

The English translation of this financial report was prepared for reference purposes only. The financial information contained in this report is delivered from our unaudited financial statements.

Consolidated Financial Report for the Three-month Period Ended December 31, 2018 (IFRS)

February 13, 2019

Company name: LIFULL Co., Ltd.	Listed exchange: Tokyo Stock Exchange
Stock code: 2120	URL: https://lifull.com/en/
Representative: (Position) President and CEO	(Name) Takashi Inoue
Contact: (Position) Managing Officer, General Manager of Group Company Business Development Department	(Name) Kazuhiko Abe (TEL) +81-3-6774-1603
Scheduled quarterly securities report submission date:	February 13, 2019
Scheduled date of start of dividend payments:	-
Preparation of supporting documentation for earnings:	Yes
Earnings presentations:	Yes (For institutional investors and analysts)

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

1. Consolidated Financial Results for the Three-month Period Ended December 31, 2018 (October 1, 2018 to December 31, 2018)

(1) Consolidated Operating Results

(Percentages indicate year-on-year change)

	Revenue		Operating income		Profit before income taxes		Net profit		Profit attributable to owners of the parent		Total comprehensive income	
	¥	%	¥	%	¥	%	¥	%	¥	%	¥	%
Three-month ended December 31, 2018	¥8,391	3.2	¥1,629	43.7	¥1,520	40.7	¥1,003	72.2	¥1,003	69.6	¥526	(31.5)
Three-month ended December 31, 2017	¥8,128	4.3	¥1,134	452.3	¥1,080	418.7	¥582	-	¥591	-	¥768	4.6

	Basic earnings per share (yen)	Diluted earnings per share (yen)
Three-month ended December 31, 2018	8.45	8.45
Three-month ended December 31, 2017	4.98	4.98

(Reference) EBITDA (Operating income before depreciation and amortization)

Three months ended December 31, 2018: ¥1,889 million Three months ended December 31, 2017: ¥1,408 million (+34.1%)

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Equity attributable to owners of the parent ratio (%)
As of December 31, 2018	¥30,536	¥21,805	¥21,695	71.0
As of September 30, 2018	¥29,181	¥21,996	¥21,881	75.0

2. Dividends

	Annual dividend				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	(yen)	(yen)	(yen)	(yen)	(yen)
Fiscal year ended September 30, 2018	-	0.00	-	6.02	6.02
Fiscal year ending September 30, 2019	-	-	-	-	-
Fiscal year ending September 30, 2019 (forecast)	-	-	-	-	-

Note 1: There have been no changes in dividend forecast.

Note 2: Dividend forecast for the fiscal year ending September 30, 2019 will be calculated based on a payout ratio of 25%.

3. Forecasts on the Consolidated Results for the Fiscal Year Ending September 2019 (October 1, 2018 to September 30, 2019)

(Percentages indicate year-on-year change)

	Revenue		Operating income		Profit attributable to owners of the parent		Basic earnings per share
	¥	%	¥	%	¥	%	(yen)
Fiscal year ending September 30, 2019	¥42,306	22.4	¥4,501	4.3	¥2,962	3.6	22.07

Note 1: Revision to the most recently announced consolidated forecasts: Yes

Note 2: The Company issued 15,450,770 new shares on January 8, 2019 in exchange for the acquisition of equity shares in Mitula Group Limited. Basic earnings per share for the fiscal year ending September 30, 2019 have been calculated using the new shares issued as mentioned above.

*** Notes**

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

(2) Changes in accounting policies, changes in accounting estimates, restatement

- | | |
|---|-------|
| [1] Changes in accounting policies required by IFRS | : Yes |
| [2] Changes in accounting policies other than [1] | : No |
| [3] Changes in accounting estimates | : No |

(Note) For details, refer to “1. Condensed Consolidated Financial Statements and Significant Notes (5) Notes to the Condensed Consolidated Financial Statements” on Page 10.

(3) Number of shares issued (common stock)

- | | |
|---|--------------------|
| [1] Number of shares issued at the end of the period (including treasury stock) | |
| As of December 31, 2018 | 118,789,100 shares |
| As of September 30, 2018 | 118,789,100 shares |
| [2] Treasury shares at the end of the period | |
| As of December 31, 2018 | 73,780 shares |
| As of September 30, 2018 | 73,736 shares |
| [3] Average shares during term | |
| Three months ended December 31, 2018 | 118,715,343 shares |
| Three months ended December 31, 2017 | 118,715,364 shares |

*** This consolidated financial report is not subject to quarterly review procedures.**

*** Regarding appropriate use of results forecasts and other notes**

- The Company plans to hold an earnings briefing for institutional investors and analysts. Scenes from the briefing and presentation content (audio recordings) will be made available on the Company’s website as soon as possible thereafter.
- February 14, 2019 (Thursday) : Earnings presentation for institutional investors and analysts.
- In addition, the Company holds briefings as appropriate for individual investors. Please refer to the LIFULL’s IR website for more details.

(Appendix)

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1. Condensed Consolidated Financial Statements and Significant Notes
(1) Condensed Consolidated Statements of Financial Position

(Thousands of yen)

	As of September 30, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	7,571,312	7,453,911
Accounts receivable-trade and other current receivables	4,577,193	4,305,252
Other short-term financial assets	230,000	188,000
Other current assets	521,720	757,837
Total current assets	12,900,226	12,705,000
Non-current assets		
Property, plant and equipment	1,810,709	1,747,575
Goodwill	9,806,312	9,449,795
Intangible assets	2,018,313	1,838,217
Investments accounted for using the equity method	785,146	690,887
Other long-term financial assets	1,293,708	3,620,525
Deferred tax assets	563,833	476,921
Other non-current assets	3,714	7,643
Total non-current assets	16,281,738	17,831,566
Total assets	29,181,965	30,536,567

(Thousands of yen)

	As of September 30, 2018	As of December 31, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Accounts payable-trade and other current payables	2,791,544	2,357,038
Short-term loans	-	3,300,000
Lease obligations	4,205	4,435
Accrued corporate income taxes	1,356,368	371,213
Other current liabilities	2,029,275	1,700,170
Total current liabilities	6,181,394	7,732,857
Non-current liabilities		
Lease obligations	80,600	79,401
Provisions	533,662	533,765
Deferred tax liabilities	364,316	363,274
Other long-term financial liabilities	25,664	21,966
Total non-current liabilities	1,004,244	998,409
Total liabilities	7,185,638	8,731,267
Equity		
Attributable to owners of the parent		
Capital stock	3,999,578	3,999,578
Capital surplus	4,256,942	4,260,097
Retained earnings	14,394,920	14,683,898
Treasury shares	(8,694)	(8,730)
Other components of equity	(761,446)	(1,238,922)
Attributable to owners of the parent	21,881,301	21,695,920
Attributable to non-controlling interests	115,025	109,379
Total equity	21,996,326	21,805,300
Total liabilities and equity	29,181,965	30,536,567

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

 Condensed Consolidated Statements of Profit or Loss
 For the three-month period ended December 31, 2018

(Thousands of yen)

	Three-month period ended December 31, 2017	Three-month period ended December 31, 2018
Revenue	8,128,651	8,391,479
Cost of revenue	928,935	1,048,262
Gross profit	7,199,716	7,343,217
Selling, general and administrative expenses	6,136,970	6,139,003
Other income	124,266	480,336
Other expenses	52,882	55,176
Operating income	1,134,129	1,629,373
Financial revenue	0	2,581
Financial expenses	5,673	16,843
Share of profit (loss) of investments accounted for using the equity method	(47,622)	(94,131)
Profit before taxes	1,080,833	1,520,980
Income tax expenses	498,077	517,394
Profit for the period	582,755	1,003,586
Profit for the period attributable to:		
Owners of the parent	591,727	1,003,518
Non-controlling interests	(8,971)	67
Total	582,755	1,003,586
		(yen)
Profit for the period per share attributable to owners of the parent		
Basic profit for the period per share	4.98	8.45
Diluted profit for the period per share	4.98	8.45

Condensed Consolidated Statements of Comprehensive Income
For the three-month period ended December 31, 2018

(Thousands of yen)

	Three-month period ended December 31, 2017	Three-month period ended December 31, 2018
Profit for the period	582,755	1,003,586
Other comprehensive income		
Items that will not be reclassified to profit or loss, net of tax:		
Equity instruments measured at FVTOCI	-	(2,494)
Total of items that will not be reclassified to profit or loss	-	(2,494)
Items that may be reclassified to profit or loss, net of tax:		
Available-for-sale financial assets	1,929	-
Exchange differences on translation of foreign operations	179,911	(474,888)
Cash flow hedge	1,075	-
Share of other comprehensive income of investments accounted for using the equity method	2,838	(127)
Total of items that may be reclassified subsequently to profit or loss	185,753	(475,016)
Other comprehensive income, after tax	185,753	(477,511)
Total comprehensive income for the period	768,509	526,075
Comprehensive income for the period attributable to:		
Owners of the parent	777,481	526,042
Non-controlling interests	△8,972	32
Total	768,509	526,075

(3) Condensed Consolidated Statements of Changes in Equity

For the three-month period ended December 31, 2017 (October 1, 2017 to December 31, 2017)

(Thousands of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Balance as of October 1, 2017	3,999,578	4,336,231	11,632,596	(8,694)	(732,517)	19,227,194	66,456	19,293,650
Profit for the period	-	-	591,727	-	-	591,727	(8,971)	582,755
Other comprehensive income	-	-	-	-	185,754	185,754	(0)	185,753
Total comprehensive income for the period	-	-	591,727	-	185,754	777,481	(8,972)	768,509
Dividends of surplus	-	-	(97,346)	-	-	(97,346)	(1,577)	(98,924)
Capital transaction with owners of non-controlling interests	-	(71)	-	-	-	(71)	(678)	(749)
Increase due to business combinations	-	-	-	-	-	-	28,000	28,000
Total transactions with owners	-	(71)	(97,346)	-	-	(97,418)	25,744	(71,674)
Balance as of December 31, 2017	3,999,578	4,336,159	12,126,976	(8,694)	(546,763)	19,907,257	83,228	19,990,486

For the three-month period ended December 31, 2018 (October 1, 2018 to December 31, 2018)

(Thousands of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Balance as of October 1, 2018	3,999,578	4,256,942	14,394,920	(8,694)	(761,446)	21,881,301	115,025	21,996,326
Profit for the period	-	-	1,003,518	-	-	1,003,518	67	1,003,586
Other comprehensive income	-	-	-	-	(477,476)	(477,476)	(34)	(477,511)
Total comprehensive income for the period	-	-	1,003,518	-	(477,476)	526,042	32	526,075
Dividends of surplus	-	-	(714,666)	-	-	(714,666)	(507)	(715,173)
Purchase of treasury stock	-	-	-	(36)	-	(36)	-	(36)
Capital transaction with owners of non-controlling interests	-	3,154	-	-	-	3,154	(5,045)	(1,891)
Changes from exclusion from consolidation	-	-	125	-	-	125	(125)	-
Total transactions with owners	-	3,154	(714,541)	(36)	-	(711,423)	(5,678)	(717,101)
Balance as of December 31, 2018	3,999,578	4,260,097	14,683,898	(8,730)	(1,238,922)	21,695,920	109,379	21,805,300

(4) Condensed Consolidated Statements of Cash Flows

(Thousands of yen)

	Three-month period ended December 31, 2017	Three-month period ended December 31, 2018
Cash flow from operating activities		
Profit for the period before tax	1,080,833	1,520,980
Depreciation and amortization	280,562	266,860
Financial revenue	(0)	(2,581)
Financial expenses	5,673	16,843
Decrease (increase) in accounts receivable-trade and other current receivables	147,726	202,536
Increase (decrease) in accounts payable-trade and other current payables	(509,547)	(366,769)
Others	(490,240)	(842,909)
Subtotal	515,007	794,959
Interest and dividends received	0	0
Interest paid	(4,619)	(4,436)
Income taxes paid	(273,673)	(1,469,597)
Net cash from operating activities	236,716	(679,074)
Cash flow from investing activities		
Purchase of available-for-sale financial assets	(399,866)	-
Purchase of property, plant and equipment	(56,383)	(22,818)
Proceeds from sale of property, plant and equipment	-	1,124
Purchase of intangible assets	(74,283)	(74,828)
Proceeds from sales of investments in subsidiaries	-	473,216
Acquisition of shares of associates	135,000	-
Payments of loans receivable	-	(73,000)
Collection of loans receivable	-	115,000
Expenditures for international remittance relating to acquisition of subsidiaries	-	(2,352,435)
Others	(30,151)	313
Net cash from investing activities	(425,685)	(1,933,426)
Cash flow from financing activities		
Proceeds from loans payable	-	3,300,000
Dividends paid	(97,346)	(711,921)
Repayment of lease obligations	(1,577)	(507)
Dividends paid to non-controlling interests	(783)	(969)
Proceeds from non-controlling interests for additional shares	(749)	(1,891)
Proceeds from share issuance to non-controlling interest	28,000	-
Proceeds from issuance of bonds	3,000	-
Purchase of treasury shares	-	(36)
Net cash from financing activities	(69,457)	2,584,673
Effect of exchange rate changes on cash and cash equivalents	24,219	(89,574)
Net increase (decrease) in cash and cash equivalents	(234,206)	(117,401)
Cash and cash equivalents at beginning of period	5,509,642	7,571,312
Cash and cash equivalents at end of period	5,275,435	7,453,911

(5) Notes to the Condensed Consolidated Financial Statements

1. Note Regarding Going Concern Assumption

Not applicable.

2. Significant Accounting Policies

The LIFULL Group has applied the same accounting policies for the quarter under review as those applied in the consolidated financial statements for the fiscal year ended September 30, 2018 except as set out below in the section “Changes in accounting policies.”

(Changes in accounting policies)

The Group has adopted the IFRS standards and interpretation guidelines from the first quarter period under review, as described below:

Standard	Category	Date of initial application (Start of reporting period with application)	The Group is to implement application beginning from	Additions/Revisions
IFRS 9	Financial instruments	January 1, 2018	Fiscal year ending September 30, 2019	Classification and measurement of financial instruments, impairment, hedge accounting treatment and disclosure requirements
IFRS 15	Revenue from contracts with customers	January 1, 2018	Fiscal year ending September 30, 2019	Accounting treatment and disclosure requirements related to revenue recognition

The Group has adopted the retrospective method for those contracts that remained incomplete as of the date of initial application (October 1, 2018), and has made retrospective adjustments by recognizing the cumulative effect as an adjustment to the beginning balance of retained earnings (or other components of equity) as of the date of initial application, in accordance with the transitional arrangements regarding IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. Accordingly, no adjustment or restatement has been made to the condensed quarterly consolidated financial statements for the first quarter of the prior consolidated period or the condensed quarterly consolidated statement of financial position as of the end of the prior consolidated fiscal year.

(1) Application of IFRS 9 Financial Instruments

① Financial Instruments

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.

At initial recognition, 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, 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 recognizes transaction costs that are directly attributable to the acquisition of FVTPL Financial Assets or FVTPL Financial Liabilities through profit or loss.

② 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 (hereinafter “FVTOCI Debt Instrument Assets”), Equity Instrument Assets Measured at Fair Value through Other Comprehensive Income (hereinafter “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.

A regular way purchase or sale of financial assets is recognized and derecognized using trade date accounting. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require the delivery of the asset within the timeframe established generally 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 whose objective is to hold assets in order to collect contractual cash flows.
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to the initial recognition, financial assets at amortized cost are measured in terms of the amount net of impairment loss using an effective interest method when necessary. Interest income is recognized using an effective interest method in 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 whose objective is to hold assets in order to collect contractual cash flows and sell financial assets.
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to the initial recognition, FVTOCI Debt Instrument Assets are measured at fair value, and valuation gains or losses arising from fair value changes are recognized in other comprehensive income. Cumulative fair value gains or losses recognized in other comprehensive income are reclassified to profit or loss on derecognition. Foreign exchange gains or losses arising from monetary assets classified in FVTOCI Debt Instrument Assets as well as interest income calculated using the effective interest method in relation to FVTOCI Debt Instrument Assets are recognized in profit or loss.

(iii) FVTOCI Equity Instrument Assets

Equity instrument assets are classified into FVTOCI Equity Instrument Assets when the Company makes an irrevocable election at initial recognition to measure fair value changes in other comprehensive income, not in profit or loss. Subsequent to the initial recognition, FVTOCI Equity Instrument Assets are measured at fair value, and valuation gains or losses arising from fair value changes are recognized in other comprehensive income.

When a financial instrument is derecognized or its fair value is significantly below the acquisition cost or it remains so over a long period of time, 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 under FVTPL Financial Assets if any of the following conditions are applicable:

- (a) Financial assets held for purposes of sale
- (b) Financial assets not classified under Financial Assets Measured at Amortized Cost, FVTOCI Debt Instrument Assets, FVTOCI Equity Instrument Assets.

Financial assets classified as held for purpose of sale are financial assets that were primarily purchased for sale in the short-term, other than derivative financial assets. No financial assets are designated as fair value through profit or loss in order to eliminate or greatly reduce mismatches in accounting.

Subsequent to the initial recognition, FVTPL Financial Assets are measured at fair value, and valuation gains or losses arising for fair value changes, dividend income, and interest have been recognized in profit or loss.

(v) Impairment of Financial Assets

The Group makes doubtful debt provisions relating to those financial assets measured at amortized cost or FVTOCI Debt Instrument Assets in the amount of expected credit loss.

The Group undertakes assessment to determine whether there has been a significant increase in the credit risk since initial recognition with a certain financial asset at the end of each fiscal period. If no significant increase is confirmed in the credit risk associated with the asset, the Group makes doubtful debt provisions in the amount of a 12-month expected credit loss. Given that there has been a significant increase in credit risk with the Group's financial assets since initial recognition, the Group usually makes a doubtful debt allowance for its trade receivables in the amount equal to the expected credit loss for the entire fiscal period. However, for trades receivable, doubtful debt provisions are measured in the amount of expected credit loss for the entire fiscal period.

The expected credit loss is estimated using a method that reflects the following points:

- (a) Unbiased and probability-weighted amount to be derived by evaluating a range of possible outcomes
- (b) Time value of money
- (c) Reasonable and supportable information that is available without undue cost or effort on the reporting date about past events, current conditions and forecasts of future economic conditions.

Based on the assessment, the Group recognizes an additional amount of doubtful debt allowance or its reversal amount in profit or loss when a certain event occurs to reduce the allowance amount in later periods.

The Group has a policy of reducing the gross carrying amount of a financial asset when it has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof.

(vi) Derecognition of financial assets

The Group derecognizes a financial asset in such cases where the contractual rights to the cash flows from the financial asset expire, the Group transfers the financial asset to another party, or the Group transfers the risks and rewards of ownership of that asset to another party.

③ Non-derivative Financial Liabilities

Non-derivative financial liabilities are classified into FVTPL Financial Liabilities or Financial Liabilities Measured at Amortized Cost at initial recognition.

Subsequent to 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.

Subsequent to the 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 or cancelled, or has expired.

④ Derivative Financial Assets and Liabilities

Derivatives are initially measured at fair value as of the date of the trade agreement. Subsequent to the initial recognition, the Group updates the values of the derivative instruments using the 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.

⑤ Offsetting Financial Assets and Financial Liabilities

The Group offsets a recognized financial asset and a recognized financial liability only when it has a legally enforceable right of set-off, and intends either to settle the asset and the liability on a net basis or to realize the asset and settle the liability simultaneously. With the set-off arrangements, the net effect is presented on the consolidated statement of financial position.

Initial measurement under IAS 39 and new measurement under IFRS 9 are summarized below. Changes in the classification categories for financial assets held as of the effective date of IFRS 9 have no impact on book values. No changes have been made to the classification or measurement of the financial liabilities.

The application of the IFRS standard has a minimal impact on the Group's financial position and business results.

(Thousands of yen)

	Measured Categories		Book Value	
	Previous Standard (IAS 39)	Current Standard (IFRS 9)	Previous Standard (IAS 39)	Current Standard (IFRS 9)
Financial Asset				
Accounts Receivable and Other Short-Term Credit	Loans and Receivables	Amoritized Cost	4,577,193	4,577,193
Other Short-Term Financial Assets	Loans and Receivables	Amoritized Cost	230,000	230,000
Other Long-Term Financial Assets	Available-for-sale Financial Assets	FVTOCI (Equity)	512,907	512,907
	Loans and Receivables	Amoritized Cost	780,801	780,801

(2) Application of IFRS 15 Revenue from Contracts with Customers

With the application of IFRS 15, the Group recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, using an approach based on the following five-step model.

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 Group's primary revenue recognition criteria by segment are summarized below. Revenues are recognized in the amount of considerations promised with customers by the relevant contracts, net of discounts.

① HOME'S business and advertising sales

The Group provides real estate information services on LIFULL HOME'S, a proprietary website, including an advertising platform for real estate, banner advertisements, business support tools for partner realtors to communicate with platform users via email and a telephone. Revenues are recognized individually in accordance with the period of the platform service used and the advertising period for those services obligated to provide a platform or advertisements continuously for a certain period of time. Revenue related to remitting users to clients through inquiries is recognized at the time users contact clients via telephone or e-mail with inquiries. In addition, revenue related to products produced by the Group, such as web design, is

recognized at the time that these products are handed over to the client.

② Overseas Business

In addition, revenue related to products produced by the Group, such as web design, is recognized at the time that these products are handed over to the client. In search advertising, users are remitted to clients' websites upon clicking advertisements. Therefore, revenue is recognized at the time when users click advertisements. Advertisements are posted on the websites for a set period of time. Revenue is recognized when clients continue to use the service for a pre-determined length of time.

③ Other Businesses

The Group also provides other services such as the matching site for elderly care facilities "LIFULL Kaigo"; insurance agency search and reservation site "LIFULL Hoken Sodan"; liability insurance agent and moving company search and reservation site "LIFULL Hikkoshi"; rental storage space information search site "LIFULL Trunkroom"; interior design EC site "LIFULL Interior". These services provide a platform for posting information for a certain period of time. Revenue is recognized when clients continuing to use the service for the pre-determined length of time.

The Group adopts an approach of recognizing the cumulative effect on the day when the new standard is applied by introducing retroactive recognition in accordance with the transitional arrangements. The cumulative effect has no materiality as of the date of the standard application.

3. Subsequent events

(Business combination by acquisition)

Based on the Scheme of Arrangement established between LIFULL Co., Ltd. according to the laws of Australia and the Mitula Group signed on 9 May 2018 and the Scheme Implementation Deed to make Mitula a fully owned subsidiary, LIFULL Co., Ltd. has as of 8 January 2019 acquired all shares of Mitula and made it a subsidiary.

(1) Outline of the business combination

① Name of the acquired company and its businesses

Name of the acquired company: Mitula Group Limited

Business domain: Operating aggregation and portal websites (Real Estate, jobs, Pre-owned cars, fashion)

② Primary reason for the business combination

It was realized that incorporating the corporate resources, such as technology and knowhow, of Mitula into LIFULL Co., Ltd. and Trovit could add significant value to the Group, and the decision was made to acquire Mitula.

③ Date of the business combination

January 8, 2019

④ Legal form of the business combination

Share acquisition

⑤ Share acquisition

Regular shares and cash

⑥ Name of company after the business combination

No Change

⑦ Percentage of voting rights to be acquired

100%

⑧ Primary reason for deciding on the acquired company

To acquire all shares of Mitula for regular shares of LIFULL Co., Ltd. stock and cash.

(2) Cost of the acquisition of the acquired company

(Thousands of yen)

Items	Amount
Cash and cash equivalents	2,352,435
Regular shares transferred on the day of acquisition (Note)	11,433,569
Total cost of acquisition	13,786,004

(Note) LIFULL Co., Ltd. has issued 15,450,770 regular shares. Furthermore, the stock price at closing was evaluated at 740 yen.

(3) Goodwill arising from the acquisition

To be finalized

(4) Assets acquired, and liabilities assumed at the acquisition date

To be finalized