



ANNUAL REPORT

2021

Annual Report



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Corporate
Information**Editorial Policy**

The purpose of publishing this report is to help our various stakeholders understand the thinking and strategies of the LIFULL Group for creating value over the medium to long term. In preparing it, we have concisely compiled information we consider to be of particular importance for improving the Group's corporate value as well as the sustainable development of society. Please see our website for more information.

Reporting Period

2021/9 (October 2020 to September 2021)

*Some activities and forecasts from before and after the relevant period have also been included.

Reporting Scope

LIFULL Headquarters and Group Companies

Referenced Guidelines, etc.

- International Integrated Reporting Council (IIRC)
International Integrated Reporting Framework
- Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry

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.



LIFULL

Corporate Credo

Altruism

A desire to bring smiles to people's faces.

The LIFULL Group was established based on this simple concept.

When we set out to eliminate the stress and frustration people experience when looking for a home, we looked toward the newly emerging internet to create an innovative way of finding a home in Japan.

Over the next 25 years, we have expanded from the Japanese housing market to helping people with life decisions all over the world.

However, our ideals have remained unchanged since our founding.

The LIFULL Group will continue taking on new challenges in order to provide comfort and happiness to as many people as possible.

Corporate message

Make Every LIFE FULL





Working Toward a Better Society Together with Our Stakeholders

Based on our credo, "Altruism," the LIFULL Group will work with all of our stakeholders to further increase our corporate value and pursue more sustainable developments for society.



Create a society where everyone can attain "comfort" and "happiness" through continuous social innovations

Corporate Philosophy

LIFULL Quality Standards (LQS)

- Life-centered For Everyone** Does it fulfill people's lives? 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?

Guidelines

- Continue Searching for the Truth
- Be at the Center of Positive Change
- Act with Highest Integrity
- Exceed Expectations as a Professional
- Foster True Teamwork
- Value Every Stakeholder

Business and Social Contributions

Initiatives and Projects





Sales Revenue

¥35.8 billion



Providing Services in

63 countries and regions



Websites

280+



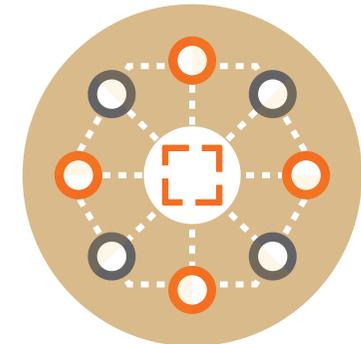
Employees

1,483



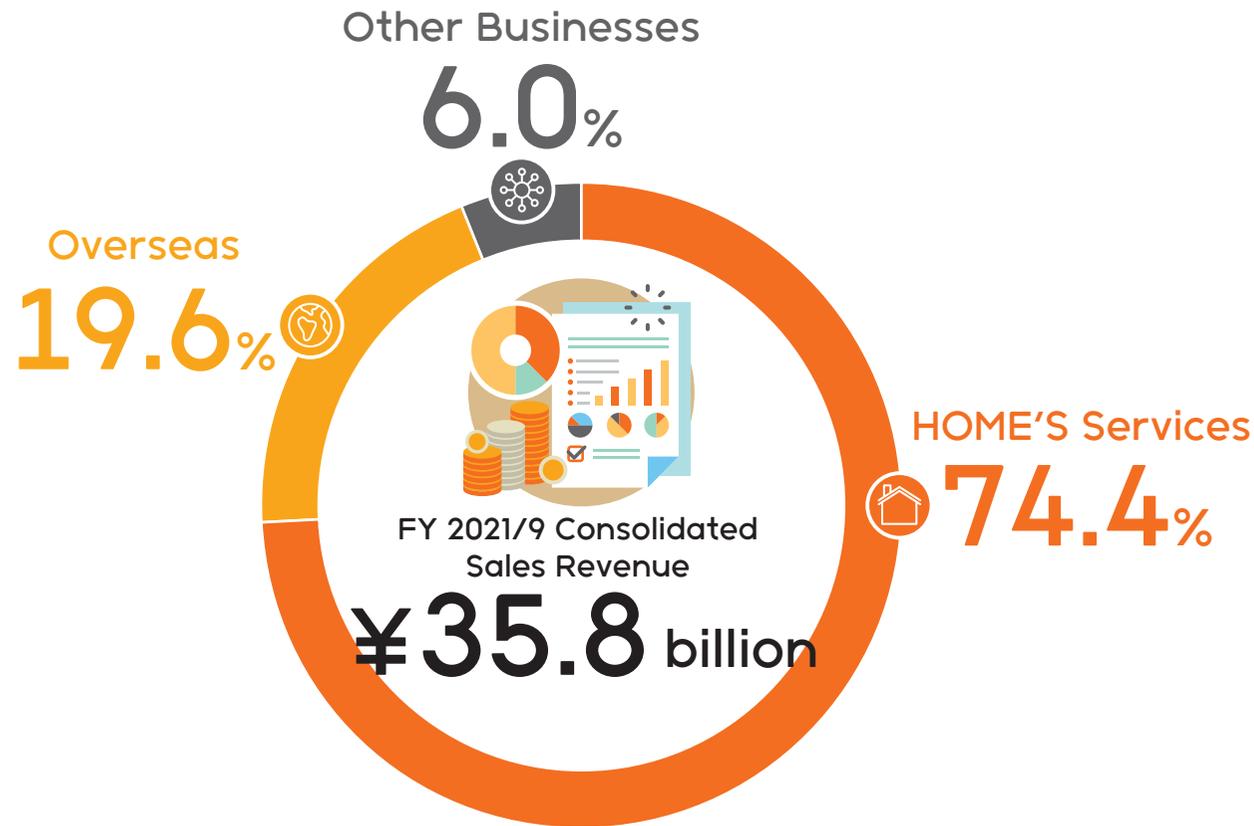
Monthly Visits

250 million +



Subsidiaries

36



HOME'S Services » P. 15

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 » P. 19

Offering real estate, job listings, used automobiles and fashion information in over 60 countries and regions around the world.

Primary Services and Subsidiaries

- Trovit, Mitula: LIFULL CONNECT
- iCasas: RESEM
- Hipflat: Dot Property
- Software development: LIFULL Tech Vietnam



Other Businesses » P. 22

Collection of business ventures in a variety of fields focused on resolving social issues, including businesses started through the SWITCH Program.

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 LIFULL subsidiaries and new services



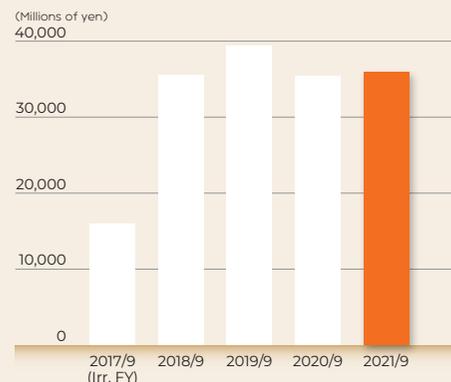
Performance Highlights for Five Fiscal Periods



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.

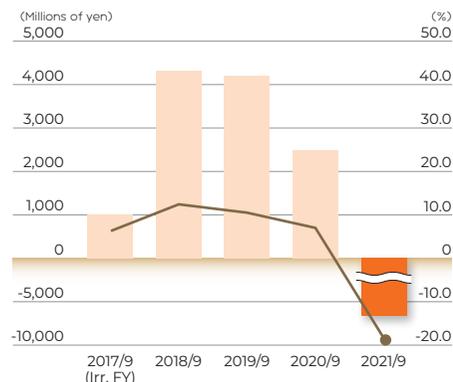
Revenue

¥35,857 million



Operating Profit & Margin

Operating income **-¥6,644 million**
Operating income margin **-18.5%**



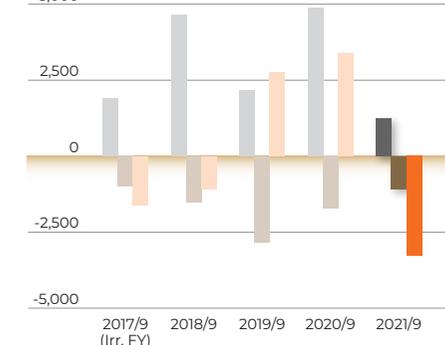
Return on Equity (ROE)

-19.1%



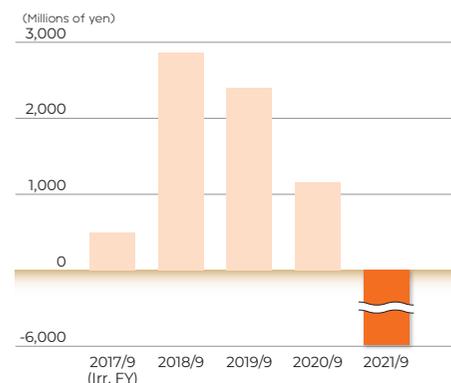
Cash Flows

Cash flow from operating activities **¥1,287 million**
Cash flow from investing activities **-¥1,068 million**
Cash flow from financing activities **-¥3,291 million**



Net Profit Attributable to Owners of the Parent

-¥5,901 million



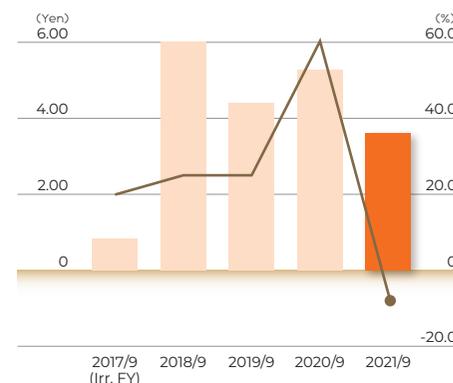
Cash and Cash Equivalents at End of Period

¥13,145 million



Dividends Per Share / Dividend Payout Ratio

Dividends per share **¥3.62**
Dividend payout ratio **-8.08%**



*Dividends for FY 2020/9 include the impact of impairment losses on overseas subsidiaries

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 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 which started at the beginning of 2020. COVID-19 continued to have an impact during FY 2021/9, and it will continue to do so in Japan and other countries as available properties in the Japanese market continue to decline. Although there have been signs that things are improving since the previous fiscal year, a full recovery is still in the future.

With regard to goodwill in connection with LIFULL CONNECT, one of our overseas subsidiaries, we believe an adequate amount of time has passed since the original business acquisition and are convinced of the feasibility of our management plan. Therefore, we recorded an impairment loss by calculating the recoverable amount based on value in use (VIU) according to future cash flow generated by LIFULL CONNECT. However, dividends for FY 2021/9 exclude the impact of this impairment loss, so that business profits can be properly returned to shareholders.



Fellow Shareholders, I truly want to thank you for your continued support of the LIFULL Group.

We have engaged in our corporate activities since our founding in 1997 with consideration for all stakeholders under the corporate credo of "Altruism." As a result of your unfailing support and cooperation, we are currently making progress in our businesses in over 60 countries and regions of the world with more than 20 group companies and nearly 1,500 employees.

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

Under the Mid-Term Management Plan ending in FY 2025/9, we are putting our efforts toward providing business solutions to various social issues in our three focus areas: HOME'S Services, Overseas and our Other Businesses. In each of these initiatives, we are staying true to our basic policy of maintaining balance between finding solutions to social issues and expanding the scope of our enterprises.

Reflection on Fiscal Year 2021/9

The spread of COVID-19 added an increased level of difficulty to the fiscal year ended September 30, 2021,



with priority measures, including the declaring of a state of emergency to prevent the spread of the virus, being implemented for about seven months of the year. We express our deepest condolences to those who have lost loved ones, and we pray for the earliest possible recovery as well as for comfort for individuals and families fighting the virus or its aftereffects. We also wish to express our respect and gratitude to medical personnel, all who are making efforts to prevent the spread of infection and the many individuals whose work supports the foundation of our lives. Since the first state of emergency was declared in Japan in April 2020, we have fully implemented remote work along with establishing new compatible working styles. We have also implemented support measures for clients of LIFULL HOME'S and end users, as well as various other measures according to the situation including reviewing our business plans.

The results for the fiscal year under review include a revenue of 35.8 billion yen (up 1.3% year-on-year), an operating income loss of 6.6 billion yen and a loss attributable to owners of the parent company of 5.9 billion yen. Unfortunately, these were our first negative results since becoming a listed company. The main factor was the recording of a 9.7-billion-yen impairment loss for LIFULL CONNECT in the Overseas segment. Although the environment was made difficult by the COVID-19 pandemic, I would like to sincerely apologize for recording such a large impairment loss for two consecutive periods resulting in a deficit. LIFULL CONNECT's most recent revenue has exceeded expectations, and each indicator is currently trending favorably. We have seen increased efficiency in the management of LIFULL CONNECT since integrating Mitula Group and RESEM in 2019. We believe that this combination has successfully resulted in an organization that can consistently produce an operating profit - even in the face of difficult situations such as

the COVID-19 pandemic. Going forward, we will again accelerate investment in portal businesses in South America and Southeast Asia, which had been slowed to ensure earnings, and are aiming to improve the unit price per customer in order to create a new growth trajectory.

Sustainability Initiatives

As interest in the Sustainable Development Goals (SDGs) has increased in recent years, companies are being asked about sustainable growth strategies and sustainability management. This trend has intensified during the COVID-19 pandemic, and the LIFULL Group has formulated a basic sustainability policy and goals (materiality) according to this situation.

Sustainability requires that a company not only pursue sales and profits, but also help realize the sustainable development of society as a whole by contributing to the resolution of social issues such as global warming and human rights violations. Since our founding, we have pursued our corporate credo of "Altruism" to benefit people and society by adhering to a management style that not only considers our own profits, but also all of our stakeholders. According to our management philosophy and Mid-Term Management Plan, we are working toward a long-term social system and looking for solutions to social issues through the profit of our own businesses rather than relying on donations or volunteers. This concept has not changed since our founding. In that sense, it can be said that we have been promoting a sustainable management style for 20 years. We are re-establishing this as our policy, and after considering the situation in society and the Company's current situation, we have established eight focal points and sustainability targets. Moving forward, we will focus on

addressing each target as we develop our sustainability management system, disclose our progress as needed and will work to improve both the corporate value of the Group and the sustainable development of society.

Changes are Opportunities: Creating a New Future

The pandemic has forced major changes in people's lives all over the world. Normal daily activities that we thought would continue have vanished, and we are now facing confusing and chaotic times. Just when people believed the pandemic was coming to an end, Russia invaded Ukraine, resulting in economic and financial sanctions that have greatly impacted the world economy. The future is still uncertain, and the situation is difficult. However, such changes also bring once-in-a-lifetime opportunities. Our desire is to emerge from this period of turmoil and create a new future, and based on this, we will take the initiative in the coming new era.

We would like to ask our shareholders, investors and all other stakeholders to maintain your high expectations for the future of the Group and that you give us your continued support.

Based on our corporate message "Make Every LIFE FULL," we will continue to move forward and work unitedly as a group while addressing various social issues to create a society where all people across the globe can enjoy lives with comfort and happiness.

March 2022,
President and CEO
INOUE Takashi

井上高志



From Real Estate to Society as a Whole



HOME'S Services

First real estate portal in Japan granting information access to everyone

For many customers, purchasing a home is a once-in-a-lifetime event. However, at the time, the real estate information being provided was unclear. We quickly focused on utilizing the internet and started a real estate information site.

- 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

Digital technology for a more efficient real estate industry. Growing with our clients

We established an infrastructure that has become essential for real estate professionals, including the acquisition of a CRM that facilitates everything from inquiries to walk-throughs as well as contracts, and setting listing fees according to the number of inquiries.

- 2007 CRM for Real Estate Professionals launched
- 2009 Smartphone app launched
- 2013 Pricing model change for Rental and Re-sale markets
- Internal think tank, HOME'S *Soken*, founded
- HOME'S Pro launched

A home for every lifestyle

We have begun supporting people with diverse backgrounds including the elderly, international residents of Japan, people in the LGBTQ community, people on public assistance and those who have been victims of domestic violence.

- 2019 LIFULL HOME'S ACTION FOR ALL launched

Personalizing the moving experience with technology

Through technology, we are continuously adding new ways for people to search for homes based on their preferences including questions like "Where do people with lifestyles similar to me live?" and "To what degree does a listed property match my criteria?"

- 2020 Implemented a function to "Find areas where people with similar characteristics live based on frequently used train stations and age group"
- Implemented a "Nice-to-have searches" function to LIFULL HOME'S
- 2021 Added "Flood, Landslide and Earthquake Hazard Maps" listings for new detached houses

Overseas

Challenges facing the global market

The acquisition of Trovit, a Spain-based company operating aggregation sites in 40 countries around the world, marked the beginning of our overseas expansion. We have since integrated the global data with our management experience gained in Japan to further propel the business.

- 2014 Acquired Trovit
- 2019 Acquired Mitula

World's No. 1 real estate aggregation site

After acquiring Mitula, we merged it with Trovit to create LIFULL CONNECT. By combining the resources of both companies, we are working towards the creation of a multilingual, global platform that will allow people to seamlessly relocate anywhere in the world.

- 2019 Established LIFULL CONNECT

Creating the right marketplace for each region

In addition to the global development of aggregation sites, LIFULL CONNECT is also developing portal sites mainly in Asia and South America to give more direct support to users searching for homes.

- 2019 Acquired RESEM

Finding business solutions to social issues for continued growth

Other Businesses

From real estate to other related areas

Our business began with real estate, but it has expanded to include many areas related to housing including moving and nursing care.

- 2007 LIFULL *Hikkoshi* launched
- 2008 LIFULL *Kaigo* launched
- 2013 LIFULL Trunk Room launched

Working toward regional revitalization by connecting people with properties

We have a number of regional revitalization initiatives including a database of abandoned properties collected from local governments in Japan, talent matching and funding for the re-purposing of abandoned properties.

- 2017 LIFULL HOME'S Akiya Bank launched
- 2018 LIFULL Regional Revitalization Fund founded

Proposing new lifestyles that transcend location

By taking advantage of unused facilities throughout Japan, we are developing multipurpose facilities in 21 cities in Japan (as of September 2021) that combine shared offices with accommodation facilities and can be used in different regions according to people's lifestyles.

- 2019 LivingAnywhere Commons founded



At LIFULL, we promote sustainable management practices to further improve our corporate value and the sustainable growth of society through the resolving of social issues based on our corporate credo of "Altruism." In addition to outlining growth strategies in our Mid-Term Management Plan, we have defined sustainability targets (materiality) that especially need to be addressed in order for us to contribute to the sustainability of society.

Mid-Term Management Plan

In this Mid-Term Management Plan, we aim to increase revenue by a compound annual growth rate of 15% with an operating income margin of 20% in the five years ending September 2025. While expanding sales and profits with existing

businesses such as LIFULL HOME'S, we are working to promote a global real estate investment platform concept, to commercialize regional revitalization and business related to seniors and improve profitability.

Main KPIs

CAGR (Compound Annual Growth Rate)

15%

Operating Income Margin

20%

Priority Areas



HOME'S Services

Omnichannel x DX

As we post more information on real estate, we will utilize technologies such as AI to evolve into a service that helps users find their ideal home, and further improve the satisfaction of users and real estate operators with the goal of expanding our market share.



Overseas

Moving to Direct

Our aim is to maximize the value we provide to both users and clients by building the best marketplace according to the area. We will also work to revitalize real estate investment distribution to implement our "global real estate investment platform concept."



Other Businesses

Strengthening regional revitalization and business related to seniors

When it comes to regional revitalization, we will revitalize areas by proposing new work styles, in particular by repurposing vacant houses in cooperation with local governments. In the senior-related business area, our goal is to provide products that create more opportunities and options for lifestyle choices as lifespans near 100 years.

LIFULL Sustainability Targets

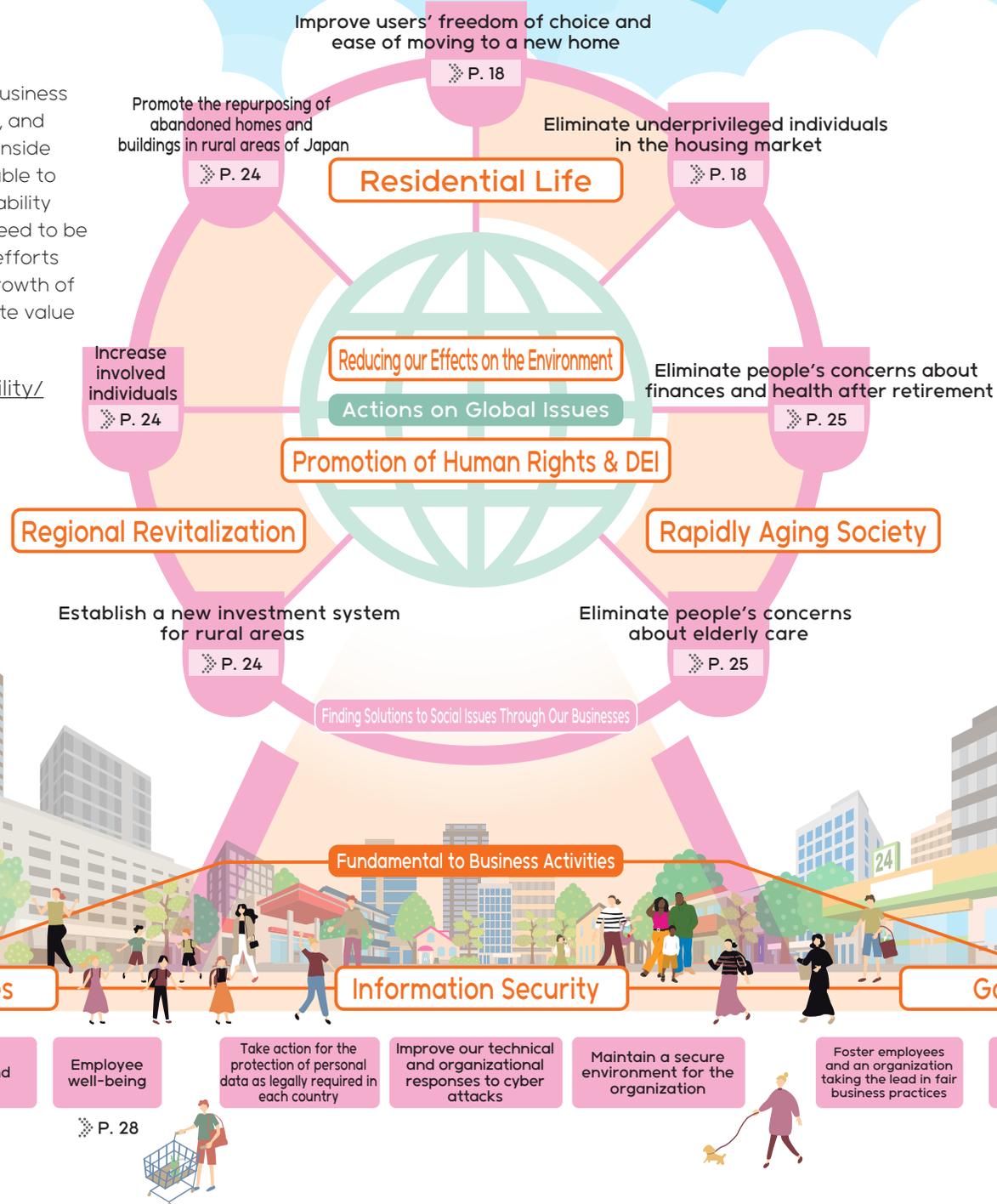
Process for Identifying Sustainability Issues





By evaluating the relevance to our business and the degree of impact on society, and by exchanging opinions with people inside and outside the company, we were able to identify 8 focal points and 16 sustainability issues (materiality) that especially need to be addressed. Our goal through these efforts is to contribute to the sustainable growth of society while also improving corporate value over the medium to long term.

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

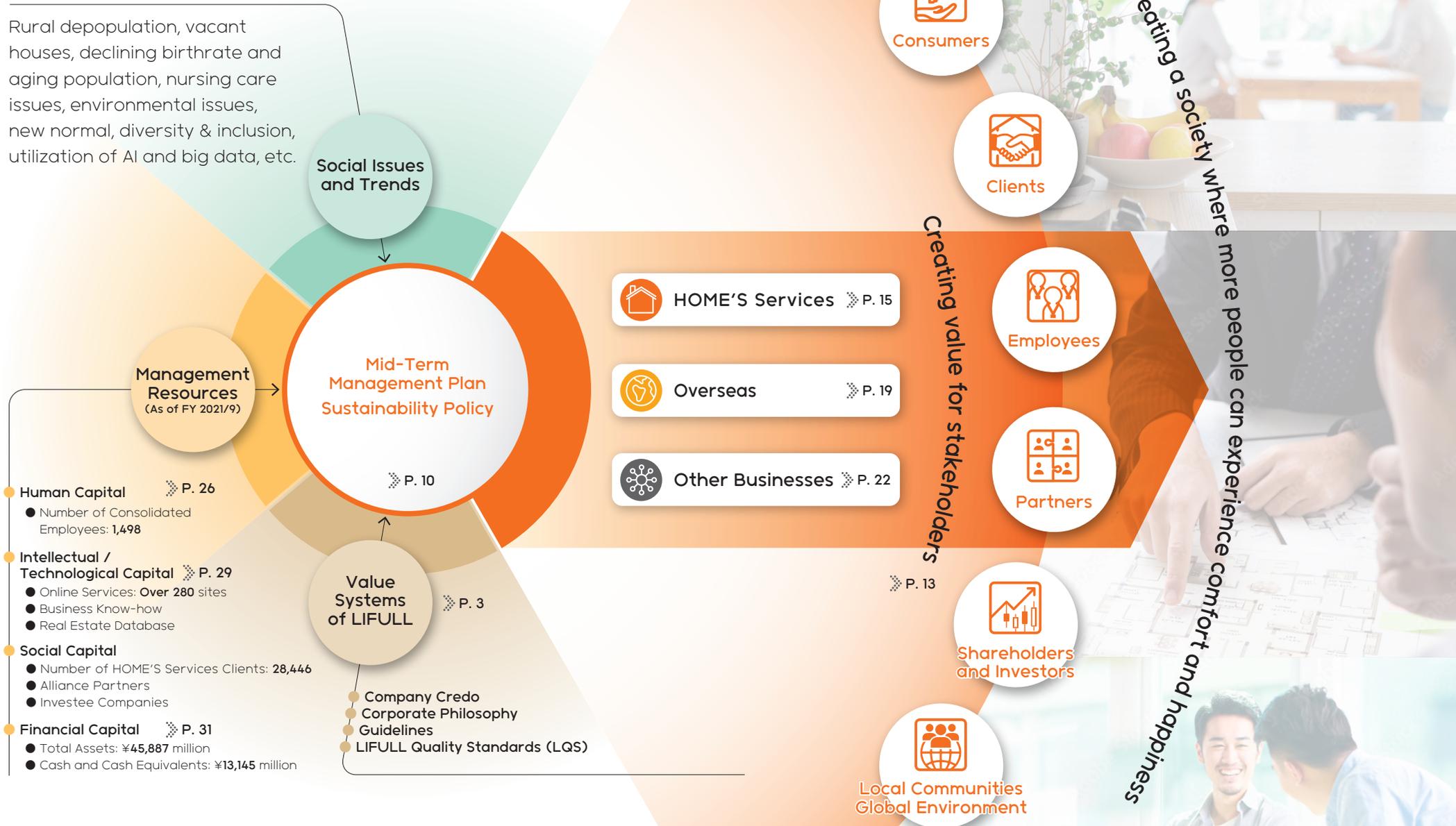


8 Focal Points
16 Sustainability Issues



“Altruism,” which means helping others achieve happiness, is the starting point for LIFULL and is the driving force behind our growth. — By maximizing the use of management resources and working to resolve social issues through business, our goal is to realize a society so that all stakeholders can attain comfort and happiness.

Rural depopulation, vacant houses, declining birthrate and aging population, nursing care issues, environmental issues, new normal, diversity & inclusion, utilization of AI and big data, etc.





[Consumer] Expectations and Needs

- Easily find a suitable home
- Obtain reliable information
- Choose a home without being discriminated against based on nationality, age or other attributes

- Features and services to help find a home
- Online and offline omnichannel support
- Outstanding quantity and quality of property information
- Support services, such as Friendly Door



Consumers

[Client] Expectations and Needs

- Efficient lead generation
- Smooth handling of advertisement posting, inquiries and property viewings
- High cost-effectiveness of advertising

- Brand power of LIFULL HOME'S
- Support services and tools for real estate professionals
- Tailored listings for each property type
- Simple settings



Clients

[Employee] Expectations and Needs

- Maximizing professional potential without bias toward gender, nationality, age or other factors.
- Career advancement opportunities
- Attractive wage system

- Placement and promotion based on intrinsic motivation
- Enhanced corporate culture and systems that allow everyone to work with peace of mind
- Support for improving skills and career development
- Compensation and incentives based on performance



Employees

[Partner] Expectations and Needs



Approach of LIFULL



- Implementation of state-of-the-art research and technology in society and industry
- Creation of new businesses and market development by leveraging mutual strengths

- Promote open innovation by collaborating with outside researchers
- Promote a real estate investment platform through partnerships



Partners

[Shareholders/Investors] Expectations and Needs

- Profitable business operation for higher dividends
- Transparent reporting and disclosure procedures
- Sound risk management

- Continuous improvement of corporate value
- Achieve shareholder returns that exceed the cost of capital
- Information sharing via IR events and websites as well as active dialogue with shareholders and investors



Shareholders and Investors

[Local Communities / Global Environment] Expectations and Needs

- Community development and regional revitalization allowing for sustainable communities
- Consideration for the environment
- Safety net that allows all people to live with peace of mind

- Repurposing of abandoned houses and unused real estate
- Human resource development to resolve local issues
- Matching services and workation opportunities for people interested in relocating to rural communities or multi-base lifestyles
- Financial support through investment and donations
- Reduction of greenhouse gas emissions



Local Communities
Global Environment

Relationship with Local Communities and the Environment

The LIFULL Group supports companies and organizations that are working to resolve social issues in various areas. We have also established a program to support volunteer activities that contribute to society by individual employees. Not only are we working to resolve social issues through our business activities, we are also contributing to the development of a more sustainable society.

Support Through Investment

■ Vacation Rentals (RAKUTEN LIFULL STAY PTE. LTD.)

Through our joint venture with Rakuten Group Inc., we have entered the vacation rental business and founded RAKUTEN LIFULL STAY PTE. LTD. Together with its Japanese subsidiary, RAKUTEN LIFULL STAY, Inc., RAKUTEN LIFULL STAY PTE. LTD. is helping expand the vacation rental market in Japan with a variety of services. The goal is to help resolve the issue of abandoned houses, which is expected to worsen in the future as the population of Japan continues to decline.

■ Water Circulation System (WOTA CORP.)

WOTA is a startup developing futuristic water systems, including portable water reclamation plants. This company's technology for repeatedly recycling water will make it possible to have water for showers, etc., even in areas that do not have water treatment facilities. They have introduced free disaster packages to help people who have to evacuate to different areas when natural disasters such as earthquakes and heavy rains occur.

■ Chemical Recycling (JEPLAN, INC.)

JEPLAN aims to establish a recycling-oriented society by recycling clothing and plastic products using its proprietary chemical recycling technology. Their technology not only meets product quality standards that have already been issued, it also

greatly improves recycling efficiency. Through investments, LIFULL is supporting their efforts to establish a recycling-oriented society, including addressing problems with waste and energy resource conversion.

Support Through Donations

■ Well-being for Planet Earth

The Well-being for Planet Earth Foundation is a public interest incorporated foundation whose aim is to contribute to the development of well-being in Japan and other countries through activities such as subsidies for academic research on well-being in Japan and overseas. By donating to this foundation, LIFULL hopes to support the establishment of "well-being" as an academic discipline and the creation of new industries, which will in turn help improve the well-being of as many people as possible.

■ Suzu City, Ishikawa Prefecture "Noto SDGs New Business Project Research" (Corporate Version of Hometown Tax (Furusato Nozei))

LIFULL has made tax-deductible donations to Suzu City, Ishikawa Prefecture, which is working to resolve local issues by promoting SDGs using the corporate version of the Furusato Nozei Program. One of our employees participated as a researcher in the city's "Noto SDGs New Business Project Research" and assisted with the development of new businesses that address regional issues.

Supporting Activities by Individual Employees

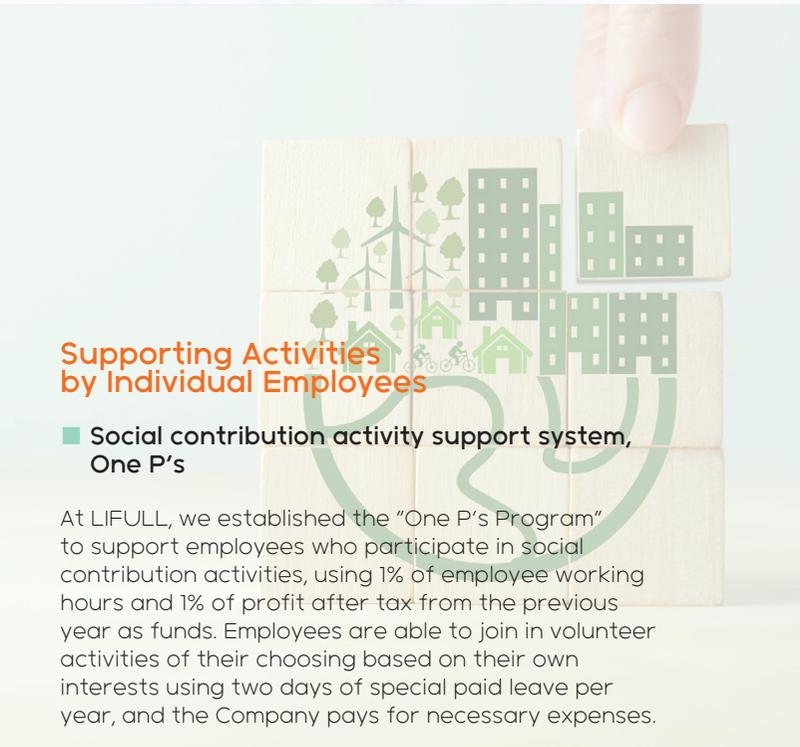
■ Social contribution activity support system, One P's

At LIFULL, we established the "One P's Program" to support employees who participate in social contribution activities, using 1% of employee working hours and 1% of profit after tax from the previous year as funds. Employees are able to join in volunteer activities of their choosing based on their own interests using two days of special paid leave per year, and the Company pays for necessary expenses.

Other Activities

■ LIFULL HOME'S Soken

This is an internal think tank that conducts independent research without the constraints of existing industry frameworks or short-term business, whose aim is to achieve a more affluent and truly free living environment. In the latest research report, "The X factor of the regional revitalization. Aiming towards regional well-being" published in September 2021, we investigated and measured "tolerance" and "well-being" in 47 prefectures using our own questionnaire, and made proposals that focused on "tolerance" as an important indicator for regional revitalization.





Director, Executive Officer
General Manager of LIFULL HOME'S
Business Headquarters

ITO Yuji

LIFULL HOME'S started as an online real estate and housing platform for anyone to access from anywhere to make property information more transparent and readily available. We have developed a variety of features that benefit all users and real estate professionals related to housing searches and have grown into a comprehensive service with an enormous number of listings and users in Japan.

We continue adding services such as the *Sumai No Madoguchi* where people can consult with an advisor face-to-face or that allow people to complete everything from property viewings to contracts online from remote locations. We are also developing new features and services with the goal of becoming a comprehensive housing concierge that works in tandem with real estate professionals from the first meeting with a home-seeker thorough to the final decision while helping to improve their business efficiency.

We will continue to evolve as an essential service for the moving process.

Comprehensive Information Platform for Real Estate and Housing Information in Japan

LIFULL HOME'S

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



About Our Business

We help to match users with real estate professionals through internet sites such as LIFULL HOME'S and Kenbiya that provide information on all types of properties such as rentals, new-builds, re-sale properties, lots and investment real estate in Japan, as well as other information related to housing and moving. Through the LIFULL HOME'S website, our CRM and other advertising tools, we support both users and real estate professionals by making the home-search process easier, efficient and more satisfying.

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

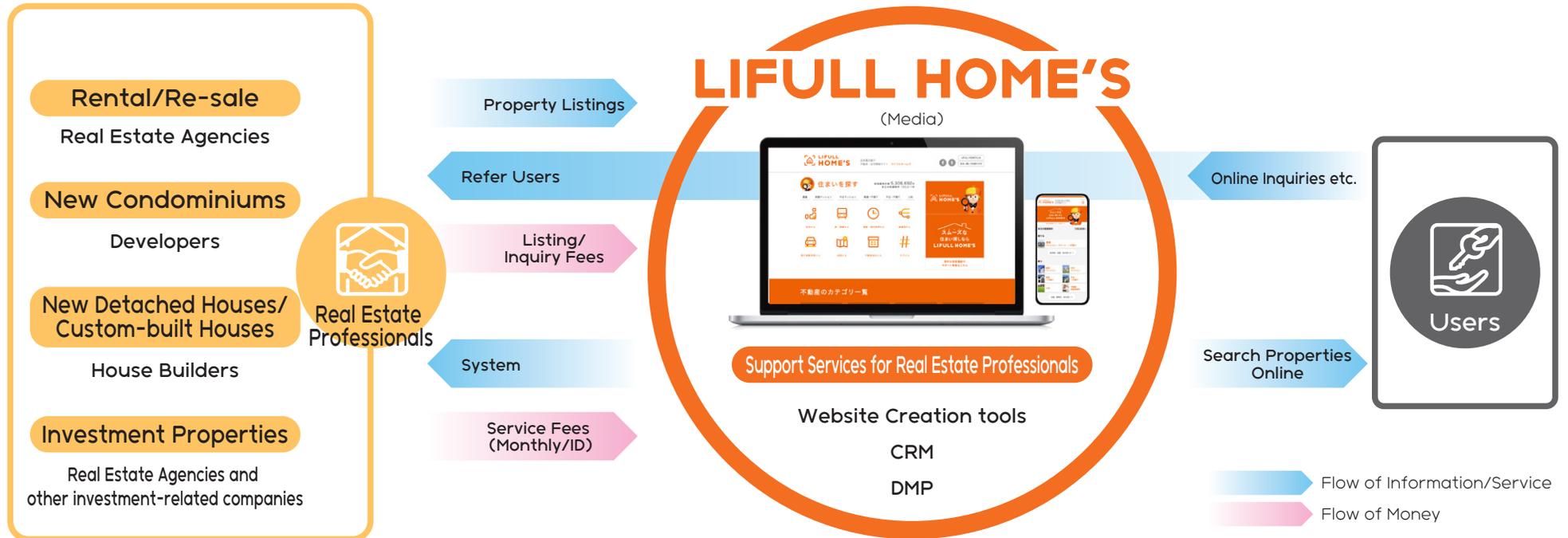
LIFULL HOME'S, we also offer a plan where clients pay for each user inquiry received. Real estate professionals listing on LIFULL HOME'S are able to choose freely between these two pricing plans.

Since October 2019, we have revised pricing so that options such as adding panoramic photos and detailed information on broker offices, which were originally paid options are included in the basic fee.

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



Flow of Information/Service
Flow of Money

PICK UP ▶ Enriching property information

To improve the efficiency of both users and business operators to help find reliable housing information, LIFULL HOME'S continues to fix and delete incorrect listings.

- Establishment of an in-house information review team
- Contact point for users (*keisai 110-ban*)
- [Industry First] Automatic removal of property listings that are off the market by comparing data with real estate management companies

<https://www.homes.co.jp/about/service/safetypolicy/>

December 2019 Start LIFULL HOME'S Maintenance Visualization Tool

Using our huge database at LIFULL HOME'S, we are able to provide a tool that shows a list of rental properties that may no longer be available.

This allows business operators to efficiently check whether or not a property is still available.



Sample screen



Results and Overview of Fiscal Year 2021/9

During the period, we focused on growing the number of listings, strengthening our media capacity and increasing brand awareness of LIFULL HOME'S.

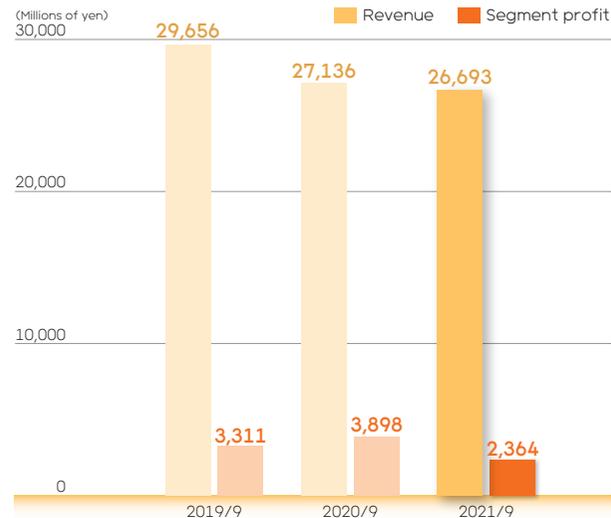
In addition to adding a new feature which allows users to automatically set their search criteria based on their current home, we improved user convenience by enabling property inquiries via SNS. For new detached houses, we became the first real estate portal in Japan to add hazard maps for floods, landslides and earthquakes to the property details (see page 18).

In addition, we also opened our first *Sumai No Madoguchi* locations in the Kansai region to offer users neutral advice on their home-search both offline and via video chat. Moving forward, we will continue to expand our service area.

We have also invested in promotions to increase brand awareness of LIFULL HOME'S and expand our user base through a mix of television commercials, online marketing and video advertisements.

Changes arising from the new normal have also been supporting our efforts. As remote work becomes more common, people are spending more time at home and are, therefore, motivated to find a more comfortable place to live. The restrictions in place, have also promoted deregulation of real estate contracts, and home buyers are now able to complete their contracts and receive disclosure statements completely online. These changes have resulted in increased numbers of users and inquiries via LIFULL HOME'S. Because of a significant drop in available properties, especially for new-build properties as a result of strong market conditions, and a drop in the number of listings due to the partial changes to our pricing structure starting in October 2019, as well as other negative factors such as a temporary decline in real estate searches during the Tokyo Olympics and Paralympics, revenue in this segment for the second half (April-September)

HOME'S Services Segment Revenue and Segment Profit



increased 1.9% year over year, showing signs of recovery. However, it remains below pre-pandemic levels, and a full recovery is still in the future.

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 still does not exist.

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,

Number of Clients / 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

blockchain and VR to develop new features for our websites.

Apart from the LIFULL HOME'S website, we have expanded our network of brick-and-mortar 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.



Creating Safe Homes and Communities

Sustainability Targets with Housing

Greater freedom of choice and convenience when relocating

Housing is fundamental to our lives. Through LIFULL HOME'S and other businesses, the LIFULL Group desires to help everyone find a home where they can live happily the way that they want. Because we have created a database that contains an abundance of property information, we are able to offer a wider range of options, and by further expanding information on safety and security such as the quality of the building and the livability of the area, we are able to provide a more satisfactory moving process.

Mid-term target

- Expansion of property database: 30 million properties (*Covering 50% of the approximately 60 million houses available; *End of September 2025)
- Expanding new information for safety and security

The number of accumulated properties in our database

Approx. **27.58** million properties

End of September 2021



(End of September 2025)

The total number of properties in Japan



"Housing and Land Survey of Japan", MIC, 2018

Helping vulnerable groups find housing

Housing equality is one of the goals of LIFULL HOME'S. By this, we mean that everyone should have the right to choose where they live regardless of their situation. "FRIENDLY DOOR," which we started in November 2019, offers a variety of services for underprivileged groups in the real estate sector such as foreign nationals, the elderly and people with disabilities who find it difficult to rent homes. We provide services that help people of various backgrounds find real estate companies who are willing to work with them. We will continue to carry out awareness-raising activities and increase the number of offices participating in "FRIENDLY DOOR" to help eliminate housing discrimination.

Mid-term target

- 6,000 offices participating in "FRIENDLY DOOR" (*End of September 2025)

LIFULL HOME'S Fact-Finding Survey on "Finding a Home" (November 2019)

<https://lifull.com/wp-content/uploads/2019/11/66f9f8e5980f0185a682a07dc5b1b329-1.pdf>



n = 1,584

Have experienced inconvenience or difficulty in finding housing

N = 1,795



n = 211

Related Measures at LIFULL HOME'S

FRIENDLY DOOR

<https://actionforallhomes.co.jp/friendlydoor>



FRIENDLY DOOR is a service that introduces real estate agencies that help senior citizens, non-Japanese residents, LGBTQ+, people with disabilities, single parents and welfare recipients

to find housing.

Listed are more than 500 real estate companies nationwide (as of November 2019) who have agreed to the purpose of the project and have expressed their participation.

In April 2020, we launched a special page for individuals who have been affected by the COVID-19 pandemic and are assisting real estate professionals who offer consultation services and support for those affected.



Flood, Landslide and Earthquake Hazard Maps

With LIFULL HOME'S, it is possible to check the for flood risks on the maps available on property detail pages.

In June 2021, we added "Flood, Landslide and Earthquake Hazard Maps" to the

LIFULL HOME'S New detached houses Flood, Landslide and Earthquake Hazard Maps



property information page for new detached houses via smartphones to visually display expected risk information in a way that is easy to understand.

We will continue to provide more information to help people find safe and secure housing.

Confirm the risk of natural disasters for the property area from the beginning when searching for a house



LIFULL CONNECT CEO
Mauricio Silber

Through LIFULL CONNECT, we are helping people make important life decisions all around the world. We have developed local search sites in more than 60 countries and regions by collecting information that is helpful when making major decisions related to housing, cars and jobs, and organizing these data to make them easily searchable.

So far, we have provided optimal marketplaces including aggregators portals and transaction-based sites for each region, and our traffic has grown to more than two billion users. Right now, especially in emerging markets, we are developing our services and features to strengthen our portal business while creating new user experiences and contributing to market expansion.

In the future, you can expect to see further expansion of the LIFULL CONNECT network as well as service innovations in different countries and regions around the world.



Providing services in	Sites	Monthly visitors	Monthly advertisement viewings
63 countries and regions	250 +	180 million +	200 million +

Largest real estate audience in the world

About Our Business

LIFULL CONNECT operates a combination of aggregation and portal sites around the world. While our aggregation sites including Trovit, Mitula and Nestoria provide users with information on real estate, job listings, used cars and fashion in many countries, our real estate portal networks, RESEM and Dot Property, are primarily active in Latin America and South East Asia. These services collect a vast amount of data and to help users better make life decisions.

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 January 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 2021/9

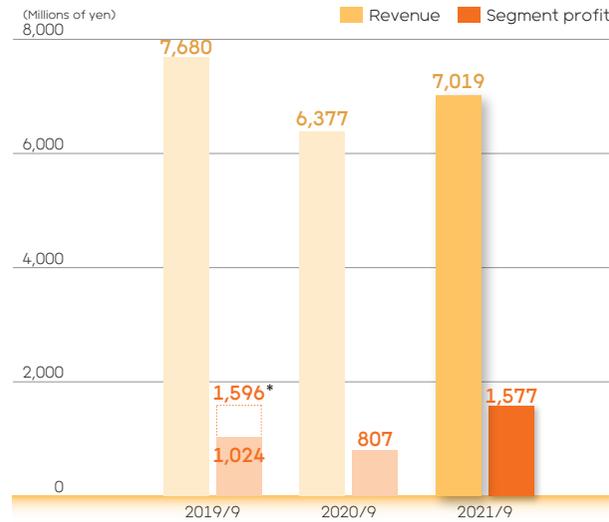
In our overseas segment this fiscal year, in order to strengthen our global competitiveness, we utilized the online services that LIFULL CONNECT has developed in more than 60 countries and regions and also made efforts to increase the value we provide to our clients by expanding our user share in each region and honing our ability to attract customers by further developing each service.

In addition to Dot Property and RESEM, we also acquired the Thai real estate portal, Hipflat, in October 2021 to strengthen our presence in Southeast Asia while also continuing to expand our network in Latin America. Additionally, we have developed a management tool for our real estate clients, Proppit, which combines the advertising potential of our aggregation sites with local portals to provide more value to our clients by leveraging the entire LIFULL CONNECT network.

The pandemic is still ongoing, and the response in each country is different. Therefore, outside of Japan, we continued to prioritize business continuity while balancing investments to strengthen competitiveness. As a result, segment profit increased significantly by 95.3% year over year.

Regarding goodwill valuation related to LIFULL CONNECT, up to now, the recoverable amount was recognized by calculating the fair value less costs to

Overseas Segment Revenue and Segment Profit

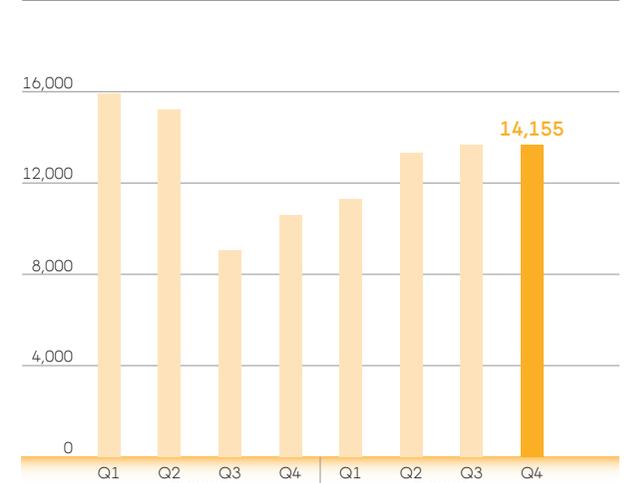


*Actual value of segment profit excluding expenses related to M&A

sell (FVLCTS¹) and value in use (VIU²), which is similar to the general valuation method, and impairment losses were determined by comparing the higher valuation with the book value. As an adequate amount of time has passed since the original acquisition, we are convinced of the feasibility of our management plan. Therefore, we have made the decision to evaluate LIFULL CONNECT based solely on its ability to

[Reference] Trends with LIFULL CONNECT Sales

*Euro-based
(Thousands of euros)



*Total results for Trovit, Mitula and RESEM

generate cash flows in the future (VIU) and recorded an impairment loss of 9.7 billion yen on goodwill for LIFULL CONNECT.

*1 Abbreviation for Fair Value Less Costs To Sell
*2 Abbreviation for Value In Use



PICK UP ▶ Proppit Listing Management Tool for Real Estate Professionals

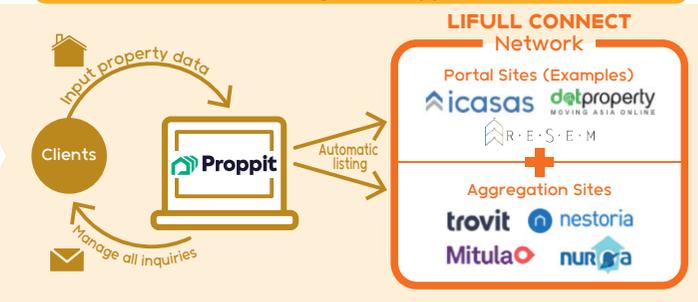
For real estate portal site clients in South America and Southeast Asia, we began providing the Proppit management tool for real estate professionals.

This makes it possible to collectively manage property listings and inquiries on multiple portals and aggregation sites operated by LIFULL CONNECT, which leads to an increase in the number of views and inquiries for our clients.

Conventional Listings



Listings via Proppit





Our Growth Strategy Moving Forward

In the Overseas segment, we founded LIFULL CONNECT in November 2019 to bring our overseas subsidiaries closer together. We will continue to push forward in our focus areas by combining the technological skills and professional experience of our employees. In the past, each of our services had its own planning, development and sales teams. But now, we have combined them to ensure better allocation of resources based on the overall priorities of the business.

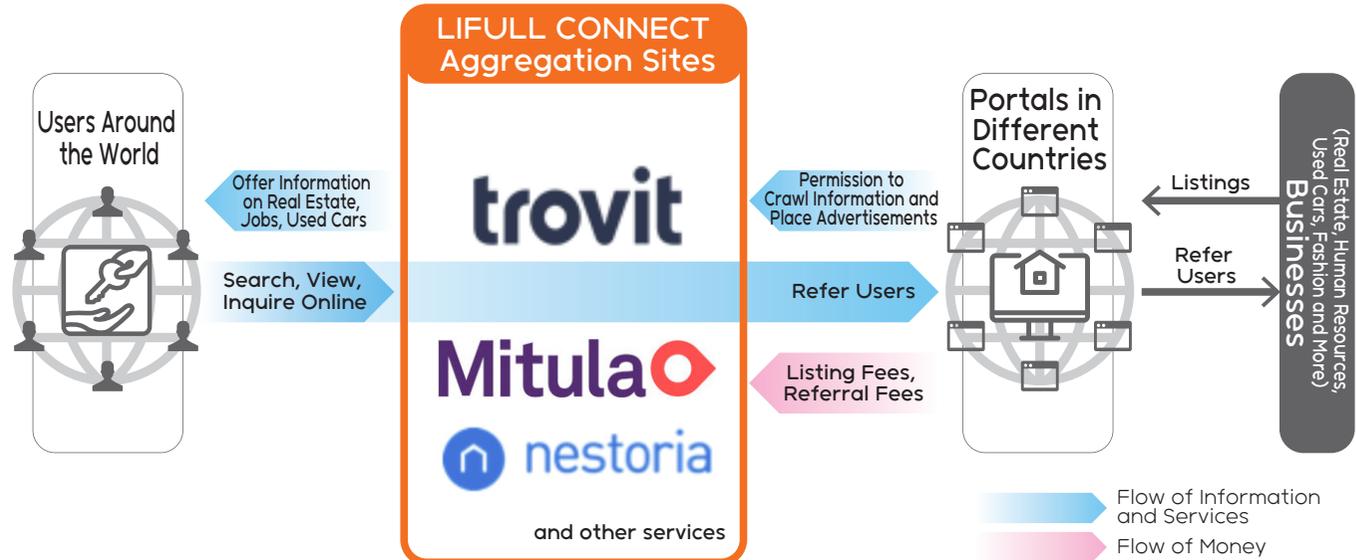
In addition, combining our management resources such as our enormous global audience and deep understanding of online operations will allow us to expand our services and increase management efficiency.

With this in mind, we will continue to actively invest in areas such as recruitment to maintain sustainable growth and profitability.

We are looking at the characteristics of each market where we are active to determine the best possible solution for their particular situation. Therefore, acquisition of smaller portals in these markets to bolster the growth of our aggregation sites is a fundamental part of our growth strategy.

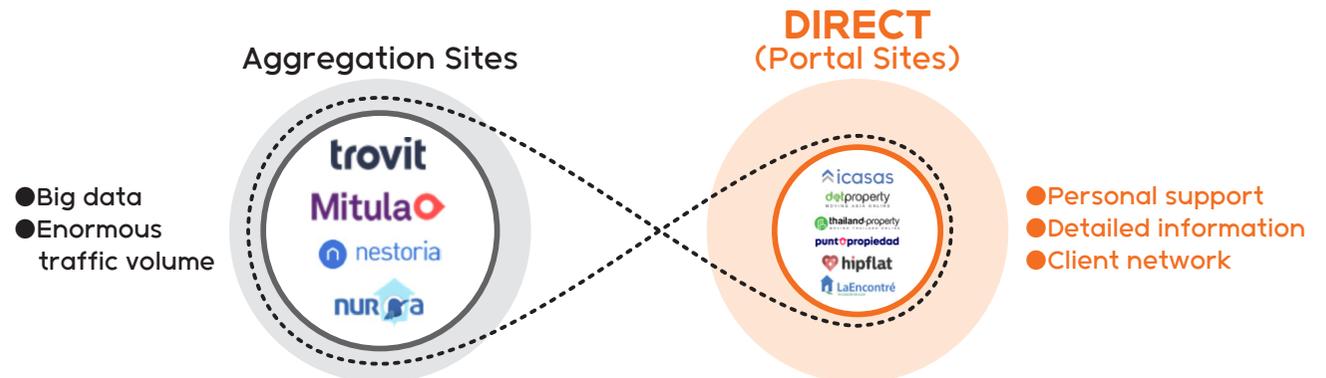
By leveraging the strengths of each aggregation and portal site, we are creating new synergies from the technological strengths we have accumulated from each along with our client and user bases. We will also strengthen our client base by providing systems such as Proppit that streamline the placement of business advertisements, and work to build a global platform, which is one of the pillars of our long-term growth strategy.

Aggregation Service Business Model



Goals of LIFULL CONNECT

Combining advantages to create a multi-brand marketplace with more value for users and clients





We are going beyond real estate and the internet and investing in a variety of services that will help people have fuller lives.

The businesses in this segment 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 our business scope and contribute to overall sales revenue for the LIFULL Group.

Selection of Services

Spin-off Services from LIFULL HOME'S



LIFULL Kaigo
Largest site in Japan for elderly care facilities

Operated by: LIFULL senior



LIFULL Trunk Room
Largest site in Japan for rental storage space

Operated by: LIFULL SPACE

Enriching Life in Rural Areas



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



Providing funding and financial assistance for repurposing abandoned properties

Operated by: LIFULL Investment

Services to Brighten People's Everyday Lives



Assisting working mothers with career assistance and child-friendly offices



Online support and training information for athletes and coaches

New Ways to Work and Live



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



Research and development for new living environments

Operated by: LIFULL ArchiTech



Results and Overview of Fiscal Year 2021/9

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

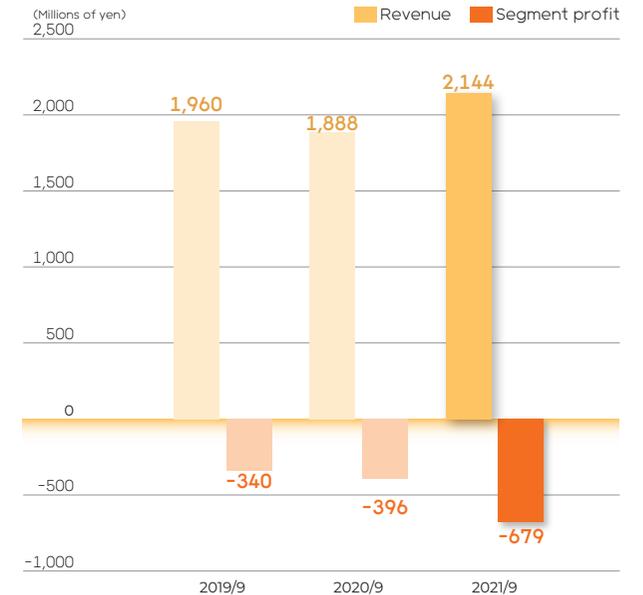
In the fiscal year under review, we have invested in the growth of each service as well as in regional revitalization projects such as establishing a new organization for replanning and implementing a business plan for the purchase, repurposing and resale of abandoned houses.

In April 2021, our subsidiary LIFULL FaM, which provides skill improvement and employment support for mothers raising children, merged with LIFULL and has been integrated into the regional revitalization business, forming partnerships with local governments and businesses. We are also treating this as an opportunity to rethink how people use office space.

In May 2021, our LOCAL MATCH service that matches people who are considering moving to rural areas with local jobs will start as we expand the development of services for regional revitalization.

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 ▶ Efforts to create new businesses

We have actively created opportunities throughout the year for our employees to propose new businesses in order to help resolve social issues and nurture managers (see page 27). Award-winning ideas undergo a feasibility study for a certain period, and then according to the results, are commercialized or are turned into a subsidiary. When a project is approved, we manage the progress according to our management rules for new business and quickly make decisions on adjustments including business plans and business withdrawal to ensure both business creation and financial soundness.

Based on the above management rules for new business, we have withdrawn from the businesses listed on the right.

Services for which business was withdrawn

[Merged into LIFULL]

- LIFULL MOVE (Moving estimates)
- LIFULL FaM (Child-friendly office management and employment support for working mothers)

[Sold or transferred]

- LIFULL Interior (Interior EC site)
- LIFULL *Hoken / Hoken Содan* (Insurance consultation reservation, product comparison)
- LIFULL FLOWER (Flower subscription service)
- Clean Smoothie (Subscription service for smoothies made from fruits and vegetables with imperfections)



[Withdrawn]

- Lifull TraveRing App allowing travelers to interact with locals
- Lifull Scouting Matching service for people who want to be successful in sports with teams/companies
- Lifull LiveMatch App to find companions for concerts
- LIFULL Remodel Home remodeling service and brokerage
- Ouchi de Shika Portal for dental clinics that provide dental care for the elderly at home



Strong Connections for Prosperous Communities

Sustainability Targets Related to Regional Revitalization

Promote the repurposing of abandoned homes and buildings in rural areas of Japan

As the population of Japan begins to decline, vacant houses (Akiya) are increasingly becoming a social issue. The LIFULL Regional Revitalization initiatives aim to solve this issue and bring in new opportunities for rural areas by repurposing Akiya. We will continue to bring more visibility to Akiya and assist with their repurposing to further enrich peoples' lives in rural areas of Japan.

Mid-term target

- Total number of registered properties in LIFULL HOME'S Akiya Bank: 100,000 (*End of September 2025)
- Initiating revitalization projects

Get more people involved

The source of the revitalization of rural areas of Japan comes from the variety of individuals involved in the efforts. Therefore, the LIFULL Group is looking for solutions to issues in rural areas by increasing the number of involved individuals through its initiatives such as LIFULL Regional Revitalization School training the next generation of local leaders, LIFULL FaM, LIFULL LOCAL MATCH helping people relocate to different regions or LivingAnywhere Commons - a network of facilities for workations and multi-location living.

Mid-term target

- Involved Individuals*: Total 300,000 people (*End of September 2025)

*Total number of people involved in regional revitalization including relocation and regional exchanges through LIFULL Group activities

Establish a new investment system

Financing is one of the key factors to promote the repurposing of abandoned houses in Japan. Therefore, the LIFULL Group is combining its the enormous amount of data it has collected over the years in the real estate industry and cutting-edge technology to develop new investment products and a transaction platform. With these real estate investment and financial opportunities, the LIFULL Group will contribute to the overall stimulation of the market for re-sale properties accelerate the revitalization of rural Japan.

Mid-term target

- Expansion of total investments and loans through LIFULL Group financial products and services for regional revitalization

Related Measures in Other Businesses

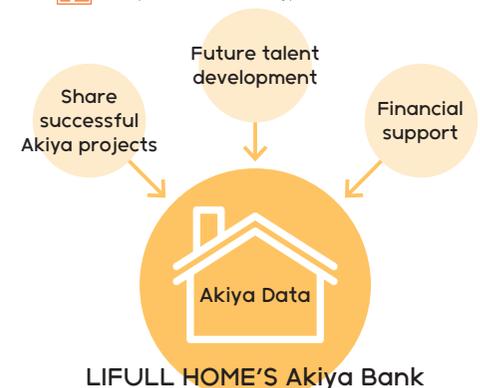
The LIFULL Group provides various services centered on the revitalization of abandoned houses as part of our regional revitalization business.

We are collaborating with local governments, businesses and other organizations around Japan through our Akiya Bank to help rural areas reach their true potential. The LIFULL HOME'S Akiya Bank is a model project of the Ministry of Land, Infrastructure, Transport and Tourism where local governments can advertise abandoned properties in their jurisdictions. This allows individuals the opportunity to search for these properties and think of ways they can be repurposed, for example as vacation rentals. We are also helping to train future talent as consultants and producers to assist with finding new ways to use Akiya and manage revitalization activities in each area as well as providing funding for new projects.

LOCAL MATCH

Matching local governments and companies with people who want to move to rural areas

<https://local.lifull.jp/localmatch/>



LIFULL HOME'S Akiya Bank

<https://www.homes.co.jp/akiyabank/> (In Japanese)

Total number of listings

Approx. **16,000**

(As of the end of September 2021)





Offering More Options for People to Live Their Lives Their Way

Sustainability Targets in a Rapidly Aging Society

Eliminate people's concerns about finances and health after retirement

In our modern world, people commonly live for more than 100 years, and life planning is playing an ever more important role. For this reason, LIFULL *Jinsei Sekkei* is providing the necessary information and services to allow anyone to live their life the way they want. In order to accomplish this goal, we are first focusing on peoples' concerns about finances after retirement and will be expanding to health support in the future.

Mid-term target

- 1 million monthly visits to "LIFULL *Jinsei Sekkei*" (by September 2025)

Eliminate people's concerns about elderly care

Since starting LIFULL *Kaigo* in 2007, the largest website for searching for and comparing elderly care facilities in Japan, we have assisted a large number of individuals. Moving forward, as the leader in the market, we want to make the process of finding the right care facilities even smoother using the internet and will continue to make updates to our websites.

Mid-term target

- 30% share of internet users considering elderly care facilities



PICK UP ▶ Initiatives and services provided by LIFULL senior

We started a new in-house business proposal system and made the subsidiary LIFULL senior in 2015 in anticipation of business expansion in Japan's rapidly aging society. It is a business that supports those who care for the elderly.

Our goal is to eliminate people's worries in later life.

Until now, we have been providing information services related to senior living centered on LIFULL *Kaigo*, one of the largest

sites in Japan for finding retirement facilities. In May of 2021, we began a business support service called *Kaimono Connect* that greatly reduces the burden of shopping handled by nursing care facilities. Moving forward, we will continue to expand our services to provide more assistance to nursing facilities.

We will engage in business to help ease the stress that people experience with the goal of realizing a world where more people can enjoy the second half of their lives.



LIFULL senior Co., Ltd.
Representative Director
and President

IZUMI Masato

Related Measures in Other Businesses

LIFULL *Jinsei Sekkei* (Life Planning) works with experts like independent financial planners who have extensive knowledge to provide information on life plan-centered asset building to help with concerns people have about money, which is essential for living.

Through such articles and profile pages, users pay for in-depth consultations with experts according to their various needs and values.

By charging fees for consultations, our aim is to provide users with a wide range of impartial information.



<https://lifeplan.lifull.jp/> (In Japanese)



■ LIFULL *Kaigo*

Largest site in Japan for elderly care facilities

<https://kaigo.homes.co.jp/>

■ *Kaimono Connect*

Shopping support agency service for nursing care facilities

<https://lp.kaimonoc.jp/>

■ *Minna No Ihinseiri*

Search site for businesses that clean up and organize personal effects of the deceased

<https://m-ihinseiri.jp/>

■ *tayorini*

Web media that shares information on nursing care

<https://kaigo.homes.co.jp/tayorini/>

The above websites are all in Japanese.





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

HADA Yukihiro



We believe that the all LIFULL employees are working toward the goal of realizing our corporate philosophy. Therefore, our aim is to create an environment where everyone is respected and has the opportunity to freely take on new challenges and achieve a state of well-being.

Basic Policy

We manage our businesses in accordance with our corporate philosophy and believe that this is the goal for all LIFULL employees. Therefore, our hiring is based heavily on how well candidates identify with our Corporate Credo and Guidelines.

The following explains the five pillars of our human resource strategy.

Vision	Consistency with corporate philosophy
Culture	Creating an organizational culture that can realize our corporate philosophy
Leadership	Developing human resources capable of finding solutions to social issues through our businesses
DEI	Respecting the individuality of employees from diverse backgrounds
Well-being	Supporting the physical and mental health of employees allowing for more fulfilling lives

We have designed and conduct recruitment, training and evaluations in harmony with our vision and maintain a high level of employee motivation for our corporate philosophy and strategy. We value the intrinsic motivation of our employees and help them develop their own skills and careers while encouraging them to accept new challenges and provide open opportunities to all employees regardless of position, age or career path.

Furthermore, we are expanding our D&I+ initiatives so that employees from different backgrounds better understand the value of each other's individuality and can better work as one team. We believe that this will

lead to greater job satisfaction and create innovation as an organization.

Well-being is also an important pillar of our human resources strategy. We believe that creating an environment where employees enjoy their work and lead fulfilling lives while being physically and mentally healthy is essential to realizing a resilient and sustainable organization.

Intrinsic Motivation and Four Types of Fitness

Intrinsic motivation is of utmost importance when it comes to building the LIFULL organization. This idea refers to fostering the motivation of our employees have to master new skills or work towards a specific career path for their own personal satisfaction rather than only extrinsic factors such as monetary rewards or higher status. Therefore, we conduct evaluations and determine roles in a way that creates an environment where each individual is able to maximize their potential.

When hiring, we confirm whether what a person wants to do fits with achieving our management philosophy (Vision Fit.). We also look at potential and skills focusing on whether the person has values that are in line with the LIFULL Corporate Credo of "Altruism" (Culture Fit).



Vision Fit	Acceptance of our management philosophy and alignment of vectors
Culture Fit	Harmony with the Company Credo "Altruism" and guidelines
Potential	Future growth potential
Skill Fit	Possession of required skills

Since we place a heavy focus on our vision, culture fit and intrinsic motivation, the goals of our employees naturally align with the realization of our corporate philosophy.

Efforts to Develop Skills and Foster Next-Generation Leaders

We are strengthening various programs including LIFULL University, business idea contests and career support in order to encourage employees to take on challenges, improve skills and develop their careers based on intrinsic motivation.

Hierarchical training	Middle session / Training for new group leaders / Executive study group / Leaders' eye seminar / LIFULL University / Selective overseas training / Support for official qualifications / Elective training courses / Training for new graduates / Training for mentors / New graduate MVP
Job-specific training	Technology / Marketing / Service planning / Sales / Strategy staff / Designer
Career support	Career Support Office / Careeful / eIFULL

LIFULL University Seminars

Approximately 20 programs are offered each year, including courses on logical thinking and time management, management courses taught by the CEO as well as on career design and English conversation. Most of the seminars are run by employee volunteers making it a place for spontaneous learning.

New SWITCH Business Idea Program

SWITCH is a system gives employees the opportunity to pitch their business ideas regardless of their position, seniority or career path. We receive about 100 to 150 applications every year from employees at various levels including from new employees to managers, and some of the winning ideas have actually been launched as businesses.

Promoting Diversity, Equity and Inclusion (DEI)

It is important for us to receive opinions and proposals from a variety of perspectives so that we can realize our management philosophy in an increasingly diverse world. LIFULL launched the D&I+ Committee in December 2020 to help create an environment where people from all backgrounds can reach their full professional potential. Before this, there were in-house volunteer activities

by employees to promote diversity, so we established an official committee to carry this on and promote DEI. Meetings are attended by a wide range of members from different departments and backgrounds, and they engage in active discussions and activities to promote DEI.

We have also set the promotion of DEI as a sustainability target and are making efforts to eliminate gender bias.

Examples of efforts

Unconscious bias training

Implemented a program on the topic of unconscious bias at the quarterly company gathering (company-wide round-table discussions). During this training, participants took a look at how unconscious bias plays a part in their perceptions and discussed how to overcome these barriers.

International lunch

We offer a place where employees from different cultural backgrounds and nationalities can gather and interact in a relaxed setting.

Sponsor of Tokyo Rainbow Pride

We showed our Company stance on creating a society where everyone, including the LGBTQ community, can feel comfortable.



PICK UP ▶ Promotion of DEI through business activities

LGBTQ support by *Sumai No Madoguchi*

Through LIFULL HOME'S *Sumai No Madoguchi*, we offer home-buying lectures and individual counseling programs for those in the LGBTQ community. They can learn how to prepare for legal issues, ask questions and receive consultations either online or face-to-face.

Providing a customer service checklist for real estate companies

For LIFULL HOME'S clients, we provide a checklist of points that they should consider when helping people with disabilities and the LGBTQ community. These checklists were created based on input from experts and allow them to confirm basic knowledge for handling home-seekers who have difficulties finding a home.



Creating a Work Environment Where All People Feel Comfortable

People of all walks of life work together at LIFULL. Each has their own lifestyle, values and background - some are raising children or taking care of family members; some are in common-law marriages or same-sex partnerships; and some volunteer or have second jobs. In order to embrace this diversity, we provide a working environment that caters to different work-styles to suit all of these different needs. We maintain an open dialogue with our employees in order to become an organization where everyone is able to reach their full potential.

Examples of important systems and initiatives

Flextime
Hybrid work (Work style that combines working at the office and remote work from home or workation)
Support for working mothers and fathers
Childcare and nursing care leave
Social contribution leave (2 days a year)
LIFULL leave
Other special leave (Childbirth, marriage, transfer, etc.)
Universal restrooms at offices

*Congratulatory or condolence leave have also been extended to employees who are in common law marriages or same-sex partnerships.

Actions to Promote Employee Well-Being

One of our most important management objectives is ensuring that our employees lead fulfilling lives. At LIFULL, 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.

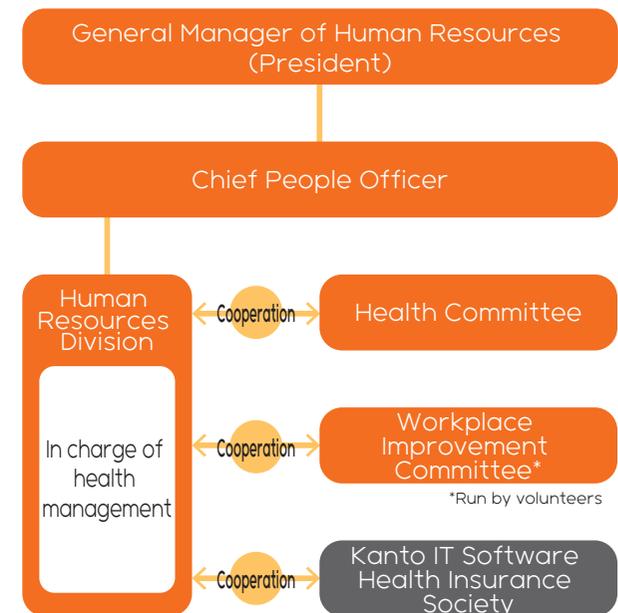
We support our employees through three main pillars: Learn, Check and Support.

Learn	<p>We provide professional seminars to improve mental and physical health.</p> <ul style="list-style-type: none"> ● Seminars held by corporate physicians (Topics in 2021: Healthy eating, sleep, exercise habits and occupational illnesses)
Check	<p>We regularly check and provide feedback on employees' physical and mental health and engagement.</p> <ul style="list-style-type: none"> ● Physical examinations ● Working time management ● Employee engagement surveys ● Well-being surveys ● Stress checks
Support	<p>We provide necessary opportunities for employees to maintain/improve their health.</p> <ul style="list-style-type: none"> ● Health consultations ● Partial coverage of gynecological examinations (ovarian, uterine and breast cancer prognoses) ● Prevention of infectious diseases 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

Main Indicators

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

Promotion Team for Health Management



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





Managing Officer
CTO (Chief Technology Officer)
General Manager of Technology Department
Head of LIFULL HOME'S Department
Product Engineering Division

NAGASAWA Tsubasa

We want to maximize the value we provide from a technical standpoint by taking even greater advantage of our big data and AI while also attracting talented developers to continue our digital transformation and “make every LIFE FULL.”

Basic Policy

We are constantly working to improve our technology to achieve LIFULL’s vision of “Making every LIFE FULL.” The main purpose of our technology strategy is to maximize the value we provide through our products such as LIFULL HOME’S. Another important purpose is advancing the digital transformation of our internal infrastructure as workplaces and work styles become more diverse. To make this happen, we are strengthening our technological expertise, including AI technology, while also holding onto our talent and internal resources.

Maximizing the Value Provided Through AI x Real Estate Data

One of LIFULL’s greatest assets is the vast amount of diverse real estate data we have accumulated over the last quarter of a century - including data on rent and price, our price maps and our archives from across our different businesses. From these data, we have created a variety of services that have been implemented in the real world. However, there are still many data that have not been fully utilized.

The key to this will be the application of these data into AI. At LIFULL, we established the AI Strategy Team in 2018 to help utilize big data and connect them to new services and features. Our goal is to further maximize the value provided through our products by quickly combining various data in the best way possible such as image analysis using deep learning, real estate market

prediction, user behavior analysis, behavior prediction model development and recommendation algorithm development.

Attracting and Fostering R&D Personnel and Resources

Currently, engineers and other development teams make up about 25% of all Group employees. Further including web designers, directors and other planning and operation teams brings the total percentage of employees directly engaged in operating our services to 40% of total employees.

However, since the competition to acquire IT personnel in the recruitment market is intensifying, our ability to consistently attract talented developers to further fortify our technical expertise is an urgent issue for LIFULL.

As a whole, the Company supports the training and professional development of engineers through a wide range of internal training content for new engineers in their first or second years, encouraging engineers to participate in internal and external learning opportunities as well as providing time during working hours to improve professional skills.

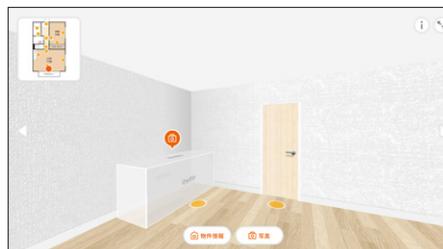
In addition to these efforts, we have also focused on securing stable developers such as by utilizing our offshore development subsidiary, establishing regional development bases and creating flexible policies for employing external talent.





Official Release of LIFULL HOME'S 3D Floor Plan

This feature uses AI technology to convert and display conventional 2D floor plans in 3D environments, allowing users to get a sense of apartments online—something that cannot be properly conveyed through photos or floor plans alone. The beta version was released in March 2021, and the official version was released later in October. This is a prime example of a strategy that maximizes value by taking full advantage of technology.



Example of a 3D floor plan

Launch of Flood, Landslide and Earthquake Hazard Maps

In June 2021, we released Flood, Landslide and Earthquake Hazard Maps as a new feature of LIFULL HOME'S for new-build detached houses. Since the risk of natural disasters is an important factor in deciding whether or not to buy a house, we show data including simulation results for floods, landslides, maximum seismic intensity, liquefaction and evacuation shelter information on the property area map. We believe that such features and information address user questions early and make the entire search process more efficient.



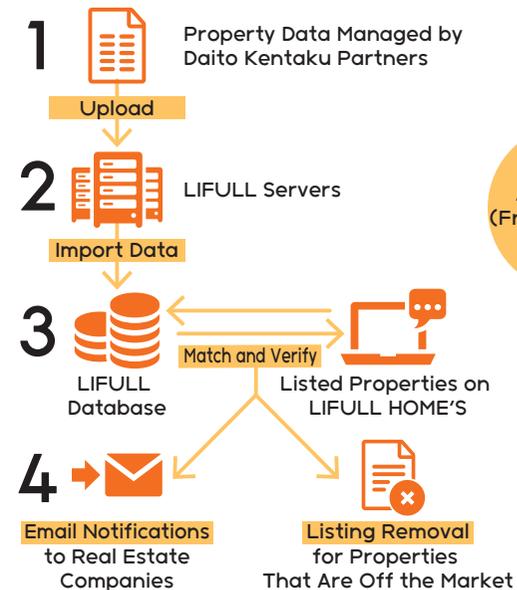
Property page

Hazard map

Automatic Removal of Tenanted or Sold Properties

Starting in August 2021, we implemented a function that automatically unlists properties that are no longer available by matching the property information held by Daito Kentaku Partners, the largest property management company in Japan, with the information listed on LIFULL HOME'S. Property information is usually listed by multiple real estate companies at the same time, so the problem was that listings were not updated in real time when a property was taken off the market. This function not only improves the accuracy of listing information, it also improves the operational efficiency of real estate companies.

How Data Matching Works



Digital Transformation of Internal Systems

In September 2021, we announced our "Internal System DX Plan for 2025." We had already implemented systems for electronic signing of documents to allow for a completely remote working environment, but we continue to implement systems which support zero trust networks, allow for more paperless information and biometric authentication to accelerate our shift to a more digital workplace for the new normal.

Components of Our Digital Workplace





Managing Officer
CFO (Chief Financial Officer)
General Manager of Group Company Business
Development Department
FUKUZAWA Hidekazu

Our aim is to maximize corporate value for all stakeholders by continuously working towards solutions to social issues through our business by strengthening our financial base to generate stable profits and making strategic investments for medium- to long-term growth.

Basic Policy

Our ultimate purpose is to find solutions to social issues through our businesses. To achieve this in a sustainable way, it is important to pursue profit in a manner that is fair and just. The main role of the CFO is to ensure a stable financial base and then to formulate and execute financial strategies resulting in sustainable growth, including the allocation of group-wide resources. For the successful execution of these plans, we recognize the need to create an organization that maximizes profits and thoroughly manages costs at the site level through instruction and monitoring.

We have initiated our Mid-Term Management Plan this year with the aim of reaching a CAGR (Compound Annual Growth Rate) of 15%. We are investing aggressively in our core businesses, LIFULL HOME'S and our overseas services, as our growth drivers, while ensuring financial stability and allowing for temporary cost increases. We will focus our investments on people (recruitment), service (development) and promotion of our brand (advertising) to ensure future growth.

After we see initial growth in revenue, we will shift focus to improving our earnings structure to reach an operating income margin of 20%. Since we operate on a cost-light business model, we plan to reach this target by reducing our marketing and personnel to revenue ratios.

These expanded earnings and profits will accelerate investment in new businesses, such as regional revitalization, services focused on the rapidly aging society of Japan and real estate investment systems.

Reflection on Fiscal Year 2021/9

Although the Group achieved a consolidated operating income of 3.1 billion yen during FY 2021/9, an impairment loss on goodwill of 9.7 billion yen was recorded for delays in earnings of LIFULL CONNECT, our overseas subsidiary, due to the effects of COVID-19. Deficits with consolidated final profit and loss made it a very difficult year.

As for the HOME'S Services segment in Japan, revenue decreased by 0.4 billion yen compared to the previous fiscal year as a result of external factors including a decrease in the number of new properties on the market due to the prolonged impact of the COVID-19 pandemic. Segment income also decreased by 1.5 billion yen year-over-year as advertising activities resumed, which had temporarily been suspended during the previous fiscal year, to encourage future sales growth.

However, profits in the Overseas segment nearly doubled despite the challenging environment. Similarly to Japan, overseas markets have been affected by the pandemic, but we believe that we will see increased profitability in the future if these factors are removed.

As mentioned above, advertising demand remains sluggish both in Japan and other countries because of the pandemic. Yet, even under these circumstances, free cash flow was 0.2 billion yen in the positive, and both the HOME'S Services and Overseas segments are generating profits without major changes in the profit structure. Although we recorded an impairment loss, our financial base remains stable with an equity ratio of 61.9%.

Future Financial Strategy

Based on our high profitability and stable financial base, we will proactively invest in sales growth in anticipation of conditions normalizing during and after the pandemic. In the Mid-Term Management Plan, investment priority is given to the HOME'S Services segment, followed by Overseas and Other Businesses.

The HOME'S Services segment has been the source of profits for the Group up until now, so we will continue to invest heavily in this to achieve double-digit sales growth as an important earnings pillar. We will especially strengthen investment in service development, specifically AI and DX, under the theme of

"Omnichannel x DX" in order to further differentiate ourselves from our competitors through the services we provide.

For the Overseas segment, we are "moving to direct" and evolving from aggregation services to incorporate a portal-based model, including the introduction of management tools for real estate professionals. Therefore, to further grow our business, we are expanding our client network while increasing revenue per customer to further boost sales revenue. At the same time, we will explore the possibility of additional mergers to further expand the scope of our businesses.

Regarding the Other Businesses segment, which includes a number of startups, our aim is to maximize investment impact and make investment decisions while calmly assessing areas where we expect sales growth in the future.

In terms of earnings, we would like to especially focus on commercializing our "global real estate investment platform" where there is enormous market potential. We have been developing our own real estate investment x financial services and have been promoting future growth through acquisitions and partnerships. Although this market is still in its infancy, we are already making proactive investments to gain a first-mover advantage.

Shareholder Returns

As for shareholder returns, we will continue to aim for a consolidated dividend payout ratio of 25% to distribute profits to shareholders. Through our Mid-Term Management Plan, we will maintain and strengthen a sound financial base for stable dividends while actively investing in businesses to increase shareholder value over the medium to long term. Our policy is to continuously improve returns to shareholders through medium- to long-term sales growth and improved profit margins.



Outside Director
NAKAO Ryuichiro

Outside Director
TAKAHASHI Masato

Director, Executive Officer
ITO Yuji

President,
CEO and Executive Officer
INOUE Takashi

Director, Executive Officer
YAMADA Takashi

Outside Director
OKUBO Kazutaka

Outside Director
KOBAYASHI Masatada



(As of December 23, 2021)

President, CEO and Executive Officer

INOUE Takashi

[24 years 9 months / 27,941,000 shares]

Born in 1968

- 1991 Joined Recruit Cosmos Co., Ltd. (currently Cosmos Initia Co., Ltd.)
- 1992 Joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.)
- 1995 Founded NEXT HOME Co.
- 1997 Established the Company, Representative Director (current position)
- 2014 Representative Director of Next Wisdom Foundation (current position)
- 2016 Director of Japan Association of New Economy (current position)
- 2019 Secretary of NPO PEACE DAY (current position)
LIFULL CONNNECT, S.L.U. Board Member (current position)

Outside Director, Independent Officer

TAKAHASHI Masato

[8 years 6 months / 0 shares]

Born in 1959

- 1982 Joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.)
- 2007 Joined Rakuten, Inc. (currently Rakuten Group, Inc.)
- 2011 Managing Executive Officer of Rakuten, Inc.
- 2013 Outside Director of the Company (current position)
- 2017 Representative Director and President of MASH Plus Co., Ltd. (current position)
Outside Director of EPARK, Inc.
- 2018 Outside Director of Unipos Inc. (current position)
Outside Director of WATABE WEDDING CORPORATION
- 2019 Representative Director and President of HBIP Co., Ltd. (current position)
- 2021 External Director of adish Co., Ltd. (current position)

Reason for nomination

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.

Number of Board of Directors meetings attended in FY 2021/9
15 of 17 Board of Directors meetings

Director, Executive Officer

YAMADA Takashi

[7 years 6 months / 160,600 shares]

Born in 1973

- 1992 Joined Bab-Hitachi Business Corporation
- 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 Director, Executive Officer and General Manager of HOME'S Business Department
- 2017 Director, Executive Officer, General Manager and Head of LIFULL HOME'S Department Management Office
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)

Outside Director

KOBAYASHI Masatada

[2 years / 0 shares]

Born in 1971

- 1994 Joined Dai Nippon Printing Co., Ltd.
- 1997 Joined MDM, Inc. (currently Rakuten Group, 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 Well-being Officer at Rakuten, Inc. (currently Rakuten Group, Inc.) (current position)
Outside Director of the Company (current position)

Reason for nomination

Mr. Masatada Kobayashi has worked for many years at Rakuten, Inc. (currently Rakuten Group, Inc.) since its founding and has gained abundant experience as a director for several Rakuten Group companies.

Number of Board of Directors meetings attended in FY 2021/9
16 of 17 Board of Directors meetings

Director, Executive Officer

ITO Yuji

[1 year / 9,200 shares]

Born in 1982

- 2006 Joined the Company
- 2015 Managing Officer, Head of HOME'S Business Department Rental and Sale Division
- 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 Director, Executive Officer, General Manager and Head of LIFULL HOME'S Department Management Office (current position)

Outside Director, Independent Officer

NAKAO Ryuichiro

[2 years / 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)

Reason for nomination

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.

Number of Board of Directors meetings attended in FY 2021/9
17 of 17 Board of Directors meetings

Outside Director, Independent Officer

OKUBO Kazutaka

[2 years / 3,200 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 ShinNihon LLC (currently 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)

Reason for nomination

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.

Number of Board of Directors meetings attended in FY 2021/9
17 of 17 Board of Directors meetings

Audit & Supervisory Board Members

(As of December 23, 2021)



Outside Audit & Supervisory
Board Member
HANAI Takeshi

Outside Audit & Supervisory
Board Member
MATSUSHIMA Kie

Full-time Audit &
Supervisory Board Member
SHISHIDO Kiyoshi

Outside Audit & Supervisory Board
Member
NAKAMORI Makiko



(As of December 23, 2021)

Full-time Audit & Supervisory Board Member,
Independent Officer

SHISHIDO Kiyoshi

[5 years 6 months / 6,500 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)

Reason for nomination

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.

Number of Board of Directors (Audit & Supervisory Board) meetings attended in FY 2021/9
17 of 17 Board of Directors meetings,
17 of 17 Audit & Supervisory Board meetings

Outside Audit & Supervisory Board Member,
Independent Officer

HANAI Takeshi

[8 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. (currently Rakuten Group, 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. (currently Rakuten Group, 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
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)
2021 Outside Director of KI-STAR REAL ESTATE CO., LTD. (current position)

Reason for nomination

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.

Number of Board of Directors (Audit & Supervisory Board) meetings attended in FY 2021/9
15 of 17 Board of Directors meetings,
16 of 17 Audit & Supervisory Board meetings

Outside Audit & Supervisory Board Member,
Independent Officer

NAKAMORI Makiko

[8 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 certified public accountant
1997 Director of Nakamori CPA offices (current position)
2000 Audit & Supervisory Board Member of Oracle Corporation Japan
2006 Outside Auditor of istyle Inc.
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 ITOCHU Techno-Solutions Corporation
Outside Audit & Supervisory Board Member of the Company (current position)
2015 Outside Audit & Supervisory Board Member of TeamSpirit Inc.
2019 Outside Member of the Board of ITOCHU Corporation (current position)

Reason for nomination

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.

Number of Board of Directors (Audit & Supervisory Board) meetings attended in FY 2021/9
16 of 17 Board of Directors meetings,
17 of 17 Audit & Supervisory Board meetings

Outside Audit & Supervisory Board Member

MATSUSHIMA Kie

[1 year / 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
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
2019 Outside Auditor of THE KAGOSHIMA BANK, LTD. (current position)
2020 Outside Audit & Supervisory Board Member of the Company (current position)
2021 Special Counsel of Anderson Mori & Tomotsune (current position)
Outside Director (Audit and Supervisory Committee Member) of THE KAGOSHIMA BANK, LTD. (current position)

Reason for nomination

Although Ms. Kie Matsumura 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.

Number of Board of Directors (Audit & Supervisory Board) meetings attended in FY 2021/9
13 of 13 Board of Directors meetings,
13 of 13 Audit & Supervisory Board meetings

Skill Matrix (Outside Director / Outside Audit & Supervisory Board Member)

	Name	Independent officer	Skill				
			IT	Management	Finance/Accounting	Global	Legal affairs
Outside Director	TAKAHASHI Masato	●	●				
	KOBAYASHI Masatada	-		●			●
	NAKAO Ryuichiro	●		●			
	OKUBO Kazutaka	●			●		
Outside Audit & Supervisory Board Member	SHISHIDO Kiyoshi	●		●			●
	HANAI Takeshi	●		●	●		
	NAKAMORI Makiko	●			●		
	MATSUSHIMA Kie	-					●



Managing Officer
Section Manager of Executive Office

TSUTSUI Keizo

Born in 1967
1990 Joined Merrill Lynch & Co., Inc.
1998 Joined The Boston Consulting Group
1999 Joined Rakuten, Inc. (currently Rakuten Group, 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
Technology
Investment M&A



Managing Officer
CFO (Chief Financial Officer)
General Manager of Group Company Business Development 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
Technology
Investment M&A



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

HADA Yukihiko

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
Technology
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
Technology
Investment M&A



Managing Officer
CTO (Chief Technology Officer)
General Manager of Technology Department
Head of LIFULL HOME'S Department Product Engineering Division

NAGASAWA Tsubasa

Born in 1985
2008 Joined the Company
2021 Managing Officer of the Company (current position)

Scope of Oversight
Human Resources
Overseas
New Businesses
Administration / Disclosure
Creative
Technology
Investment M&A



Basic Policy

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 further refine our management practices 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
	7 Outside members (including female directors)
Audit & Supervisory Board in Place	4(0)
Total Audit & Supervisory Board Members	Independent Directors (Including Auditors)
4 Outside Audit & Supervisory Board Members (including female directors)	6
Attendance of Outside Members at Board of Directors	Company Performance-based Remuneration
4(2) Outside directors Avg. 96% Outside auditors Avg. 95%	Yes

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 decisions to be made by the Board of Directors in advance.

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 meetings 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 strong 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.

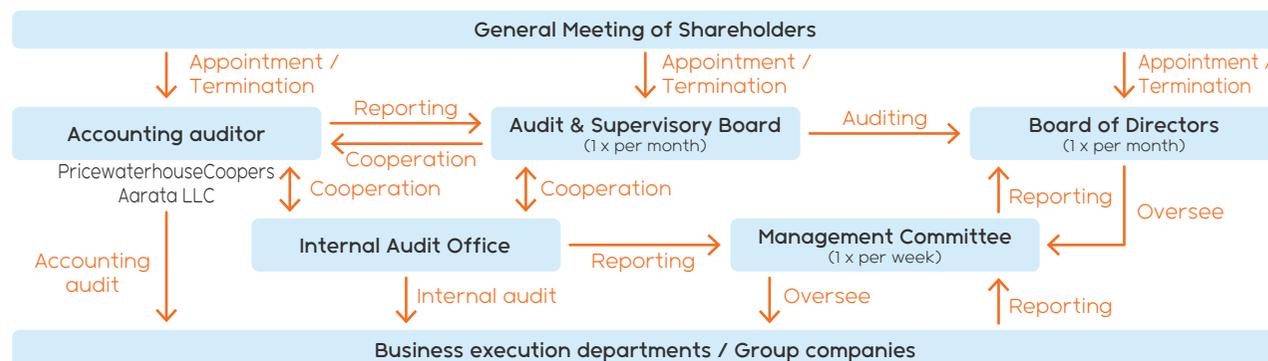
Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members

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/>

Corporate Governance System





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 every fiscal year since June 2016. The results of this evaluation for FY 2021/9 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 2021/9

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

● Deepening discussions on personnel and personnel-related matters

The need for more discussions on further increasing the diversity of the Board of Directors, including gender, internationality and age in addition to skills, experience and knowledge has been pointed out. We are considering the formulation of a skill matrix and are conducting discussions to identify sustainability issues and formulate an action plan for improving the diversity of the whole Group.

● Involvement with the Mid-Term Management Plan

The Board of Directors has held discussions on the Mid-Term Management Plan where the strategy was shared in advance and cause analysis was carried out. Although this was an improvement, the need for more detailed discussions was pointed out, and we have created multiple opportunities for reports and discussions related to priority areas. To improve discussions on the Mid-Term Management Plan and the business progress of Group companies, a number of discussions were also held between executives and subsidiary executives at times other than Board of Directors meetings.

● Explanation and discussion of the appointment and dismissal of executives

Since the need to further improve reports and discussions related to human resources in general including recruitment and training was pointed out, we are planning to implement regular reports by the managing officer in charge of human resources.

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 consists of performance-based and contribution-based compensation (individual assessment), and overall evaluation is based on performance-based compensation with contribution-based compensation taken into consideration. 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; 2) degree of growth and innovation; and 3) 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.

Business Performance-based Remuneration

In view of our corporate philosophy and business strategy, compensation criteria related to business performance including strategic investment indicators that are essential for business growth such as personnel expenses and R&D expenses, productivity and organizational surveys are important aspects. For this purpose, we monitor multiple key performance indicators including financial performance indicators such as gross profit, operating profit and net income attributable to owners of the parent.

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 over the medium to long term.

*Abbreviation for "LIFULL Group Vision Achievement Score"



Internal Audit and Audit by the Audit and Supervisory Board Members

We have established an Internal Audit Office (four staff members) that is directly under the Representative Director and is independent of audited departments. 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 attends the meetings of the Board of Directors and expressly provides questions, recommendations and advice from their standpoints and monitors the execution of the duties of the directors. The full-time Audit & Supervisory Board member attends other important meetings, monitors the status of business execution, accesses important business documents and also monitors and audits daily business activities through the research of subsidiaries. In addition, the full-time Audit & Supervisory Board member receives reports

on the outline and results of the accounting audit from the accounting auditors and conduct audits in close collaboration with the accounting auditors.

Relationship Between Auditors, Accounting Auditors and Internal Audit Office

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

Cross-shareholdings

We do not possess any listed shares as cross-shareholdings. Our policy on cross-shareholdings is that such shareholdings are limited to those reasonable for promoting expansion and development of the Group and Company itself, fostering business alliances that

may contribute to new business, or other management-related reasons. To ensure implementation of this policy, investments are made after approval by the Management Committee or the Board of Directors, in keeping with standards for decision-making authority.

Equity Securities Held for Purposes Other Than Pure Investment	
Amount issued	11 shares
Total amount on balance sheet	¥265,184 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 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.

Total Remuneration (2021/9)

Classification	Number of recipients	Payment amount (thousands of yen)
Directors (particulars relating to Outside Directors)	6 persons (3 persons)	120,498 (21,375)
Audit & Supervisory Board Members (particulars relating to Outside Audit & Supervisory Board Members)	5 persons (5 persons)	39,812 (39,812)
Total (particulars relating to Outside Officers)	11 persons (8 persons)	160,310 (61,187)

*Included among the five auditors is one who retired at the conclusion of the 26th General Meeting of Shareholders held on December 23, 2020. In addition, there is one outside director who does not receive remuneration.



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 deliberates on 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/en/company/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



Sample Discussion at Board of Directors Meeting

Promoting Diversity and Female Employees

(November 19, 2020)

We have held discussions on our strategy for empowering female employees and encouraging the promotion of female directors. Our outside directors also commented that although the selection criteria for managerial positions should be the same regardless of gender, more efforts are needed to develop female employees and shared case studies from other companies. Therefore, we will continue considering how we develop talent for a sustainable society and the growth of the Company. In the discussions on sustainability issues that followed, that female directors should make up 50% of the Board of Directors by 2030 in order to provide for greater diversity.

Sustainability Issues (February 22, 2021)

The Company is of the mind that the Board of Directors should discuss sustainability issues instead of deputizing these to the department responsible. The Board has agreed that decisions on managerial issues should be made based on the Company's mid- to long-term business strategies after understanding risks and issues associated with them.

We have also decided to maintain a proactive disclosure policy on decisions by the management.



The content under "Main Risk Factors" is taken from "Business Risks" in the Annual Securities Report (Yukashoken Hokokusho, issued only in Japanese). Please see our Annual Securities Report regarding other risks.

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

Risks Related to Business Strategies

HOME'S Services Segment

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 or 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.

Decrease in the Number of Inquiries

Some LIFULL HOME'S services use a performance-based billing system according to the number of matches between real estate agents and users. Under this pricing structure, revenue fluctuates according to the number of results. Therefore, if the number of results provided to real estate clients decreases such as due to changes in the business environment or a drop in the ability of LIFULL HOME'S to attract users, it could affect the Group's performance.

Decrease in Clients

If the number of clients who terminate their contracts with LIFULL HOME'S, including forced terminations due to violations of our terms of service, were to increase for some reason, large contracts with organizations that have many branches could be terminated. This would affect Group performance since it would result in a decrease in the number of clients.

Issues between Clients and Users

We have set up an information review department that confirms whether the information listed on LIFULL HOME'S is appropriate. In addition to such active examinations, AI and big data are used to quickly identify information that may be incorrect. We receive data such as contracts and

applications held by real estate management companies every day. These data are compared with information listed on LIFULL HOME'S, and if necessary, information is automatically removed. In this way, we are also making efforts to improve the accuracy of information. In addition, if an issue occurs between a client and user and the user contacts the Company, a representative of the Company will ask the client to confirm the facts, explain the situation to the user and alleviate the cause of the issue. In certain situations, we will also take measures including termination of usage contracts with clients.

However, requests for improvements by the Company to clients are not binding, and if issues between clients and users are not resolved, it can negatively affect the reputation of the services provided by the Group, which can then affect Group performance.

Impact of Advertising Activities

We actively invest in advertising in order to increase traffic to our sites, improve brand recognition and attract new customers. However, if our competitive environment should intensify for some reason, costs per click could go up for certain keywords to increase traffic to our sites. Additionally, although we base our branding expenses on results analyses to maximize our return, it is possible that we still do not reach the level of brand recognition that we originally anticipated due to an overestimation of the return on our investments or issues with our services could affect our brand value or result in overspending on marketing initiatives. These scenarios could affect the Group's performance.

Overseas Segment

Global Expansion

The Group has set the construction of a global platform as a pillar of its medium- to long-term growth strategy, and as part of this, is developing services in more than 60 countries and regions. Global expansion brings exposure to a wide range of risks. In addition to laws and regulations and business risks related to regional characteristics like language, culture, business practices, laws and systems,

political factors and geographical factors, there are also risks associated with the rise of global competition and delayed responses due to time differences. The Group's policy is to proceed with business development after taking sufficient measures to minimize risks. However, failure to respond to unpredicted risks or changes in laws and regulations can affect the Group's performance overseas.

In addition, certain costs are incurred when identifying and responding to various risks while developing global services. Even for existing services, responding to changes in laws and regulations, as well as loss of opportunities for profit and a loss in competitiveness related to such responses can increase costs, which can affect the Group's financial situation and performance.

Risks Related to Corporate Management

Reliance on the CEO

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

We have taken steps to create a management system that does not rely excessively on President Inoue such as sharing information among directors and key employees at meetings of the Board of Directors and Management Committee meetings, strengthening our management organization and introducing a corporate officer system to speed up decision-making by promoting the delegation of authority. However, if President Inoue leaves his post or becomes incapable of executing his duties for some reason, this could have an impact on the Group's performance.

Risks Associated with M&A and Investment

We consider active acquisitions an important part of further developing our existing services, acquiring related technology, attracting new talent, developing new services and acquiring other important strategic assets in order to carry out the Group's growth strategy. When making an acquisition, we endeavor to avoid risks where possible



by conducting extensive due diligence on the acquisition target, including its business model, financial position and current contracts. We then make a decision on whether or not to invest according to our approval process. However, if contingent liabilities or other initially unrecognized liabilities are discovered after the acquisition, they could have an affect on the financial position and business performance of the Group.

The Group's financial position and performance could also be affected if the corporate value of a target company is overestimated at the time of investment, if the plan changes due to changes in the business environment, if the integration or fusion of internal control systems does not proceed smoothly, if key persons such as officers and employees of an investment company resign or have difficulty executing their duties for some reason, or if the investment does not produce the expected result for some reason.

The Group may not always have control when it comes to business alliances and joint ventures. Therefore, if the expected result is not produced when an investment decision is made because of differences in management policies with partner companies, including changes in strategy due to alliances such as fund procurement from companies other than the Group, the Group's business performance could be affected, making it impossible to recover the investment capital.

The Group records goodwill as non-current assets, which accounts for a high percentage of total assets. The Company uses International Financial Reporting Standards (IFRS) when preparing consolidated financial statements, so there is no need to amortize goodwill. However, if the profitability of a target company for goodwill drops significantly and the recoverable amount, which is a future effect, falls below the book value, it will be necessary to record an impairment loss, which could affect the Group's performance.

Reliance on External Search Engines

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 according to the policies and rules of search engine operators, and we are unable to influence such decisions. Not only are we working to strengthen our unique ability to attract customers

through aggressive branding promotions, we are also taking necessary measures such as adjusting our SEO to appear at the top of search results. Group performance may be affected if the ability to attract customers to sites operated by the Group decreases because search results are not displayed favorably for the Group such as due to a change in the policy for showing top results by the operator of a search engine.

System Issues

Many of the Group's services depend on computer systems and the communication networks that connect them. Therefore, we have implemented a number of security measures to handle intrusions including computer viruses and malware as well as outside attacks by hackers and have adopted a system that continuously backs up server data.

However, suspending the provision of all or some services temporarily or for a certain period of time as a result of hardware or software defects, failures of networks or computer systems, external cyberattacks or unauthorized access by third parties, human error by officers and employees of our Company or outsourced companies, communication network disconnections due to disasters or accidents, temporary server outages due to a sudden increase in access or power issues could result in the loss of profit opportunities, loss of trust in the Group's system itself and loss due to providing compensation for damages. All of these could affect the Group's business performance.

Handling of Personal Information

Various services operated by the Group require the acquisition of personal information such as names, addresses, telephone numbers, e-mail addresses, workplace information, dates of birth and gender. We handle a large volume of important information including confidential information from 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 protocol 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.

We are committed to protecting various types of information. However, if such information were to be leaked, lost, falsified, or used illegally such as due to unauthorized outside access or defects in our internal management system, the Group's business performance could be affected by claims for damages, the burden of expenses for taking appropriate measures, loss of profit opportunities, disciplinary action from regulatory authorities, and loss of the Group's social credibility resulting in loss of users and clients.

Legal Restrictions on the Internet

The primary way the Group provides services is over the internet. In recent years, regulations in Japan such as the revision to the Act on the Protection of Personal Information, which goes into effect in April 2022, are being considered to clarify the terms and conditions of transactions with digital platform operators. Rules related to internet use are also being developed in other countries. The performance of the Group could be affected if laws and regulations are newly enacted or the current rules are revised for internet users and service providers in the future. In addition, Group performance may be affected if the Group becomes legally obligated to take responsibility for problems between clients and users where the Group is not a direct party, including issues that cross international borders.



External Environmental Risks

Risks Associated with Economic Fluctuations

The internet advertising market, where the Group mainly operates, continues to expand in scale as the internet continues to expand, as smartphones become more common, and as various fields move online.

However, since advertising strategies are impacted by changes to business conditions and the business environment, they are also greatly affected by economic fluctuations. Therefore, if the economy deteriorates in the future, Group performance may be affected.

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 a disaster or a prolonged period of impact, the need for the services provided by the Group may decline, which may affect Group performance.

The worldwide spread of COVID-19 is affecting the macro economy on a global scale, and economic activity continues to stagnate. 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. If the numbers of new infections or period of impact of COVID-19 continues, it may affect the business performance of the Group.

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 multiple competitors for the internet-based services operated by the Group such as LIFULL HOME'S, Trovit, Mitula, Nestoria, LIFULL *Kaigo* (Nursing Care), and LIFULL Trunk Room. There are also multiple competitors for services outside of internet-related services.

That is why the Group will continue to make investments to strengthen the competitiveness of its services and strive to differentiate itself from other companies. However, investments to strengthen our competitiveness may not bring the desired results according to the plan, and since barriers for entry into the internet industry are low, it is easy for new companies to enter the industry. Therefore, the Group's business performance could be affected if competition for innovative technologies and business models emerges and the competition intensifies.

Innovation

All of our Group's businesses are based on information and communication technology (ICT), and we are working to improve the value of each service by actively utilizing advanced technology. However, ICT is progressing at a rapid rate. If the Group is somehow unable to respond to technologies with high utility value, technologies we have introduced may become obsolete. This would cause a drop in the satisfaction of users and clients for each provided service, which could affect Group performance. Group business performance may also be affected if there is an increase in expenses such as for the purchases of network-related equipment and software, license fees for supporting new technologies and costs for in-house or outsourced development.

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 line with 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.

Rakuten Group, Inc. is considered a major shareholder in LIFULL, and is classified as one of our "affiliated companies." We have had a wide-ranging and amicable relationship with Rakuten Group, Inc., including business transaction relationships such as LIFULL sharing 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.

Financial Summary 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	2017/9	2018/9	2019/9	2020/9	2021/9
Consolidated Operating Results (For the Year)					
Revenue	15,948	34,564	39,297	35,402	35,857
Revenue by Segment ^{*1}					
HOME'S Services Segment	13,288	28,602	29,656	27,136	26,693
Overseas Segment	1,718	3,861	7,680	6,377	7,019
Other Businesses	941	2,101	1,960	1,888	2,144
Cost of Sales	1,862	3,879	4,559	4,096	3,951
Selling, General and Administrative Expenses (Excluding Depreciation and Amortization)	12,966	26,421	30,713	27,015	28,599
Personnel Expenses	3,810	7,791	8,702	8,960	8,905
Advertising Expenses	5,414	11,384	13,273	10,487	11,851
Operating Expenses	455	943	925	464	400
Other Costs	2,766	5,235	6,636	5,083	5,479
Depreciation and Amortization Expenses ^{*2}	519	1,067	1,176	2,019	1,961
Other Income and Expenses	(102)	51	161	(1,805)	(9,950)
Operating Income ^{*3}	1,016	4,315	4,184	2,485	(6,644)
Segment Profit (Loss) ^{*1}					
HOME'S Services Segment	1,067	3,864	3,311	3,898	2,364
Overseas Segment	131	490	1,024	807	1,577
Other Businesses	(120)	(186)	(340)	(396)	(679)
Net Profit Attributable to Owners of the Parent ^{*3}	489	2,859	2,406	1,162	(5,901)
Consolidated Financial Position (At Year-End)					
Total Assets	26,363	29,181	43,672	55,560	45,887
Total Equity Attributable to Owners of the Parent	19,227	21,881	32,551	33,487	28,413
Interest-Bearing Liabilities ^{*2}	970	-	3,558	13,951	11,128
Net Interest-Bearing Liabilities ^{*3}	(4,539)	-	(5,680)	(6,563)	(5,517)
Consolidated Cash Flows (For the Year)					
Cash Flow from Operating Activities	1,909	4,671	2,166	4,884	1,287
Cash Flow from Investing Activities	(999)	(1,533)	(2,836)	(1,730)	(1,068)
Cash Flow from Financing Activities	(1,601)	(1,072)	2,782	3,391	(3,291)
Free Cash Flow ^{*4}	910	3,138	(670)	3,153	219
Capital Expenditures	258	602	564	1,051	839
R&D Expenses	25	61	130	89	221

IFRS		2017/9	2018/9	2019/9	2020/9	2021/9
Financial Indicators						
Operating Income Margin	(%)	6.4	12.5	10.6	7.0	(18.5)
Return on Equity (ROE)	(%)	2.6	13.9	8.8	3.5	(19.1)
Return on Assets (ROA)	(%)	3.6	15.0	10.0	4.3	(13.5)
Debt to Equity Ratio ^{*5}	(times)	0.05	-	0.11	0.42	0.39
Equity Attributable to Owners of the Parent Ratio	(%)	72.9	75.0	74.5	60.3	61.9
Amounts per Share						
Net Profit Attributable to Owners of the Parent						
Basic	(yen)	4.12	24.09	18.52	8.71	(44.78)
Diluted	(yen)	-	-	-	-	-
Dividends	(yen)	0.82	6.02	4.40	5.29	3.62
Dividend Payout Ratio	(%)	19.9	25.0	25.0 ^{*6}	60.8 ^{*7}	(8.1)^{*7}
Equity Attributable to Owners of the Parent per Share	(yen)	161.96	184.31	242.62	254.11	215.61
Stock Price						
Share Price at Fiscal Year-End (TSE closing price)	(yen)	978	630	703	443	370
Price to Earnings Ratio (PER)	(times)	237.37	26.15	37.95	50.86	(8.26)
Price to Book Value Ratio (PBR)	(times)	6.03	3.41	2.89	1.74	1.72
Other						
Number of Consolidated Employees		1,207	1,274	1,548	1,470	1,483^{*8}

*1 Intersegment transactions have been eliminated.

*2 IFRS 16 applied from the fiscal year ending September 2020. Therefore, lease liabilities are recognized and recorded for leases that were previously classified as operating leases.

*3 Net interest-bearing liabilities = Interest-bearing liabilities + Current cash flow

*4 Free cash flow = Cash flow from operating activities + Cash flow from investing activities

*5 Debt to equity ratio = Interest-bearing liabilities / Equity attributable to owners of the parent

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

*7 Dividends for the fiscal years ended September 30, 2020 and 2021 have been calculated in consideration of the impact of impairment losses on overseas subsidiaries.

*8 As of September 30, 2021 (including temporary employees).

*9 Provisional accounting for the corporate mergers has been finalized for the fiscal year ended September 30, 2021, and all values for the fiscal year ended September 30, 2020 reflect this finalization.

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 (Changed to Prime Market as of April 2022) 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/en/ir/

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

Questions on stocks and dividends

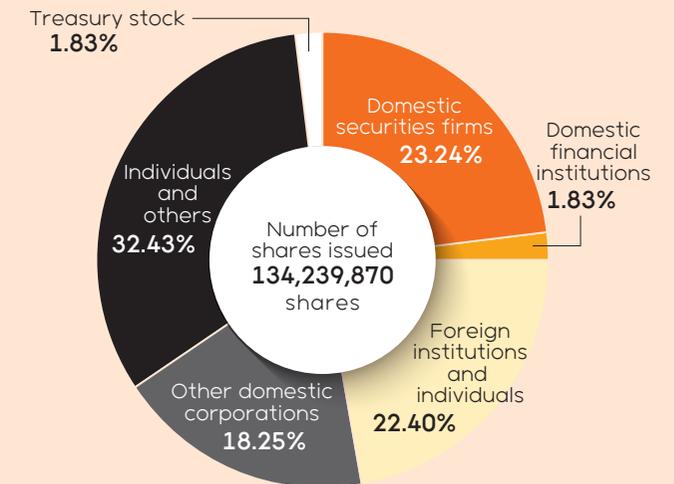
Please direct inquiries to the abovementioned administrator of shareholder lists. Shareholders using securities firms, please direct inquiries to the firm administering the account.

Major Shareholders

Name	Number of shares (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)	15,272,300	11.59
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,812,400	8.96
CEP LUX-ORBIS SICAV	4,427,700	3.36
CBS/DCV CLIENTS	3,653,250	2.77
THE BANK OF NEW YORK MELLON 140051	3,319,000	2.52
BNYM NON-TREATY DTT	3,235,000	2.45
GOMI Daisuke	2,969,000	2.25
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	2,556,400	1.94

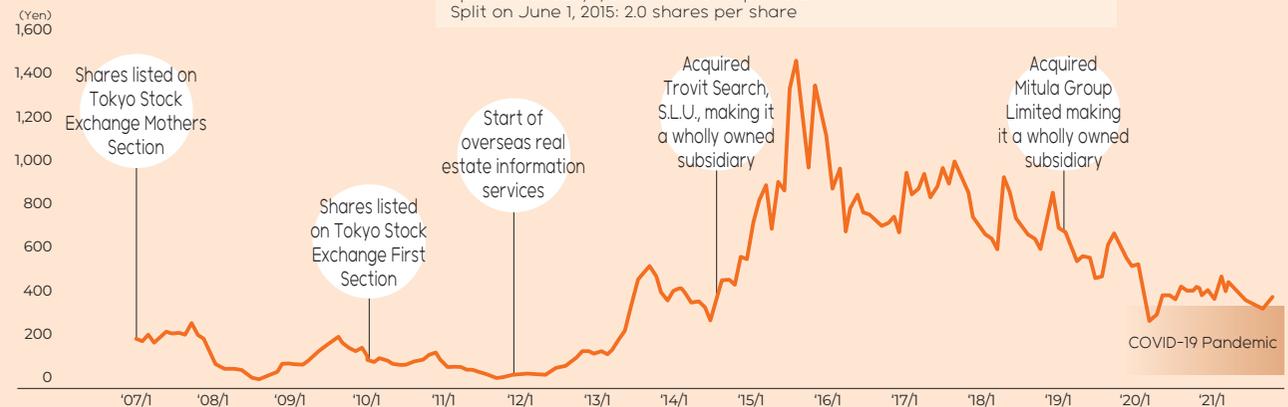
Note: Calculations for investment ratio exclude treasury stock (2,458,256 shares).

Distribution of Shareholders



Stock Price Performance

Note: Recalculated while considering the impact of the following stock splits.
 Split on April 1, 2008: 2.0 shares per share
 Split on October 1, 2011: 100.0 shares per share
 Split on January 1, 2014: 3.0 shares per share
 Split on June 1, 2015: 2.0 shares per share



(1) Consolidated Financial Statements

(i) Consolidated Statements of Financial Position

(Thousands of yen)

	Notes	As of September 30, 2020	As of September 30, 2021
Assets			
Current assets			
Cash and cash equivalents	7, 24	15,962,746	13,145,308
Accounts receivable-trade and other current receivables	8, 24	4,723,158	5,000,620
Other short-term financial assets	16, 24	624,112	589,366
Other current assets	17	1,773,193	2,809,658
Total current assets		23,083,211	21,544,954
Non-current assets			
Property, plant and equipment	9, 12	1,756,982	1,441,114
Right-of-use assets	9, 12, 20	4,476,985	3,429,723
Goodwill	11, 12	19,421,525	11,026,612
Intangible assets	10, 12	2,982,628	3,083,910
Investments accounted for using the equity method	14	447,167	339,161
Other long-term financial assets	16, 24	2,071,117	2,101,373
Deferred tax assets	15	1,307,541	2,849,230
Other non-current assets	17	13,275	71,516
Total non-current assets		32,477,223	24,342,642
Total assets		55,560,435	45,887,597

(Thousands of yen)

	Notes	As of September 30, 2020	As of September 30, 2021
Liabilities and equity			
Liabilities			
Current liabilities			
Accounts payable and other current payables	18, 24	2,664,624	3,178,334
Short-term loans	16, 19, 24	8,631,569	6,628,630
Lease liabilities	19, 20	832,799	738,168
Accrued corporate income taxes		1,249,737	296,043
Provisions	21	42,333	-
Other current liabilities	17	2,594,973	1,298,117
Total current liabilities		16,016,038	12,139,294
Non-current liabilities			
Short-term loans	16, 19, 24	767,298	998,980
Lease liabilities	19, 20	3,720,010	2,762,701
Provisions	21	510,657	511,000
Other long-term financial liabilities	16	-	109,579
Deferred tax liabilities	15	551,123	483,326
Other non-current liabilities	17	356,171	344,326
Total non-current liabilities		5,905,261	5,209,913
Total liabilities		21,921,299	17,349,208
Equity			
Equity attributable to owners of the parent			
Capital stock	22	9,716,363	9,716,363
Capital surplus	22	9,922,957	9,982,062
Retained earnings	22	16,834,306	10,296,601
Treasury shares	22	(1,009,262)	(1,009,262)
Other components of equity	22	(1,976,672)	(572,117)
Total equity attributable to owners of the parent		33,487,692	28,413,647
Equity attributable to non-controlling interests		151,443	124,741
Total equity		33,639,135	28,538,388
Total liabilities and equity		55,560,435	45,887,597

(ii) Consolidated Statements of Profit or Loss

(Thousands of yen)			
	Notes	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
Revenue	25	35,402,758	35,857,177
Cost of revenue	26	4,096,838	3,951,438
Gross profit		31,305,920	31,905,738
Selling, general and administrative expenses	20,27,28	27,015,195	28,599,138
Other income	29	113,534	90,114
Other expenses	29	1,919,054	10,040,819
Operating profit (loss)		2,485,203	(6,644,103)
Financial revenue	30	3,769	23,776
Financial expenses	20,30	102,805	108,071
Share of profit (loss) of investments accounted for using the equity method	14	(249,990)	(128,949)
Profit (loss) before taxes		2,136,175	(6,857,347)
Income tax expenses	15	968,818	(961,665)
Profit (loss) for the period		1,167,357	(5,895,682)
Profit (loss) for the period attributable to			
Owners of the parent		1,162,588	(5,901,120)
Non-controlling interests		4,769	5,437
Total		1,167,357	(5,895,682)
(Yen)			
Profit (loss) for the period per share attributable to owners of the parent			
Basic earnings per share	32	8.71	(44.78)
Diluted earnings per share	32	8.71	(44.78)

(iii) Consolidated Statements of Comprehensive Income

(Thousands of yen)			
	Notes	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
Profit (loss) for the period		1,167,357	(5,895,682)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity instruments measured at FVTOCI	31	223,870	27,755
Total of items that will not be reclassified to profit or loss		223,870	27,755
Items that may be reclassified to profit or loss, net of tax			
Exchange differences on translation of foreign operations	31	1,156,045	1,343,067
Share of other comprehensive income of investments accounted for using the equity method	14,31	(16,429)	34,085
Total of items that may be reclassified to profit or loss		1,139,616	1,377,153
Other comprehensive income, (after tax)		1,363,486	1,404,909
Total comprehensive income (loss)		2,530,844	(4,490,773)
Comprehensive income for the period attributable to			
Owners of the parent		2,526,141	(4,496,534)
Non-controlling interests		4,702	5,761
Total		2,530,844	(4,490,773)

(iv) Consolidated Statements of Changes in Equity

Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)

(Thousands of yen)

	Notes	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 (loss) for the period		-	-	1,162,588	-	-	1,162,588	4,769	1,167,357
Other comprehensive income		-	-	-	-	1,363,553	1,363,553	(66)	1,363,486
Total comprehensive income (loss)		-	-	1,162,588	-	1,363,553	2,526,141	4,702	2,530,844
Dividends of surplus	23	-	-	(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 from corporate mergers		-	-	-	-	-	-	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	16,834,306	(1,009,262)	(1,976,672)	33,487,692	151,443	33,639,135

Current consolidated fiscal year (October 1, 2020, to September 30, 2021)

(Thousands of yen)

	Notes	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, 2020		9,716,363	9,922,957	16,834,306	(1,009,262)	(1,976,672)	33,487,692	151,443	33,639,135
Profit (loss) for the period		-	-	(5,901,120)	-	-	(5,901,120)	5,437	(5,895,682)
Other comprehensive income		-	-	-	-	1,404,585	1,404,585	323	1,404,909
Total comprehensive income (loss)		-	-	(5,901,120)	-	1,404,585	(4,496,534)	5,761	(4,490,773)
Dividends of surplus	23	-	-	(697,124)	-	-	(697,124)	(20,175)	(717,299)
Share-based payment transactions		-	36,143	-	-	-	36,143	-	36,143
Capital transactions with owners of non-controlling interests		-	22,961	-	-	-	22,961	(21,129)	1,831
Increase from corporate mergers		-	-	-	-	-	-	8,842	8,842
Changes from exclusion from application of equity method for subsidiaries		-	-	60,539	-	-	60,539	-	60,539
Other		-	-	-	-	(31)	(31)	-	(31)
Total transactions with owners		-	59,105	(636,584)	-	(31)	(577,510)	(32,462)	(609,973)
Balance as of September 30, 2021		9,716,363	9,982,062	10,296,601	(1,009,262)	(572,117)	28,413,647	124,741	28,538,388

(v) Consolidated Statements of Cash Flows

	(Thousands of yen)	
Notes	Previous consolidated fiscal year (October 1, 2019 to September 30, 2020)	Current consolidated fiscal year (October 1, 2020 to September 30, 2021)
Cash flow from operating activities		
Profit (loss) before taxes	2,136,175	(6,857,347)
Depreciation and amortization	2,036,924	1,978,489
Impairment loss	1,619,202	9,749,169
Financial revenue	(3,769)	(23,776)
Financial expenses	102,805	108,071
Decrease (increase) in accounts receivable- trade and other current receivables	985,356	2,645,989
Increase (decrease) in accounts payable- trade and other current payables	(1,161,048)	(2,627,576)
Other	505,632	(1,653,645)
Subtotal	6,221,280	3,319,374
Interest and dividends received	19,868	1,400
Interest paid	(106,288)	(112,032)
Income taxes paid	(1,250,710)	(1,921,086)
Cash flow from operating activities	4,884,150	1,287,655
Cash flow from investing activities		
Proceeds from sale of equity instrument assets	505,127	-
Purchase of financial instrument assets	(93,989)	(100,100)
Purchase of property, plant and equipment	(497,451)	(99,330)
Proceeds from sale of property, plant and equipment	1,263	1,572
Purchase of intangible assets	(559,535)	(678,518)
Payments for business transfer	33	-
Purchase of subsidiaries	33	(593,045)
Proceeds from acquisition of subsidiaries	35,461	4,458
Payments for lease and guarantee deposits	(16,966)	(9,882)
Proceeds from refund of leasehold deposits and guarantee deposits	24,134	179,469
Purchase of shares of affiliates	(7,212)	-
Payments of loans receivable	33	(1,085,500)
Collection of loans receivable	560,518	762,165
Other	(3,281)	106,377
Cash flow from investing activities	(1,730,477)	(1,068,049)

	(Thousands of yen)	
Notes	Previous consolidated fiscal year (October 1, 2019 to September 30, 2020)	Current consolidated fiscal year (October 1, 2020 to September 30, 2021)
Cash flow from financing activities		
Proceeds from short-term loans	19	10,710,128
Repayment of short-term loans	19	(6,430,000)
Proceeds from long-term loans	19	2,392,700
Repayment of long-term loans	19	(833,350)
Dividends paid		(590,294)
Repayment of lease liabilities	19	(905,817)
Dividends paid to non-controlling interests		(1,881)
Purchase of shares in subsidiaries		-
Proceeds from share issuance to non-controlling interests		40,300
Purchase of treasury shares		(1,000,148)
Other		10,350
Cash flow from financing activities	3,391,985	(3,291,648)
Effect of exchange rate changes on cash and cash equivalents		178,060
Net increase (decrease) in cash and cash equivalents		6,723,719
Cash and cash equivalents at beginning of period	7	9,239,027
Cash and cash equivalents at end of period	7	15,962,746

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, 2020, to September 30, 2021) and the Non-consolidated Financial Statements for the fiscal year (from October 1, 2020, to September 30, 2021) 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 the following specific measures to ensure the appropriateness of its Consolidated Financial Statements and other documents.

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

2. Basis of Presentation

(1) Consolidated Financial Statements Prepared in Compliance with IFRS

The Group's Consolidated Financial Statements meet the requirements for Specified Companies Complying with Designated International Accounting Standards set forth in Articles 1-2 of the Ordinance on Consolidated Financial Statements. Thus, the Company's financial statements have been prepared in compliance with IFRS pursuant to the provisions of Article 93 of the above-mentioned 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 interests, 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 equity interest is posted as profit or loss of the Group. In addition, among other comprehensive income of an affiliated company or a jointly controlled entity, the amount equivalent to the Group's equity interest is posted as other comprehensive income of the Group. Unrealized gains and losses generated from transactions with an affiliated company or a jointly controlled entity are added to or subtracted from the investment amount.

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

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

(2) Business Combinations

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

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

- Recognition and measurement are undertaken for deferred tax assets and deferred tax liabilities pursuant to IAS 12 Income Taxes, for liabilities (or assets) relating to employee benefits pertaining to IAS 19 Employee Benefits and for liabilities relating to stock compensation pursuant to IFRS 2 Share-based Payment, respectively.
- Non-current assets 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 spot exchange rates on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the term are converted into the functional currency using the exchange rates on that 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 conversion of monetary assets and liabilities denominated in foreign currencies at the exchange rate 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 assets 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 less 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 assets 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 the Financial Assets Measured at Amortized Cost, FVTOCI debt instrument assets or FVTOCI equity instrument assets

Financial assets classified as being held for purpose of sale are financial assets, other than derivative financial assets, that were purchased primarily to sell in the short-term.

Subsequent to the initial recognition, FVTPL Financial Assets are measured at fair value, and valuation gains or losses arising from 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, or for credit-impaired financial assets, 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, or where the Group transfers the financial asset to another party and transfers all 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 their 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 in the Consolidated Statements of Financial Position.

(6) Inventory Assets

The Group measures inventory assets by either the acquisition cost or net realizable value, whichever is lower.

The net realizable value is the estimated selling price in a normal business process less the estimated cost and estimated selling cost necessary for its completion. Acquisition costs are calculated primarily on an individual basis and include acquisition costs, outsourcing costs and all other costs necessary for reaching the current location and condition.

(7) Property, Plant and Equipment

The cost model has been adopted for property, plant and equipment, and items are recorded at the amount of the acquisition cost 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.

(8) 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.

(9) 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 intangibles are as follows:

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

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

(10) 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 calculations 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.

(11) 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 systems is recognized as a liability.

(12) Stock-based Compensation

The Company adopts stock options as a compensation system based on equity-settled stocks for those designated by the Company among the management teams of LIFULL CONNECT S.L.U., which is a subsidiary of the Company. Under the Stock-based Compensation system, received services are measured at the fair value of the Company's shares on the grant date, and are recognized as expenses from the grant date to the vesting period, and the same amount is recognized as an increase in capital surplus. The fair value of the Company's stock on the grant date is calculated by adjusting the market price of the stock based on the estimated dividend yield.

(13) 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 at 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 the serviceable life of interior features used in offices, etc.

(14) 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.

(15) Revenue

With the application of IFRS 15, 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

With LIFULL HOME'S, the Company provides a platform for listing information about real estate, advertisement posts in LIFULL HOME'S and transfer services for users who make inquiries via email or telephone.

(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 advertisements on the website for a certain period of time, based on a 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 referral services

The performance obligation of this service is to refer users 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

In the internet marketing service for real estate professionals, the Company provides sales and operation of online advertisements as well as a consultation service with support for promotions and design.

(a) Advertising sales and advertising agency services

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 product 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/housing, 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 user 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 an advertisement through an aggregation site.

This performance obligation is satisfied when a user clicks a search advertisement; 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.

(16) Leases

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

(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.

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

(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 has decided not to separate non-lease components from lease components, but instead to 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.

(17) 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, and taxes incurred from business consolidation.

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. 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 (3. Significant Accounting Policies (7) Property, Plant and Equipment and (9) Intangible Assets)
- Major assumptions used to estimate 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 (10) Impairment of Non-financial Assets and 12. Impairment of Non-financial Assets)
- Recognition of deferred tax assets (3. Significant Accounting Policies (17) Income Taxes)
- Recognition of legal constructive obligations related to asset retirement obligations (3. Significant Accounting Policies (13) 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, and 24. 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.

5. Changes in Accounting Estimates**(Change in Terms of Leases)**

During the current consolidated fiscal year, at 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 the 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 231,872 thousand yen and 248,231 thousand yen, respectively, and retained earnings increased by 16,359 thousand yen.

6. Segment Information**(1) Reportable Segments**

The Group's reportable segments are components of the Group for which discrete financial information is available. The Board of Directors reviews these segments on a regular basis to determine the allocation of corporate resources and assess business performance.

The business segments of the Company and its subsidiaries have been classified as two reportable segments: the HOME'S Services segment and the Overseas segment. The classification is primarily based on the content of the services provided and the components of business earnings management.

The service categories of each reportable segment are as follows:

Reportable Segment	Service Category
HOME'S Services	Operation of the comprehensive real estate and housing portal LIFULL HOME'S, provision of internet marketing services for real estate professionals and operation of the real estate investment website 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:

Current consolidated fiscal year (October 1, 2020, to September 30, 2021)

(Thousands of yen)

	Reportable Segment		Other Businesses ²	Total	Reconciliation ³	Consolidated
	HOME'S Services	Overseas				
Revenue						
Customers	26,693,086	7,019,119	2,144,971	35,857,177	-	35,857,177
Intersegment	22,027	244,688	46,910	313,626	(313,626)	-
Total	26,715,113	7,263,807	2,191,881	36,170,803	(313,626)	35,857,177
Segment profit (loss) ¹	2,364,272	1,577,535	(679,033)	3,262,774	43,825	3,306,600
Other income (expense)						(9,950,704)
Operating profit						(6,644,103)
Financial revenue and expenses (net)						(84,295)
Share of profit (loss) of investments accounted for using the equity method						(128,949)
Profit before taxes						(6,857,347)
Other items						
Depreciation and amortization	1,363,215	545,490	53,028	1,961,733	-	1,961,733

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

*2 The Other Businesses segment comprises businesses that are not included in the reportable segments. These include LIFULL Kaigo (nursing care), a search website for care homes for the elderly and nursing care facilities, LIFULL Trunk Room, a website for searching rental storage space, and other new businesses.

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

Previous consolidated fiscal year (October 1, 2019, to 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	3,898,049	807,703	(396,933)	4,308,819	(18,095)	4,290,724
Other income (expense)						(1,805,520)
Operating profit						2,485,203
Financial revenue and expenses (net)						(99,036)
Share of profit (loss) of investments accounted for using the equity method						(249,990)
Profit before taxes						2,136,175
Other items						
Depreciation and amortization	1,445,603	515,381	58,091	2,019,076	-	2,019,076

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

*2 The Other Businesses segment comprises businesses that are not included in the reportable segments. These include LIFULL Kaigo (nursing care), a search website for care homes for the elderly and nursing care facilities, LIFULL Trunk Room, a website for searching rental storage space, and other new businesses.

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

(3) Information on Major Goods and Services

Current consolidated fiscal year (October 1, 2020, to September 30, 2021)

(Thousands of yen)

	LIFULL HOME'S	Internet marketing	Overseas media	Other	Total
Revenues from outside customers	22,687,304	3,506,947	6,966,273	2,696,652	35,857,177

Previous consolidated fiscal year (October 1, 2019, to 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

(4) Information on Non-current Assets by Region

Current consolidated fiscal year (October 1, 2020, to September 30, 2021)

(Thousands of yen)

	Japan	Europe	Other	Total
Non-current assets	6,886,320	11,993,539	101,500	18,981,360

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	28,840,066	3,390,837	3,626,272	35,857,177

- 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 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

Previous consolidated fiscal year (October 1, 2019, to 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 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.

7. Cash and Cash Equivalents Receivables

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

(Thousands of yen)

	As of September 30, 2020	As of September 30, 2021
Cash and deposits	15,962,746	13,145,308
Total	15,962,746	13,145,308

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

8. Accounts Receivable-Trade and Other Current Receivables

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

(Thousands of yen)

	As of September 30, 2020	As of September 30, 2021
Accounts receivable-trade	4,001,979	4,284,663
Accounts receivable-other	831,490	785,681
Allowance for credit losses	(110,311)	(69,724)
Total	4,723,158	5,000,620

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)

	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
Beginning balance	89,493	110,311
Increase during the period (provision)	91,777	56,811
Corporate mergers	19	-
Decrease during the period (utilization)	(5,270)	(40,240)
Decrease during the period (reversal)	(66,793)	(61,692)
Exchange differences on translation of foreign operations	1,084	4,534
Ending balance	110,311	69,724

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

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

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

Acquisition cost	(Thousands of yen)						
	Buildings	Tools, equipment and fixtures	Leased assets	Construction in progress	Other	Total Property, plant and equipment	Right-of-use assets
Balance as of October 1, 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
Acquisitions	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	-
Dispositions	(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
Acquisitions	285,289	83,663	-	38,828	11,606	419,387	-
Reclassification from construction in progress	17,978	644	-	(23,337)	4,714	-	-
Dispositions	(350,164)	(313,532)	-	-	(3,504)	(667,201)	-
Exchange differences on translation of foreign operations	1,350	21,485	-	-	2,289	25,125	(126,281)
Changes due to change in terms	-	-	-	-	-	-	(231,872)
Balance as of September 30, 2021	2,033,545	608,135	-	16,200	24,037	2,681,919	5,064,657

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

Accumulated depreciation and accumulated impairment	(Thousands of yen)						
	Buildings	Tools, equipment and fixtures	Leased assets	Construction in progress	Other	Total Property, plant and equipment	Right-of-use assets
Balance as of October 1, 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)
Dispositions	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)
Depreciation	(294,291)	(131,482)	-	-	(4,761)	(430,534)	(839,331)
Dispositions	170,343	180,087	-	-	2,789	353,220	-
Exchange differences on translation of foreign operations	(1,077)	(14,692)	-	-	(96)	(15,865)	150,222
Balance as of September 30, 2021	(806,175)	(427,476)	-	-	(7,153)	(1,240,805)	(1,634,934)

Book value	(Thousands of yen)						
	Buildings	Tools, equipment and fixtures	Leased assets	Construction in progress	Other	Total Property, plant and equipment	Right-of-use assets
Balance as of October 1, 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	1,756,985	4,476,985
Balance as of September 30, 2021	1,227,370	180,659	-	16,200	16,884	1,441,114	3,429,723

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

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

10. Intangible Assets

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

(Thousands of yen)				
Acquisition	Software	Customer-related assets	Other	Total
Balance as of October 1, 2019	4,737,333	2,155,437	347,247	7,240,018
Acquisitions	273,578	-	143	273,721
Internal development	288,788	-	-	288,788
Business combinations	7,165	517,018	227,835	752,018
Dispositions	(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	2,769,548	591,036	8,350,005
Acquisitions	517,470	35,232	474	553,178
Internal development	291,138	-	-	291,138
Dispositions	(262,120)	-	-	(262,120)
Other	-	(80,055)	-	(80,055)
Exchange differences on translation of foreign operations	28,027	48,223	20,544	96,795
Balance as of September 30, 2021	5,563,936	2,772,948	612,055	8,948,941

(Thousands of yen)				
Accumulated amortization and accumulated impairment	Software	Customer-related assets	Other	Total
Balance as of October 1, 2019	(3,618,170)	(1,001,024)	(156,620)	(4,775,815)
Amortization	(389,232)	(283,919)	(52,502)	(725,654)
Dispositions	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)	(1,337,668)	(232,669)	(5,367,376)
Amortization	(541,891)	(190,767)	(70,128)	(802,787)
Dispositions	253,342	-	-	253,342
Other	-	73,384	-	73,384
Exchange differences on translation of foreign operations	(10,950)	(8,258)	(2,383)	(21,592)
Balance as of September 30, 2021	(4,096,539)	(1,463,309)	(305,181)	(5,865,030)

(Thousands of yen)

Book value	Software	Customer-related assets	Other	Total
Balance as of October 1, 2019	1,119,162	1,154,413	190,626	2,464,202
Balance as of September 30, 2020	1,192,380	1,431,880	358,367	2,982,628
Balance as of September 30, 2021	1,467,397	1,309,639	306,874	3,083,910

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 totaled 89,825 thousand yen in the previous consolidated fiscal period and 221,945 thousand yen in the current fiscal year.

11. Goodwill

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

(Thousands of yen)		
	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
(Acquisition cost)		
Beginning balance	20,113,485	21,296,623
Business combinations	271,631	423,041
Exchange differences on translation of foreign operations	911,506	931,214
Ending balance	21,296,623	22,650,879
(Accumulated impairment)		
Beginning balance	(255,895)	(1,875,098)
Impairment losses	(1,619,202)	(9,749,169)
Ending balance	(1,875,098)	(11,624,267)
(Book value)		
Beginning balance	19,857,589	19,421,525
Ending balance	19,421,525	11,026,612

12. 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 generally independent cash inflows.

The Group did not recognize impairment losses for the previous and current fiscal years.

(2) Impairment of Goodwill

(i) Cash-generating Units

The balance of goodwill in each cash-generating unit or cash-generating unit group is as follows.

(Thousands of yen)

Cash-generating unit or cash-generating unit group	Reportable Segment	As of September 30, 2020	As of September 30, 2021
LIFULL CONNECT	Overseas	18,724,194	10,291,941
Other*		697,331	734,670
Total		19,421,525	11,026,612

Note: Provisional accounting processing was used for the previous consolidated fiscal year, but was finalized in the current consolidated fiscal year. Because provisional accounting processing was finalized, revision of acquisition cost allocation is reflected in the current consolidated fiscal year.

(ii) Calculation Basis of Recoverable Amounts

The following assumptions were used in the calculation of recoverable amounts for the previous (September 30, 2020) and the current (September 30, 2021) 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, 2021

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 value in use. The value in use is calculated using discounted cash flow forecasts.

The value in use is calculated based on a five-year business plan approved by the management. The business plan reflects management's evaluation of industry forecasts and past performance, and is created based on external and internal information. In addition, the growth rate for estimating future cash flow forecasts beyond the target period of the business plan is set at 2.0%, and is determined based on a consideration of the average growth rate of the market or country to which the cash-generating unit group belongs. The pre-tax discount rate is 13.4%, and is calculated based on the weighted average cost of capital related to the cash-generating unit group.

Cash-generating unit: Other Businesses

In goodwill impairment tests for other items, the recoverable amount of the asset is calculated based on value in use. The value in use is calculated using discounted cash flow forecasts.

The value in use is calculated based on a five-year business plan approved by the management. The business plan reflects management's evaluation of industry forecasts and past performance, and is created based on external and internal information. In addition, the growth rate for estimating future cash flow forecasts beyond the target period of the business plan is set at 0.0% to 5.0%, and is determined based on a consideration of the average growth rate of the market or country to which the cash-generating unit group belongs. The pre-tax discount rate is 15.7% to 20.4%, and is calculated based on the weighted average cost of capital related to the cash-generating unit group.

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 the 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 Businesses

The goodwill impairment test for other items calculates the recoverable amount of the asset based on its utility value. The value in use is calculated using discounted cash flow forecasts.

The value in use is calculated based on a five-year business plan approved by the management. The business plan reflects management's evaluation of industry forecasts and past performance, and is created based on external and internal 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, based on the result of the impairment test on LIFULL CONNECT of the cash-generating unit group, the recoverable amount was below the book value, so the difference between the book value and the recoverable value, which was 1,619,202 thousand yen, is recognized as an impairment loss.

In the current consolidated fiscal year, based on the result of the impairment test on LIFULL CONNECT of the cash-generating unit group, the recoverable amount was below the book value, so the difference between the book value and the recoverable value, which was 9,749,169 thousand yen, is recognized as an impairment loss.

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

13. Subsidiaries

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

Company name	Location	Principal business	Percentage of voting rights (%)	
			As of September 30, 2020	As of September 30, 2021
LIFULL CONNECT, S.L.U.	Barcelona, Spain	Business management of Group companies that operate aggregation websites and related operations	100.0	100.0
Mitula Group Limited	Melbourne, Australia	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	100.0
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.	Chiyoda-ku, Tokyo	Operation of the website for information on real estate investment and investment properties, Kenbiya	100.0	100.0

14. Investments Accounted for Using the Equity Method

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

	(Thousands of yen)	
	As of September 30, 2020	As of September 30, 2021
Book value of investments accounted for using the equity method	447,167	339,161

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, 2020	As of September 30, 2021
Incorporated amount for share of profit for the period	(249,990)	(128,949)
Incorporated amount for share of other comprehensive income	(16,429)	34,085
Incorporated amount for share of total comprehensive income	(266,420)	(94,863)

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

15. Corporate Income Taxes

(1) Deferred Taxes

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

	(Thousands of yen)					
	October 1, 2020	Recognized as profit or loss	Recognized as other comprehensive income	Business combinations	Other*	September 30, 2021
Deferred tax assets						
Allowance for credit losses	10,288	(1,463)	-	-	82	8,906
Employee bonuses	348,801	(272,625)	-	-	-	76,175
Accrued paid leave	150,059	48,577	-	-	1,256	199,893
Enterprise taxes payable	67,161	(55,744)	-	-	-	11,416
Impairment losses	583	(0)	-	-	-	583
Asset retirement obligations	162,776	(6,903)	-	-	-	155,872
Fair value measurement of financial assets	14,962	-	2,208	-	-	17,170
Expenses for acquisition of interests	266,543	(147,612)	-	-	-	118,931
Tax loss brought forward from the previous term	96,238	1,987,023	-	-	-	2,083,262
Other	304,258	(28,365)	-	20,355	(17,782)	278,465
Total deferred tax assets	1,421,674	1,522,883	2,208	20,355	(16,444)	2,950,678
Deferred tax liabilities						
Trademark rights	107,135	(17,602)	1,311	-	-	90,844
Customer-related assets	412,249	(52,271)	6,554	-	1,650	368,183
Other	145,871	(30,949)	10,824	-	(0)	125,747
Total deferred tax liabilities	665,256	(100,823)	18,690	-	1,650	584,774

Note: Other includes exchange differences of foreign operations.

Previous consolidated fiscal year (October 1, 2019, to 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
Employee 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
Tax loss brought forward from the previous term	50,629	45,609	-	-	-	96,238
Other	175,931	24,294	-	106,612	(2,580)	304,258
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	(11,534)	1,806	77,463	-	107,135
Customer-related assets	309,949	(86,813)	9,745	175,786	3,581	412,249
Other	443,237	(309,408)	12,040	-	1	145,871
Total deferred tax liabilities	792,585	(407,755)	23,593	253,250	3,583	665,256

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, 2020	As of September 30, 2021
Deferred tax assets	1,307,541	2,849,230
Deferred tax liabilities	551,123	483,326
Net	756,417	2,365,903

(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 4,829,803 thousand yen and 1,508,664 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, 2020	As of September 30, 2021
Total amount of taxable temporary differences relating to investments in subsidiaries	1,015,582	6,815,720

(4) Income Tax

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

	(Thousands of yen)	
	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
Current tax expense		
Current tax expense for profit for the period	1,575,240	662,041
Total current tax expense	1,575,240	662,041
Deferred tax expense		
Origination and reversal of temporary differences	(606,422)	(1,623,707)
Total deferred tax expense	(606,422)	(1,623,707)
Income tax expenses	968,818	(961,665)

Reconciliation of income tax based statutory effective tax rate and the average effective tax 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.

	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
Statutory effective tax rate	30.6%	30.6%
Reconciliation		
Items that are not permanently deductible, such as entertainment expenses	0.6%	(0.1%)
Tax rate difference for foreign subsidiaries	(2.0%)	1.4%
Tax rate difference for domestic subsidiaries	0.1%	(0.0%)
Retained profit of foreign subsidiaries	(13.3%)	(0.2%)
Impairment loss on goodwill	23.2%	(43.5%)
Changes in unrecognized deferred tax assets	1.5%	21.5%
Share of loss (profit) of entities accounted for using equity method	3.6%	(0.6%)
Deductible amount due to capital refund from subsidiary	-%	7.9%
Other	1.2%	(3.0%)
Average effective tax rate	45.4%	14.0%

16. Other Financial Assets and Financial Liabilities

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

(1) Other Financial Assets

	(Thousands of yen)	
	As of September 30, 2020	As of September 30, 2021
Other financial assets		
FVTOCI equity instrument assets	488,045	696,347
FVTPL debt instrument assets	440,499	-
Financial assets measured at amortized cost		
Lease and guarantee deposits	876,178	721,441
Loans and receivables	913,001	1,288,282
Allowance for credit losses	(22,494)	(15,330)
Total	2,695,230	2,690,740
Current assets	624,112	589,366
Non-current assets	2,071,117	2,101,373
Total	2,695,230	2,690,740

The increase in loans and receivables in the previous and current fiscal years 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)	
	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
Beginning balance	32,219	22,494
Increase during the period (provision)	25,869	11,119
Decrease during the period (utilization)	(25,844)	(13,783)
Decrease during the period (reversal)	(9,748)	(4,499)
Ending balance	22,494	15,330

Of other financial assets, assets determined to be impaired are mainly delinquent loans and receivables, whose balances are 26,060 thousand yen and 19,772 thousand yen as of September 30, 2020 and 2021, respectively. These loans and receivables are not secured by collateral.

(2) Other Financial Liabilities

	(Thousands of yen)	
	As of September 30, 2020	As of September 30, 2021
FVTPL financial liabilities	-	79,579
Financial liabilities measured at amortized cost		
Received deposits	-	30,000
Current loans	8,631,569	6,628,630
Non-current loans	767,298	998,980
Total	9,398,867	7,737,189
Current liabilities	8,631,569	6,628,630
Non-current liabilities	767,298	1,108,559
Total	9,398,867	7,737,189

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

17. Other Assets and Liabilities

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

(1) Other Assets

	(Thousands of yen)	
	As of September 30, 2020	As of September 30, 2021
Products ^{1,2}	354,081	1,150,539
Unfinished products	589,413	345,378
Prepaid expenses	353,340	453,721
Income tax refunds receivable	263,442	739,462
Consumption taxes receivable	170,692	128,260
Other	55,498	63,813
Total	1,786,469	2,881,174
Current assets	1,773,193	2,809,658
Non-current assets	13,275	71,516
Total	1,786,469	2,881,174

Notes: *1. In the previous fiscal year and current fiscal year, the products pledged as collateral for liabilities were 228,667 thousand yen and 823,592 thousand yen, respectively.

*2. Products are mainly real estate that is for sale.

(2) Other Liabilities

	(Thousands of yen)	
	As of September 30, 2020	As of September 30, 2021
Accrued expenses	328,753	193,823
Accrued employee bonuses	1,163,202	360,996
Accrued paid leave	452,042	451,437
Accrued consumption taxes	414,298	44,755
Other	592,847	591,431
Total	2,951,144	1,642,444
Current liabilities	2,594,973	1,298,117
Non-current liabilities	356,171	344,326
Total	2,951,144	1,642,444

18. Accounts Payable and Other Current Payables

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

	(Thousands of yen)	
	As of September 30, 2020	As of September 30, 2021
Trade payables	570,283	1,215,648
Accounts payable-other	2,094,340	1,962,685
Total	2,664,624	3,178,334

Note: Trade payables and other short-term current payables are classified into financial liabilities measured at amortized cost.

19. Interest-bearing Debt

The breakdown of interest-bearing debt is as follows:

	(Thousands of yen)			
	As of September 30, 2020	As of September 30, 2021	Average interest rate (%)	Repayment date
Current loans ^{1,2,3,4}	8,631,569	6,628,630	0.24	-
Non-current loans ^{1,2,5}	767,298	998,980	1.91	October 2022 - May 2026
Current lease liabilities ²	832,799	738,168	1.33	
Non-current lease liabilities ^{2,5}	3,720,010	2,762,701	0.97	October 2022 - December 2026
Total	13,951,678	11,128,480		
Total current liabilities	9,464,369	7,366,798		
Total non-current liabilities	4,487,308	3,761,681		

*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. Includes loans with repayment date of less than one year.

*5. The total amount of loans and lease liabilities (excluding those scheduled to be paid within one year) that are scheduled to be paid each year within five years of the consolidated closing date is as follows:

Category	(Thousands of yen)			
	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Loans	996,420	960	960	640
Lease liabilities	693,627	646,752	626,157	635,285

The amount of lease liabilities over five years after the consolidated fiscal year, which is not included in the table above, is 160,878 thousand yen.

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

	(Thousands of yen)	
	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 the 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	-
October 1, 2020	9,398,867	4,552,810
Changes in cash flows due to financing or repayments		
Proceeds from long-term loans	409,500	-
Repayment of short-term loans	(1,100,549)	-
Repayment of long-term loans	(1,055,088)	-
Repayment of lease liabilities	-	(828,830)
Total changes in cash flows from financing activities	(1,746,137)	(828,830)
Non-cash transactions		
Changes due to increase of right-of-use assets	-	56,291
Changes due to change in terms and conditions	-	(248,231)
Effect of change in foreign currency exchange rates	-	(31,169)
Other changes	(25,120)	-
September 30, 2021	7,627,610	3,500,870

20. Lease Transactions

The Group leases mainly offices and data centers as a lease.

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	As of September 30, 2021
Right-of-use assets		
Offices as underlying assets	4,241,186	3,276,266
Data centers as underlying assets	194,757	140,873
Other as underlying assets	41,041	12,583
Total right-of-use assets	4,476,985	3,429,723
Lease liabilities	4,552,810	3,500,870

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

	(Thousands of yen)	
	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
Depreciation expense of right-of use assets		
Offices as underlying assets	849,721	760,069
Data centers as underlying assets	56,733	57,358
Other as underlying assets	35,725	21,902
Total depreciation expense of right-of-use assets ¹	942,180	839,331
Interest expenses of lease liabilities ²	68,493	56,291

*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)	
	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
Total cash outflows for lease transactions	(974,311)	(885,122)

(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.

21. Provisions

The breakdown of provisions is as follows:

	(Thousands of yen)	
	As of September 30, 2020	As of September 30, 2021
Asset retirement obligations	552,991	511,000
Total	552,991	511,000
Current provisions	42,333	-
Non-current provisions	510,657	511,000

Note: Details of provisions are stated in (13) 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, 2020	552,991
Increase during the period	-
Amount of decrease due to utilization	(31,228)
Decrease due to write-off	(11,119)
Adjustments arising from the passage of time	356
Balance as of September 30, 2021	511,000

Note: Details of provisions are stated in (13) Provisions of 3. Significant Accounting Policies.

Asset retirement obligations

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

22. Equity and Other Equity Components

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

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

	Number of shares authorized (shares)	Number of shares issued (shares)
Balance as of October 1, 2019	350,452,800	134,239,870
Changes	-	-
Balance as of September 30, 2020	350,452,800	134,239,870
Changes	-	-
Balance as of September 30, 2021	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, 2019	74,441
Changes	2,383,815
Balance as of September 30, 2020	2,458,256
Changes	-
Balance as of September 30, 2021	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

Current consolidated fiscal year (October 1, 2020, to September 30, 2021)

	(Thousands of yen)			
	Exchange differences on translation of foreign operations	Equity instrument assets	Other	Total
As of October 1, 2020	(2,070,588)	93,884	31	(1,976,672)
Other comprehensive income	1,376,829	27,755	-	1,404,585
Total comprehensive income	1,376,829	27,755	-	1,404,585
Total transactions with owners	-	-	(31)	(31)
As of September 30, 2021	(693,758)	121,640	-	(572,117)

Previous consolidated fiscal year (October 1, 2019, to 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)

(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

Valuation differences in the fair value of equity instrument assets are measured at fair value through other comprehensive income.

23. Dividends

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

(1) Dividends paid

Current consolidated fiscal year (October 1, 2020, to September 30, 2021)					
Date of resolution	Class of shares	Dividend per share (Yen)	Total amount of dividends (Thousands of yen)	Record date	Effective date
Dec. 23, 2020	Common stock	5.29	697,124	Sep. 30, 2020	Dec. 24, 2020

Previous consolidated fiscal year (October 1, 2019, to 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

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

Current consolidated fiscal year (October 1, 2020, to September 30, 2021)				
Date of resolution	Dividend per share (Yen)	Total amount of dividends (Thousands of yen)	Record date	Effective date
Dec. 23, 2021	3.62	477,049	Sep. 30, 2021	Dec. 24, 2021

24. Financial Instruments**(1) Equity Management**

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

(Thousands of yen)

	As of September 30, 2020	As of September 30, 2021
Cash and cash equivalents	15,962,746	13,145,308
Interest-bearing debt	13,951,678	11,128,480
Total equity	33,639,135	28,538,388

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

(2) Management Policy on Financial Risks

There are various risks (currency, interest rate, credit and liquidity) associated with running the Group's businesses. The Group manages risks according to its policy to prevent and reduce 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 continuously monitors exchange rates for the purpose of managing currency risks.

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)

	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
Profit before taxes	(9,335)	(59,672)
Equity	(7,001)	(44,754)

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 and floating interest rates, and these funds are exposed to the risk of fluctuations in these 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 has been 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 represented 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 years is as follows:

	(Thousands of yen)				
	As of September 30, 2021				
	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	4,829,212	130,083	41,115	209	5,000,620
Total	4,829,212	130,083	41,115	209	5,000,620

	(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

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 fundamentally 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, 2020	As of September 30, 2021
Credit line	13,900,000	8,400,000
Outstanding borrowings	7,300,000	6,200,000
Unused portions	6,600,000	2,200,000

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

	(Thousands of yen)			
	Within 1 year	After 1 year but within 5 years	After 5 years	Total
Balance as of September 30, 2020				
Accounts payable and other current payables	2,664,624	-	-	2,664,624
Current loans	8,631,569	-	-	8,631,569
Current lease payables	832,799	-	-	832,799
Non-current loans	-	767,298	-	767,298
Non-current lease payables	-	2,923,183	796,827	3,720,010
Balance as of September 30, 2021				
Accounts payable and other current payables	3,178,334	-	-	3,178,334
Current loans	6,628,630	-	-	6,628,630
Current lease payables	738,168	-	-	738,168
Non-current loans	-	998,980	-	998,980
Non-current lease payables	-	2,601,822	160,878	2,762,701

(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, 2021

(Financial assets)

	(Thousands of yen)		
	FVTOCI equity instrument assets	Financial assets measured at amortized cost	Total
Accounts receivable-trade and other current receivables	-	5,000,620	5,000,620
Other short-term financial assets	-	589,366	589,366
Other long-term financial assets	696,347	1,405,026	2,101,373
Total	696,347	6,995,013	7,691,361

(Financial liabilities)

	(Thousands of yen)		
	FVTPL financial liabilities	Financial liabilities measured at amortized cost	Total
Accounts payable and other current payables	-	3,178,334	3,178,334
Current loans	-	6,628,630	6,628,630
Non-current loans	-	998,980	998,980
Other long-term financial liabilities	79,579	30,000	109,579
Total	79,579	10,835,944	10,915,523

As of September 30, 2020

(Financial assets)

	(Thousands of yen)			
	FVTOCI equity instrument assets	FVTPL debt instrument assets	Financial assets measured 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 measured at amortized cost	Total
Accounts payable and other current payables	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

(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, 2020		As of September 30, 2021	
	Book value	At fair value	Book value	At fair value
Financial assets measured at amortized cost				
Other long-term financial assets ²	1,139,006	1,142,988	1,400,584	1,364,991
Financial liabilities measured at amortized cost				
Loans ³	1,818,318	1,818,263	1,177,610	1,174,192

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 observability and materiality of the inputs used for measurement.

The stratum of fair value consists of the following levels:

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

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

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

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

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

(Thousands of yen)

	As of September 30, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
FVTOCI equity instrument assets	-	-	696,347	696,347

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, 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 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 insurance reserve funds. Their fair value is measured based on surrender value, and classified as Level 3.

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

(Thousands of yen)

	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)	
	FVTOCI equity instrument assets	FVTPL debt instrument assets
Beginning balance	488,045	440,499
Total gains and losses		
Profit or loss	-	15,196
Other comprehensive income	37,860	-
Acquisition	105,441	-
Business combinations	-	-
Disposal by sale	-	(107,183)
Collection	-	(348,512)
Other	65,000	-
Ending balance	696,347	-

(Thousands of yen)

	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	
	FVTOCI equity instrument assets	FVTPL debt instrument assets
Beginning balance	564,771	315,651
Total gains and losses		
Profit or loss	-	27,703
Other comprehensive income	331,307	-
Acquisition	139,051	8,334
Business combinations	-	98,030
Disposal by sale	(505,127)	(9,221)
Other	(41,957)	-
Ending balance	488,045	440,499

Gains and losses of the financial instruments above that were recognized in profit or loss are included in financial 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 comparing to similar companies or applying the discounted cash flow method or other valuation models based on the most recent transaction prices and net assets. The fair values of loans are measured at the present value of the loans discounted using an interest rate determined by taking the term to maturity and credit risks into account. For assets carried at fair value on a recurring basis, a discount rate is applied to assets classified as Level 3 which cannot be easily marked to market.

A rise (a fall) in the discount rate causes the fair value of these financial assets to decrease (increase).

(iv) Valuation Process

Valuations of assets and liabilities classified at Level 3 are performed by external valuation experts or appropriate persons following policies and procedures approved by the Company's business administration department. The Company's business administration department then reviews and approves valuation results.

25. Financial Revenue and Financial Expenses

(1) Financial Revenue

The amounts of revenue from contracts with customers are as follows:

Current consolidated fiscal year (October 1, 2020, to September 30, 2021)

	(Thousands of yen)			
	HOME'S Services	Overseas	Other	Total
LIFULL HOME'S	22,687,304	-	-	22,687,304
Internet marketing	3,506,947	-	-	3,506,947
Overseas media	-	6,966,273	-	6,966,273
Other	498,834	52,845	2,144,971	2,696,652
Revenue from contracts with customers	26,693,086	7,019,119	2,144,971	35,857,177

Note: No revenue was generated from other sources.

Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)

	(Thousands of yen)			
	HOME'S Services	Overseas	Other	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.

	Service Description
LIFULL HOME'S	Provides a platform for posting property information, advertising service on the LIFULL HOME'S website and user referral 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 and more
Other	Advertising-related services on LIFULL <i>Kaigo</i> , LIFULL Trunk Room, LIFULL <i>Hikkoshi</i> and other platforms

(2) Remaining Balances on Contracts

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

Current consolidated fiscal year (October 1, 2020, to September 30, 2021)

	(Thousands of yen)		
	October 1, 2019	October 1, 2020	September 30, 2021
Credit on contracts with customers	4,737,670	4,001,979	4,284,663
Contract liabilities	46,872	38,371	26,182

In the Consolidated Statements of Financial Position, credits on contracts with customers are 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 38,371 thousand yen as of October 1, 2020.

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 contract and the incremental cost of acquiring the contract 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.

26. Cost of Revenue

The breakdown of the cost of revenue is as follows:

	(Thousands of yen)	
	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
Commission fees	3,140,627	3,337,910
Subcontract expenses	321,483	213,834
Cost of revenue of product inventory	486,248	367,028
Other	148,479	32,664
Total	4,096,838	3,951,438

27. Selling, General and Administrative Expenses

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

	(Thousands of yen)	
	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
Advertising expenses	10,487,799	11,851,999
Benefit expenses for employees and directors	8,896,238	8,934,737
Office rent expenses	45,113	75,511
Commission fees	2,613,590	2,857,425
Subcontract expenses	1,386,362	1,621,792
Depreciation and amortization	2,019,076	1,961,733
Other	1,567,014	1,295,938
Total	27,015,195	28,599,138

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

	(Thousands of yen)	
	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
Salaries and allowances	5,884,417	6,508,461
Directors' compensation	317,968	486,031
Employee bonuses	1,508,959	715,389
Legal welfare expenses	1,102,362	1,141,541
Other	82,529	83,313
Total	8,896,238	8,934,737

28. Share-based Compensation

(a) Overview of the Share-based Compensation Scheme

The Company has introduced a stock-based incentive scheme for the management team of LIFULL CONNECT S.L.U. This scheme has been introduced to strengthen understanding of shared benefits with shareholders and further motivate and raise the morale of the LIFULL CONNECT S.L.U. management team for mid- to long-term performance and increase the corporate value of the Group as a whole. This scheme also serves to retain existing outstanding talent within the Group.

In accordance with the Company's Rules for Issuance of Shares, the Company evaluates and issues points to eligible employees at a designated time each year. These points are issued according to the positions and responsibilities of each eligible employee. At the end of the pre-determined period of this scheme, the Company will allocate common shares equivalent to the number of points accumulated.

This scheme has been accounted for as an equity-settled stock compensation program.

(b) Number of points awarded during the period and weighted average fair value of points

Fair value on the day that points are granted is calculated by adjusting the market value of the Company's shares while considering the expected dividend yield. The number of points awarded during the period was 84,348, and the weighted average fair value for points awarded was 370 yen.

(c) Costs of Share-based Compensation

Expenses related to this scheme amounted to 31,209 thousand yen in the current consolidated fiscal year and have been included in selling, general and administrative expenses in the Consolidated Statements of Profit or Loss.

29. Other Income and Expenses

(1) Other Income

The breakdown of other income is as follows:

	(Thousands of yen)	
	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
Subsidy income	16,746	10,198
Income from the restaurant business	30,097	11,031
Other	66,690	68,884
Total	113,534	90,114

Note: Subsidies totaling 11,246 thousand yen and 5,878 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 subsidy 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)	
	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
Loss on sales and retirement of non-current assets	126,725	46,448
Impairment losses	1,619,202	9,749,169
Expenses for the restaurant business	63,774	44,042
Rent expenses on real estate	46,025	44,169
Foreign exchange losses	46,997	120,902
Other	16,328	36,086
Total	1,919,054	10,040,819

30. Financial Revenue and Financial Expenses**(1) Financial Revenue**

The breakdown of financial revenue is as follows:

	(Thousands of yen)	
	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
Interest income		
Cash and cash equivalents	3,349	8,579
Dividend income		
Financial assets measured at fair value through other comprehensive income	420	-
Disposition gains		
Equity instrument assets	-	15,196
Total	3,769	23,776

(2) Financial Expenses

The breakdown of financial expenses is as follows:

	(Thousands of yen)	
	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
Interest expenses		
Interest-bearing debt	102,431	107,715
Provisions	374	356
Total	102,805	108,071

31. Other Comprehensive Income

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

	(Thousands of yen)				
	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)				
	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	37,860	-	37,860	(10,104)	27,755
Items that may be reclassified as profit or loss, net of tax:					
Exchange differences on translation of foreign operations	1,343,067	-	1,343,067	-	1,343,067
Share of other comprehensive income of investments accounted for using the equity method	34,085	-	34,085	-	34,085
Total other comprehensive income	1,415,014	-	1,415,014	(10,104)	1,404,909

	(Thousands of yen)				
	Previous consolidated fiscal year (October 1, 2019, to 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

32. Per Share Information

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

	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
Profit (loss) attributable to owners of the parent (Thousands of yen)	1,162,588	(5,901,120)
Average number of basic common shares during the period	133,534,160	131,781,614
Profit per share attributable to owners of the parent (Yen)		
Basic earnings (loss) per share	8.71	(44.78)
Diluted earnings (loss) per share	8.71	(44.78)

Note: Diluted earnings per share are the same amount as basic earnings per share due to the absence of dilutive shares.

33. Supplementary Information on the Consolidated Statements of Cash Flows

Current consolidated fiscal year (October 1, 2020, to September 30, 2021)

Expenditures of 417,543 thousand yen for business transfer were mainly spent for the business transfer of the real estate portal site in Thailand.

Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)

Expenditures for the acquisition of subsidiaries of 593,045 thousand yen were the difference between the acquisition consideration of Kenbiya Co., Ltd. and the balance of cash and cash equivalents of Kenbiya Co., Ltd. on the date of the business combination.

The main expenditure for lending was 805,500 thousand yen for the lending business of the subsidiary LIFULL Investment Co., Ltd. (formerly LIFULL Social Funding Co., Ltd.).

34. Corporate Mergers

Finalization of provisional accounting for corporate merger

For the corporate merger with Kenbiya Co., Ltd., which was done on July 31, 2020, provisional accounting was handled in the previous consolidated fiscal year, but it was finalized in the current consolidated fiscal year. With the finalization of the provisional accounting process, an important revision regarding the allocation of acquisition costs is reflected in the comparative information of the consolidated financial statements for the current consolidated fiscal year.

As a result, the provisionally calculated amount of 763,077 thousand yen for goodwill decreased by 491,602 thousand yen to 271,474 thousand yen due to the finalization of the accounting process. The decrease in goodwill was due to an increase of 744,853 thousand yen in intangible assets and an increase of 253,250 thousand yen in deferred tax liabilities.

The breakdown after finalization is as follows:

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

(Thousands of yen)

Acquisition cost cash	
Company common stock and cash	1,335,000
Cash and cash equivalents recognized as acquired assets and liabilities	
Cash and cash equivalents	741,954
Accounts receivable-trade and other current receivables	26,619
Property, plant and equipment	2,148
Intangible assets	752,018
Other assets	217,332
Other liabilities	(676,549)
Total	1,063,525
Goodwill ^{1,2}	271,474

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.

With finalization of the provisional accounting process, the balance of the previous consolidated fiscal year in the Consolidated Statements of Financial Position decreased by 491,602 thousand yen for goodwill, increased by 732,438 thousand yen for intangible assets and increased by 249,029 thousand yen for deferred tax liabilities.

35. Contingent Liability

Not applicable.

36. Commitment

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

(Thousands of yen)

	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
Commitment to the purchase of property, plant and equipment and intangible assets	36,059	47,924

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:

(Thousands of yen)

	Previous consolidated fiscal year (October 1, 2019, to September 30, 2020)	Current consolidated fiscal year (October 1, 2020, to September 30, 2021)
Short-term compensation	106,956	166,226
Total	106,956	166,226

39. Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the President and CEO of the Group, Inoue Takashi, on December 23, 2021.

(vi) Consolidated Supplementary Schedules

Bonds Schedule:

Not applicable.

Borrowings Schedule:

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

Asset Retirement Obligations Schedule:

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

(2) Other

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

(Cumulative period)		First quarter	Second quarter	Third quarter	Fiscal year under review
Revenue	(Thousands of yen)	8,271,675	17,852,892	26,925,657	35,857,177
Profit (loss) for the period before taxes	(Thousands of yen)	723,967	1,660,931	2,294,186	(6,857,347)
Profit (loss) for the period attributable to owners of the parent	(Thousands of yen)	387,848	1,027,384	1,477,174	(5,901,120)
Basic earnings (loss) for the period per share	(Yen)	2.94	7.80	11.21	(44.78)

(Cumulative period)		First quarter	Second quarter	Third quarter	Fiscal year under review
Basic profit (loss) per share	(Yen)	2.94	4.85	3.41	(55.99)

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 27th 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 annual 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.

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	1,483 (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



Group Companies, Equity-Method Affiliates and Investments and Alliances

(As of September 30, 2021)

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. LIFULL CONNECT, S.L.U.
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 HOLDINGS 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 Group, Inc.

Other Investments and Alliances

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. JEPLAN, INC. Neo Career Co., Ltd. ZAB, GIA
North America	Zumper, Inc.
Estonia	BitOfProperty PTE. LTD.
Singapore	InvestaX Limited

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

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

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



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