment loss.

This impairment loss is included in other expenses on the Consolidated Statements of Profit or Loss. Regarding Impairment losses, refer to 29. Other Revenue and Expenses.

14. 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, 2019	As of September 30, 2020
Trovit Search, S.L.U.	Barcelona, Spain	Operation of aggregation websites	100.0	**100.0**
Mitula Group Limited	Madrid, Spain	Operation of aggregation websites	100.0	**100.0**
LIFULL senior Co., Ltd.	Chiyoda-ku, Tokyo	Operation of the website for searching for housing and nursing facilities for seniors, LIFULL *Kaigo* (nursing care)	93.0	**93.0**
LIFULL MOVE Co., Ltd.	Chiyoda-ku, Tokyo	Operation of the website for comprehensive estimates and online bookings for relocation, LIFULL *Hikkoshi* (moving house)	97.0	**97.0**
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	100.0	**100.0**
Kenbiya Co., Ltd.	Minato-ku, Tokyo	Operation of the website for information on real estate investment and investment properties, Kenbiya	—	**100.0**

15. 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, 2019	As of September 30, 2020
Book value of investments accounted for using the equity method	671,210	**447,167**

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, 2019	As of September 30, 2020
Incorporated amount for share of profit for the period	(528,197)	**(249,990)**
Incorporated amount for share of other comprehensive income	(7,240)	**(16,429)**
Incorporated amount for share of total comprehensive income	(535,437)	**(266,420)**

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.

16. Corporate Income Taxes

(1) Deferred Taxes

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

Fiscal year ended September 30, 2020

(Thousands of yen)

	October 1, 2019	Recognized as profit or loss	Recognized as other comprehensive income	Business combinations	Other*	September 30, 2020
Deferred tax assets						
Allowance for credit losses	10,823	(663)	—	—	128	**10,288**
Employees' bonuses	231,800	116,762	—	—	238	**348,801**
Accrued paid leave	140,044	9,807	—	—	208	**150,059**
Enterprise taxes payable	57,676	9,484	—	—	—	**67,161**
Impairment losses	7,987	(7,403)	—	—	—	**583**
Asset retirement obligations	164,080	(1,303)	—	—	—	**162,776**
Fair value measurement of financial assets	1,612	—	13,350	—	—	**14,962**
Expenses for acquisition of interests	264,464	2,079	—	—	—	**266,543**
Other	226,560	69,904	—	106,612	(2,580)	**400,497**
Total deferred tax assets	1,105,048	198,666	13,350	106,612	(2,004)	**1,421,674**
Deferred tax liabilities						
Trademark rights	39,398	(10,243)	1,806	—	—	**30,962**
Customer-related assets	309,949	(83,883)	9,745	—	3,581	**239,393**
Other	443,237	(309,408)	12,040	—	1	**145,871**
Total deferred tax liabilities	792,585	(403,535)	23,593	—	3,583	**416,227**

Note: Other includes exchange differences of foreign operations.

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	(12,854)	(3,635)	48,719	—	39,398
Customer-related assets	169,309	(71,626)	(15,583)	236,990	(9,140)	309,949
Other	341,635	101,469	(1,066)	158	1,040	443,237
Total deferred tax liabilities	518,113	16,988	(20,285)	285,869	(8,100)	792,585

Note: 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, 2019	As of September 30, 2020
Deferred tax assets	962,652	**1,307,541**
Deferred tax liabilities	650,189	**302,094**
Net	312,463	**1,005,446**

(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 1,287,537 thousand yen and 4,829,803 thousand yen in the previous consolidated fiscal period and the consolidated fiscal year under review, respectively.

Loss carried forward for each carryover deadline for which deferred tax assets are not recognized has been omitted, because the amount was 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, 2019	As of September 30, 2020
Total amount of taxable temporary differences relating to investments in subsidiaries	2,093,394	**1,015,582**

(4) Income Tax

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

(Thousands of yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Current tax expense		
Current tax expense for profit for the period	1,597,524	**1,569,253**
Total current tax expense	1,597,524	**1,569,253**
Deferred tax expense		
Origination and reversal of temporary differences	(332,028)	**(596,214)**
Total deferred tax expense	(332,028)	**(596,214)**
Income tax expenses	1,265,496	**973,038**

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 30.6% 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, 2019	Fiscal year ended September 30, 2020
Statutory effective tax rate	30.6%	**30.6%**
Reconciliation		
Items that are not permanently deductible, such as entertainment expenses	0.5%	**0.6%**
Tax rate difference for foreign subsidiaries	(2.7%)	**(2.0%)**
Tax rate difference for domestic subsidiaries	0.6%	**0.1%**
Retained profit of foreign subsidiaries	3.2%	**(13.2%)**
Impairment loss on goodwill	2.2%	**23.1%**
Changes in unrecognized deferred tax assets	2.6%	**1.5%**
Share of loss (profit) of entities accounted for using equity method	4.5%	**3.6%**
Other	(6.5%)	**1.1%**
Average effective tax rate	34.9%	**45.3%**

17. 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, 2019	As of September 30, 2020
Other financial assets		
FVTOCI equity instrument assets	564,771	**488,045**
FVTPL debt instrument assets	315,651	**440,499**
Financial assets measured at amortized cost		
Lease and guarantee deposits	872,327	**876,178**
Loans and receivables	404,794	**913,001**
Allowance for credit losses	(32,219)	**(22,494)**
Total	2,125,325	**2,695,230**
Current assets	281,916	**624,112**
Non-current assets	1,843,408	**2,071,117**
Total	2,125,325	**2,695,230**

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

Changes in provision for credit losses on financial assets measured at amortized cost, of other financial assets, are as follows:

(Thousands of yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Beginning balance	29,613	**32,219**
Increase during the period (provision)	35,666	**25,869**
Decrease during the period (utilization)	(23,922)	**(25,844)**
Decrease during the period (reversal)	(9,138)	**(9,748)**
Ending balance	32,219	**22,494**

Of other financial assets, assets determined to be impaired are mainly delinquent loans and receivables, whose balances are 41,064 thousand yen and 26,060 thousand yen as of September 30, 2019 and 2020, respectively. These loans and receivables are not secured by collateral.

(2) Other Financial Liabilities

(Thousands of yen)

	As of September 30, 2019	As of September 30, 2020
Current loans	3,300,000	**8,631,569**
Non-current loans	258,300	**767,298**
Total	3,558,300	**9,398,867**
Current liabilities	3,300,000	**8,631,569**
Non-current liabilities	258,300	**767,298**
Total	3,558,300	**9,398,867**

Note: Other financial liabilities are classified as financial liabilities measured at amortized cost.

18. 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, 2019	As of September 30, 2020
Product inventory	273,079	354,081
Unfinished products	192,928	589,413
Prepaid expenses	492,808	353,340
Income taxes refund receivable	129,682	263,442
Consumption taxes receivable	53,446	170,692
Other	9,546	55,498
Total	1,151,491	1,786,469
Current assets	1,139,444	1,773,193
Non-current assets	12,047	13,275
Total	1,151,491	1,786,469

Note: Product inventory pledged as collateral for debt amounted to 228,667 thousand yen in the previous and current fiscal year. Income taxes refund receivable and consumption taxes receivable, previously included under "Other," are separately presented since the materiality has increased in the current fiscal year. The reclassification has been made to the figures in the previous fiscal year to conform them to the classification used in the current fiscal year.

(2) Other Liabilities

(Thousands of yen)

	As of September 30, 2019	As of September 30, 2020
Accrued expenses	286,677	328,753
Accrued employees' bonuses	755,347	1,163,202
Accrued paid leave	444,492	452,042
Accrued consumption taxes	86,706	414,298
Other	304,755	592,847
Total	1,877,979	2,951,144
Current liabilities	1,863,096	2,594,973
Non-current liabilities	14,882	356,171
Total	1,877,979	2,951,144

19. Accounts Payable and Other Current Payables

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

(Thousands of yen)

	As of September 30, 2019	As of September 30, 2020
Trade payables	848,348	570,283
Accounts payable–other	2,781,825	2,094,340
Total	3,630,173	2,664,624

20. Interest-bearing Debt

The breakdown of interest-bearing debt is as follows:

(Thousands of yen)

	As of September 30, 2019	As of September 30, 2020	Average interest rate (%)	Repayment date
Current loans*1, 2, 3, 4	3,300,000	8,631,569	0.22	—
Non-current loans*1, 2, 5	258,300	767,298	1.87	March 31, 2021 – August 31, 2023
Current lease liabilities*2	5,201	832,799	1.46	
Non-current lease liabilities*2, 5	75,398	3,720,010	1.21	October 2021 – December 2026
Total	3,638,900	13,951,678		
Total current liabilities	3,305,201	9,464,369		
Total non-current liabilities	333,698	4,487,308		

*1. Loans are classified as financial liabilities measured at amortized cost.
*2. Average interest rates refer to the weighted average interest rate on the balance at the end of the current financial period.
*3. Average interest rates refer to the Japanese yen TIBOR (three-months) + spread released by the Japanese Bankers Association TIBOR Administration.
*4. The amount includes loans with repayment date of less than one year.
*5. The repayment schedule of loans and lease liabilities (excluding current portion) within five years subsequent to September 20, 2020, is as follows:

(Thousands of yen)

	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Loans	167,298	600,000	—	—
Lease liabilities	795,161	777,859	710,168	639,994

The amount of lease liabilities over five years after consolidated fiscal year, which is not included in the table above, is 796,827 thousand yen.

Reconciliation of changes in liabilities shown in the cash flows from financial activities

(Thousands of yen)

	Liabilities	
	Loans	Lease liabilities
October 1, 2019	3,558,300	80,600
Changes in cash flows due to financing or repayments		
Proceeds from short-term loans	10,710,128	—
Proceeds from long-term loans	2,392,700	—
Repayment of short-term loans	(6,430,000)	—
Repayment of long-term loans	(833,350)	—
Repayment of lease liabilities	—	(905,817)
Total changes in cash flows from financing activities	5,839,478	(905,817)
Cumulative effect from change in accounting policies	—	6,063,585
Non-cash transactions		
Changes due to increase of right-of-use assets	—	82,685
Changes due to change in terms and conditions	—	(795,462)
Effect of change in foreign currency exchange rates	—	27,218
Other changes	1,089	—
September 30,2020	9,398,867	4,552,810

21. Lease Transactions

Fiscal year ended September 30, 2020

The Group leases mainly offices and data centers as a lessee.
The following summarizes information on leases as a lessee.

(1) Amounts Recognized in the Consolidated Statements of Financial Position

(Thousands of yen)

	As of September 30, 2020
Right-of-use assets	
Offices as underlying assets	4,241,186
Data centers as underlying assets	194,757
Other as underlying assets	41,041
Total right-of-use assets	4,476,985
Lease liabilities	4,552,810

The amount of increase in right-of-use assets for the current fiscal year is 82,685 thousand yen.

(2) Amounts Recognized in the Consolidated Statements of Profit or Loss

(Thousands of yen)

	Fiscal year ended September 30, 2019
Depreciation expense of right-of use assets	
Offices as underlying assets	849,721
Data centers as underlying assets	56,733
Other as underlying assets	35,725
Total depreciation expense of right-of-use assets*1	942,180
Interest expenses of lease liabilities*2	68,493

*1. The amount of depreciation expense of right-of use assets is included in selling, general and administrative expenses in the Consolidated Statements of Profit or Loss.
*2. The amount of interest expenses of lease liabilities is included in financial expenses in the Consolidated Statements of Profit or Loss.

(3) Cash Flows for Lease Transactions

(Thousands of yen)

	Fiscal year ended September 30, 2020
Total cash outflows for lease transactions	(974,311)

(4) Extension Option and Termination Option

The Group has some lease contracts with an extension option or a termination option that are exercisable, and may exercise such options as necessary. The Group assesses, on the commencement date of a lease, whether it is reasonably certain to exercise an extension option or not to exercise a termination option. Since the lease term of each lease transaction is determined based on the reasonably certain term of the contract, some lease contracts assume that the extension option would be exercised or the termination option would not be exercised.

Fiscal year ended September 30, 2019

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

(Thousands of yen)

	Fiscal year ended September 30, 2019
Minimum lease payments	1,071,774

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

(Thousands of yen)

	As of September 30, 2019
Within one year	953,260
After one year but within five years	3,013,283
After five years	1,247,376
Total	5,213,920

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.

22. Provisions

The breakdown of provisions is as follows:

(Thousands of yen)

	As of September 30, 2019	As of September 30, 2020
Asset retirement obligations	560,589	**552,991**
Total	560,589	**552,991**
Current provisions	—	**42,333**
Non-current provisions	560,589	**510,657**

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, 2019	560,589
Increase during the period	—
Decrease due to write-off	(7,971)
Adjustments arising from the passage of time	374
Balance as of September 30, 2020	552,991

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.

23. 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, 2018	350,452,800	118,789,100
Changes	—	15,450,770
Balance as of September 30, 2019	350,452,800	134,239,870
Changes	**—**	**—**
Balance as of September 30, 2020	**350,452,800**	**134,239,870**

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

(2) Treasury Shares

Changes in treasury shares are as follows:

	Number of shares (shares)
Balance as of October 1, 2018	73,736
Changes	705
Balance as of September 30, 2019	74,441
Changes	**2,383,815**
Balance as of September 30, 2020	**2,458,256**

(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, 2020

(Thousands of yen)

	Exchange differences on translation of foreign operations	Equity instrument assets	Other	Total
As of October 1, 2019	**(3,210,270)**	**45,205**	**31**	**(3,165,034)**
Other comprehensive income	**1,139,682**	**223,870**	**—**	**1,363,553**
Total comprehensive income	**1,139,682**	**223,870**	**—**	**1,363,553**
Total transactions with owners	**—**	**(175,191)**	**—**	**(175,191)**
As of September 30, 2020	**(2,070,588)**	**93,884**	**31**	**(1,976,672)**

Fiscal year ended September 30, 2019

(Thousands of yen)

	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	(2,388,429)	(15,423)	—	(2,403,852)
Total comprehensive income	(2,388,429)	(15,423)	—	(2,403,852)
Total transactions with owners	—	264	—	264
As of September 30, 2019	(3,210,270)	45,205	31	(3,165,034)

(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) Equity Instrument Assets
It represents valuation differences in the fair value of equity instrument assets are measured at fair value through other comprehensive income.

24. 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, 2020					
Date of resolution	Class of shares	Dividend per share (Yen)	Total amount of dividends (Thousands of yen)	Record date	Effective date
Dec. 19, 2019	Common stock	4.40	590,327	Sep. 30, 2019	Dec. 20, 2019

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

Dividends payable are included and presented in accounts payable 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, 2020				
Date of resolution	Dividend per share (Yen)	Total amount of dividends (Thousands of yen)	Record date	Effective date
Dec. 23, 2020	5.29	697,124	Sep. 30, 2020	Dec. 24, 2020

25. 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, 2019	As of September 30, 2020
Cash and cash equivalents	9,239,027	15,962,746
Interest-bearing debt	3,638,900	13,951,678
Total equity	32,627,484	33,647,328

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 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 stated below.
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, 2019	Fiscal year ended September 30, 2020
Profit before taxes	(14,861)	(9,335)
Equity	(11,145)	(7,001)

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 with fixed interest rates, the Group mitigates the risk of fluctuations in interest rates by monitoring and reviewing borrowings with floating interest rates depending on the market trend.
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 maximum credit risk exposures of accounts receivable–trade and other current receivables for the previous and current fiscal year is as follows:

(Thousands of yen)

	As of September 30, 2020				
	Within due date	Up to 3 months	Over 3 months and up to 6 months	Over 6 months	Total
Accounts receivable–trade and other current receivables	4,623,428	77,202	10,794	11,732	4,723,158
Total	4,623,428	77,202	10,794	11,732	4,723,158

(Thousands of yen)

	As of September 30, 2019				
	Within due date	Up to 3 months	Over 3 months and up to 6 months	Over 6 months	Total
Accounts receivable–trade and other current receivables	5,340,383	136,241	17,381	375	5,494,381
Total	5,340,383	136,241	17,381	375	5,494,381

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, 2019	As of September 30, 2020
Credit line	7,000,000	13,900,000
Outstanding borrowings	3,300,000	7,300,000
Unused portions	3,700,000	6,600,000

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, 2019				
Accounts payable and other current payables	3,630,173	—	—	3,630,173
Balance as of September 30, 2020				
Accounts payable and other current payables	2,664,624	—	—	2,664,624

(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, 2020

(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	—	—	4,723,158	4,723,158
Other short-term financial assets	—	—	624,112	624,112
Other long-term financial assets	488,045	440,499	1,142,572	2,071,117
Total	488,045	440,499	6,489,843	7,418,388

(Financial liabilities)

(Thousands of yen)

	Financial liabilities at amortized cost	Total
Accounts receivable–trade and other current receivables	2,664,624	2,664,624
Current loans	8,631,569	8,631,569
Non-current loans	767,298	767,298
Total	12,063,491	12,063,491

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

(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, 2019		As of September 30, 2020	
	Book value	At fair value	Book value	At fair value
Financial assets at amortized cost Other long-term financial assets	954,140	962,829	1,139,006	1,142,988
Financial liabilities at amortized cost Short-term loans	258,300	259,199	1,818,318	1,818,263

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 Statements of Financial Position, loans and receivables and lease and guarantee deposits are stated.
3. The amount includes current portion of long-term loans.

The main measurement methods of the fair value of financial instruments above are as follows:
i) 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.
ii) 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. Their fair value is classified as Level 2.

(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 observeability 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, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
FVTOCI equity instrument assets	—	—	488,045	488,045
FVTPL debt instrument assets	—	—	440,499	440,499

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, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
FVTOCI equity instrument assets	—	—	564,771	564,771
FVTPL debt instrument assets	—	—	315,651	315,651

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) FVTOCI equity instrument assets and FVTPL debt instrument assets
FVTOCI equity instrument assets mainly consist of unlisted securities. Their fair value is measured by using valuation models based on discounted future cash flows, profitability and net assets and other valuation methods, and classified as Level 3.
FVTPL debt instrument assets mainly consist of loans. Their fair value is measured by using a valuation model based on discounted future cash flows 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, 2019		Fiscal year ended September 30, 2020	
	FVTOCI equity instrument assets	FVTPL equity instrument assets	FVTOCI equity instrument assets	FVTPL equity instrument assets
Beginning balance	512,907	—	564,771	315,651
Total gains and losses				
Profit or loss	(9,753)	15,651	—	27,703
Other comprehensive income	(21,180)	—	331,307	—
Acquisition	95,924	300,000	139,051	8,334
Business combination	—	—	—	98,030
Disposal by sale	(13,125)	—	(505,127)	(9,221)
Other	—	—	(41,957)	—
Ending balance	564,771	315,651	488,045	440,499

Gains and losses of the financial instruments above that were recognized in profit or loss are included in revenue in the Consolidated Statements of Profit or Loss. In addition, gains and losses that were recognized in other comprehensive income are included in equity instruments measured at FVTOCI in the Consolidated Statements of Comprehensive Income.

(iii) Valuation Techniques and Inputs
FVTOCI equity instrument assets and FVTPL debt instrument assets that are classified as Level 3 are mainly composed of unlisted shares and loans. The fair value of 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. The fair value of loans is measured at the present value of the loans discounted using an interest rate determined by taking into account the term to maturity and credit risk. Of assets ordinarily measured at fair value, the significant unobservable input for the fair value measurement of financial assets classified as Level 3 is a discount rate.
A rise (a fall) in the discount rate causes the fair value of these financial assets to decrease (increase).

(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 parties in the business administration department. The valuation results are reviewed and approved by the responsible parties in the business administration department.

26. Financial Revenue and Financial Expenses

(1) Financial Revenue

The amounts of revenue from contracts with customers as follows:

For the fiscal year ended September 30, 2020

(Thousands of yen)

	HOME'S Services	Overseas	Other Businesses	Total
LIFULL HOME'S	23,609,550	—	—	23,609,550
Internet marketing	3,446,730	—	—	3,446,730
Overseas media	—	6,351,142	—	6,351,142
Other	79,991	26,485	1,888,857	1,995,335
Revenue from contracts with customers	27,136,272	6,377,627	1,888,857	35,402,758

Note: No revenue was generated from other sources.

For the fiscal year ended September 30, 2019

(Thousands of yen)

	HOME'S Services	Overseas	Other Businesses	Total
LIFULL HOME'S	25,416,762	—	—	25,416,762
Internet marketing	4,237,969	—	—	4,237,969
Overseas media	—	7,660,666	—	7,660,666
Other	1,762	19,479	1,960,370	1,981,612
Revenue from contracts with customers	29,656,494	7,680,145	1,960,370	39,297,010

Note: No revenue was generated from other sources.

	Service Description
LIFULL HOME'S	Provides a platform for posting property information, advertising service on the "LIFULL HOME'S" website and user transfer service
Internet marketing	Advertising operations agent service and consulting service to support promotion and production
Overseas media	Search advertising and advertisement on aggregation websites for real estate/housing, used cars, job listings and other
Other	Advertising-related service on "LIFULL *Kaigo*," "LIFULL Trunk Room," "LIFULL *Hikkoshi*" and other

(Reason for Change)

When establishing the Mid-Term Management Plan, the Group evaluates its own businesses and services and determines how to invest for growth based on the HOME'S Services, Overseas and Other Businesses segments, which are mainly classified by market. Each segment consists of multiple services, each of which is different in terms of profitability. By classifying revenue into "LIFULL HOME'S," "Internet marketing" and "Overseas media," which have a significant impact on the earnings and profit generated from the Group's performance, for disclosure to investors and shareholders, the Group believes it helps investors to better understand and evaluate the Group in regard to actual performance; thus, the Group has changed these classifications.

(2) Remaining Balances on Contracts

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

Fiscal year ended September 30, 2020

(Thousands of yen)

	October 1, 2018	October 1, 2019	September 30, 2020
Credit on contracts with customers	3,793,632	4,737,670	4,001,979
Contract liabilities	38,767	46,872	38,371

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.

(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)

Not applicable.

27. Cost of Revenue

The breakdown of the cost of revenue is as follows:

(Thousands of yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Commission fee	3,878,261	3,140,627
Subcontract expenses	98,273	321,483
Cost of revenue of product inventory	497,879	486,248
Other	85,425	148,479
Total	4,559,840	4,096,838

28. Selling, General and Administrative Expenses

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

(Thousands of yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Advertising expenses	13,273,388	10,487,799
Benefit expenses for employees and directors	8,635,790	8,896,238
Rents	904,374	45,113
Commission fee	3,119,855	2,613,590
Subcontract expenses	1,290,547	1,386,362
Depreciation and amortization	1,176,084	2,006,662
Other	2,313,546	1,567,014
Total	30,713,587	27,002,781

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

(Thousands of yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Salaries and allowances	5,838,781	5,884,417
Directors' compensation	375,548	317,968
Employees' bonuses	1,267,729	1,508,959
Legal welfare expenses	1,068,039	1,102,362
Other	85,690	82,529
Total	8,635,790	8,896,238

29. Other Income and Expenses

(1) Other Income

The breakdown of other income is as follows:

(Thousands of yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Subsidy income	28,979	16,746
Income from the restaurant business	53,021	30,097
Gain on sales of shares of subsidiaries and associates	435,932	—
Gain on foreign exchange	64,614	—
Gain on cancellation of accounts payable	82,676	—
Other	80,413	66,690
Total	745,638	113,534

Note: Subsidies totaling 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, 2019	Fiscal year ended September 30, 2020
Loss on sales and retirement of non-current assets	98,132	126,725
Impairment	343,112	1,619,202
Expenses for the restaurant business	90,114	63,774
Rent expenses on real estate	44,108	46,025
Foreign exchange losses	—	46,997
Other	9,110	16,328
Total	584,579	1,919,054

30. Financial Revenue and Financial Expenses

(1) Financial Revenue

The breakdown of financial revenue is as follows:

(Thousands of yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Interest income		
Cash and cash equivalents	2,336	3,349
Dividend income		
Financial assets measured at fair value through other comprehensive income	—	420
Disposition gains		
Equity instrument assets	2,581	—
Total	4,917	3,769

(2) Financial Expenses

The breakdown of financial expenses is as follows:

(Thousands of yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Interest expenses		
Interest-bearing debt provisions	22,503	102,431
Provisions	393	374
Impairment losses		
Equity instrument assets	12,303	—
Other	31	—
Total	35,232	102,805

31. 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, 2020				
	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 instrument assets	331,307	—	331,307	(107,437)	223,870
Items that may be reclassified as profit or loss, net of tax:					
Exchange differences on translation of foreign operations	1,164,249	(8,203)	1,156,045	—	1,156,045
Share of other comprehensive income of investments accounted for using the equity method	(16,429)	—	(16,429)	—	(16,429)
Total other comprehensive income	1,479,127	(8,203)	1,470,924	(107,437)	1,363,486

(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 instrument assets	(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	(2,356,426)	(24,831)	(2,381,258)	—	(2,381,258)
Share of other comprehensive income of investments accounted for using the equity method	(7,240)	—	(7,240)	—	(7,240)
Total other comprehensive income	(2,384,847)	(24,831)	(2,409,679)	5,757	(2,403,922)

32. Per Share Information

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

	Fiscal year ended September 30, 2019	Fiscal year ended 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 per share attributable to owners of the parent (Yen)		
Basic earnings per share	18.52	8.77
Diluted earnings per share	18.52	8.77

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

33. Supplementary Information on the Consolidated Statements of Cash Flows

Fiscal year ended September 30, 2020

Purchase of subsidiaries in the amount of 593,045 thousand yen represent the difference between the consideration for acquisition of Kenbiya Co., Ltd. ("Kenbiya") and the balance of cash and cash equivalents of Kenbiya as at the date of business combination.

Payments of loans receivable mainly consists of 805,000 thousand yen of loans to LIFULL Investment Co., Ltd. (formerly LIFULL Social Funding Co., Ltd.), a consolidated subsidiary.

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. (current LIFULL Investment Co., Ltd.).

34. Corporate Mergers

Kenbiya Co., Ltd.

Based on the share transfer contract concluded with Kenbiya Co., Ltd. (“Kenbiya”) on July 20, 2020, the Company acquired all outstanding shares of Kenbiya on July 31, 2020. Kenbiya became a wholly owned subsidiary of the Company.

(1) Overview of Acquired Company

(i) Name and Nature of Business of Acquired Company
Name: Kenbiya Co., Ltd.
Nature of Business: Operation of portal site for real estate investment and investment properties, ‘Kenbiya’

(ii) Date of Acquisition
July 31, 2020

(iii) Percentage of Voting Rights
100%

(iv) Acquisition Method
Share transfer with cash as consideration

(v) Primary Reasons for Acquisition
By mutually utilizing the information and customer bases of the Company and Kenbiya related to investment properties and real estate investment, the Company and Kenbiya will be able to maximize the user bases of the two companies’ websites, expand earnings in the real estate investment field, and further accelerate future growth strategies aimed at revitalizing the real estate market.

(2) Consideration for the Acquisition
Cash 1,335,000 thousand yen

(3) Acquisition-related Costs
5,291 thousand yen in acquisition costs has been recorded under selling, general and other administration fees.

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

(Thousands of yen)

Acquisition cost cash	
Cash	1,335,000
Cash and cash equivalents recognized as acquired assets and liabilities	
Cash and cash equivalents	741,954
Accounts receivable and other short-term credits	26,619
Tangible fixed assets	2,148
Intangible assets	7,165
Other assets	217,332
Other liabilities	(423,299)
Total	571,922
Goodwill	763,077

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	(1,335,000)
Remaining balance of cash and cash equivalents from the acquisition	741,954
Expenditures for acquisition of subsidiary	(593,045)

(6) Effects on Earnings Results
Sales revenue and net profit generated after the acquisition of Kenbiya are included in the Consolidated Statements of Profit or Loss for the current consolidated fiscal year and amount to 78,648 thousand yen and 7,186 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 420,000 thousand yen and a decrease in net profit of 72,437 thousand yen.

This comment has not been subject to audit.

(Finalization of preliminary accounting treatment for business combination)

Mitula Group Limited

In the current fiscal year, the Group finalized preliminary accounting treatment, which was made in the previous fiscal year, for the business combination with Mitula Group Limited on January 8, 2019. Accordingly, significant adjustments were made to acquisition costs in the comparative information in the current fiscal year’s Consolidated Financial Statements.

As a result, the amount of preliminary determined goodwill, 9,099,075 thousand yen, decreased by 340,668 thousand yen to 8,758,407 thousand yen due to the finalization of accounting treatment. This decrease in the amount of goodwill resulted in the increase in intangible assets of 440,869 thousand yen and the increase in deferred tax liabilities of 100,201 thousand yen.

The following summarizes the final figures.

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	3,307,335
Other assets	61,653
Accounts payable and other short-term liabilities	(496,737)
Other liabilities	(440,468)
Total	5,027,597
Goodwill	8,758,407

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. No goodwill is expected to be deductible for tax purposes.

Due to the finalization of preliminary accounting, the previous year’s balances in the Consolidated Statement of Financial Position have changed as follows: 316,579 thousand yen decrease in goodwill, 481,017 thousand yen increase in intangible assets and 118,441 thousand yen increase in deferred tax liabilities.

RESEM Corporation Limited

In the current fiscal year, the Group finalized preliminary accounting which was made in the previous fiscal year, for the business combination with RESEM Corporation Limited on May 21, 2019. Accordingly, significant adjustments were made to acquisition costs in the comparative information in the current fiscal year's Consolidated Financial Statements.

As a result, the amount of the preliminary determined goodwill, 980,867 thousand yen, decreased by 72,382 thousand yen to 908,484 thousand yen due to the finalization of accounting. This decrease in the amount of goodwill resulted in the increase in intangible assets of 100,392 thousand yen and the increase in deferred tax liabilities of 28,009 thousand yen.

The following summarizes the final figures.

Recognized Amounts for Acquired Assets and Liabilities as of the Day of Acquisition

(Thousands of yen)

Acquisition cost cash	
Common stock of the Company and cash	1,158,837
Cash and cash equivalents recognized as acquired assets and liabilities	29,611
Cash and cash equivalents	45,269
Accounts receivable and other short-term credits	1,435
Tangible fixed assets	333,310
Intangible assets	2,773
Other assets	
Accounts payable and other short-term debts	(47,614)
Other liabilities	(114,433)
Total	250,352
Goodwill	908,484

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. No goodwill is expected to be deductible for tax purposes.

Due to the finalization of preliminary accounting the previous year's balances in the Consolidated Statement of Financial Position have changed as follows: 70,171 thousand yen decrease in goodwill, 94,375 thousand yen increase in intangible assets and 26,330 thousand yen increase in deferred tax liabilities.

35. Contingent Liability

Not applicable.

36. Commitment

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

(Thousands of yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Commitment to the purchase of property, plant and equipment and intangible assets	54,352	36,059

37. Subsequent Events

Not applicable.

38. 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, 2019	Fiscal year ended September 30, 2020
Short-term compensation	101,053	106,956
Total	101,053	106,956

39. Approval of the Consolidated Financial

The consolidated financial statements were approved by the President and CEO of the Group, Inoue Takashi, on December 23, 2020.

Consolidated Supplementary Schedules

Bonds Schedule:
Not applicable.

Borrowings Schedule:
The information is provided in notes to the consolidated financial statements "20. Interest-bearing Debt" and "25. 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)	9,202,007	19,185,320	26,892,309	35,402,758
Profit before taxes	(Thousands of yen)	958,354	2,279,704	3,445,271	2,148,590
Profit attributable to owners of the parent	(Thousands of yen)	527,405	1,476,867	2,323,861	1,170,782
Basic earnings per share	(Yen)	3.93	11.01	17.34	8.77

(Accounting period)		First quarter	Second quarter	Third quarter	Fourth quarter
Basic profit per share	(Yen)	3.93	7.08	6.33	(8.74)

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 26th 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.

Corporate Information

(As of September 30, 2020)

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	1,470 (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	LIFULL CONNECT, S.L.U. LIFULL Marketing Partners Co., Ltd. LIFULL senior Co., Ltd.

Company website

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

Corporate site

https://lifull.com/en/

IR website

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

Group Companies, Equity-Method Affiliates and Investments and Alliances

(As of September 30, 2020)

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 Investment Co., Ltd.*1
	LIFULL FaM Co., Ltd.
	LIFULL Leadership Co., Ltd.
Spain	LIFULL CONNECT, S.L.U.
Vietnam	LIFULL Tech Vietnam Co., Ltd.
Singapore	RESEM Corporation Limited

*1 Changed in October 2020 from LIFULL Social Funding Co., Ltd.

Equity-Method Affiliates

Japan	VUILD Co., Ltd.
	Rakuten LIFULL STAY, Inc.*2
	WiseVine Co., Ltd.
Indonesia	PT. LIFULL MEDIA INDONESIA
Singapore	KAMARQ HOLDTINDGS PTE. LTD.
	RAKUTEN LIFULL STAY PTE. LTD.

*2 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.

Other Investments and Alliance

Japan	Glue-th, Inc.
	GO TODAY SHAiRE SALON Inc.
	Ishin Global Fund Limited
	Living Anywhere, GIA
	The CAMPus BASE Co., Ltd.
	Village Inc.
	WOTA CORP.
	Aldagram Inc.
	Inter Local Partners, Inc.
	Cozre Inc.
	Neo Career Co., Ltd.
	ZAB, GIA
North America	Zumper, Inc.
Estonia	BitOfProperty Pte. Ltd.
Singapore	investaX Limited

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