

July 26, 2018

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Notice on Revision of Financial Results Forecasts for the Fiscal Year Ending September 30, 2018

LIFULL Co., Ltd. (the “Company”) at a Board of Directors meeting held on July 26, 2018 decided to revise the consolidated results forecasts for the fiscal year ending September 30, 2018 (October 1, 2017 to September 30, 2018) in light of the recent trend of the Company’s business results.

1. Revision of the consolidated financial results for the fiscal year ending September 30, 2018

Consolidated business performance (October 1, 2017 to September 30, 2018)

(unit: million yen)

	Revenue	EBITDA	Operating Income	Profit attributable to owners of the parent	Basic earnings per share
Previous forecast (A)	41,000	6,016	5,000	3,478	29.30
Revised forecast (B)	34,000	5,190	4,000	2,800	23.59
Change (B-A)	-7,000	-826	-1,000	-678	-
Rate of change (%)	-17.1	-13.7	-20.0	-19.5	-
(reference)previous year results for the same period	32,111	3,906	2,579	1,577	13.29

* LIFULL has changed its fiscal-year end from March 31 to September 30, starting from the fiscal year ended September 30, 2017. For this reason, the previous year results for the same period are the ones from October 1, 2016 to September 30, 2017.

2. Major reasons for the revision

Revenue forecasts by segment for the fiscal year ending September 30, 2017 are as below.

(unit: million yen)

Revenue by segment	HOME’S Services	Overseas	Others	Total
Previous forecast (A)	33,441	4,834	2,723	41,000
Revised forecast (B)	28,100	3,800	2,100	34,000
Change (B-A)	-5,341	-1,034	-623	-7,000
Rate of change (%)	-16.0	-21.4	-22.9	-17.1
(reference)previous year results for the same period	26,906	3,337	1,867	32,111

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[Revenue]

Revenue of Rental & Real Estate Business, a core business under HOME'S Services Business, is generated based on the number of inquiries. With that in mind, the Company has been successful in attracting paid customers for the partners' portal websites and other websites and traffic in general for HOME'S website through branding activities including TV commercial and transport ads. But the traffic coming via search engine has been lower than originally expected after negatively affected by the change of Google search algorithm. Moreover, following the decision to withdraw from the non-profitable Renovation Business, the Company now no longer expects the revenue to be generated by the Business. As a result, the Company now expects the revenue to be 28,100 million yen, which is 16.0% lower than its original forecast, while it will still be 4.4% higher than the same period last year.

Overseas Business traffic coming from search-engine has also been lower than expected for the same reason. As a result, revenue for the Business will be 3,800 million yen, which is 21.4% lower than its original forecast, while it will still be 13.9% higher than the same period last year.

As a company total, the Company revises the revenue forecast for the fiscal year ending September 30, 2018 (from October 1, 2017 to September 30, 2018) to be 34,000 million yen (7,000 million yen or 17.1% lower than its previous forecast).

[Profit]

Following the situation with the revenue, the Company has been making effort to improve cost efficiency and reduce costs. As a result, all expense items including operating expenses, personnel expenses, advertising and promotion expenses and fixed costs are expected to be lower than the original forecasts and SG&A is expected to be 26,200 million yen, which is 15.8% lower than its original forecast. However, not being able to offset the revenue shortfall, the Company revises the operating income to be 4,000 million yen (-1,000 million yen or -20.0% compared to the previous forecast), profit attributable to owners of the parent to 2,800 million yen (-678 million yen or -19.5% compared to the previous forecast).

[Impact to be caused by acquiring Mitula]

As released on May 9, 2018 ("[Announcement of the Agreement for Commencement of Friendly Acquisition of 100% Ownership of MitulaGroup Limited](#)"), the Company is now carrying forward the procedures to acquire Mitula. Also, it was decided to issue under-market-value common stocks, to be used for the acquisition, at the extraordinary shareholders' meeting held on June 28, 2018.

However, since the acquisition schedule is still tentative, the timing the Company will incur the associated costs and the timing of consolidation are also uncertain. For this reason, potential costs which have not been posted by June 2018 and potential impact to be caused on the Financial Results are not incorporated in the revised forecast.

The Company will promptly disclose when the Company projects the size of the impact on its business forecast not to be negligible in the future.

(Notes) Cautionary statements with respect to business forecasts

Above forecasts are made based on currently available information and hypothesis on how moving parts may affect the business in the future. Therefore, actual future results may differ from the forecasts due to a variety of factors.