LIFULL

2018 ANNUAL REPORT

Make every LIFE FULL.

We want to deliver comfort and happiness to everyone.
LIFULL values its spirit of innovation, unchanged since its founding and unrestrained by existing industry frameworks and customs.
Moving forward, we will continue to blaze the trail by overcoming barriers to language and new lifestyle solutions while bringing comfort and happiness to people around the world.








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At a Glance

Vision and Strategy

Capital and Organization

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Disclaimer
This report includes information on future plans, strategies, and performance outlooks. These outlooks are based on the information available to the Company at the time of writing. Please keep in mind that actual performance and results may vary significantly due to changes in the economic climate, market trends, demand, exchange rates, and other factors.

Information on corporations not belonging to the Group is taken from publicly available data. As such, we cannot guarantee its accuracy.

Credo, Corporate Philosophy, and Guidelines

All activities of the LIFULL Group are rooted in our Company Credo, "Altruism," a way of thinking shared by all employees. Unchanged since our founding, our corporate culture applauds those with a passion for "changing the world to make people smile" and who boldly take on challenges without fear of failure. This has proven to be the key to LIFULL's rapid growth.

Concentric Management

Company Credo
Altruism

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

Guidelines
- Continue searching for the truth
- Be a leader for positive change
- Provide value at the fastest rate possible
- Set high goals
- Make a plan and accomplish it
- Maintain highest integrity
- Build true teamwork
- Value every stakeholder

Business and Social Contribution Activities

Various Initiatives and Projects

Key Figures 2018

Groupwide Listings

Approx. 300 million

Group Revenue

¥34,564 million

Group Companies

19

Group Employees

1,274

Global Development

57 countries

Competitive IT Strategy Company

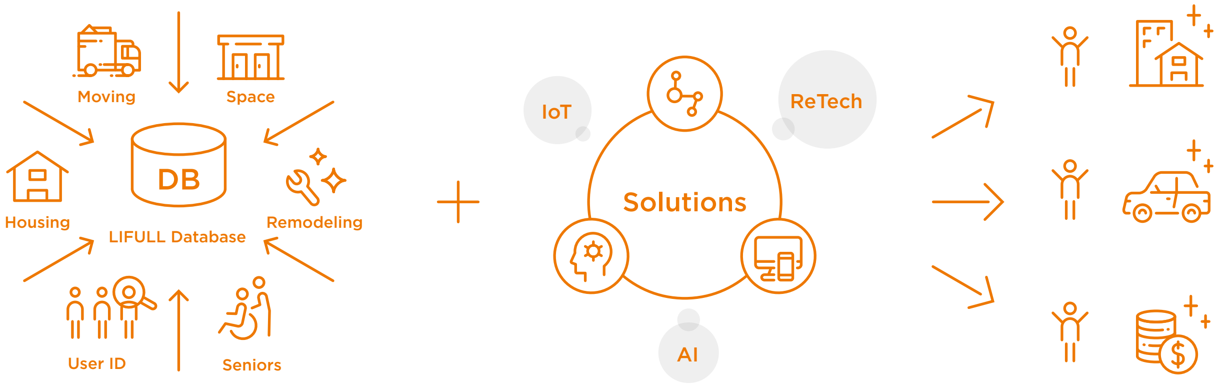
Selected for 2 consecutive years

LIFULL Group Business Activities

We have always been dedicated to providing services that are directly connected to individuals' lives. Currently, LIFULL Group operates the HOME'S Services Business, centered around the LIFULL HOME'S website; the Overseas Business, focused on aggregation sites; and Other Businesses, which include businesses in new fields apart from real estate.

Business Objective

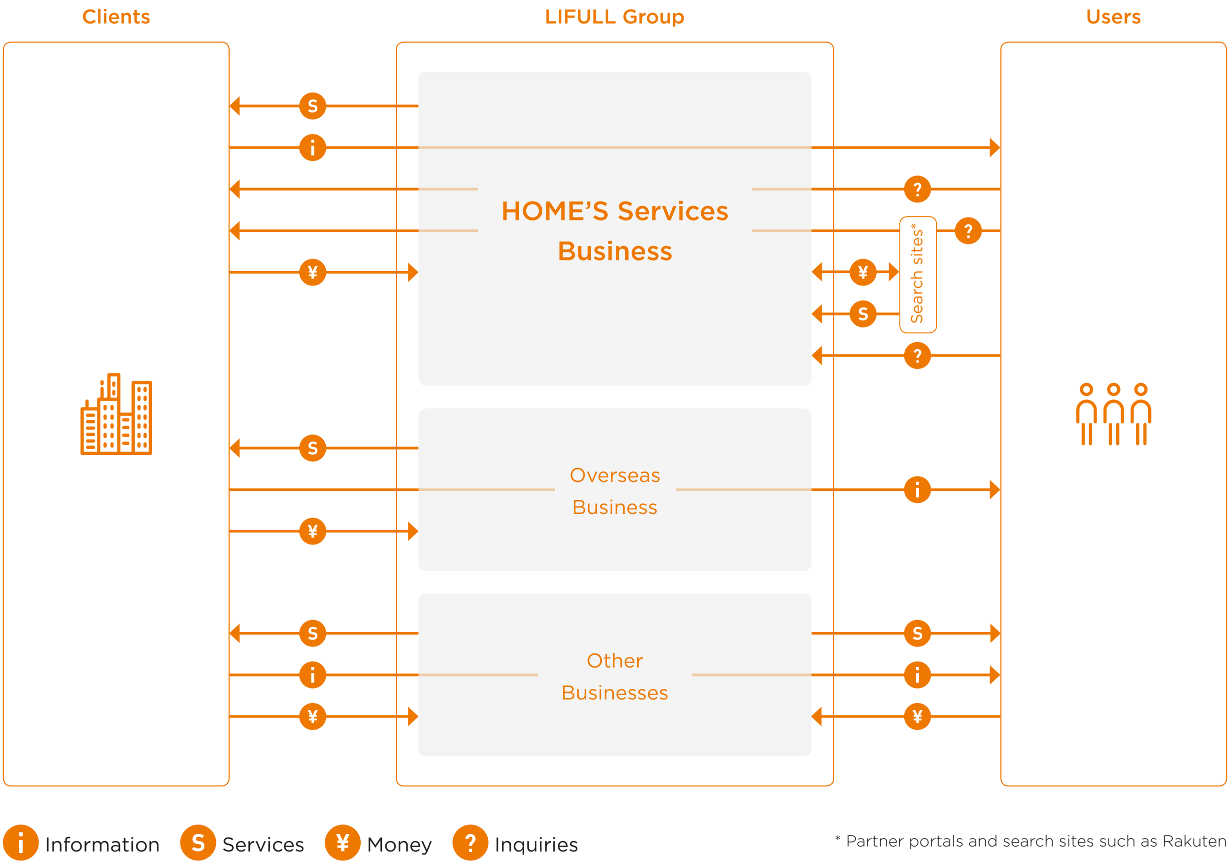
Become the best life-event database and solution company in the world.



Build the biggest life-event database in the world to offer the best solutions for every individual.

Business Diagram

The following is an overview of the LIFULL Group business model:



* Partner portals and search sites such as Rakuten

HOME'S Services Business

→ for details, see page 18.

This business, centered around LIFULL HOME'S, a real estate and housing information website that boasts the highest number of listings in Japan*, provides safe and reliable services that meet the needs of each user during their search for a home.

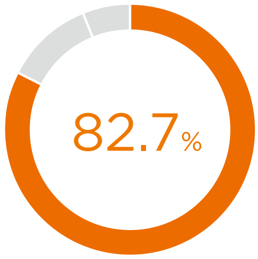
* As of January 7, 2019, according to survey by Sankei Advertising, Inc.

LIFULL HOME'S

Main Businesses and Subsidiaries

- LIFULL HOME'S
- AD MASTER (formerly Renter's Net)
- NabiSTAR
- LIFULL Marketing Partners Co., Ltd.

Revenue



Overseas Business

→ for details, see page 22.

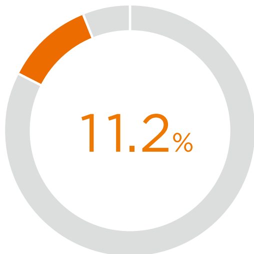
This business focuses on the aggregation site Trovit, which operates in 57 countries around the world. In addition, the aggregation site operator Mitula Group Limited was acquired under the LIFULL Group umbrella in January 2019. This business features an enormous life information database that it shares with users, spanning real estate and housing to job offers, automobiles, fashion, and others.

trovit Mitula

Main Businesses and Subsidiaries

- Trovit (Trovit Search, S.L.U.)
- Mitula (Mitula Group Limited)
- LIFULL Tech Vietnam Co., Ltd.

Revenue



Other Businesses

→ for details, see page 26.

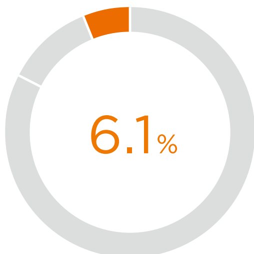
These businesses operate in a variety of fields aimed at resolving social issues in various areas and includes businesses started through the LIFULL "SWITCH" program (see page 31).

LIFULL 介護 LIFULL 引越し
LIFULL トランクルーム LIFULL 地方創生

Main Businesses and Subsidiaries

- LIFULL *Kaigo* (Nursing Care) (operated by LIFULL senior Co., Ltd.)
- LIFULL *Hikkoshi* (Moving House) (operated by LIFULL MOVE Co., Ltd.)
- LIFULL Trunk Room (Storage) (operated by LIFULL SPACE Co., Ltd.)
- LIFULL Social Funding Co., Ltd.
- Other LIFULL subsidiaries and new services

Revenue

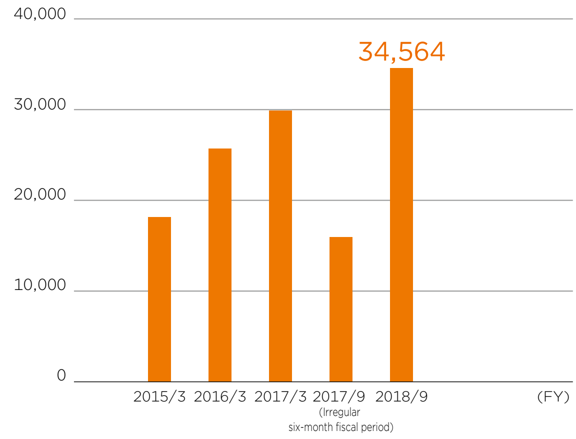


Performance Highlights

LIFULL Co., Ltd. and its consolidated subsidiaries
The irregular six-month period ended September 30, 2017, is due to the change in the closing date of the fiscal year.

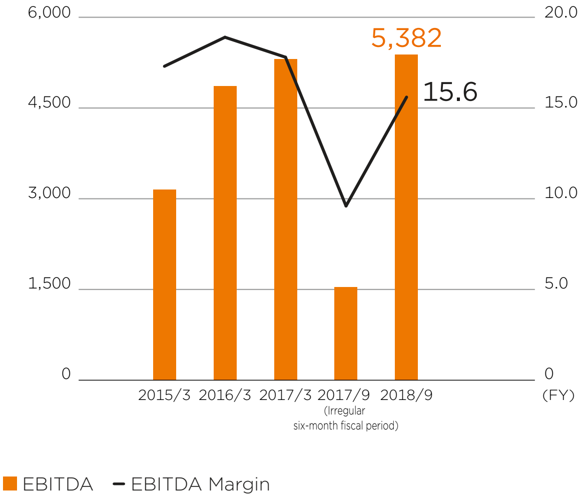
Revenue

(Millions of yen)



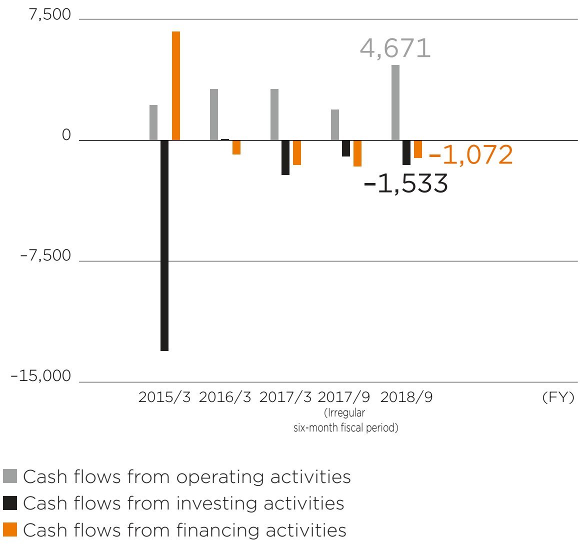
EBITDA / EBITDA Margin

(Millions of yen) (%)



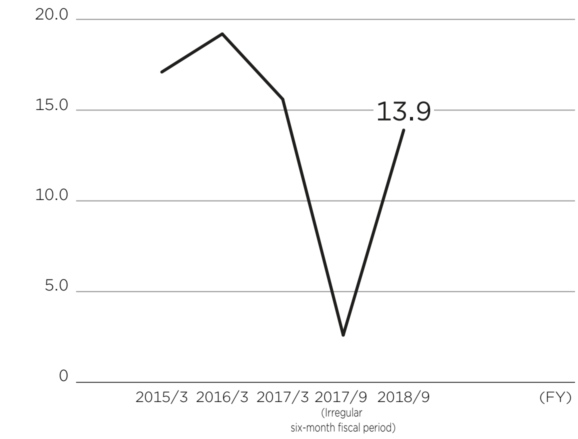
Cash Flows

(Millions of yen)



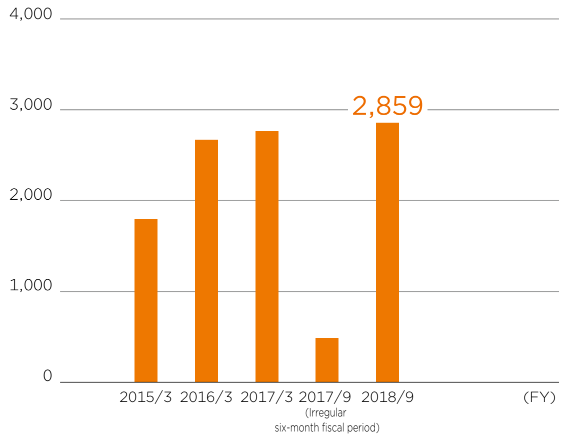
ROE

(%)



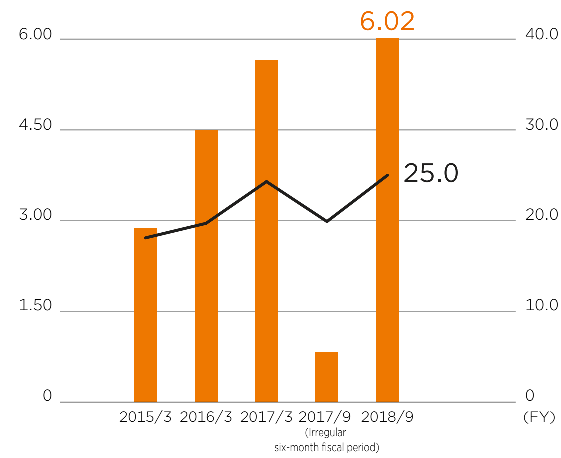
Net Profit Attributable to Owners of the Parent

(Millions of yen)



Dividends Per Share / Dividend Payout Ratio

(Yen) (%)



■ Dividends per share — Dividend payout ratio

Note: 1. In the fiscal year ended March 31, 2015, recalculations were made taking into account the impact of a 2-to-1 share split of common shares implemented on June 1, 2015.
2. Dividends for the fiscal year ended March 31, 2017 include an additional dividend of ¥1.00 per share in commemoration of the Company's 20th anniversary.

Overview

Group revenue exceeded ¥34,564 million for the fiscal year ended September 30, 2018, due to the acquisition of Trovit Search, S.L.U. in the fiscal year ended March 31, 2015, and continued growth in domestic and overseas real estate-related businesses.

In April 2017, we relocated our head office and incurred costs related to the move. During the same timeframe, branding and advertising costs also rose as a result of our company name change. Due to these factors, there was a temporary drop in the EBITDA margin for the irregular six-month period ended September 30, 2017.

In terms of results for the fiscal year ended September 30, 2018, revenue increased 7.6%, to ¥34,564 million; EBITDA rose 37.8%, to ¥5,382 million; and net profit attributable to owners of the parent increased 81.3% to ¥2,859 million.

Regarding dividend payouts, we have adopted a basic policy of flexible returns based on performance for the year. In order to clarify our position on providing positive returns of profit to shareholders and expand the shareholder base, we increased our dividend payout ratio from 20% to 25% for the fiscal year ended September 30, 2018.

The LIFULL Group's Growth History

We at the LIFULL Group have been working to resolve social issues since our founding over 20 years ago and have dedicated ourselves to creating a society where every individual can attain comfort and happiness. Our global activities reach well beyond Japan, and we actively take on challenges in areas outside of real estate.

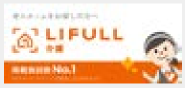
Fields of Service

Overseas

New and Related Fields

2007
Launched LIFULL *Hikkoshi* moving house service (formerly HOME'S *Hikkoshi Mitsumori* moving cost estimate information service)

2008
Launched LIFULL *Kaigo* nursing care service (formerly HOME'S *Kaigo*)



Realtor-Oriented Operational Support

2007
Launched customer relationship management (CRM)

Real Estate Media

1997
Launched LIFULL HOME'S service (formerly HOME'S)

2005
Launched investment property listing service
Launched new house listings

2007
Launched resale property listings

2008
Launched home appraisal service

2009
Launched iOS app

1995
NEXT HOME Co. founded

1997
NEXT Co., Ltd. (currently LIFULL Co., Ltd.) established

NEXT Co., Ltd.

2002
Capital tie-up with Rakuten, Inc.

2006
Shares listed on Tokyo Stock Exchange Mothers Section

2011
Launched
Overseas Business

2014
Acquired Trovit Search S.L.U. as a wholly owned subsidiary

2017
Launched software development business (made LIFULL Tech Vietnam Co., Ltd. a wholly owned subsidiary)

2012
Launched LIFULL *Rumah* in Indonesia (invested in PT. Rumah Media [currently PT. LIFULL MEDIA INDONIESIA])

2019
Acquired Mitula Group (Mitula, Nestoria, Nuroa, and Kleding) as a wholly owned subsidiary

2017
Launched LIFULL HOME'S *Akiya Bank*
Launched *Minna no Ihinseiri* online matching service, which compares contractors for organizing belongings of the deceased

2013
Launched LIFULL Trunk Room storage listing service (formerly HOME'S Storage)
Launched LIFULL FaM career support service for mothers

2018
Launched LIFULL FLOWER
Launched Vacation STAY (a joint venture with Rakuten, Inc.)
Established the LIFULL Regional Revitalization Fund

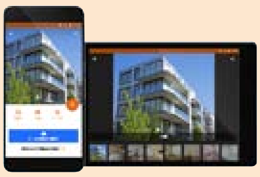
2011
Launched content management system (CMS)

2014
Launched private data management platform (DMP) for real estate professionals

2015
Launched Internet marketing business (acquisition of LIFULL Marketing Partners Co., Ltd.)
Launched HOME'S PRO multiple listing service

2013
Launched real estate agent mystery shopper service

2010
Launched Android app



2013
Launched remodeling listings

2015
Opened LIFULL HOME'S *Sumai no madoguchi* face-to-face housing consultation service (formerly HOME'S *Sumai no madoguchi*)

2016
Launched HOME'S LINE app inquiry feature

2010
Shares listed on Tokyo Stock Exchange First Section

2015
Issued shares to Rakuten, Inc. via third-party allocation

2017
Changed company name to LIFULL Co., Ltd.

2019
Issued common stock and increased capital

Value Creation Process

Our goal is to achieve long-term growth by fully utilizing our intellectual capital.
Value born from that process is equitably returned to all our stakeholders, based on our concept of Will-Centric Public Interest Capitalism.
We believe that addressing various social issues through this value-creation cycle is a necessary part of realizing our corporate philosophy.

LIFULL

Company Credo

Altruism

Corporate Philosophy

Create a society where everyone can attain “comfort” and “happiness” through continuing social innovations

INTELLECTUAL CAPITAL → P.30

Human Resources

- The best place to work in Japan
- Policies to help employees challenge themselves

Technology

- Tackling problems in the real estate industry through cutting-edge technologies
- Research and development division, LIFULL Lab

Initiatives to Improve Productivity

- Initiatives to maintain a competitive edge

Relationship with Society

- Community-oriented head office
- Investment and capital alliances
- Social responsibility activities (One P’s)

BUSINESS STRATEGY → P.16

Building a group of companies that provide life solutions to th

Quantitative Targets

By the Fiscal Year Ending September 30, 2020

Revenue

¥50.0 billion Level

EBITDA Margin

Approx. 20%

HOME’S Services Business → P.18

Overseas Business → P.22

CORPORATE GOVERNANCE → P.42

Our highly effective Board of Directors and Audit & Supervisory Board meetings are conducted under the supervision of insightful outside directors.

Directors

Internal Outside

e world

Other Businesses

→ P.26

Auditors

Full-time internal

Part-time outside

CEO Message

We aim to be a corporate group that provides services for a LIFE FULL of comfort and happiness on a global scale.

Operator of World-Leading Real Estate Aggregators

Based on "Altruism," the Company Credo, we are committed to both building and maintaining strong relationships with all our stakeholders and conducting business activities that contribute to sustainable development through resolving social issues. Our primary service, LIFULL HOME'S, a website that provides housing and real estate information, mitigates the asymmetry of real estate information and the inefficiency of the real estate industry. We have built and nurtured this platform out of our wholehearted desire to provide convenience and peace of mind to people looking for a home and to realtors. As LIFULL grows in scale, all of our new businesses continue to be equally devoted to resolving a variety of social issues. All were developed according to our corporate philosophy, which advocates a system that provides society with comfort and happiness. One of our major recent initiatives was the acquisition of Mitula Group Limited (Mitula) as a subsidiary of LIFULL in January 2019, as part of our strategy to enable people not only in Japan, but worldwide, to attain comfort and happiness.

Mitula operates one of the world's largest real estate aggregation sites spanning 54 countries with information covering the real estate, housing, employment, automobile, and fashion sectors. Mitula currently operates 225 websites under 7 brands, with the number of annual visitors exceeding 800 million and continuing to show growth in the double digits. On the other hand, Trovit Search, S.L.U. (Trovit), acquired prior to Mitula in November 2014, has similarly maintained double-digit growth. Trovit operates an aggregation site primarily focused on real estate and housing, but also covers employment and pre-owned automobiles. It has become an immense platform active in 57 countries with over one billion visitors a year. After the acquisition of Mitula, the top three real estate aggregators worldwide have become part of the LIFULL Group. With over 400 million real estate listings, the LIFULL Group has established itself as a multinational real estate aggregation site operator with an overwhelming presence on the world stage. If our ongoing efforts to integrate Trovit and Mitula are able to generate synergies, the amount of added value we can provide is expected to increase with revenue scale and profitability reaching new levels. We

are building a global platform that will allow people around the world to seamlessly relocate from one place to another. As we get closer to this goal, we are confident that we will reach the quantitative targets we have laid out for the fiscal year ending September 30, 2020, namely revenue at the ¥50 billion level with an EBITDA margin of approximately 20%.

Becoming a Vital Relocation Partner

The domestic real estate industry is facing a series of pressing issues, including stimulation of the resale housing market, transparency of information, and improving the efficiency of realtors. The industry in which we conduct business is addressing these issues and has also been improving little by little. Recent changes we have seen include allowing disclosures for rental properties to be handled online and the implementation of the Private Lodging Business Act (and New Private Lodging Business Act).

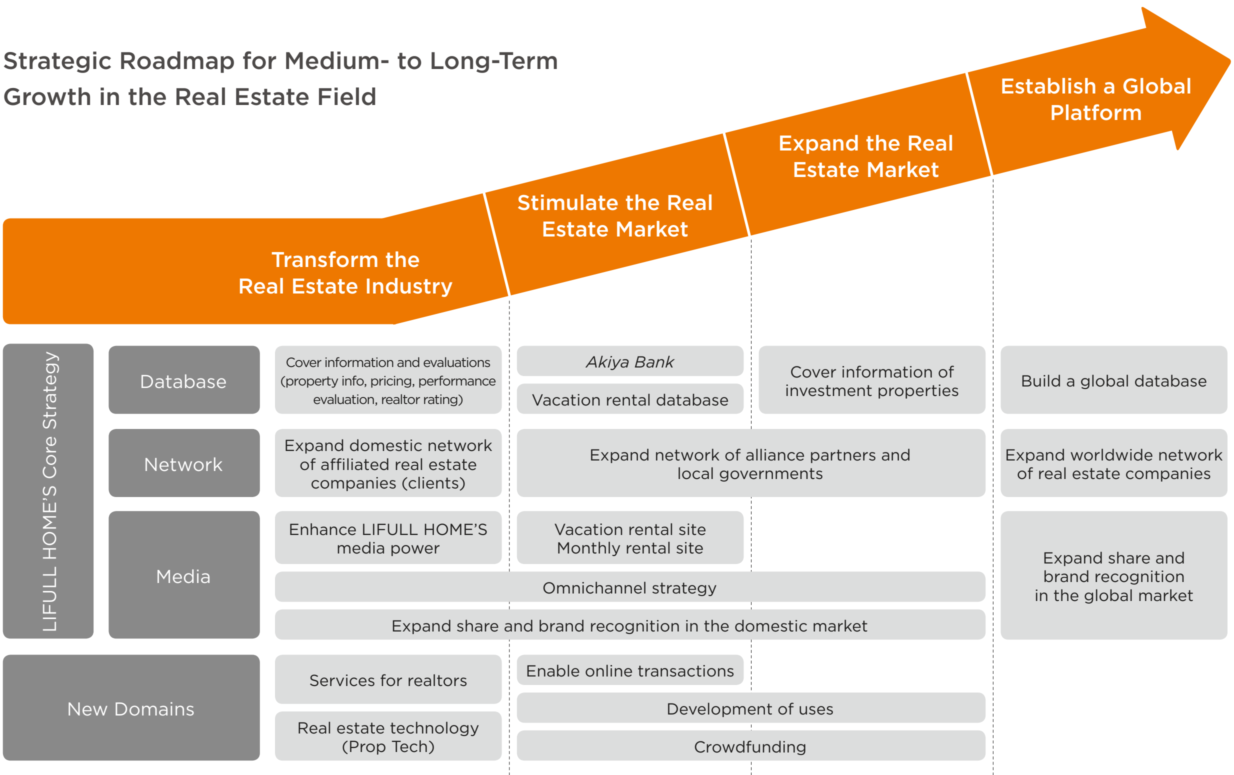
At the same time, there are other issues that are becoming more serious against the backdrop of population decline, including a shrinking economy, the depopulation of rural areas, and a growing number of vacant homes. To address these issues, we have established the LIFULL HOME'S *Akiya Bank*, a website created in cooperation with the Ministry of Land, Infrastructure, Transport and Tourism and local governments to list vacant homes online. We are also promoting utilization of these homes in cooperation with related businesses and putting forth proposals on how to utilize human resources to revitalize these regions. In these ways, we are making use of human and intellectual capital to implement initiatives, and while some of the results may be minor, they are steadily progressing. In addition to our other plans to utilize crowdfunding as a means of raising capital to develop vacant houses in rural areas for effective, non-residential uses, I would like for us to continue to make future-oriented proposals for various initiatives aimed at resolving social issues.

The growth rate of the HOME'S Services Business had been slowing down, but since my return to the LIFULL HOME'S Services Department in October 2018 and restructuring the system to place myself in direct command of operations, all of our performance indicators have returned to an upward trend. Bearing in mind my personal goal of maximizing the media presence of LIFULL HOME'S, I will continue to implement a variety of measures. We are expanding and promoting our various support services for realtors in a move to support stronger performance and productivity reforms and to increase average revenue per agent (ARPA). Furthermore, we will make use of AI and shift to omnichannel services that include face-to-face, call center, and chat support and thereby refine the ability of LIFULL HOME'S to provide each individual with the right solution. In performing these actions, we aim to serve as a vital relocation partner.

Looking to the World

The shift toward a borderless society is progressing on a global scale. Over the past five years, the proportion of non-Japanese nationals relocating within Japan has increased by roughly 50%, the number of workers with international backgrounds has increased by 80%, and there is no reason to think that this trend will change going forward. Looking at these movements, we want to build a global platform that overcomes the barriers of language and currency and allows people from all over the world to seamlessly change homes and invest in real estate. As our first step, we are focused

Strategic Roadmap for Medium- to Long-Term Growth in the Real Estate Field



on rapidly consolidating management of Trovit and Mitula in order to build a system that will maximize the assets of both companies.

To become a company of choice in the global market, we must enrich and improve our corporate culture. In a society undergoing drastic change, to maintain the status quo is to decline. As new initiatives, we are promoting higher productivity by introducing a daily efficiency management system while adopting a system design mindset with challenging goals to promote open innovation.

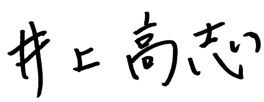
Happiness and Comfort to People All Over the World

The name of our company, LIFULL, was chosen as a reflection of our desire to give people all over the world a LIFE FULL of comfort and happiness. In April 2017, as we ramped up global development, we changed our name from NEXT to LIFULL. This change was made as a symbol to more clearly communicate our vision to the rest of the world. To keep pace with growing recognition and affinity for the new LIFULL brand, we have expanded the markets and areas in which we operate. Here, I would also like to express my sincere appreciation for the support of our shareholders and investors in these endeavors.

We are, of course, committed to achieving the goals of our Medium-Term Business Plan, but for this to take place, and to realize our long-term growth strategy, we require the continued support of all of our shareholders and investors. Up to this point, we have prioritized putting our cash inflows toward growth investments and strengthening our financial position, but now that we have a stable financial base, I believe we should enhance our shareholder returns. Therefore, we have decided to raise our dividend payout ratio by 5%, to 25%. We ask our shareholders and investors to look forward to the future of the LIFULL Group and are grateful for your continued support.

The LIFULL Group will continue to work as a whole to provide life solutions for comfort and happiness to everyone around the world.

March 2019



Takashi Inoue
President and CEO

Business Strategy

Medium-Term Business Plan 2020

In order to provide services that make LIFE FULL and create a foundation for realizing our goal of providing these services not only to Japan, but to the world, we embarked on our three-year Medium-Term Business Plan in 2017, which runs through the fiscal year ended September 30, 2020. The plan prioritizes business expansion in Japan and overseas, and we therefore expect slower growth in our profit margin in order to make room for active growth investments.

The LIFULL Group Today

Medium-Term Business Plan 2020

Expand Business Scale	Strengthen Foundation for Group Expansion
Further Expand HOME'S Services Business Promote Overseas Business Growth	Strengthen Business Administration Department Set the Foundation for 100 Group Companies

Quantitative Targets

By the Fiscal Year Ending September 30, 2020 Revenue ¥50.0 billion Level	By the Fiscal Year Ending September 30, 2020 EBITDA Margin Approx. 20 %

Vision for the LIFULL Group

A group of companies that provide life solutions to the world

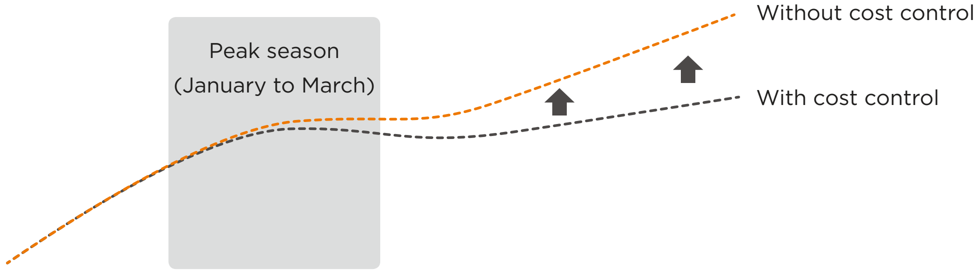
Changing our Accounting Period

To further improve asset efficiency, we have changed our fiscal year-end from March 31 to September 30. This has resulted in the occurrence of an irregular six-month period ended September 30, 2017. Furthermore, the deadlines for achieving Medium-Term Business Plan 2020 targets have been moved from March 31, 2020 to September 30, 2020.

Aims

- One characteristic of our business is the peak season from January to March. The aim of this change is to achieve efficient revenue growth by shifting our accounting period, specifically our fiscal year-end, away from this busy period, which frees us from engaging in cost control during this time and allows us to focus on accurately recognizing and taking opportunities for growth.
- Because organizational changes take place in October, we will have time to cultivate newly appointed managers before the arrival of new employees in April. This action therefore aims for greater organizational strength and competitiveness.

Projected Revenue Growth During Fiscal Year

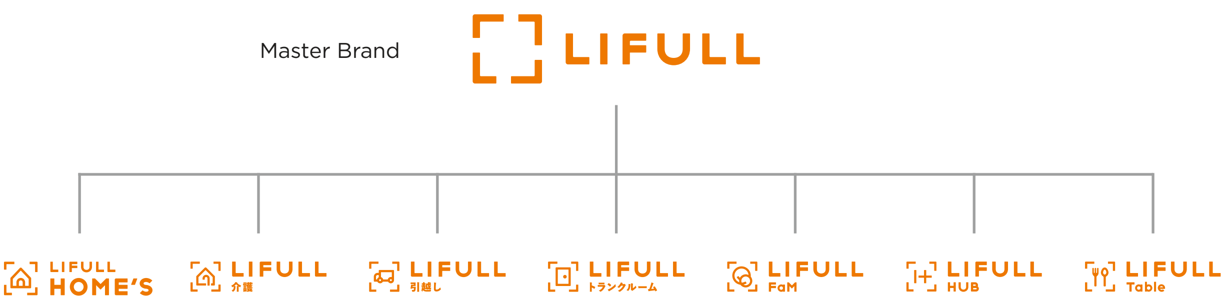


Master Brand Strategy

To realize our desire to give people all over the world a LIFE FULL of comfort and happiness, the LIFULL Group operates a variety of subsidiaries and services under the LIFULL master brand.

Aims

- Consolidate service brands and cultivate a shared brand image (reliable services that provide a fulfilling life)
- Improve the effectiveness of advertising activities through brand consolidation and increasing the visibility of each service



Business Overview by Segment

HOME'S Services Business

The HOME'S Services Business develops a variety of user-friendly and realtor-friendly services related to moving, centered around the real estate and housing information website, LIFULL HOME'S. Through this service, we aim to make LIFULL HOME'S an integral service in the world.

Business Overview

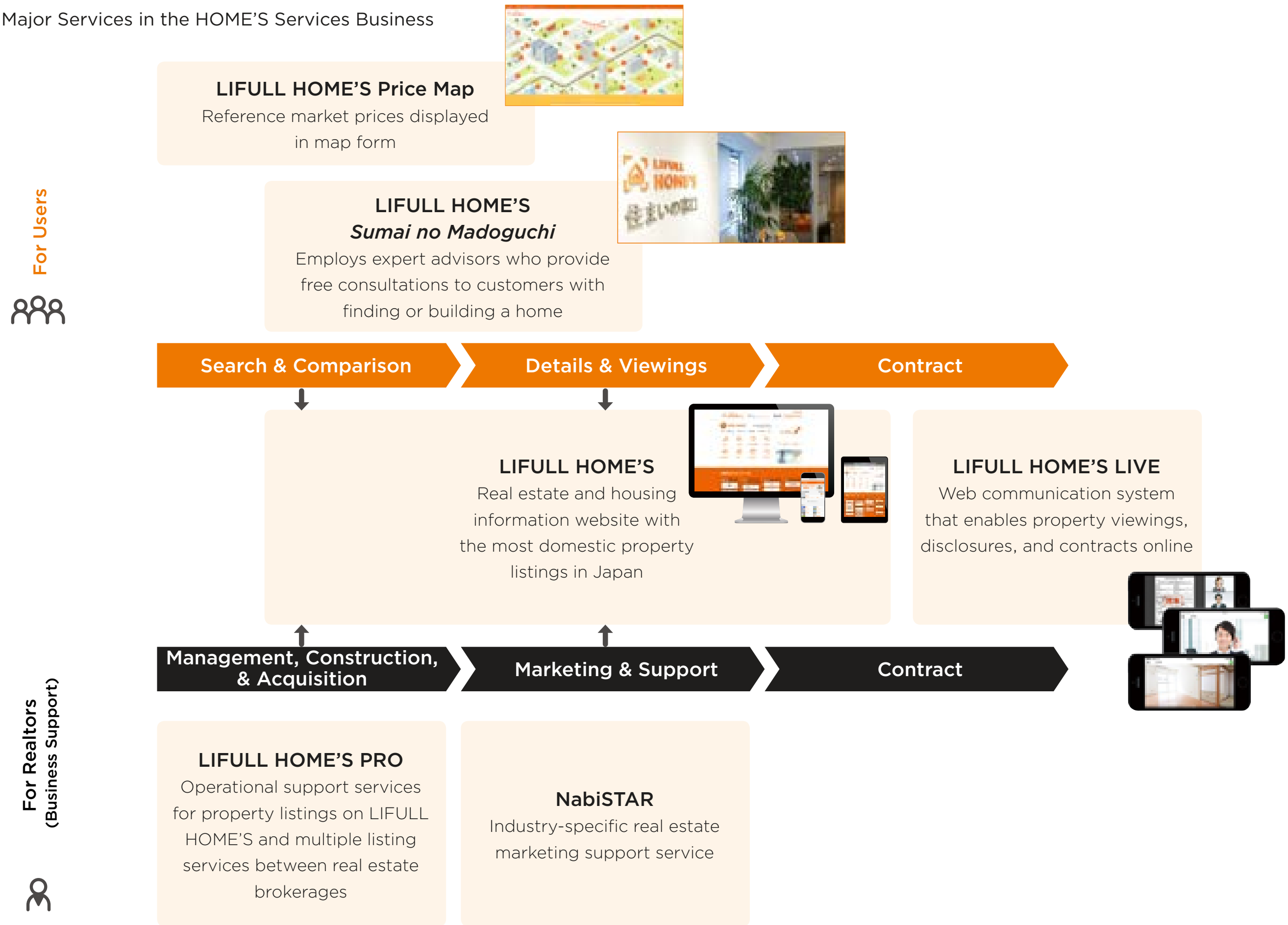
Since our founding, our goal has been to transform the real estate industry. With that goal in mind, we have worked to provide new value by utilizing technology to build a platform capable of giving each and every person options for their ideal living environment.

LIFULL HOME'S, a comprehensive information service for real estate and housing and the focal point of the HOME'S Services Business, is the largest domestic pool of real estate information, featuring property, pricing, and real estate company information and ratings. As a result of initiatives to improve the accuracy of this information, it has evolved into a smoother platform capable of finding the perfect home and utilizes cutting-edge AI and Cross Reality (XR) technology.

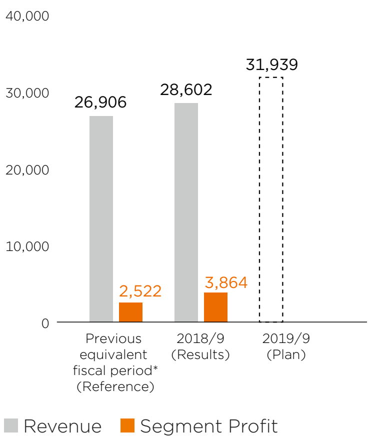
LIFULL HOME'S also provides realtors with support for their businesses, offering a variety of services to improve operational efficiency such as Internet marketing, Customer Relationship Management (CRM), and Data Management Platforms (DMP).

We will continue to provide a variety of user-friendly and realtor-friendly services, with the goal of transforming the domestic real estate industry and expanding our business.

Major Services in the HOME'S Services Business



HOME'S Services Business
Revenue and Segment Profit
(Millions of yen)



Overview of the Fiscal Year Ended September 30, 2018

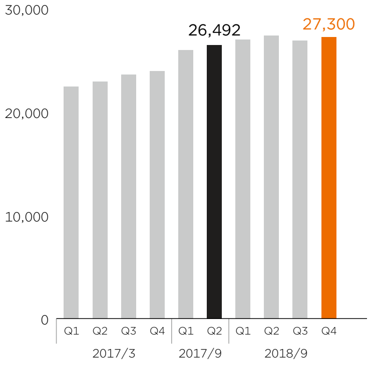
In the fiscal year under review, revenue for the HOME'S Services Business increased 6.3% from the previous equivalent fiscal period* to ¥28,602 million, and segment profit increased 53.2% to ¥3,864 million, reflecting an ongoing expansion of business scale.

Within this sector, we continued efforts from the irregular six-month period ended September 30, 2017 to strengthen media presence and build a strong customer base.

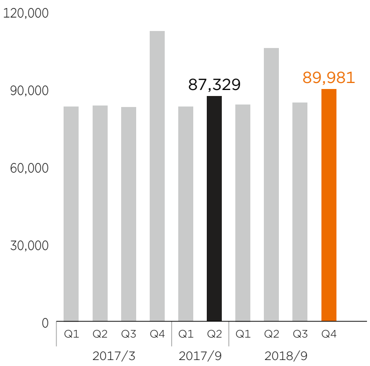
To strengthen our media presence, we continued to invest in advertising and publicity aimed at improving the visibility of the LIFULL HOME'S brand. In addition, we also implemented campaigns and online marketing optimization efforts to attract more users. Furthermore, we have expanded the range of LIFULL HOME'S Price Map, a service that displays property reference prices and rent estimates, to cover all of Japan. This constitutes a major step forward in making pricing information more transparent.

Moreover, we took steps toward improving the value of our services and building a strong customer base that include efforts to develop operational support services for realtors in the rental field and established business alliances with leading real estate investment agencies overseas.

Number of Clients
(contracted realtors)



ARPA*
(Yen)



* ARPA: Average Revenue per Agent

Note: The number of clients shown here is from preliminary reports and will be recalculated as soon as numbers are finalized. If the numbers are corrected, ARPA will be adjusted accordingly.

To quickly mitigate effects caused by changes in the business environment, particularly Google adjusting its search algorithms, we are also working to focus our administrative resources and increase competitiveness. We took steps that include our withdrawal from the unprofitable remodeling business and departmental reorganization for functional integration.

Major indicators for this segment showed steady growth. The number of clients (contracted realtors) increased to 27,300, a year-on-year increase of 3.0%, and average revenue per agent (ARPA) increased 3.0%, to ¥89,981.

* The term "previous equivalent fiscal period" refers to the period from October 1, 2016 to September 30, 2017 and has been used for comparative purposes in light of our decision to change settlement dates.

Future Strategies

In order to transform the real estate industry, we continue to work toward building an all-encompassing database of domestic real estate information, the likes of which have never been seen in Japan. We will build a strong customer base by making LIFULL HOME'S a one-stop source for all real estate and housing information and expanding our realtor-oriented services geared toward improving their operational efficiency. Through these efforts, we intend to drive business growth on a grand scale because of the visible effects they will have on the number of our clients and ARPA, both key indicators.

Having disclosed the quantitative targets of our Medium-Term Business Plan 2020, we have positioned the fiscal year ending September 30, 2019 as a period for active investing aimed at meeting those targets.

Specifically, we will take an integrated approach to improve the media presence of LIFULL HOME'S. This involves enhancing our ability to attract paying customers through Search Engine Optimization (SEO), campaigns, and branding; optimizing the costs of these endeavors and thereby increasing profitability; and improving User Experience (UX) by developing and providing new real estate search methods. We also plan to increase our competitiveness in terms of development and sales through internal reorganization focused on integrating multiple departments with the same functions.

Enhancing media presence and business support services will directly increase the value provided to our customers, resulting in the establishment of a strong customer base and higher ARPA. In that light, our aim for the fiscal year ending September 30, 2019 is business growth focused on increased ARPA.

Major Measures Implemented in the Fiscal Year Ended September 30, 2018

Organizational Restructuring for Accelerating Growth

In July 2018, we consolidated the Rental Media Division and Business Solution (BS) Division, which provides support services to realtors, into the Rental Division. This action had made it possible to put forth more complete services and thereby hasten increases to ARPA in both the media and operational support domains.

Furthermore, in October 2018, President and CEO Takashi Inoue took on the role as General Manager of the LIFULL HOME'S Services Department, speeding up the decision-making process and business execution.

Realtor operations	Daily Operations →	Property Acquisition →	Property Advertising →	Marketing →	Sales
Rental Division (Media)		☐ LIFULL HOME'S B2B (Multiple listings of resale properties)	☐ LIFULL HOME'S	☐ Special advertisements ☐ Apps (user-oriented)	☐ College ☐ LIFULL HOME'S LIVE (online contracts) ☐ "My Room" insurance ☐ Credit card payments
Business Solution Division (discontinued)	■ Homepage creation and management ■ Owner CRM		■ Converters (register and manage property information using multiple portals simultaneously)		■ CRM (manage customer emails and appointments)

Consolidation into Rental Division

- Strengthen and speed up development, sales, and service
- Optimize overlapping costs

Promoting the Shift to Online Real Estate Transactions

The disclosure in real estate contracts has generally been something conducted face to face. However, after a two-year social experiment, this task was opened up to the online world via video disclosures in October 2017 for important contractual matters in the rental business.

We have supported the use of IT-assisted disclosures through the provision of LIFULL HOME'S LIVE, a web communication tool, since the start of this social experiment. In October 2017, we began providing electronic contract services for real estate companies. As a result of this service, we now have a system where the entire process of finding and renting an apartment can be completed online.

LIFULL HOME'S LIVE

Service that facilitates online property searches, viewings, consultations, and online disclosures.

Property search → Property page → Specific forms → Online previews, consultations, and disclosures

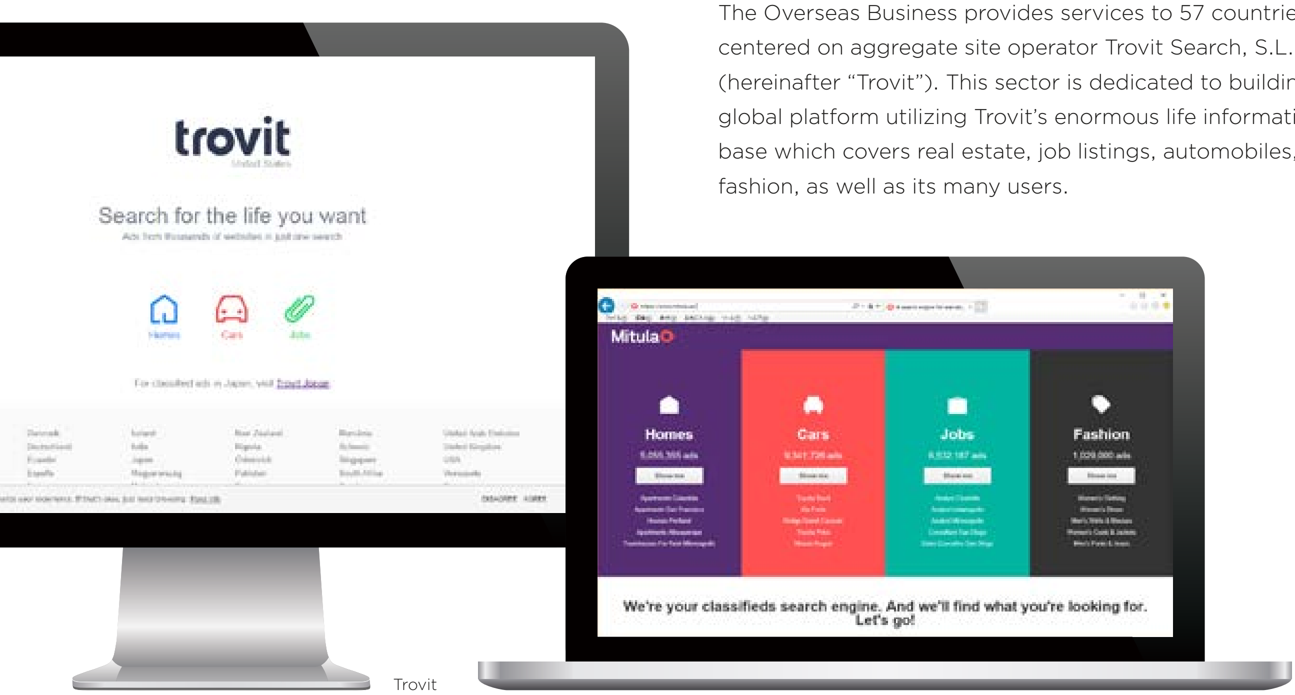
Online Contract Service Platform (launched October 2017)

An electronic contract service for real estate companies provided in cooperation with Bengo4.com, Inc.

Property searches, consultations, viewings, and disclosures → Conclusion of contract

Overseas Business

The Overseas Business provides services to 57 countries, centered on aggregate site operator Trovit Search, S.L.U. (hereinafter "Trovit"). This sector is dedicated to building a global platform utilizing Trovit's enormous life information database which covers real estate, job listings, automobiles, and fashion, as well as its many users.



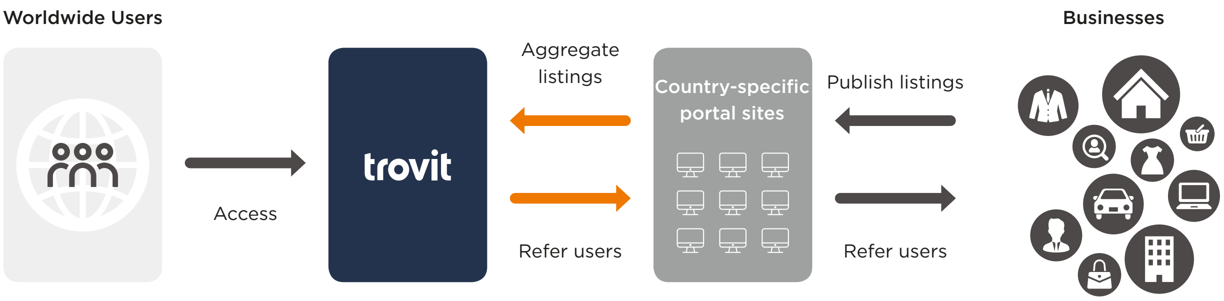
Trovit Mitula

Business Overview

The Overseas Business engages in development aimed at building a global platform that will allow people from all over the world to seamlessly move homes and invest in real estate regardless of language or nationality.

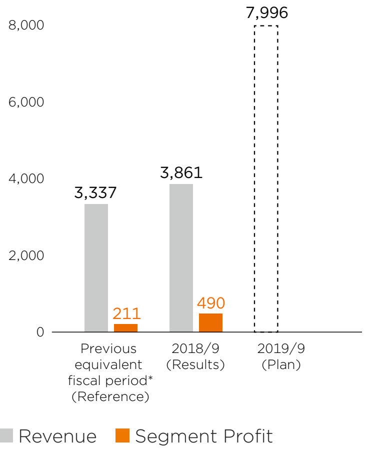
The aggregation website operated by Spain-based Trovit, which was acquired in November 2014, is the main service of the Overseas Business. The website has become a massive platform of primarily real estate listings as well as job and automobile-related listings in 57 countries and receives over one billion visitors per year.

Aggregation Service System



In the future, we will expand the amount of information in this database with the goal of making it the largest in the world. In addition, we will utilize this vast pool of information to generate new added value and create a global platform that serves as the ubiquitous choice for people worldwide when it comes to home-related matters.

Overseas Business
Revenue and Segment Profit
(Millions of yen)



Overview of the Fiscal Year Ended September 20, 2018

In the fiscal year under review, revenue for the Overseas Business increased 15.7% from the previous equivalent fiscal period* to ¥3,861 million, and segment profit increased 131.3%, to ¥490 million, showing a steady expansion of business scale.

To promote further growth of Trovit, the primary subsidiary related to the Overseas Business, we made efforts to optimize our online marketing efforts and reviewed our sales strategy. In a step to increase the global competitiveness of Trovit, we moved forward with procedures to turn Mitula Group Limited (hereinafter "Mitula"), which works in the same industry, into a subsidiary of the LIFULL Group (announced on May 9, 2018).

We also terminated the services of two overseas real estate portals operated from Japan, LIFULL Australia (Australia) and LIFULL Immofinder (Germany), in a move to concentrate management resources.

* The term "previous equivalent fiscal period" refers to the period from October 1, 2016 to September 30, 2017 and has been used for comparative purposes in light of our decision to change settlement dates.

Consolidation with Mitula

Mitula at a Glance

In January 2019, the LIFULL Group acquired Mitula, operator of an aggregation website similar to Trovit, to increase global competitiveness.

Mitula operates the world's largest aggregation website that provides information on real estate, housing, job listings, automobiles, and fashion in 54 countries around the world. Mitula has made active investments in the real estate field in particular and greatly expanded its scale of business. These investments include Mitula's acquisition of Lokku Ltd., operator of Nestoria, a property search engine primarily targeting Europe, and Dot Property Pte. Ltd., operator of real estate portal websites in Asia. With 200 million listings and approximately one billion visitors per year, Mitula has a massive platform on par with Trovit.

Background Behind the Acquisition of Mitula

Both Trovit and Mitula are leading companies in the real estate, job, and automobile aggregation fields, and both companies have services in over 50 countries.

The two companies share several characteristics. Among these, both are based in Spain—Trovit's primary base of operations is in Barcelona, and Mitula is operated out of Madrid. Moreover, both are debt-free and profitable. The two companies have been developing and competing in approximately 70% of the combined 60+ countries in which they operate. However, as peer-to-peer transactions continue to grow in the global market across a variety of fields, platform providers are diversifying their services.

Bearing this in mind, we have consolidated Trovit and Mitula under the LIFULL Group and are combining the management resources of both companies, namely their services, technology, and know-how, thereby strengthening global competitiveness. In addition, by building the most appropriate global platform for the changing times, we believe we will see significant growth in corporate value for the Group.

Number of countries serviced by Trovit

57 countries

Number of countries serviced by LIFULL Group after Mitula acquisition

63 countries

Number of website visitors per month (estimate)

Over 170 million

Number of listings (estimate)

Over 400 million

Initiatives from the Fiscal Year Ending September 30, 2019 Onward

The acquisition of Mitula in the fiscal year ending September 30, 2019 and its consolidation into the Group constitutes a major change for the Overseas Business. While this will no doubt lead to growth, it will also allow us to make great strides toward one of the major pillars of our mid- to long-term growth strategies, namely to build a global platform.

Specifically, we are planning to establish LIFULL CONNECT as a means of consolidating management for Trovit and Mitula. By combining their respective management resources, which include advanced technology, expertise, human resources, and a vast number of global users, we will develop an overwhelming presence in the global market for online classifieds. At the same time, we believe that building an appropriate organizational framework such as this one will lead to more effective management that will in turn facilitate continuous business growth and maintain high profitability.

We will continue to invest in growth of the portal businesses operated by Mitula in the mid to long term. Although investments in overseas portal businesses operated from Japan ceased when Mitula was made a subsidiary, as LIFULL CONNECT, we plan to build the optimal platform for each country and region with consideration for the characteristics of each respective market. We will continue to take on the challenge of building a global platform, which is our ultimate goal.

LIFULL CONNECT

To leverage the strengths of Trovit and Mitula, promote continuous business growth, and enhance global profitability, we plan to establish LIFULL CONNECT. LIFULL CONNECT will increase our competitiveness by consolidating the management resources of Trovit and Mitula. At the same time, we aim to expand our market share via a multi-brand strategy that will keep the websites operated by each company separate.

Brands	×	Know-how Human resources Technology	×	Strategy

trovit Mitula Nuroa

dotproperty nestoria

Kleding.nl FASHIOLA.

Other Businesses

The Other Businesses segment is dedicated to developing new businesses and investments including areas not limited to real estate or the Internet in order to resolve various social issues related to daily life. Many of these businesses have started out as new business proposals put forth by employees, and serve the purpose of developing next-generation managers as well as expanding business areas and increasing profits.

Major Areas of Operation

Nursing Care

Search engine for nursing homes and nursing care facilities

Storage

Website with information on storage spaces

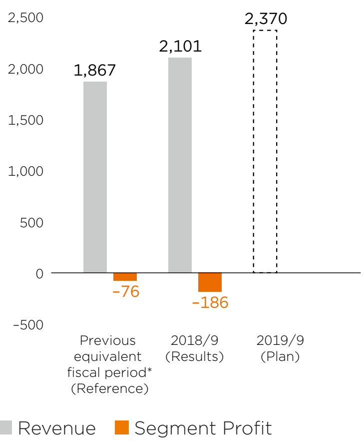
Moving

Website for moving company estimates and appointments

Regional Revitalization

Service for regional revitalization conducted in cooperation with local governments and companies

Other Businesses
Revenue and Segment Profit
(Millions of yen)



Overview for the Fiscal Year Ended September 30, 2018

In the fiscal year under review, revenue for the Other Businesses segment increased 10.5% from the previous equivalent fiscal period* to ¥2,101 million, while the segment incurred an operating loss of ¥186 million, a greater loss than the operating loss of ¥76 million posted in the previous equivalent fiscal period.* The business continued efforts from the irregular six-month period ended September 30, 2017 to cultivate managers and generate new businesses. To cultivate managers, we strengthened internal support structures. We also increased investments in fields associated with regional revitalization as one of our new business domains.

* The term "previous equivalent fiscal period" refers to the period from October 1, 2016 to September 30, 2017 and has been used for comparative purposes in light of our decision to change settlement dates.

Major Business Areas

Services at a Glance

LIFULL *Kaigo* (Nursing Care)
Japan's largest database of nursing care facility listings, allowing for requests for informational materials and visiting reservations.

Minna no Ihinseiri
Service allowing users to compare contractors who specialize in cleaning homes and organizing belongings of the deceased.

Nursing Care **Operated by: LIFULL senior**

LIFULL senior provides services for senior living facilities through LIFULL *Kaigo* (Nursing Care) (formerly HOME'S *Kaigo*), Japan's largest search engine dedicated to private nursing homes and nursing care facilities. LIFULL *Kaigo* was created as a result of the real-life difficulties that an employee faced when searching for a nursing care facility. This sparked the desire to create a platform where anyone could search for a care facility with ease. Taking advantage of the SWITCH program for new business proposals, the service was launched in 2008 (for more details on the SWITCH program, see page 31.) LIFULL senior was established in July 2015 to enable faster decision making in business operations and subsequently took over operations of LIFULL *Kaigo*.

The service has since evolved into one capable of introducing a variety of people to the facilities best suited to their needs, and the number of listings for nursing homes, nursing care facilities, and elderly housing has surpassed 38,000. Other services include related information on facility types and long-term care insurance and telephone consultations. In Japan, where the aging population continues to grow, we will continue to expand the number of listed facilities and related information. Going further, we will work to resolve the various issues that affect the lives of elderly people and realize a society where all those involved with senior living lead happy lives. We will create new value as we work toward this goal.

Services at a Glance

LIFULL Trunk Room
Japan's largest storage space search engine, with inquiries possible for facilities nationwide

Motorcycle storage containers and monthly parking
Website to compare prices and services and make inquiries about storage containers and monthly parking lots

LIFULL Rental Spaces
Website allowing users to compare prices and inquire about rental meeting rooms and rental spaces without agent fees

Storage Space **Operated by: LIFULL SPACE**

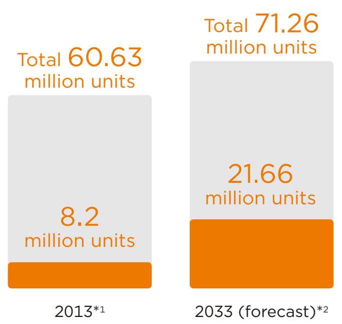
LIFULL SPACE matches rental spaces to various needs through LIFULL Trunk Room (formerly HOME'S Trunk Room), Japan's largest storage space search website.

LIFULL Trunk Room is another example of a commercial business created by SWITCH, our business proposal program, created after one of our employees experienced difficulties finding a rental storage space. This sparked their desire to help people with similar difficulties (for more details on the SWITCH program, see page 31). LIFULL SPACE was established in July 2015 to enable faster decision making in business operations and subsequently took over operations of LIFULL Trunk Room.

The employee who launched the service, now president of LIFULL SPACE, is fully engaged in expanding beyond storage rooms to other various space-related services, such as meeting rooms and event venues.

In Japan, both the demand and market for storage rooms are growing steadily. Going forward, we will continue to leverage LIFULL Trunk Room to build a platform that can put forth optimal space-related solutions tailored to the varying needs of all people and their differing life and work styles.

Trend in Number of Vacant Homes



Number of vacant homes
Total number of properties nationwide

*1 Source: 2013 Housing and Land Survey, Statistics Bureau of Japan
*2 Source: Nomura Research Institute, Ltd.

LIFULL HOME'S *Akiya Bank*

A platform that matches vacant homes and lots advertised by local governments with users who want to use or repurpose them.

Regional Revitalization **Operated by: LIFULL**

The declining birthrate and aging population have led to a declining population that has affected Japan in recent years. This environment has created the growing social problem of vacant homes which have been increasing in number, particularly in rural areas.

We have been working in the HOME'S Services Business to match users with ideal vacant homes, but in order to take a more multi-faceted approach to resolving this problem, we have established a specialized Regional Revitalization Development Division. Through the efforts of this division, we are working to solve the problem of vacant homes by implementing a variety of methods including collecting information on vacant homes across Japan, coordinating efforts with local governments, promoting usage and repurposing of vacant homes, cultivating human resources, and supporting fundraising for regional revitalization. In doing so, we will contribute to the development of these local communities.

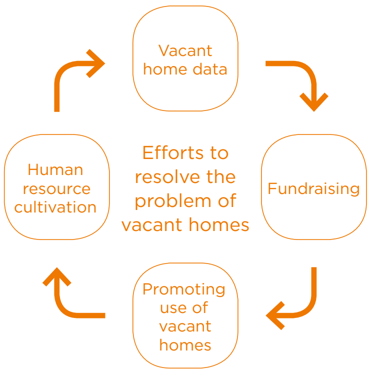
Collection of Information on Vacant Homes across Japan

In the past, local governments each had their own ways of handling advertising for vacant houses and lots. Some local governments that allowed for public purchasing also operated their own searchable databases. As a result, users looking for a vacant home or vacant lot had to conduct searches by region.

To help create matches with users, we launched LIFULL HOME'S *Akiya Bank* in September 2017. This platform collects vacant home and lot listings by local governments from across the country, making it possible for anyone to conduct nationwide searches and make inquiries with ease. The management system for this service that registers, edits, and publishes listing information is provided to local governments free of charge. We also provide support to local governments that did not previously operate their own databases, so that they can register with *Akiya Bank* and post advertisements for vacant homes and lots.

Cooperating Local Governments

- Kamaishi City, Iwate Prefecture
- Sabae City, Fukui Prefecture
- Soja City, Okayama Prefecture
- Nichinan City, Miyazaki Prefecture



Coordinated Efforts with Local Governments

Since every region has its own characteristics, we believe that the best approach to regional revitalization will be somewhat different.

In addition to providing the LIFULL HOME'S *Akiya Bank* platform, we will make cooperative agreements with local governments to revitalize regions through the use and repurposing of vacant homes and idle facilities. We will also collaborate with these local governments to provide support in line with various regional characteristics. At the same time, we will contribute to the economic development of local communities centered around the use and repurposing of vacant homes.

Promoting Usage and Repurposing of Vacant Homes

In addition to the collection of vacant home information across Japan, matching services, and other support, LIFULL HOME'S *Akiya Bank* works in connection with other services offered by the LIFULL Group, such as crowdfunding, the LIFULL Regional Revitalization Fund, and guesthouse matching services to provide multiple avenues of support for the usage and repurposing of vacant homes.

Furthermore, we take contracts from local governments and other entities to provide training programs that address the nationwide shortage of workers in the regional revitalization field needed to handle various inquiries and consultations regarding vacant homes. We will establish an operational support system and a help desk to provide continuous support to those assisting with regional revitalization efforts. At the same time, by sharing our expertise based on case studies from a variety of areas, we will contribute to the economic development of these regions.

LIFULL Regional Revitalization Fund

Operated by: LIFULL Social Funding

In November 2018, LIFULL Social Funding established the LIFULL Regional Revitalization Investment Business Limited Liability Partnership No. 1, which conducts business investment in projects dedicated to regional revitalization. This is a part of efforts to create a system to revive regional areas that works by investing in businesses aimed at revitalization in various locations throughout Japan through utilizing and repurposing idle real estate.

LIFULL participates as an investor (limited liability partner) of this fund, and as such, LIFULL, financial institutions, companies, and other investors—as well as limited liability partners—will provide necessary financial support for regional revitalization efforts by investing in the LIFULL Regional Revitalization Fund.

Human Resources

In an effort to realize our corporate philosophy and make LIFULL the best place to work in Japan, our employees are doing their best to create programs that are competitive in many situations.

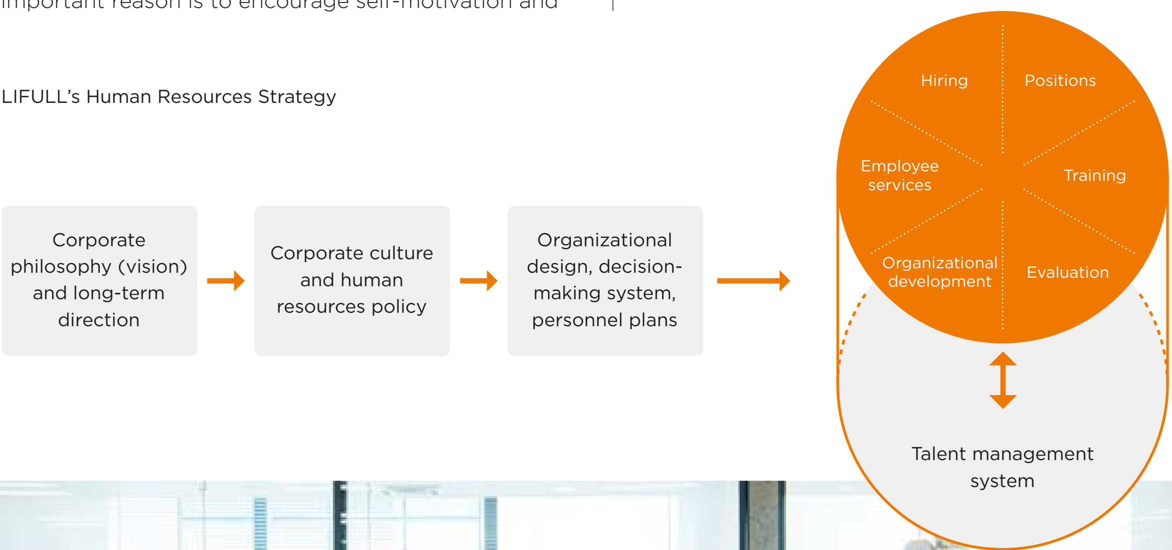
The “Will” of Our Employees

LIFULL is defined by the “will” of our employees to realize our corporate philosophy. As part of that, we are creating an environment and internal programs that help the individual talents of each and every one of our employees flourish and enable them to challenge themselves in order to remove the “inconveniences” from their lives. How well a candidate fits in with the corporate culture and philosophy is a pillar of our hiring process. Since all of our employees are working under the same set of values, we are able to maintain a high level of motivation in the workplace.

Furthermore, while putting our corporate philosophy into practice is one reason we have taken various measures to challenge our employees, the most important reason is to encourage self-motivation and self-confidence. We believe that we should provide employees with opportunities to act on their intrinsic desire to take action, and that creating an atmosphere and corporate culture that nurtures self-confidence to express themselves in a direct manner when speaking with their co-workers is a way to remove barriers to personal growth.

As a result of these efforts, beginning with our hiring process, which emphasizes how well a candidate fits with our corporate culture and philosophy, and our human resources policies and programs that encourage self-motivation and self-confidence, we were selected for the Best Motivation Company Awards in 2018, sponsored by Link and Motivation Inc.—our second consecutive year to receive such recognition.

LIFULL’s Human Resources Strategy



Humans Resources Program
"Best Place to Work in Japan"

At LIFULL, human resources management is primarily based on employee self-motivation. That is to say, job appointments, transfers, and job changes are not, as a rule, determined unilaterally. We have established a career choice program to enable job changes at the employee's own volition. Employees are allowed to transfer to different departments to realize their own career goals. Our employees are treated as professionals, can design their own career paths, and are trusted to carry out their responsibilities. During employee evaluations, we do not only look at the short-term successes, but also place importance on living out the values of the company.

SWITCH
Our Program for Proposing New Businesses

SWITCH is a program for employees, prospective employees, and students hoping to be entrepreneurs to present proposals for new businesses. Employees can use this system to take on new challenges and improve their skills, regardless of position or seniority. We received roughly 100 proposals in 2018. We have established SWITCH as a system vital to our efforts to achieve our management strategy goal of becoming a group of 100 companies cultivating 100 presidents by 2025, and have made setting up these new businesses one of the activities of our Other Businesses segment.

LIFULL University

We started LIFULL University (our in-house academy) to develop the abilities of our employees. In the Elective Program, employees
can choose the seminars they want to attend from electives including management tutoring organized by the president, project management, recommendation techniques, logical thinking, English conversation, and more. Most seminars are employee-led, which helps to create a culture of employees teaching each other across positions and departments.

The purpose of the Selective Program, meanwhile, is to educate next-generation leaders. A few employees are selected to participate in overseas training and other more practical programs as future candidates for management positions.

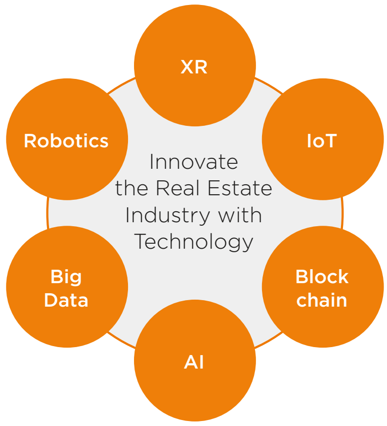
Basic Employee Data (Non-consolidated full-time employees of LIFULL Co., Ltd. as of March 31, 2018)

Gender	Average age	Average years of service
Male 67.6 %  Female 32.4 %	34.0	5.3 years
Average percentage of paid time off taken* * Average over April 1, 2017–March 31, 2018 85.5%	Ratio of female employees taking maternity/childcare leave/ rate of return to work* * For maternity/childcare leave from April 1, 2017–March 31, 2018 100%	Ratio of male employees taking paternity/childcare leave* * For paternity/childcare care leave from April 1, 2017–March 31, 2018 40.9%

Technology

In accordance with our business objective, to “become the best life-event database and solution company in the world,” we are looking beyond real estate and assembling, integrating, and managing data on all aspects of life. With the addition of LIFULL’s technological abilities, we are working to offer solutions tailored to each individual.

LIFULL has already taken on development of a number of industry-leading technologies and has cultivated a high level of technical ability in the process. We are also actively using cutting-edge technology to revolutionize, revitalize, and expand the real estate industry.



Services Utilizing Big Data

Price Map

Price Map is a free service that uses various coefficients from past data together with our original real estate property reference price calculation system to determine property reference prices and rent estimates for display on area maps. Users are not required to register for an account.

https://www.homes.co.jp/price-map/
(Available in Japanese only)

Real Estate Price Visualization

By using our original technology that incorporates AI and the enormous volume of property listings LIFULL HOME’S has amassed to make logical estimates, customers can see market values of properties they own or are interested in via real-time simulations.

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

Features Utilizing AI

The LIFULL HOME’S Android app includes a feature that takes advantage of AI to recommend properties. The app learns user preferences based on properties the user “likes” and recommends properties that match these preferences, making it easier for users to find the property for which they are looking.

Research and Development Division: LIFULL Lab (Formerly Littel Laboratory)

LIFULL Lab was launched as LIFULL’s research and development division in April 2011. The most important technologies currently under research and development at LIFULL Lab are VR, mixed reality (MR), IoT, and product development and engines targeting smart homes—part of our effort to conduct research and development that support next-generation services.

Overseas Center for Research and Development: LIFULL Tech Vietnam

Vietnamese software and app development company LIFULL Tech Vietnam Co., Ltd. was acquired as a subsidiary of LIFULL in April 2017. We believe it is important to have development locations overseas given our efforts to accelerate development abroad and the ever intensifying competition for development resources in Japan.

COLUMN

We are investing in the application of AI, big data, blockchain, and other advanced technologies.

☐ Participated in the Seven & i Data Lab

The Seven & i Data Lab is a research society established in June 2018 primarily by Seven & i Holdings Co., Ltd. as an initiative to open up a new future by utilizing data. Their work is dedicated to solving life and social issues by sharing insights generated by statistical data owned by participating companies.

Note: Participating companies: ANA HOLDINGS INC., NTT DOCOMO, INC., DeNA Co., Ltd., TOKYU CORPORATION, TEPCO Energy Partner, Inc., Sumitomo Mitsui Financial Group, Inc., MITSUI & CO., LTD., and others.

☐ Established an AI Development Unit

We established the AI Development Unit, a division that specializes in promoting the use of AI technology and reports directly to the CEO. Proactive use of AI technology will improve both service quality and operational efficiency.

☐ Established Real Estate Information Consortium

In November 2018, we established a real estate information consortium in collaboration with seven other companies. This consortium makes real estate information available with the aim of resolving various issues. Through this consortium, we are utilizing blockchain technology to improve the accuracy of information and also examining ways to utilize this technology in new services.

Initiatives to Improve Productivity

As our Group and individual businesses grow, we are working to improve productivity as a means to ensure that the LIFULL Group stays competitive. We are taking steps to build an administrative system that will show results on the organizational, project, and individual levels, and thereby improve the operational efficiency of the entire Group.

Goals
- ☐ Timely management decisions
- ☐ Cultivation of management level employees
- ☐ Higher productivity in all departments

Culture
- ☐ Higher awareness of profitability
- ☐ Culture that encourages taking challenges

Methods
- Departmental profit management system
- Individual profit management system

Overview

As one measure to increase productivity, we have established a system that visualizes profitability on an organizational and individual basis. Moreover, we place priority on fostering and instilling a work culture that will encourage employees to make an active effort to be more productive.

We have created a specialized department as well as a profit management system that are most appropriate for each unit to suit their particular function or role. In addition, we provide training for managerial personnel and employees which includes follow-up training. Management personnel put policies and ideas into their own words to increase positivity and promote awareness reforms for managers, administrators, and employees.

Departmental Profit Management System

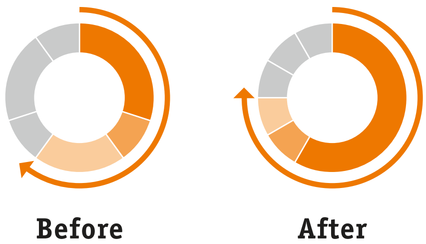
This is a mechanism for visualizing profitability in all organizational units based on financial accounting and management accounting data. By defining the value that each unit provides and where that value is directed, it is possible to visualize the overall profitability of the organization despite the different functions and roles of each unit, including not only directly operated departments but also indirectly operated departments.

Profitability of the entire organization at a glace

Individual Profit Management System

By making employee work hours and the details of the work done on a daily basis visible, it is possible to analyze the relationship between results and time. Based on these analyses, we are increasing the ratio of work that creates more value, thereby improving individual productivity and strengthening the competitiveness of the organization.

Increase time for tasks that create value



Relationship with Society

The LIFULL Group, as an entity interested in solving social issues, places a priority on society and related matters. In that light, we strive to contribute to the development of a sustainable society through activities that provide a contribution to society and by creating new value by collaborating with local communities and organizations working for social reforms.

LIFULL Headquarters

The design of LIFULL Headquarters invokes the concept of the Engawa, a wooden-floored veranda of a traditional Japanese house, aimed at opening the office to the surrounding area. To achieve this effect, the design incorporates a variety of systems and mechanisms within the functions of the headquarters and peripheral facilities that help form internal and external connections. Our goal is to stimulate internal and external communication and spur new ideas and open innovation by creating an office with which anyone can connect, including local residents, people who work nearby, clients, business partners, entrepreneurs, group employees, and anyone in between.

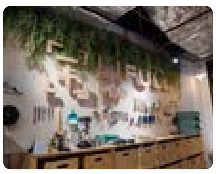
LIFULL Table

This deli-style restaurant does not just serve as a restaurant or a spot for casual meetings—it also functions as an event venue and a new space to rest and collaborate in the local community.

Open	Weekdays 11:00am–3:00pm
Closed	Weekends, national holidays, and the year-end and new year holidays

LIFULL Fab

LIFULL Fab is designed to support craftsmanship-oriented entrepreneurs not only as a work space equipped with tools, a ShopBot digital fabrication tool for wood, and a 3D printer, but also as a place to host workshops and other events.



LIFULL HUB

LIFULL HUB is a business incubation office located on the second floor of LIFULL Headquarters. The office is used by a variety of people, including entrepreneurs, freelancers, and startup companies. It features an environment that allows users to focus on their work, a free-to-use event space, and a lunch discount at LIFULL Table.

The soundproof telephone booth is useful for online meetings and conferences

The event space regularly hosts over 10 events per month

COLUMN

Summer Festival

In August 2018, we held a summer festival at LIFULL HUB for LIFULL HUB members and their families. We believe that sharing time and space at LIFULL HUB for matters outside of work is a way to create a pleasant community.

Investment and Capital Alliances

We at the LIFULL Group are not only working toward the resolution of social issues through business activities, but also to support companies that are working to create new value in various fields. At the same time, we aim to put our corporate philosophy into practice and contribute to the development of a sustainable society.

Establishing a CVC

In May 2017, we set up our corporate venture capital (CVC) to make our investment activities more flexible.

The total investment amount is laid out in the Medium-Term Business Plan, and the individual investment amount is determined by the Investment Committee after a review is completed by the department in charge. In the event that an investment amount exceeds a certain level, that investment is discussed and determined by the Management Committee or the Board of Directors, rather than the Investment Committee, in accordance with our standards for decision-making authority.

Entering the Vacation Rental Business

In March 2017, Rakuten LIFULL STAY, Inc. was established as a wholly owned subsidiary of RAKUTEN LIFULL STAY PTE. LTD., a joint investment with Rakuten, Inc. with the goal of entering the vacation rental business.

Utilizing the customer base of Rakuten in combination with the management resources and the expert real estate knowledge of LIFULL, we operate a variety of services targeting the growing vacation rental market. Our aim is to meet the diverse demand for vacation rentals in Japan and overseas while also helping to resolve the serious problem of vacant houses.

Examples of Investments

VUILD Co., Ltd.

https://vuild.co.jp/

VUILD is a building tech startup that uses digital fabrication technology for design and construction. Utilizing proprietary software and digital equipment, the goal of the company is to create a world where anyone, at any time, can use the materials in their area to make the furniture they need for their lives by themselves.

WOTA CORP.

https://wota.co.jp/en/

The mission of WOTA is to create a future where everyone can enjoy a life free from water problems. In addition to the water circulation system that utilizes AI technology to manage water quality and allow for recycling of water, they are also making progress toward making their system more compact for easy portability and storage.

Weldrow Inc.

https://www.weldrow.co.jp/

Weldrow is a startup that operates WiseVine, a resource matching service for creating policies and measures. Weldrow supports public-private partnerships and local governments in their efforts to plan policies and measures. The company has done this by building a platform with search functions that collects and organizes grant information from government offices, a variety of office work from local governments, and information regarding the results of collaborations with private companies.

Social Responsibility Activities

One P's

This program, established in the fiscal year ended March 31, 2017, provides support for employees using special paid leave to take part in social responsibility activities. As part of this program, LIFULL funds activities at the rate of 1% of the employee's total annual hours worked and 1% of companywide non-consolidated profit after taxes for the previous year. The name "One P's" is intended to reflect the concept of uniting to bring about changes to society.

Fiscal year ended September 30, 2018

Total people engaged in activities 240

Total activity time 1,750 hours

Officers and Directors

Directors [Years as a Director / Number of shares]

(As of December 31, 2018)

President, CEO and Executive Officer

Takashi Inoue

[21 years 9 months / 32,941,000 shares]
Born in 1968

1991 Joined Recruit Cosmos Co., Ltd. (currently Cosmos Initia Co., Ltd.)
1992 Transferred to Recruit Co., Ltd.
1995 Founded NEXT HOME Co.
1997 Established the Company, Representative Director
2014 Representative Director of Next Wisdom Foundation (current position)
Chairperson of Trovit Search, S.L.U. (current position)
2016 Director of Japan Association of New Economy (current position)
2018 President, CEO and Executive Officer and General Manager of LIFULL HOME'S Services Department (current position)
General Manager of Regional Revitalization Development Division of the Company (current position)

Director, Executive Officer

Takashi Yamada

[4 years 6 months / 160,200 shares]
Born in 1973

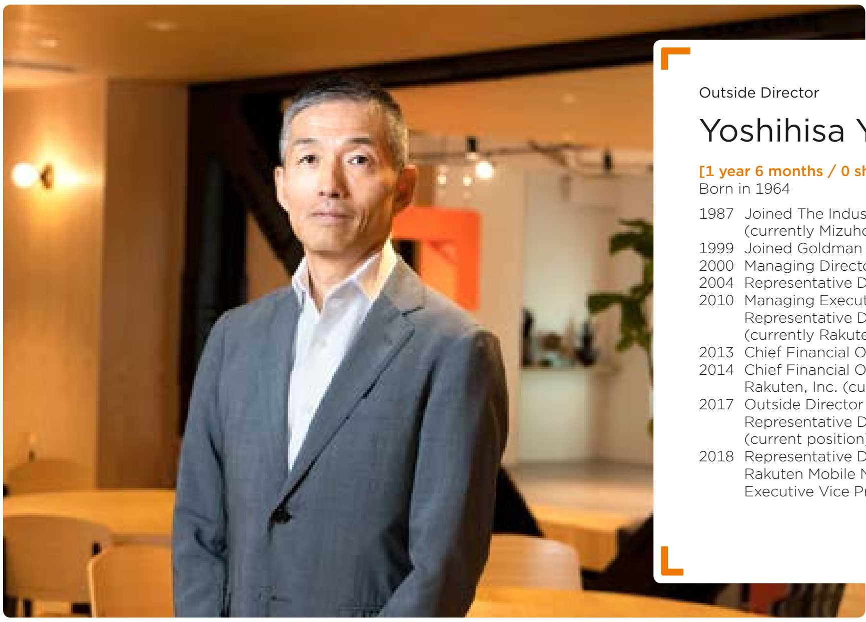
1992 Joined Bab-Hitachi Business Corporation (currently HITACHI INFORMATION ENGINEERING, LTD.)
1996 Joined Eto Soft Office Ltd.
2000 Joined the Company
2010 Managing Officer, Deputy General Manager of HOME'S Business Department and General Manager of Product Development Department
2014 Managing Officer and General Manager of HOME'S Business Department
Director, Managing Officer, and General Manager of HOME'S Business Department
2017 Director, Managing Officer, and General Manager of LIFULL HOME'S Division and 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 and General Manager of AI Development Unit of the Company (current position)

Outside Director

Masato Takahashi

[5 years 6 months / 0 shares]
Born in 1959

1982 Joined Recruit Co., Ltd.
2007 Joined Rakuten, Inc.
2011 Managing Executive Officer of Rakuten, Inc.
2012 Representative Director and President of Rakuten Shigoto Shokai, Inc.
2013 Outside Director of the Company (current position)
2014 Representative Director and President of Rakuten Auction, Inc.
2018 Outside Director of Fringe81 Co., Ltd. (current position)
Outside Director of WATABE WEDDING CORPORATION (current position)



Outside Director

Yoshihisa Yamada

[1 year 6 months / 0 shares]
Born in 1964

1987 Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)
1999 Joined Goldman Sachs Japan Co., Ltd.
2000 Managing Director of Rakuten, Inc.
2004 Representative Director and President of Rakuten Travel Inc.
2010 Managing Executive Officer of Rakuten, Inc.
Representative Director and President of bitWallet Inc. (currently Rakuten Edy Inc.)
2013 Chief Financial Officer of Rakuten, Inc.
2014 Chief Financial Officer and Executive Vice President of Rakuten, Inc. (current position)
2017 Outside Director of the Company (current position)
Representative Director of Rakuten Communications Corp. (current position)
2018 Representative Director and President of Rakuten Mobile Network, Inc. (current position)
Executive Vice President of Rakuten, Inc. (current position)

Audit & Supervisory Board Members [Years as an Auditor / Number of shares]

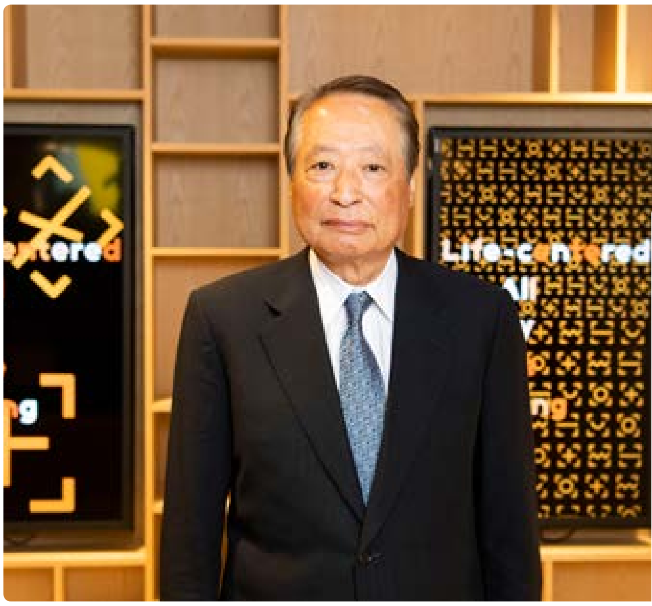
(As of December 31, 2018)

Full-time Audit & Supervisory Board Member, Independent Officer

Kiyoshi Shishido

[2 years 6 months / 1,200 shares]
Born in 1956

1980 Joined Mitsubishi Corporation
1998 General Manager of Motor Vehicle Dept. of Mitsubishi International Steel Inc. (U.S.)
2006 Chief Executive Officer of Vitamin C60 BioResearch Corporation
2007 Specially Appointed Professor of Tokyo Institute of Technology
General Manager of Technology & Business Development Dept., Mitsubishi Corporation
2011 Member of the Board and Executive Officer in charge of Strategy Planning of Trility Pty Ltd (Australia)
2016 General Manager in charge of audits of Global Environmental & Infrastructure Business Group of Mitsubishi Corporation
Outside Audit & Supervisory Board Member of the Company (current position)



Outside Audit & Supervisory Board Member

Hideki Matsushima

[13 years 3 months / 0 shares]
Born in 1943

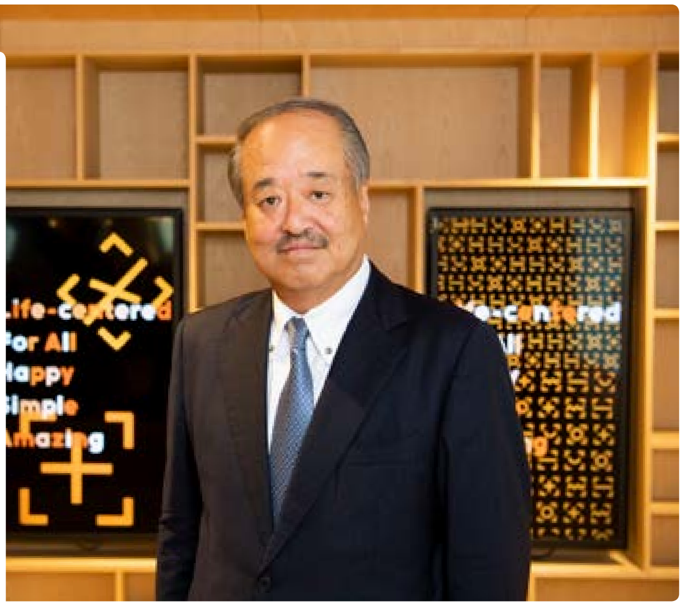
1971 Registered to Tokyo Bar Association
1976 Established Tokiwa Sogo Law Offices
2003 Representative Director of Japanese Association of Turnaround Professionals
2004 Senior Partner of Nishimura & Partners (currently Nishimura & Asahi)
2005 Outside Audit & Supervisory Board Member of the Company (current position)
2006 Outside Director of Business Planning Forum Co., Ltd. (current position)
2007 Outside Director of Nojima Corporation (current position)
Outside Audit & Supervisory Board Member of Raysum Co., Ltd. (current position)
2008 Outside Audit & Supervisory Board Member of Kumamoto Electric Railway Co., Ltd. (current position)
2012 Outside Director of Corporation for Revitalizing Earthquake Affected Business
2013 Non-Executive Director of Regional Economy Vitalization Corporation of Japan (current position)
Adviser of Japanese Association of Turnaround Professionals (current position)
2014 Partner of Nishimura & Asahi (current position)

Outside Audit & Supervisory Board Member, Independent Officer

Takeshi Hanai

[5 years 6 months / 0 shares]
Born in 1954

1977 Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)
2004 Executive Officer and General Manager of Shanghai Branch
2006 Managing Executive Officer and Head of Asia & Oceania
2007 Chairman of Mizuho Corporate Bank (China), Ltd. (currently Mizuho Bank, Ltd.)
2009 Director
Managing Executive Officer of Rakuten, Inc.
Corporate Auditor of eBANK Corporation (currently Rakuten Bank, Ltd.)
Director of Rakuten Securities, Inc.
2010 Director of bitWallet Inc. (currently Rakuten Edy Inc.)
Director and Managing Executive Officer of Rakuten, Inc.
Director of Rakuten Bank, Ltd.
Director of Airio Life Insurance Co., Ltd.
2011 Director of Rakuten KC Co., Ltd. (currently Rakuten Card Co., Ltd.)
Director of Rakuten Insurance Planning, Co., Ltd.
Adviser of Kowa Real Estate Co., Ltd. (currently Nippon Steel Kowa Real Estate Co., Ltd.)
2012 Adviser of The Senshu Ikeda Bank, Ltd.
Adviser of Corporate Directions, Inc. (current position)
2013 Outside Audit & Supervisory Board Member of the Company (current position)
2014 Outside Director of ASICS Corporation (current position)
Outside Director of Maruwn Corporation (current position)
2015 Outside Director of Nippon Seisen Co., Ltd. (current position)



Outside Audit & Supervisory Board Member, Independent Officer

Makiko Nakamori

[5 years 6 months / 0 shares]
Born in 1963

1987 Joined Nippon Telegraph And Telephone Corporation
1991 Joined Asahi & Co. (currently KPMG AZSA LLC)
1996 Registered as a Certified Public Accountant
1997 Director of Nakamori CPA offices (current position)
2000 Audit & Supervisory Board Member of Oracle Corporation Japan
2006 Outside Auditor of istyle Inc. (current position)
2008 Director of Oracle Corporation Japan
2010 Outside Audit & Supervisory Board Member of Global-Dining, Inc.
2011 Outside Audit & Supervisory Board Member of the Jade Group K.K. (currently Locondo, Inc.)
Outside Audit & Supervisory Board Member of M&A Capital Partners Co., Ltd. (current position)
2012 Outside Director of ITOCHU Techno-Solutions Corporation (current position)
2013 Outside Audit & Supervisory Board Member of the Company (current position)
2015 Outside Audit & Supervisory Board Member of TeamSpirit Inc. (current position)

Managing Officers

(As of December 31, 2018)

Managing Officer
Section Manager of Executive Office

Keizo Tsutsui

Born in 1967

1990 Joined Merrill Lynch & Co.
1998 Joined The Boston Consulting Group
1999 Joined Rakuten, Inc.
2006 Joined Dream Incubator Inc.
2011 Joined the Company
2012 Managing Officer of the Company (current position)

Scope of Oversight

LIFULL HOME'S	Human Resources	**Overseas**	**New Businesses**
Administration	Creative	**Investment M&A**	Disclosure

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

Kazuhiko Abe

Born in 1963

1987 Joined The Mitsubishi Bank, Limited. (currently MUFG Bank, Ltd.)
1994 Deputy Manager of New York Branch of The Mitsubishi Bank, Limited.
1999 Joined Hikari Tsushin, Inc.
2000 Executive Officer, Hikari Tsushin, Inc.
2002 Joined Intuit Co., Ltd. (currently Yayoi Co., Ltd.)
Executive Officer of Intuit Co., Ltd.
2003 Joined CAPCOM CO., LTD.
2004 Corporate Officer, General Manager of Corporate Planning Dept. of CAPCOM CO., LTD.
2006 Managing Corporate Officer of CAPCOM CO., LTD.
Director, Chief Financial Officer (CFO) of CAPCOM CO., LTD.
2011 Director, Executive Corporate Officer of CAPCOM CO., LTD.
2016 Joined the Company
Managing Officer of the Company (current position)

Scope of Oversight

LIFULL HOME'S	Human Resources	Overseas	New Businesses
Administration	Creative	**Investment M&A**	**Disclosure**

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

Yukihiro Hada

Born in 1976

2005 Joined the Company
2015 Managing Officer of the Company (current position)

Scope of Oversight

LIFULL HOME'S	**Human Resources**	Overseas	New Businesses
Administration	Creative	Investment M&A	Disclosure

Managing Officer
CCO (Chief Creative Officer)
General Manager of Creative Department
Head of LIFULL Lab

Kohei Kawasaki

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

LIFULL HOME'S	Human Resources	Overseas	New Businesses
Administration	**Creative**	Investment M&A	Disclosure

Managing Officer
Deputy General Manager of LIFULL HOME'S Services Department
General Manager of Sale Division in LIFULL HOME'S Services Department
General Manager of New UX Development Division in LIFULL HOME'S Services Department

Yuji Ito

Born in 1982

2006 Joined the Company
2015 Managing Officer of the Company (current position)

Scope of Oversight

LIFULL HOME'S	Human Resources	Overseas	New Businesses
Administration	Creative	Investment M&A	Disclosure

Corporate Governance

We will strengthen our management ability and construct a corporate governance system designed to accelerate decision making and ensure proper execution of business while increasing efficiency and transparency.

Basic Philosophy

The primary goal of our business operations is to fulfill our social responsibilities to all of our stakeholders, including our direct customers, shareholders, employees, trading partners, bondholders, and local communities. In order to achieve this goal, we will strengthen our management ability and construct a corporate governance system designed to accelerate decision making and ensure proper execution of business while increasing efficiency and transparency.

Management Decision Making, Execution, and Oversight of Business

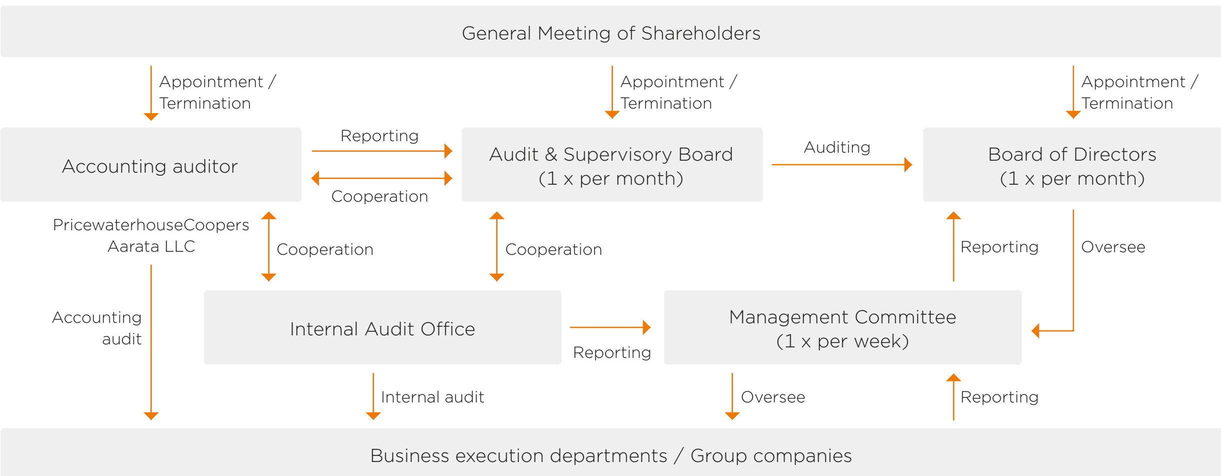
LIFULL is a company with an Audit & Supervisory Board and has also established a corporate officer system to enhance the soundness and efficiency of management by separating management and executive functions.

In principle, the Board of Directors convenes once per month and, in addition to making decisions on basic policies and other important matters, supervises the execution of business by the managing officers in line with these decisions. In addition, a Management Committee consisting mainly of the full-time directors and managing officers convenes each week to make proposals to the Board of Directors on matters related to strategic decision making and deliberate in advance decisions to be made by the Board of Directors.

All Audit & Supervisory Board members attend the monthly Board of Director meetings while full-time Audit & Supervisory Board members also attend the Management Committee meetings and other critical meetings and oversee the operations of the Board of Directors. In addition, in principle, a meeting of the Audit & Supervisory Board is convened once per month wherein Audit & Supervisory Board members exchange opinions on issues discussed at the meeting of the Board of Directors and the status of company management, draw up auditing plans including auditing policies, and determine important auditing-related matters.

Owing to strengthened cooperation between directors and Audit & Supervisory Board members, under the current system, the Audit & Supervisory Board members play an effective role in our decision making process.

Corporate Governance System



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

	Name	Independent Officer	Experience	Reason for nomination	Number of Board of Directors (Audit & Supervisory Board) meetings attended in FY2018
Outside Directors	Masato Takahashi	–		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.	19 of 19 Board of Directors meetings
	Yoshihisa Yamada	–		Mr. Yoshihisa Yamada has worked in the financial sector for many years and served as director, executive officer, and CFO and CRO at Rakuten, Inc. and its group companies.	14 of 19 Board of Directors meetings
Outside Audit & Supervisory Board Members	Kiyoshi Shishido	○		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.	19 of 19 Board of Directors meetings, 17 of 17 Audit & Supervisory Board meetings
	Hideki Matsushima	–		While Mr. Hideki Matsushima's corporate management experience comes solely from holding outside director positions, as an attorney, he has considerable knowledge of judicial matters.	17 of 19 Board of Directors meetings, 15 of 17 Audit & Supervisory Board meetings
	Takeshi Hanai	○		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.	15 of 19 Board of Directors meetings, 14 of 17 Audit & Supervisory Board meetings
	Makiko Nakamori	○		While Ms. Makiko Nakamori's corporate management experience comes solely from holding outside director positions, as a certified public accountant, she has considerable knowledge of matters relating to finance and accounting.	17 of 19 Board of Directors meetings, 16 of 17 Audit & Supervisory Board meetings

IT   Management   Finance / Accounting   Global   Judicial Affairs

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

We have established the following selection criteria for outside directors in order to enable the selection of highly independent outside directors. However, if the Board of Directors reasonably determines that a candidate is suitable for the post of outside director, the criteria set out in this policy shall not exclude the candidate from being selected. However, a candidate selected in this manner cannot be appointed as an independent director.

If none of the following attributes applies to an outside director or outside Audit & Supervisory Board member, the Company judges that such person is independent from the Company.

a. A person who executes business on behalf of the Company or its affiliated companies*1
b. A person who has an important business relationship with the Company*2 or who executes business on behalf of such a person*1
c. A person who is a major shareholder (directly or indirectly holding 10% or more of the voting rights) of the Company or who executes business on behalf of such a person
d. A person who executes business on behalf of a major investor (directly or indirectly holding 10% or more of the voting rights) of the Company or its affiliated companies
e. A consultant, an accounting expert, or a legal expert who receives a considerable amount of cash or other assets*3 other than remunerations as a director of the Company or its affiliated companies (when a party who receives such assets is an organization, such as a corporation or an association, this shall refer to a person who is associated with that organization)
f. A person to whom any of (a) to (e) above have applied in the past three years
g. A person who is a close relative of a person to whom any of (a) to (e) above apply*4

*1 A person who executes business on behalf of the Company or its affiliated companies includes directors (other than outside directors), executives, and corporate officers and employees, etc.
*2 "A person who has an important business relationship" as defined in Article 2, Paragraph 3, Item 19 of the Ordinance for Enforcement of the Companies Act
*3 "A considerable amount of cash or other assets" is defined as cash or other assets of ¥10 million or more received in the previous fiscal year other than those received as remuneration as a corporate officer
*4 "A close relative" is defined as relatives and those sharing a means of livelihood

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 limit determined at the General Meeting of Shareholders.

Remuneration for directors is determined by their LIFULL Group Vision Achievement Score (LVAS), a proprietary evaluation system that incorporates over 30 evaluation criteria, including 1) altruistic contributions, referring to contributions to society; 2) degree of growth and innovation; 3) contributions to the Group; and 4) embodiment of the organization's vision. The amount calculated based on the 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. This system has been designed as an evaluation method that will enable a group with 100 group companies—our future target—to execute management duties in keeping with Will-Centric Public Interest Capitalism and with consideration given to all stakeholders. In addition, performance-linked remuneration includes both monetary and non-monetary remuneration.

In order to ensure the fairness and impartiality of Audit & Supervisory Board members, as Audit & Supervisory Board members are responsible for auditing the business execution of the entire Group, remuneration of Audit & Supervisory Board members consists solely of fixed remuneration. The amount of remuneration for the position of each Audit & Supervisory Board member is decided by the Audit & Supervisory Board.

Total Remuneration

Classification	Number of recipients	Payment amount (thousands of yen)
Directors (particulars relating to Outside Directors)	6 persons (3 persons)	88,210 (12,000)
Audit & Supervisory Board Members (particulars relating to Outside Audit & Supervisory Board Members)	4 persons (4 persons)	33,000 (33,000)
Total (particulars relating to Outside Officers)	10 persons (7 persons)	121,210 (45,000)

Internal Audit and Audit by the Audit and Supervisory Board Members

We have established an Internal Audit Office (three staff members) that is directly under the Representative Director and is independent of the Audit Department. The Internal Audit Office ascertains the risks related to the company itself as well as our subsidiaries and carries out internal audits based on the internal audit plan that is formulated by taking importance and urgency into consideration. The office reports the internal audit results to the Representative Director and, as necessary, the Audit & Supervisory Board members; discusses the business management system, etc. of the departments and sections subject to auditing thoroughly; and provides information regarding the audits.

There are four Audit & Supervisory Board members of the Company, including one full-time Audit & Supervisory Board member. Each Audit & Supervisory Board member will attend the meetings of the Board of Directors and expressly provide questions, recommendations, and advice from their standpoints and monitor the execution of the duties of the directors.

The full-time Audit & Supervisory Board member will attend other important meetings, monitor the status of business execution, access important business documents, and also monitor and audit daily business activities through the research of subsidiaries. In addition, the full-time Audit & Supervisory Board member will receive reports on the outline and results of the accounting audit from the accounting auditors and conduct audits in close collaboration with the accounting auditors.

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.

Analysis and Evaluation Regarding the Effectiveness of the Board of Directors

To spur active discussion among the Board of Directors, and for the benefit of new outside directors, time is set aside to exchange opinions regarding overviews of company businesses and business strategies. When formulating or updating the Medium-Term Business Plan, time is also set aside for preemptive discussions among the Board of Directors as well as opinion exchanges with the outside directors.

Furthermore, we have all auditors and Audit & Supervisory Board members complete a questionnaire for analysis and evaluation regarding the effectiveness of the Board of Directors. The results of this questionnaire are used to increase effectiveness of the Board of Directors and further improve discussions.

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 **8** shares

Total amount on balance sheet ¥**310,829** 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 IR Group communicates information in a timely manner via the IR section of the corporate website. As additional steps to promote constructive dialogues, the IR Group holds 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.

Special Meeting of Shareholders

We held a Special Meeting of Shareholders on June 28, 2018, during which a resolution was passed as proposed for the issuance of common stock put forth as compensation for converting Mitula Group Limited into a wholly owned subsidiary through a scheme of arrangement as required by the Corporations Act of Australia. The meeting was held as this constituted a case where the compensation amounts would be particularly favorable to those acquiring the offered shares.

Risk Management System

We have established a Risk Management Committee chaired by the Representative Director and a risk management system has been established wherein all risks that could have a significant impact on the Group are centrally managed. In order to ensure that we maintain a sound financial position and steadily achieve higher earnings by streamlining our operations, we have also established a department specializing in the maintenance of internal control systems and a system to check and improve the maintenance of internal regulations and the status of operations. Also, we have established a system to prevent risks related to irrecoverable debts and illegal transactions by strengthening the system of checks employed by the legal department, supplier audit department, and in purchasing operations.

Risk Management System

Main Risk Factors

Business Risks

Service Pricing Systems

The pricing system for each service could be revised owing to the launch of similar services by our competitors, improvement of the added value of our services, and changes in relevant costs.

If the conditions under which clients use our services change due to a revision of prices or if we are unable to pass the impact of changing costs related to our services on to clients, this could have an impact on group earnings.

Reliance on Outside Search Engines to Attract Users to the Group's Websites

Most users visiting our websites navigate there via search engines, and we, therefore, rely on results displayed by search engine operators to attract users. The conditions necessary for search engine results to be displayed near the top of search results listings are controlled by search engine operators, and we are unable to influence such decisions. In addition to increasing the ratio of our user acquisition activities that do not rely on search engines by aggressively conducting brand promotion activities in order to strengthen the LIFULL HOME'S brand, we also implement search engine optimization (SEO) measures so that our websites are displayed near the top of search results listings. However, it is possible that, owing to factors such as search engine operators changing policies related to the order of display of search results, the display of results could change in a way that is disadvantageous to the LIFULL Group. If this occurs, the ability of our websites to attract users could decline and this could have an adverse impact on group earnings.

The Handling of Personal Information

We handle a large volume of important information including various types of personal information and confidential information of our trading partners. We view the proper management of this information as a very important responsibility, and we exercise the utmost care when handling this information. We strive to strengthen our information management system by establishing internal regulations for handling information, conducting regular training of employees, working to strengthen the security of our systems, and conducting internal investigations on how information is handled. When the Group is required by law or other regulations to disclose personal information, we make the decision to comply only after holding careful discussions with our attorneys and the competent authorities.

While we do our utmost to protect confidential information and personal information, if this information is leaked to persons outside the Group, lost, falsified, or misused due to persons gaining improper access to our systems or as a result of defects in our systems, we could incur costs related to the taking of appropriate actions in response to the situation and, while we hold liability insurance which would cover all or part of any compensation for damages that we would be obliged to pay, the undermining of our social credibility could result in a decline in the number of users and clients, which could have a negative impact on group earnings.

Disputes between Clients that Post Information on the Group's Websites and Users of the Information

We have established an information investigation department which continuously confirms the accuracy of information posted on Group websites. Also, if we are notified by a user of one of our Group websites of a dispute between the user and a client who has posted information on a Group website, the responsible person in the Group will contact the client to confirm the facts and either explain to the user or request that the client rectify the cause of the dispute. We may also decide to nullify the website usage contract. However, we cannot legally compel a client to comply with a request to rectify the cause of a dispute and, as not all users experiencing such disputes will understand or be satisfied with the results, there is a risk that the reputation of the services we provide could suffer and this could have an adverse impact on group earnings.

Development of Overseas Businesses

We are developing businesses overseas and such development involves business risks depending on regional characteristics. Overseas businesses must operate under different legal systems. While we plan to take sufficient measures to reduce such risks and develop overseas businesses in a manner that minimizes such risks, the emergence of difficult-to-predict business risks and risks related to overseas legal systems could have an adverse impact on group earnings.

Foreign Exchange Fluctuations

As we are developing businesses overseas, rapid fluctuation in currency exchange rates may impact transactions between companies in different regions, product prices at overseas operation bases, and service costs, as well as impact earnings including sales income and profit levels. In addition, currency exchange rates have an impact on the conversion rates used when the value of overseas assets and liabilities are converted into yen on our consolidated financial statements. Greater-than-expected fluctuation in exchange rates could have an impact on our financial position or the results of our operations.

Competition

There are currently multiple other companies operating businesses in the same industries as our real estate and housing information service, LIFULL HOME'S, and our aggregation website, Trovit.

We plan to work to maintain and strengthen the appeal of our brands and differentiate them from those of other companies by improving the reliability and convenience and increasing the volume of information on the LIFULL HOME'S and Trovit websites. However, because Internet-related industries have low barriers to entry and it is easy for newcomers to start such businesses and also difficult to achieve differentiation from rivals, during periods of intense competition, our competitiveness may be degraded and this could have an adverse impact on group earnings.

Risks Related to the Group's Business Systems

Reliance on the CEO

President and CEO Takashi Inoue 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 it becomes difficult for President Inoue to continue conducting the business of the Group, this could have an adverse impact on group earnings.

System and Equipment Failure

Management of our businesses relies on computer systems and telecommunications networks. We use data centers that are protected against electric power outages and earthquakes by uninterruptible power supply equipment and earthquake-resistant construction and that regularly back up server data.

However, if the telecommunications networks go offline owing to an unforeseeable natural disaster or accident, or if our servers or those of Internet providers become inoperable owing to temporary overload such as from a spike in access requests, this could result in a loss of trust in our systems and have an adverse impact on group earnings.

Also, while we have strengthened our equipment failure resistance by keeping duplicates of important equipment necessary to run our businesses, such as components and hardware, if an unforeseeable failure occurs, this could result in the stoppage of all or a portion of our services, which could have an adverse impact on group earnings.

Expansion of Operations through Acquisitions, etc.

We approach mergers and joint ventures with the aim of entering new fields of business, expanding our established businesses, or acquiring technologies as an important challenge facing management. In the future, we plan to consider acquisitions and other measures as a possible business strategy.

When we make an acquisition, we endeavor to avoid risks as much as possible by conducting detailed due diligence on the target company including examining its financial condition and any contracts it has signed. However, sometimes the completeness of due diligence investigations cannot be guaranteed and we cannot deny the possibility that contingent liabilities or previously unknown liabilities could emerge following an acquisition. Also, integration of the information systems and internal control systems of the acquired company with ours could prove to be difficult and the acquired company could lose directors, employees, and customers as a result of the acquisition.

The Group's Relationship with Rakuten, Inc.

As of March 31, 2017, Rakuten, Inc. was a major shareholder in LIFULL, holding 20.03% of the shares, and Rakuten, Inc. is classified as one of our "other affiliated companies." We have had a wide-ranging and amicable relationship with Rakuten, Inc., including business transaction relationships such as LIFULL posting its real estate information on websites operated by Rakuten, Inc. Rakuten, Inc.'s executive vice president, Mr. Yoshihisa Yamada, also serves as an outside director of LIFULL.

It is unclear whether the relationship between the two companies will remain the same in the future. If the current relationship is not maintained, although the volume of transactions between the two companies is relatively small, this could have an impact on our future business development and capitalization strategy.

Please see our Annual Securities Report (*Yukashoken Hokokusho*, issued only in Japanese) regarding other risks.
https://lifull.com/ir/ir-data/ird-fs/

Fact Data

Summary of Consolidated Financial Indicators for Five Fiscal Periods

LIFULL Co., Ltd. and its consolidated subsidiaries
The irregular six-month period ended September 30, 2017, is due to the change in the closing date of the fiscal year.

(Millions of yen)

IFRS	2015/3	2016/3	2017/3	2017/9	2018/9
Consolidated Operating Results (For the Year):					
Revenue	18,165	25,707	29,920	15,948	34,564
Revenue by Segment*1					
HOME'S Services Business*2	—	—	—	13,289	28,611
Domestic Real Estate Information Services*2	15,601	18,345	21,176	—	—
Domestic Services for Realtors*2	927	4,122	6,864	—	—
Overseas Business	1,203	3,507	3,193	1,718	3,954
Other Businesses	452	671	833	983	2,112
Cost of Sales	583	2,127	3,080	1,862	3,879
Selling, General and Administrative Expenses	14,391	18,625	21,408	12,446	25,354
Personnel Expenses	4,440	6,269	7,039	3,810	7,791
Advertising Expenses	5,941	7,345	8,400	5,414	11,384
Operating Expenses	718	1,016	1,010	455	943
Other Costs	3,290	3,993	4,957	2,766	5,235
EBITDA*3	3,149	4,859	5,312	1,536	5,382
Depreciation and Amortization Expenses	458	864	1,245	519	1,067
Operating Income	2,691	3,994	4,066	1,016	4,315
Operating Income by Segment*1					
HOME'S Services Business*2	—	—	—	1,067	3,864
Domestic Real Estate Information Services*2	2,729	3,540	3,842	—	—
Domestic Services for Realtors*2	(22)	(7)	(117)	—	—
Overseas Business	114	550	346	131	490
Other Businesses	(99)	(80)	(22)	(120)	(186)
Net Profit Attributable to Owners of the Parent	1,796	2,670	2,765	489	2,859
Consolidated Financial Position (At Year-End):					
Total Assets	22,592	25,265	27,110	26,363	29,181
Equity Attributable to Owners of the Parent	10,824	16,922	18,471	19,227	21,881
Interest-bearing Liabilities	7,013	2,439	1,454	970	—
Net Interest-bearing Liabilities*4	2,745	(4,185)	(4,592)	(4,539)	—
Consolidated Cash Flows (For the Year):					
Cash Flows from Operating Activities	2,193	3,175	3,163	1,909	4,671
Cash Flows from Investing Activities	(13,051)	93	(2,134)	(999)	(1,533)
Cash Flows from Financing Activities	6,734	(868)	(1,517)	(1,601)	(1,072)
Free Cash Flow*5	(10,858)	3,268	1,028	910	3,138
Capital Expenditures	1,069	691	1,654	258	602
R&D Expenses	61	71	60	25	61

IFRS	2015/3	2016/3	2017/3	2017/9	2018/9
Financial Indicators:					
EBITDA Margin (%)	17.3	18.9	17.8	9.6	15.6
Operating Income Margin (%)	14.8	15.5	13.6	6.4	12.5
Return on Equity (ROE) (%)	17.1	19.2	15.6	2.6	13.9
Return on Assets (ROA) (%)	14.7	16.8	15.6	3.6	15.0
Debt to Equity Ratio (times)*6	0.65	0.14	0.08	0.05	—
Equity Attributable to Owners of the Parent Ratio (%)	47.9	67.0	68.1	72.9	75.0
Amounts per Share:					
Net Profit Attributable to Owners of the Parent (yen)					
Basic*7	15.91	22.87	23.30	4.12	24.09
Diluted*7	15.90	—	—	—	—
Dividends (yen) *7	2.88	4.50	5.66	0.82	6.02
Dividend Payout Ratio (%)	18.1	19.7	24.3	19.9	25.0
Equity Attributable to Owners of the Parent per Share (yen) *7	95.86	142.54	155.59	161.96	184.32
Stock Price*7:					
Share Price at Fiscal Year-End (yen)	598.5	1,381.0	755.0	978.0	630.0
Price to Earnings Ratio (PER) (times)	37.64	60.38	32.40	237.37	26.15
Price to Book Value Ratio (PBR) (times)	6.24	9.68	4.85	6.03	3.41
Other:					
Number of Consolidated Employees	755	946	1,140	1,207	1,274

*1 Intersegment transactions have not been eliminated.
*2 The Domestic Real Estate Information Services Business and the Domestic Services for Realtors Business were consolidated into the HOME'S Services Business.
*3 EBITDA = operating profit + depreciation
*4 Net interest-bearing liabilities = interest-bearing liabilities – current cash flow
*5 Free cash flow = cash flows from operating activities + cash flows from investing activities
*6 Debt to equity ratio = interest-bearing liabilities / equity attributable to owners of the parent
*7 In the fiscal year ended March 31, 2015, recalculations were made taking into account the impact of a 2-to-1 share split of common shares implemented on June 1, 2015.

Consolidated Financial Statements and Notes

Consolidated Statements of Financial Position

LIFULL Co., Ltd. and its consolidated subsidiaries
As of September 30, 2017 and 2018

(Thousands of yen)

	Note	2017	2018
Assets			
Current assets			
Cash and cash equivalents	6, 23	5,509,642	**7,571,312**
Accounts receivable-trade and other current receivables	7, 23	4,229,575	**4,577,193**
Other short-term financial assets	15, 23	—	**230,000**
Other current assets	16	454,287	**521,720**
Total current assets		10,193,505	**12,900,226**
Non-current assets			
Property, plant and equipment	8, 11	1,926,679	**1,810,709**
Goodwill	10, 11	9,857,104	**9,806,312**
Intangible assets	9, 11	2,423,479	**2,018,313**
Investments accounted for using the equity method	13	278,483	**785,146**
Other long-term financial assets	15, 23	1,170,265	**1,293,708**
Deferred tax assets	14	509,888	**563,833**
Other non-current assets	16	4,129	**3,714**
Total non-current assets		16,170,029	**16,281,738**
Total assets		26,363,535	**29,181,965**

(Thousands of yen)

	Note	2017	2018
Liabilities and equity			
Liabilities			
Current liabilities			
Accounts payable and other current payables	17, 23	2,936,348	2,791,544
Short-term loans	15, 18, 23	970,947	—
Lease obligations		3,400	4,205
Accrued corporate income taxes		277,637	1,356,368
Other short-term financial liabilities	15, 23	28,465	—
Other current liabilities	16	1,898,684	2,029,275
Total current liabilities		6,115,483	6,181,394
Non-current liabilities			
Lease obligations		84,805	80,600
Provisions	20	518,680	533,662
Deferred tax liabilities	14	317,240	364,316
Other non-current liabilities	16	33,675	25,664
Total non-current liabilities		954,401	1,004,244
Total liabilities		7,069,884	7,185,638
Equity			
Equity attributable to owners of the parent			
Capital stock	21	3,999,578	3,999,578
Capital surplus	21	4,336,231	4,256,942
Retained earnings	21	11,632,596	14,394,920
Treasury shares	21	(8,694)	(8,694)
Other components of equity	21	(732,517)	(761,446)
Total equity attributable to owners of the parent		19,227,194	21,881,301
Equity attributable to non-controlling interests		66,456	115,025
Total equity		19,293,650	21,996,326
Total liabilities and equity		26,363,535	29,181,965

Consolidated Financial Statements and Notes

Consolidated Statements of Profit or Loss

LIFULL Co., Ltd. and its consolidated subsidiaries
For the six months ended September 30, 2017 and for the year ended September 30, 2018

(Thousands of yen)

	Note	2017 (April 1, 2017 to September 30, 2017)	2018 (October 1, 2017 to September 30, 2018)
Revenue	24	15,948,686	34,564,915
Cost of revenue	25	1,862,470	3,879,270
Gross profit		14,086,215	30,685,645
Selling, general, and administrative expenses	26	12,966,824	26,421,772
Other income	27	96,276	257,069
Other expenses	27	199,089	205,567
Operating profit		1,016,579	4,315,374
Financial revenue	28	71	25,907
Financial expenses	28	20,243	19,806
Share of profit (loss) of investments accounted for using the equity method	13	(39,193)	(164,964)
Profit before taxes		957,214	4,156,511
Income tax expenses	14	473,716	1,356,515
Net profit		483,497	2,799,995
Profit attributable to:			
Owners of the parent		489,042	2,859,671
Non-controlling interests		(5,544)	(59,675)
Total		483,497	2,799,995

(Yen)

	Note	2017	2018
Profit per share attributable to owners of the parent			
Basic earnings per share	30	4.12	24.09
Diluted earnings per share	30	4.12	24.09

Consolidated Statements of Comprehensive Income

LIFULL Co., Ltd. and its consolidated subsidiaries
For the six months ended September 30, 2017 and for the year ended September 30, 2018

(Thousands of yen)

	Note	2017 (April 1, 2017 to September 30, 2017)	2018 (October 1, 2017 to September 30, 2018)
Net profit		483,497	2,799,995
Other comprehensive income			
Items that may be reclassified to profit or loss, net of tax:			
Available-for-sale financial assets	29	1,108	34,062
Exchange differences on translation of foreign operations	29	1,127,554	(61,267)
Cash flow hedges	29	(74)	(451)
Share of other comprehensive income of investments accounted for using the equity method	29	(2,303)	(1,270)
Other comprehensive income, after tax		1,126,285	(28,927)
Total comprehensive income		1,609,783	2,771,067
Comprehensive income for the period attributable to:			
Owners of the parent		1,615,453	2,830,742
Non-controlling interests		(5,669)	(59,674)
Total		1,609,783	2,771,067

Consolidated Statements of Changes in Equity

LIFULL Co., Ltd. and its consolidated subsidiaries

Six-month period ended September 30, 2017 (April 1, 2017 to September 30, 2017)

(Thousands of yen)

	Note	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Balance as of April 1, 2017		3,999,578	4,523,690	11,815,482	(8,644)	(1,858,928)	18,471,178	344,789	18,815,968
Net profit		—	—	489,042	—	—	489,042	(5,544)	483,497
Other comprehensive income		—	—	—	—	1,126,410	1,126,410	(124)	1,126,285
Total comprehensive income		—	—	489,042	—	1,126,410	1,615,453	(5,669)	1,609,783
Dividends of surplus	22	—	—	(671,929)	—	—	(671,929)	(37,506)	(709,435)
Purchase of treasury shares		—	—	—	(49)	—	(49)	—	(49)
Capital transaction with owners of non-controlling interests		—	(187,459)	—	—	—	(187,459)	(235,346)	(422,805)
Increase due to business combinations		—	—	—	—	—	—	189	189
Total transactions with owners		—	(187,459)	(671,929)	(49)	—	(859,438)	(272,663)	(1,132,101)
Balance as of September 30, 2017		3,999,578	4,336,231	11,632,596	(8,694)	(732,517)	19,227,194	66,456	19,293,650

Fiscal year ended September 30, 2018 (October 1, 2017 to September 30, 2018)

(Thousands of yen)

	Note	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Balance as of October 1, 2017		3,999,578	4,336,231	11,632,596	(8,694)	(732,517)	19,227,194	66,456	19,293,650
Net profit		—	—	2,859,671	—	—	2,859,671	(59,675)	2,799,995
Other comprehensive income		—	—	—	—	(28,928)	(28,928)	1	(28,927)
Total comprehensive income		—	—	2,859,671	—	(28,928)	2,830,742	(59,674)	2,771,067
Dividends of surplus	22	—	—	(97,346)	—	—	(97,346)	(1,577)	(98,924)
Purchase of treasury shares		—	—	—	—	—	—	—	—
Capital transaction with owners of non-controlling interests		—	(79,288)	—	—	—	(79,288)	81,820	2,532
Increase due to business combinations		—	—	—	—	—	—	28,000	28,000
Total transactions with owners		—	(79,288)	(97,346)	—	—	(176,635)	108,243	(68,391)
Balance as of September 30, 2018		3,999,578	4,256,942	14,394,920	(8,694)	(761,446)	21,881,301	115,025	21,996,326

Consolidated Statements of Comprehensive Income

LIFULL Co., Ltd. and its consolidated subsidiaries
For the six months ended September 30, 2017 and for the year ended September 30, 2018

(Thousands of yen

	Note	2017 (April 1, 2017 to September 30, 2017)	2018 (October 1, 2017 to September 30, 2018)
Cash flow from operating activities			
Profit before taxes		957,214	**4,156,511**
Depreciation and amortization		528,852	**1,091,879**
Financial revenue		(71)	**(25,907)**
Financial expenses		20,243	**19,806**
Decrease (increase) in accounts receivable-trade and other current receivables		525,137	**(346,065)**
Increase (decrease) in accounts payable-trade and other current payables		259,390	**(157,731)**
Other		249,420	**392,700**
Subtotal		2,540,187	**5,131,192**
Interest and dividends received		1,969	**96**
Interest paid		(9,843)	**(18,602)**
Income taxes paid		(622,319)	**(441,234)**
Net cash provided by operating activities		1,909,994	**4,671,452**
Cash flow from investing activities			
Purchase of available-for-sale financial assets		(45,968)	**(75,672)**
Proceeds from sale of available-for-sale financial assets		4,213	**23,748**
Purchase of property, plant and equipment	31	(926,272)	**(209,324)**
Proceeds from sale of property, plant and equipment		1,318	**864**
Purchase of intangible assets		(145,305)	**(405,500)**
Proceeds from sale of intangible assets		7,303	**—**
Purchase of subsidiaries		(88,655)	**—**
Payments for lease and guarantee deposits		(6,992)	**(57,862)**
Proceeds from refund of leasehold deposits and guarantee deposits	31	439,915	**2,892**
Purchase of shares of associates	31	(239,124)	**(717,784)**
Gain on sales of shares of subsidiaries	31	—	**135,000**
Payments of loans receivable	31	—	**(260,000)**
Collection of loans receivable		—	**30,000**
Net cash provided by (used in) investing activities		(999,566)	**(1,533,639)**
Cash flow from financing activities			
Repayment of long-term loans		(499,995)	**(1,000,017)**
Dividends paid		(671,929)	**(98,082)**
Repayment of lease obligations		(1,447)	**(3,400)**
Dividends paid to non-controlling interests		(37,506)	**(1,577)**
Purchase of shares in subsidiaries	31	(391,391)	**(11,438)**
Proceeds from share issuance to non-controlling interests		714	**41,972**
Purchase of treasury shares		(49)	**—**
Net cash provided by (used in) financing activities		(1,601,605)	**(1,072,543)**
Effect of exchange rate changes on cash and cash equivalents		153,875	**(3,599)**
Net increase (decrease) in cash and cash equivalents		(537,302)	**2,061,670**
Cash and cash equivalents at beginning of period	6	6,046,944	**5,509,642**
Cash and cash equivalents at end of period	6	5,509,642	**7,571,312**

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 are prepared in compliance with the International Financial Reporting Standards (hereinafter referred to as "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; hereinafter referred to as the "Ordinance on Consolidated Financial Statements").

(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; hereinafter referred to as the "Ordinance on Non-Consolidated Financial Statements").

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, 2017 to September 30, 2018) and the non-consolidated financial statements for the fiscal year (from October 1, 2017 to September 30, 2018) in compliance with the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

The Company's audit corporation was changed as follows:

Financial statements for the 22nd consolidated fiscal year and for the 22nd fiscal year: Deloitte Touche Tohmatsu LLC

Financial statements for the 23rd consolidated fiscal year and for the 23rd fiscal year: PricewaterhouseCoopers Aarata LLC

Change of Fiscal Year-End

The fiscal year-end was changed from March 31 to September 30 based on the partial revision of the Articles of Incorporation resolved at the 22nd Annual General Meeting of Shareholders held on June 28, 2017.

Accordingly, the previous consolidated fiscal period and the previous fiscal period are the six months from April 1, 2017 to September 30, 2017.

Because the preceding consolidated fiscal period is from April 1, 2017 to September 30, 2017, the consolidated fiscal year under review, which is from October 1, 2017 to September 30, 2018, is not entirely comparable to the preceding fiscal period.

Specific Efforts to Ensure the Appropriateness of the Consolidated Financial Statements, etc.

The Company has undertaken specific measures to ensure the appropriateness of its consolidated financial statements, etc. as follows.

In order to establish a system that can adequately understand the details of the accounting standards, the Company has joined the Financial Accounting Standards Foundation and actively participated in its training workshops.

Establishment of a System Able to Appropriately Prepare the Consolidated Financial Statements Based on IFRS

Whenever necessary, the Company obtains press releases and standards announced by the International Accounting Standards Board in order to be aware of the latest standards. In addition, the Company has prepared the Group's Accounting Manual in compliance with IFRS to establish a system that can appropriately prepare the consolidated financial statements based on IFRS.

1. Reporting Entity

LIFULL Co., Ltd. (hereinafter referred to as 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 referred to as the “Group”) are described in “5. Segment Information.”

2. Basis of Presentation

(1) Consolidated Financial Statements Prepared in Compliance with IFRS

The Group’s Consolidated Financial Statements meet the requirements of the Specified Company Complying with Designated International Accounting Standards set forth in Article 1-2 of the Ordinance on Consolidated Financial Statements, and thus they were prepared in compliance with the International Financial Reporting Standards (hereinafter referred to as “IFRS”) pursuant to the provisions of Article 93 of the abovementioned Ordinance.

(2) Basis of Measurement

The Consolidated Financial Statements were prepared based on the accounting policies described in “3. Significant Accounting Policies.” The balances of assets and liabilities are measured on the basis of acquisition costs unless otherwise stated.

(3) Functional Currency and Presentation Currency

The presentation currency of the consolidated financial statements is Japanese yen, which is the Company’s functional currency, and any fractions of less than one thousand yen were rounded down in the statements.

(4) New Standards and Interpretation Guidelines that Are Not Yet Applied

Among the Standards and Interpretation Guidelines that were newly established or revised by the date of approval of the Consolidated Financial Statements, the major ones that the Group has not yet applied as of September 30, 2018 are as stated below. At the present time, the Company assesses the effects caused by the application of IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) as insignificant. The Company is examining the effects caused by the application of IFRS 16 (Leases). The effects cannot be assessed at the present time.

Standard	Name of standard	Date of mandatory application (fiscal year when application starts)	Fiscal year when the Group starts application	Summary of new establishment/revision
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Fiscal year ending September 30, 2019	Accounting processing and disclosure requirements of revenue recognition
IFRS 9	Financial Instruments	January 1, 2018	Fiscal year ending September 30, 2019	Classification and measurement of financial instruments, impairment accounting and processing, and disclosure requirements of hedge accounting
IFRS 16	Leases	January 1, 2019	Fiscal year ending September 30, 2020	Identification, accounting processing, and disclosure requirements of lease contracts

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 are different from those applied by the Group, the financial statements of the subsidiary are adjusted as necessary.

Balances of receivables and payables and transactions within the Group and unrealized gains and losses arising from transactions within the Group were eliminated when preparing the Consolidated Financial Statements.

The comprehensive income of a subsidiary is attributed to the parent company’s owners and non-controlling interest, even if the balance of the non-controlling interest resulted in a negative balance.

(ii) Affiliated Companies and Jointly Controlled Entities

An affiliated company is an entity not controlled by the Group but significantly influenced by the Group's financial and business policies. It is processed with the equity method from the date when the Group acquired significant influence on it to the date when the Group loses significant influence on it.

A jointly controlled entity is an entity to which more than one party has rights on its net assets through joint control, and it is processed with the equity method from the date when the Group acquired the joint control to the date when the Group loses the joint control. If the accounting policies that an affiliated company or a jointly controlled entity has applied differ from those applied by the Group, the financial statements of the affiliated company or the jointly controlled entity are adjusted.

Under the equity method, the investment amount is initially measured with cost, and thereafter the investment amount fluctuates in accordance with the fluctuation of the Group's equity interest to the net assets of an affiliated company or a jointly controlled entity. At this time, among the profit or loss of the affiliated company or the jointly controlled entity, the amount equivalent to the Group's entity interest is posted as profit or loss of the Group. In addition, among other comprehensive income of an affiliated company or a jointly controlled entity, the amount equivalent to the Group's equity interest is posted as other comprehensive income of the Group. Unrealized gains and losses generated from transactions with an affiliated company or a jointly controlled entity are added to or subtracted from the investment amount.

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

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

(2) Business Combinations

The accounting processing of business combinations uses the acquisition method. Acquisition consideration is measured as the total of the fair values of the assets transferred in exchange for the control of the acquiree, the liabilities assumed, and the financial instruments issued by the Company on the acquisition date. The non-controlling equity interest, which is the current equity interest and gives the holder a proportional share of the entity's net assets at the time of liquidation, is measured at the 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 the 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 of the 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 posted 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, the accounting processing is undertaken with a provisional amount. The provisional amount is adjusted during the measurement period that is 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 handled as a capital transaction in the accounting processing. 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 or businesses classified as held for sale are measured pursuant to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

(3) Foreign Currencies

(i) Foreign Currency Transactions

Foreign currency transactions are converted into the functional currency by applying the spot exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies on the date at the end of the term are converted into the functional currency using the exchange rates on the date. Non-monetary assets and liabilities denominated in foreign currencies measured at fair values are converted into functional currency using the exchange rate on the date of the conversion of the said fair values.

Foreign exchange differences arising from the settlement of these conversions and exchange differences arising from the translation of monetary assets and liabilities dominated in foreign currencies at the exchange rate on the date at the end of the term are recognized as profit or loss. However, if the income or loss relating to non-monetary items is posted 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 the acquisition) 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 by using the average exchange rate during the term as long as there was no significant fluctuation in the exchange rate during the term.

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 income or loss.

(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 with an insignificant risk of changes in value.

(5) Financial Instruments

(i) Non-derivative Financial Assets

i) Initial recognition and measurement

Financial assets are initially recognized at the time when the Group becomes a party to a contract, and are classified as follows at the time of the initial recognition.

(a) Financial assets measured at fair values through profit or loss
Financial assets held for sale or financial assets specified to be measured at fair values through profit or loss.

(b) Held-to-maturity investments
Financial assets with fixed or determinable payment amounts and fixed maturity dates that the Group has the clear intention and ability to hold until maturity.

(c) Loans and receivables
Among financial assets whose payment amount is fixed or determinable, those without transactions in active markets.

(d) Available-for-sale financial assets
Among financial assets, those specified as financial assets that can be sold or those that are not classified into (a), (b) or (c) in the above.

Financial assets are measured at fair value at the time of initial recognition and are calculated by adding the transaction cost directly attributable to the acquisition, except financial assets measured at fair value through profit or loss.

ii) Subsequent measurement

(a) Financial assets measured at fair values through profit or loss
Financial assets measured at fair value through profit or loss are measured at fair value, and profit or loss arising from remeasurement is recognized as profit or loss.

(b) Held-to-maturity investments
Held-to-maturity investments are measured with the amount calculated by deducting impairment loss from amortized cost calculated by the effective interest rate method.

The effective interest rate method is a method of allocating interest income or expenses throughout the related period by calculating the amortized cost of financial assets or financial liabilities. The effective interest rate is a rate for accurately discounting the amount of estimated cash received or paid in the future to the net book value initially recognized through the estimated remaining period (or shorter period in some cases) of the relevant financial instrument.

(c) Loans and receivables
Loans and receivables are measured with the amount calculated by deducting the impairment loss from the amortized cost calculated by the effective interest rate method.

Interest revenue is recognized by applying the effective interest rate, except short-term receivables for which the recognition of interest is not important.

(d) Available-for-sale financial assets
Available-for-sale financial assets are measured at fair value as of the closing date, and the changes in fair value are recognized as other comprehensive income. The foreign currency conversion differences relating to monetary assets are recognized as profit or loss.

Dividends relating to available-for-sale financial instruments are recognized as profit or loss in the term when the right of the Group to receive the payment is determined.

iii) Impairment
Financial assets other than the financial assets measured at fair value through profit or loss were examined as to whether or not there is any objective evidence to show that the impairment was made by the closing date. With regard to the relevant financial assets, the judgement was made that the objective evidence showed that the loss event occurred after the initial recognition, and impairment was made in the cases where it was reasonably forecast that the loss event would have a negative impact on the estimated future cash flow of the relevant financial assets.

For available-for-sale financial assets, the fact that the fair value is declining significantly or that the fair value has been lower than the acquisition cost for a long time can also be objective evidence for impairment.

Financial assets classified into a certain category such as trade receivables are assessed for impairment in the unit of the group, even if no objective evidence exists for individual impairment.

The amount of impairment loss recognized for financial assets measured at amortized cost is the difference between the book value of the relevant assets and the current value of the financial assets calculated by discounting the estimated future cash flow with the initial effective interest rate of the financial assets. In the subsequent period, if any objective event that shows a decrease in the amount of impairment loss occurs, the impairment loss is reversed and recognized as profit or loss.

If available-for-sale financial assets were impaired, the accumulated profits or losses recognized as other comprehensive income are transferred to profit or loss in the term. With regard to available-for-sale financial instruments, the reversal of the impairment loss will not be recognized in the subsequent periods. On the other hand, for available-for-sale liability financial instruments, if any objective fact that shows an increase in fair value occurs in the subsequent periods, the relevant impairment loss is reversed and recognized as profit or loss.

iv) Derecognition
The financial assets are derecognized only when the contractual rights for the cash flow generated from the financial assets have expired or when the financial assets are transferred and almost all risks and economic values are transferred to another entity.

With regard to the derecognition of financial assets, the difference between the book value of the assets and the consideration received or receivable and the accumulated profits or loss recognized as other comprehensive income are recognized as profit or loss.

(ii) Non-derivative Financial Liabilities
i) Initial recognition and measurement
Financial liabilities are initially recognized when the Group becomes party to a contract and are classified as follows at the time of the initial recognition.

(a) Financial liabilities measured at fair value through profit or loss
Financial liabilities specified to be measured at fair value through profit or loss.

(b) Other financial liabilities (including loans payable)
Those other than financial liabilities measured at fair value through profit or loss.
Financial liabilities are measured at fair value at the time of initial recognition and are calculated by subtracting the transaction expenses directly attributable to the issuance, except financial liabilities measured at fair value through profit or loss.

ii) Subsequent measurement

(a) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are measured at fair value, and the profit or loss arising from remeasurement is recognized as profit or loss.

(b) Other financial liabilities

Other financial liabilities are measured with amortized cost, mainly by using the effective interest rate method.

iii) Derecognition

The financial liabilities are derecognized only when the financial liabilities have expired; that is, when the liabilities identified in a contract have been exempted or cancelled or have become invalid. With regard to the derecognition of financial liabilities, the difference between the book value of the financial liabilities and the consideration paid or to be paid is recognized as profit or loss.

(iii) Offsetting of Financial Assets and Financial Liabilities

The financial assets and financial liabilities are offset on the Consolidated Statements of Financial Position and indicated at net amounts only when the Group currently has a legally enforceable right to offset the balance and has the intention to settle them at the net amount or simultaneously implement the realization of assets and the settlement of liabilities.

(iv) Derivatives and Hedge Accounting

i) Derivatives

The Company uses derivative transactions such as interest-rate swaps in order to hedge risks due to fluctuations in exchange rates and interest rates.

A derivative is initially recognized at the fair value on the date when the derivative transaction contract is concluded. After the initial recognition, the derivative is measured at the fair value on the date at the end of the term. The amount of fluctuation of the fair value of the derivative is, if it is not specified as a hedging instrument or if it is not effective as hedging, immediately recognized as profit or loss. The derivative financial assets are classified into other financial assets, and the derivative financial liabilities are classified into other financial liabilities.

ii) Hedge accounting

The Company designates derivative transactions that meet the requirements for hedge accounting as hedging instruments and implements account processing as a cash flow hedge.

The Company has formally designated and documented the hedging instruments, the relationship between the hedging instruments and the hedged items to which hedge accounting is to be applied, and the risk management objectives and strategies for implementing the hedging. In addition, an assessment is made at the beginning of the hedging and on a continuing basis thereafter as to whether the hedging instruments are expected to have high offsetting effects on the fair values of the hedged items and the fluctuation of cash flow during the hedged period.

The effective portion of the fluctuation of the fair value of a derivative that was designated as a cash flow hedge and met the requirements is recognized as other comprehensive income and is accumulated in the accumulated amount of other comprehensive income as another component of capital. The accumulated amount of other comprehensive income is transferred to profit or loss under the item of the Consolidated Statements of Profit or Loss relating to the hedged item in the period when the hedged cash flow has an impact on profits and losses. The non-effective part of the fluctuation of the fair value of the derivatives is immediately recognized as profit or loss.

If a scheduled transaction that is hedged generates the recognition of non-financial assets or non-financial liabilities, the accumulated amount of other comprehensive income that was previously recognized as other comprehensive income is transferred and included in the measurement of the acquisition cost at the time when the non-financial assets or non-financial liabilities are initially recognized.

If the Company has cancelled the designation of a hedge, or if a hedging instrument has become invalid or is sold, terminated, or executed, and if a hedge no longer meets the requirements for effective hedging, the hedge accounting is discontinued.

If the hedge accounting is discontinued, the accumulated amount of other comprehensive income is continuously posted as capital and recognized as profit or loss at the time when the scheduled transaction is finally recognized as profit or loss. If the scheduled transaction is not expected to be made any more, the accumulated amount of other comprehensive income is immediately recognized as profit or loss.

(6) Property, Plant and Equipment

For property, plant and equipment, the cost model is adopted and the items are posted at the amount less any accumulated depreciation and accumulated impairment losses.

Expenses directly related to the acquisition of the assets and expenses for demolition, removal, and restoration are included in the acquisition cost.

Each asset is depreciated 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, if any change is made, the change is to be applied thereafter for the accounting estimates.

The recognition of property, plant and equipment is to be discontinued at the time of disposal or when an economic benefit is no longer expected from continued use or disposal in the future.

(7) Goodwill

Goodwill is indicated at the price obtained by subtracting the accumulated amount of impairment loss from the acquisition cost.

Goodwill is not amortized but is allocated to each related unit that generates funds, and an impairment test is implemented every year or whenever any sign of impairment is found. The impairment loss of goodwill is recognized in the Consolidated Statements of Profit or Loss, and no subsequent reversal is implemented.

(8) Intangible Assets

Intangible assets acquired individually for which useful lives can be determined adopt the cost method and are posted 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 by business combination and recognized as distinguished from goodwill are initially recognized by acquisition date fair values. After the initial recognition, the intangible assets acquired by business combination are posted at the amount of the acquisition cost less accumulated amortization and impairment losses, just like intangible assets acquired individually.

Expenditure incurred in the research phase is posted as expenses in the period in which it occurred. The internally generated intangible assets generated in the development phase are recognized by the total amount of expenditures during the period from the date when all the requirements for posting the assets were met until the completion of the development. After the initial recognition, the internally generated intangible assets are posted at the amount of the acquisition cost less accumulated amortization and impairment losses, just like intangible assets acquired individually.

Amortization expenses are posted using the straight-line method for their estimated useful lives.

The estimated useful lives of the main intangible assets 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, if any change is made, the change is to be applied thereafter for the accounting estimates.

(9) Impairment of Non-Financial Assets

The Group undertakes an assessment at the end of each reporting period as to whether there is any indication that each asset 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 that are expected to benefit from the synergies of the business combination. If there is any indication that the cash-generating unit may be impaired, and at certain times of each fiscal year regardless of whether there is an indication of impairment, an impairment test is performed.

As for assets other than goodwill, if any change is made to the assumptions used for the calculation of the recoverable amount of the impairment loss recognized in the past fiscal year, the Group undertakes an assessment at the end of each reporting period as to whether there is any indication that the loss may be decreased or extinguished. If there is such an indication, the recoverable amount of the asset or cash-generating unit is estimated. If the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to the lower of the recoverable amount and the carrying amount less depreciation when an impairment loss was not recognized in the past fiscal year.

(10) Short-term Employee Benefits

Short-term employee benefits are recorded as expenses when related services are provided, without discount. Regarding bonuses, however, if the Group has a present constructive obligation to pay them and can make a reliable estimate of the amount, the estimated payment under such system is recognized as a liability.

(11) Stock-based Compensation

The Group adopts stock options as a compensation system based on equity-settled stocks. Stock options are estimated at the grant-date fair value, and are recognized as expenses in the Consolidated Statements of Profit or Loss over the vesting period based on the estimated number of stock options that eventually become exercisable. The same amount is recognized as an increase in equity in the Consolidated Statements of Financial Position.

(12) Provisions

Provisions are recognized if the Group has a current obligation (legal or constructive) as a result of a past event and is likely to require an outflow of resources embodying economic benefits to settle the obligation, as well as if it can make a reliable estimate of the amount of the obligation.

Provisions are measured as the present value of the estimated expenditure required for settling the obligation, using the pre-tax discount rate reflecting the market valuation of the current monetary time value and the risks specific to the obligation. Increases in provisions over time are recognized as financial expenses.

The Group recognizes asset retirement obligations as provisions. The asset retirement obligations are estimated, recognized, and measured for dilapidation obligations for leased offices and buildings, with due consideration of the individual property status, based on past restoration records and the expected period of use determined in light of serviceable life.

(13) Equity

(i) Common Stock

The issue prices of the common shares held by the Company are recorded in capital stock and capital surplus, and direct issue costs (after tax effect considerations) are deducted from capital surplus.

(ii) Treasury Shares

If treasury shares are acquired, the consideration paid after tax effect considerations, including direct transaction costs, is recognized as a deduction from capital stock. If treasury shares are on the market, the difference between the carrying amount and the consideration given is recognized in capital surplus.

(14) Revenue

The Group provides an information service through the Internet including its real estate and housing information website. The Group's revenue is measured at the fair value of the consideration for the service provided in ordinary transactions. The revenue from the provision of the service is recognized based on the progress of the transaction at the end of the period if the result of the service can be estimated reliably. If all the following conditions are met, the results of the transaction are considered to be able to be estimated reliably.

- The amount of revenue can be measured reliably.
- Economic benefits related to the transactions are likely to flow into the Group.
- The progress of transactions at the end of the period can be measured reliably.
- The expenses incurred for the transaction and those needed for completing the transaction can be measured reliably.

The standards for revenue recognition for major revenue categories are as follows.

(i) Revenue from Inquiries and Requests for Information Materials

This is the revenue from the real estate and housing information website "LIFULL HOME'S" operated by LIFULL. In this service, the client posts property information or places an advertisement, and the user reads the information. Revenue is recognized when the user makes an inquiry or a request for information materials, either by phone or email. Meanwhile, the aggregation site operated by Trovit is a service where the client posts information on properties, used cars, and jobs, and the user reads the information. Revenue is received from the service when the user clicks on the information and is guided to the client's information site. The revenue is recognized when the posted information is clicked.

(ii) Revenue from Listing Fees

This is the revenue from the service the Company offers to its clients through clients posting their property information on the Company's real estate and housing information website. The revenue is recognized based on the number of properties listed at the moment the month begins.

(iii) Revenue from Consulting

This is the revenue from advertisement consulting, a service that the Company offers to its clients by providing operational support and analysis of marketing and website creation. The revenue is recognized when the operation of listing advertisements or the optimization of its website search engine is completed or when the content to be posted on its website is delivered.

(15) Leases

Leases are categorized as financial leases if all risks of ownership and economic value are, in essence, transferred to the Group, and as operating leases in other cases.

A lease asset in a financial lease is recognized initially based on the fair value of the lease property calculated on the day when the lease starts or the present value of the total amount of minimum lease payments, whichever is lower. After the initial recognition, the asset is depreciated with the straight-line method over the lease term or economic life, whichever is shorter, except when it is reasonably certain that the Group will acquire the ownership before the expiration of the lease contract.

In an operating lease transaction, lease payments are recognized as expenses in the Consolidated Statements of Profit or Loss based on the straight-line method over the lease term. In addition, variable lease payments are recognized as expenses for the period in which they are paid.

Whether a contract is a lease or whether it includes a lease is determined based on the substance of the contract pursuant to IFRIC 4 Determining Whether an Arrangement Contains a Lease, even if it is not legally in the form of a lease.

(16) Income Taxes

The amount of income tax expenses in the Consolidated Statements of Profit or Loss is presented as the total of income taxes for the fiscal year under review and deferred income taxes.

Income taxes for the fiscal year under review are measured as the amount expected to be paid to or refunded by the tax authorities. The tax rate and tax law used in the calculation of a tax amount are those that have been established or essentially established before the closing date. Income taxes for the fiscal year under review are recognized as profit or loss, except for taxes on items directly recognized as other comprehensive income or capital.

Deferred income taxes are calculated based on the temporary differences between the tax bases of assets and liabilities on the closing date and their accounting book values. Deferred tax assets are recognized in the range where taxable income on deductible temporary differences, unused tax credits, and unused tax losses that can be collected are expected to arise. Deferred tax liabilities are, as a general rule, recognized for taxable temporary differences.

Deferred tax assets or liabilities are not recorded for the following temporary differences:

- Those arising from the initial recognition of goodwill.
- Those arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and does not affect accounting profit and taxable profit (tax loss).
- For deductible temporary differences related to equity in the arrangements of investments in and shared control of subsidiaries and affiliates, when the temporary differences are not likely to be reversed in the foreseeable future or there is not a high possibility that taxable profit, for which the temporary differences concerned are used, will 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 are realized or liabilities are settled based on the tax rate that has been established or essentially 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 fiscal year under review 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 is 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 is 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 Consolidated Financial Statements, management applies accounting policies, makes 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.

Estimates and assumptions that become the basis of estimates are reviewed continuously. The impact of revising accounting estimates is recognized in the consolidated accounting year in which such estimates are revised, and also in future consolidated accounting years. The following lists the estimates that involve material risk that causes significant revision of the book values of assets and liabilities in the current and next consolidated fiscal years and assumptions that become the basis of such estimates.

- Useful lives of property, plant and equipment and intangible assets ((6) Property, Plant and Equipment and (8) Intangible Assets of "3. Significant Accounting Policies")
- Recoverable value of cash-generating units consisting of property, plant and equipment, goodwill, intangible assets, etc. ((9) Impairment of Non-Financial Assets of "3. Significant Accounting Policies" and "11. Impairment of Non-Financial Assets")
- Recognition of deferred tax assets ((16) Income Taxes of "3. Significant Accounting Policies")
- Recognition of legal and constructive obligations related to asset retirement obligations ((12) Provisions of "3. Significant Accounting Policies")
- Valuation techniques for financial assets measured based on fair value, for which a market price in the active market does not exist ((5) Financial Instruments of "3. Significant Accounting Policies" and (4) Fair Value of Financial Instruments of "23. Financial Instruments")
- Recoverable value of accounts receivable-trade and other current receivables and other financial assets ((5) Financial Instruments of "3. Significant Accounting Policies" and (4) Fair Value of Financial Instruments of "23. Financial Instruments")

5. Segment Information

(1) Overview of Reportable Segments

The Group's reportable segments are components of the Group for which discrete financial information is available, and that are reviewed on a regular basis by the Board of Directors 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 Business segment and the Overseas Business 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 Business	Operation of the real estate and housing information website "LIFULL HOME'S," ancillary businesses related to this service (advertising agency business, systems development and website production business, among other businesses), the "renters.net" business support CRM service for real estate companies, the business support DMP service for real estate developers, and Internet marketing for realtors, among other services
Overseas Business	Operation of the Trovit aggregation site along with overseas real estate and housing information listing sites, among other services

(2) Revenue, Profit or Loss, and Other Items by Reportable Segment

The accounting policy for the reportable segments is the same as the accounting policy of the Group presented in “3. Significant Accounting Policies.”

The amounts of intersegment revenue are based on market prices.

Revenue, profit or loss, and other items by reportable segment are as follows:

Fiscal year ended September 30, 2018

(Thousands of yen)

	Reportable segment		Other*2	Total	Reconciliation*3	Consolidated
	HOME’S Services Business	Overseas Business				
Revenue						
Customers	28,602,177	3,861,345	2,101,393	34,564,915	—	34,564,915
Intersegment	9,276	92,935	11,124	113,335	(113,335)	—
Total	28,611,453	3,954,280	2,112,517	34,678,251	(113,335)	34,564,915
Segment profit (loss)*1	3,864,941	490,116	(186,330)	4,168,728	95,144	4,263,872
Other income (expense)						51,501
Operating profit						4,315,374
Financial revenue and expenses (net)						6,101
Share of profit (loss) of investments accounted for using the equity method						(164,964)
Profit before taxes						4,156,511
Other items						
Depreciation and amortization	765,114	250,146	52,016	1,067,276	—	1,067,276

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

*2 The Other Businesses segment comprises businesses that are not included in the reportable segments. These include LIFULL *Kaigo* (nursing care), a search website for care homes for the elderly and nursing care facilities; LIFULL Insurance, a search and booking website for insurance shops; LIFULL *Hikkoshi* (moving house), a website providing comprehensive estimates and online bookings for moving services; a property and liability insurance agency; LIFULL Interior, an e-commerce website for furniture and interior goods; and other new businesses.

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

Six months ended September 30, 2017

(Thousands of yen)

	Reportable segment		Other*2	Total	Reconciliation*3	Consolidated
	HOME’S Services Business	Overseas Business				
Revenue						
Customers	13,288,669	1,718,600	941,416	15,948,686	—	15,948,686
Intersegment	1,297	—	41,838	43,136	(43,136)	—
Total	13,289,967	1,718,600	983,255	15,991,822	(43,136)	15,948,686
Segment profit (loss)*1	1,067,684	131,682	(120,997)	1,078,369	41,021	1,119,391
Other income (expense)						(102,812)
Operating profit						1,016,579
Financial revenue and expenses (net)						(20,171)
Share of profit (loss) of investments accounted for using the equity method						(39,193)
Profit before taxes						957,214
Other items						
Depreciation and amortization	374,792	125,439	19,719	519,951	—	519,951

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

*2 The Other Businesses segment comprises businesses that are not included in the reportable segments. These include LIFULL *Kaigo* (nursing care), a search website for care homes for the elderly and nursing care facilities; LIFULL Insurance, a search and booking website for insurance shops; LIFULL *Hikkoshi* (moving house), a website providing comprehensive estimates and online bookings for relocation services; a property and casualty insurance agency; LIFULL Interior, an e-commerce website for furniture and interior goods; and other new businesses.

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

(3) Information on Non-Current Assets by Region

Fiscal year ended September 30, 2018

(Thousands of yen)

	Japan	Europe	Other	Total
Non-current assets	3,890,859	9,651,047	93,428	13,635,335

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	30,705,305	2,019,916	1,839,694	34,564,915

Notes: 1. Revenue is classified by country or region based on the locations of customers.
2. Countries and regions are classified on the basis of their geographical proximity.
3. Major countries and regions in the respective classifications
• Europe: Italy, U.K., France, etc.
• Countries in North America, South America, Asia, Oceania, and Africa

Six months ended September 30, 2017

(Thousands of yen)

	Japan	Europe	Other	Total
Non-current assets	4,202,716	9,909,266	95,279	14,207,262

Non-current assets by region are based on the locations of the assets and do not include financial assets or deferred tax assets.

Because revenue from external customers that is defined as domestic revenue makes up the majority of revenue in the Consolidated Statements of Profit or Loss, the description of revenue by region is omitted.

(4) 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, the description is omitted.

6. Cash and Cash Equivalents

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, 2017	As of September 30, 2018
Cash and deposits	5,509,642	7,571,312
Total	5,509,642	7,571,312

7. 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, 2017	As of September 30, 2018
Accounts receivable-trade	3,479,496	**3,793,632**
Accounts receivable-other	779,834	**817,694**
Allowance for credit losses	(29,754)	**(34,132)**
Total	4,229,575	**4,577,193**

Changes in the allowance for credit losses of the Group against accounts receivable-trade and other current receivables are as follows:

(Thousands of yen)

	Six months ended September 30, 2017	Fiscal year ended September 30, 2018
Beginning balance	24,695	**29,754**
Increase during the period (provision)	13,366	**32,969**
Decrease during the period (utilization)	—	**(7,051)**
Decrease during the period (reversal)	(10,237)	**(21,443)**
Exchange differences on translation of foreign operations	1,930	**(97)**
Ending balance	29,754	**34,132**

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.

8. Property, Plant and Equipment

The acquisition cost, changes in accumulated depreciation and accumulated impairment, and book value of property, plant and equipment are as follows:

(Thousands of yen)

Acquisition cost	Buildings	Tools, equipment and supplies	Leased properties	Construction in progress	Other	Total
Balance as of April 1, 2017	2,009,532	812,169	—	814	—	2,822,515
Acquisition	135,424	32,656	90,321	22,718	—	281,120
Reclassification from construction in progress	18,210	1,037	—	(23,532)	4,285	—
Business combinations	—	127	—	—	—	127
Disposition	(559,910)	(185,870)	—	—	—	(745,781)
Exchange differences on translation of foreign operations	4,011	19,908	—	—	—	23,919
Balance as of September 30, 2017	1,607,266	680,028	90,321	—	4,285	2,381,902
Acquisition	**52,453**	**43,900**	**—**	**88,499**	**1,245**	**186,099**
Reclassification from construction in progress	**70,605**	**15,218**	**—**	**(88,160)**	**2,336**	**—**
Disposition	**(4,372)**	**(13,380)**	**—**	**—**	**—**	**(17,753)**
Exchange differences on translation of foreign operations	**(79)**	**14,426**	**—**	**—**	**7**	**14,354**
Balance as of September 30, 2018	**1,725,873**	**740,194**	**90,321**	**339**	**7,874**	**2,564,602**

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

(Thousands of yen)

Accumulated depreciation and accumulated impairment	Buildings	Tools, equipment and supplies	Leased properties	Construction in progress	Other	Total
Balance as of April 1, 2017	(585,399)	(440,716)	—	—	—	(1,026,116)
Depreciation	(72,309)	(50,389)	(6,774)	—	(204)	(129,677)
Disposition	559,910	157,765	—	—	—	717,676
Exchange differences on translation of foreign operations	(1,718)	(15,386)	—	—	—	(17,105)
Balance as of September 30, 2017	(99,516)	(348,727)	(6,774)	—	(204)	(455,223)
Depreciation	**(201,811)**	**(98,746)**	**(9,032)**	**—**	**(1,668)**	**(311,257)**
Disposition	**1,395**	**10,334**	**—**	**—**	**—**	**11,730**
Exchange differences on translation of foreign operations	**69**	**788**	**—**	**—**	**—**	**857**
Balance as of September 30, 2018	**(299,863)**	**(436,351)**	**(15,806)**	**—**	**(1,872)**	**(753,893)**

(Thousands of yen)

Book value	Buildings	Tools, equipment and supplies	Leased properties	Construction in progress	Other	Total
Balance as of April 1, 2017	1,424,132	371,452	—	814	—	1,796,399
Balance as of September 30, 2017	1,507,749	331,300	83,547	—	4,080	1,926,679
Balance as of September 30, 2018	**1,426,010**	**303,843**	**74,515**	**339**	**6,001**	**1,810,709**

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

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

9. Intangible Assets

The acquisition cost, 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 April 1, 2017	4,379,224	1,347,549	150,572	5,877,346
Acquisition	7,822	—	—	7,822
Internal development	134,201	—	—	134,201
Disposition	(37,295)	—	—	(37,295)
Exchange differences on translation of foreign operations	—	115,058	12,251	127,310
Balance as of September 30, 2017	4,483,951	1,462,608	162,824	6,109,384
Acquisition	**88,682**	**—**	**500**	**89,182**
Internal development	**339,038**	**—**	**—**	**339,038**
Disposition	**(454,815)**	**—**	**—**	**(454,815)**
Exchange differences on translation of foreign operations	**—**	**(6,255)**	**(666)**	**(6,921)**
Balance as of September 30, 2018	**4,456,857**	**1,456,353**	**162,658**	**6,075,868**

(Thousands of yen)

Accumulated amortization and accumulated impairment	Software	Customer-related assets	Other	Total
Balance as of April 1, 2017	(2,727,185)	(459,113)	(69,507)	(3,255,806)
Amortization	(282,133)	(106,249)	(13,241)	(401,624)
Disposition	27,087	—	—	27,087
Exchange differences on translation of foreign operations	—	(49,311)	(6,250)	(55,561)
Balance as of September 30, 2017	(2,982,231)	(614,674)	(88,998)	(3,685,905)
Amortization	**(539,480)**	**(219,473)**	**(27,192)**	**(786,146)**
Disposition	**412,425**	**—**	**—**	**412,425**
Exchange differences on translation of foreign operations	**—**	**1,837**	**232**	**2,070**
Balance as of September 30, 2018	**(3,109,287)**	**(832,310)**	**(115,958)**	**(4,057,555)**

(Thousands of yen)

Book value	Software	Customer-related assets	Other	Total
Balance as of April 1, 2017	1,652,038	888,436	81,065	2,621,540
Balance as of September 30, 2017	1,501,720	847,933	73,825	2,423,479
Balance as of September 30, 2018	**1,347,570**	**624,043**	**46,699**	**2,018,313**

Software in intangible assets is mainly internally generated software.

There are no intangible assets whose 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 were recognized as expenses of ¥25,522 thousand in the previous consolidated fiscal period and ¥61,054 thousand in the consolidated fiscal year under review.

10. Goodwill

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

(Thousands of yen)

	Six months ended September 30, 2017	Fiscal year ended September 30, 2018
(Acquisition cost)		
Beginning balance	8,860,811	**9,857,104**
Business combinations	88,964	**—**
Exchange differences on translation of foreign operations	907,327	**(50,791)**
Ending balance	9,857,104	**9,806,312**
(Accumulated impairment)		
Beginning balance	—	**—**
Impairment losses	—	**—**
Ending balance	—	**—**
(Book value)		
Beginning balance	8,860,811	**9,857,104**
Ending balance	9,857,104	**9,806,312**

11. Impairment of Non-Financial Assets

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

The Group determines whether there are any signs of impairment in property, plant and equipment 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 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 in the previous consolidated fiscal period or the consolidated fiscal year under review.

(2) Impairment of Goodwill and Intangible Assets for which the Useful Life Cannot be Fixed

(i) Cash-generating unit

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

There are no intangible assets for which the useful life cannot be fixed.

(Thousands of yen)

Cash-generating unit	As of September 30, 2017	As of September 30, 2018
Trovit Search S.L.U.	9,168,340	**9,119,340**
Other	688,764	**686,971**
Total	9,857,104	**9,806,312**

(ii) Calculation basis of recoverable amounts
Significant assumptions used for the calculation of recoverable amounts in the previous consolidated fiscal period (six months ended September 30, 2017) and the consolidated fiscal year under review (year ended September 30, 2018) are as follows.
The following predicted values are used when the Group analyzes each cash-generating unit or cash-generating unit group:

	As of September 30, 2017		As of September 30, 2018	
	Growth rate used for calculating the going concern value	Discount rate before taxes	Growth rate used for calculating the going concern value	Discount rate before taxes
Trovit Search S.L.U.	3.0%	15.5%	**2.7%**	**13.7%**
Other	0.0%	16.7%–33.1%	**0.0%–2.0%**	**15.6%–33.1%**

For the cash-generating unit of Trovit Search S.L.U., the Group's management has determined, as a result of an impairment test, that the possibility that an impairment loss will be generated will be low even if assumptions such as the discount rate and the growth rate used in the projected period of cash-generating units have changed within a reasonable range.

(iii) Recognition of impairment losses
The Group did not recognize impairment losses in the previous consolidated fiscal period or the consolidated fiscal year under review.

12. 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, 2017	**As of September 30, 2018**
Trovit Search, S.L.U.	Barcelona, Spain	Operation of aggregation website	100.0	**100.0**
LIFULL senior Co., Ltd.	Chiyoda-ku, Tokyo	Operation of the website for searching for housing and nursing facilities for seniors, LIFULL *Kaigo* (nursing care)	93.0	**93.0**
LIFULL MOVE Co., Ltd.	Chiyoda-ku, Tokyo	Operation of the website for comprehensive estimates and online bookings for relocation, LIFULL *Hikkoshi* (moving house)	97.0	**97.0**
LIFULL SPACE Co., Ltd.	Chiyoda-ku, Tokyo	Operation of the website for searching for rental storage space, LIFULL Storage	94.3	**94.3**
LIFULL FinTech Co., Ltd.	Chiyoda-ku, Tokyo	Operation of the website for searching for and booking insurance agents, LIFULL Insurance Consultation	97.3	**97.3**
LIFULL Marketing Partners Co., Ltd.	Chiyoda-ku, Tokyo	Agency service for online advertisements, consulting, planning and management	100.0	**100.0**

13. 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, 2017	As of September 30, 2018
Book value of investments accounted for using the equity method	278,483	**785,146**

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, 2017	As of September 30, 2018
Incorporated amount for share of profit for the period	(39,193)	**(164,964)**
Incorporated amount for share of other comprehensive income	(2,303)	**(1,270)**
Incorporated amount for share of total comprehensive income	(41,496)	**(166,235)**

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.

14. Corporate Income Taxes

(1) Deferred Taxes

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

Fiscal year ended September 30, 2018

(Thousands of yen)

	October 1, 2017	Recognized as profit or loss	Recognized as other comprehensive income	Other (Note)	September 30, 2018
Deferred tax assets					
Allowance for credit losses	16,066	43	—	2	**16,112**
Employees' bonuses	206,629	25,474	—	(78)	**232,024**
Accrued paid leave	125,574	6,110	—	(7)	**131,677**
Enterprise taxes payable	21,276	57,099	—	—	**78,376**
Impairment losses	4,211	(2,317)	—	—	**1,893**
Asset retirement obligations	159,303	4,393	—	—	**163,697**
Fair value measurement of financial assets	5,673	0	—	—	**5,673**
Expenses for acquisition of interests	43,817	—	—	—	**43,817**
Other	171,372	(115,848)	—	(11,166)	**44,357**
Total deferred tax assets	753,926	(25,045)	—	(11,250)	**717,630**
Deferred tax liabilities					
Trademark rights	13,384	(6,109)	(106)	—	**7,168**
Customer-related assets	227,016	(56,602)	(1,104)	—	**169,309**
Other	320,876	20,348	411	—	**341,635**
Total deferred tax liabilities	561,277	(42,363)	(800)	—	**518,113**

Note: Other includes exchange differences of foreign operations.

Six months ended September 30, 2017

(Thousands of yen)

	April 1, 2017	Recognized as profit or loss	Recognized as other comprehensive income	Other (Note)	September 30, 2017
Deferred tax assets					
Allowance for credit losses	15,803	77	—	185	16,066
Employees' bonuses	251,041	(45,351)	—	939	206,629
Accrued paid leave	123,522	1,906	—	145	125,574
Enterprise taxes payable	42,590	(21,313)	—	—	21,276
Impairment losses	5,783	(1,571)	—	—	4,211
Asset retirement obligations	201,812	(42,509)	—	—	159,303
Fair value measurement of financial assets	5,673	—	—	—	5,673
Expenses for acquisition of interests	43,817	—	—	—	43,817
Other	170,714	11,554	(5,128)	(5,767)	171,372
Total deferred tax assets	860,759	(97,207)	(5,128)	(4,497)	753,926
Deferred tax liabilities					
Trademark rights	14,853	(2,944)	—	1,474	13,384
Customer-related assets	238,009	(27,429)	—	16,436	227,016
Other	218,829	106,661	(4,590)	(23)	320,876
Total deferred tax liabilities	471,693	76,287	(4,590)	17,887	561,277

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, 2017	As of September 30, 2018
Deferred tax assets	509,888	**563,833**
Deferred tax liabilities	317,240	**364,316**
Net	192,648	**199,516**

(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 ¥663,992 thousand and ¥304,165 thousand in the previous consolidated fiscal period and the consolidated fiscal year under review, respectively.

The description of the amount of loss carried forward for each carryover deadline for which deferred tax assets are not recognized is omitted, because the amount is 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, 2017	As of September 30, 2018
Total amount of taxable temporary differences relating to investments in subsidiaries	621,242	**1,090,066**

(4) Income Tax Expenses
The breakdown of current tax expense and deferred tax expense is as follows:

(Thousands of yen)

	Six months ended September 30, 2017	Fiscal year ended September 30, 2018
Current tax expense		
Current tax expense for profit for the period	300,221	**1,373,834**
Total current tax expense	300,221	**1,373,834**
Deferred tax expense		
Origination and reversal of temporary differences	173,494	**(17,318)**
Total deferred tax expense	173,494	**(17,318)**
Income tax expenses	473,716	**1,356,515**

Reconciliation of income tax based on the statutory effective tax rate and the average effective tax rate is as follows: The average effective tax rate shows the ratio of the burden of income tax to profit before taxes for the period.

Mainly corporate tax, residential tax, and enterprise tax are imposed on the Group, and the statutory effective tax rate calculated based on these taxes is 30.9% in the previous consolidated fiscal period and 30.9% in the consolidated fiscal year under review. However, corporate taxes, etc. are imposed on overseas subsidiaries in their respective locations.

	Six months ended September 30, 2017	Fiscal year ended September 30, 2018
Statutory effective tax rate	30.9%	**30.9%**
Reconciliation		
Items that are not permanently deductible, such as entertainment expenses	2.6%	**0.5%**
Tax rate difference for foreign subsidiaries	(1.2)%	**(1.8)%**
Tax rate difference for domestic subsidiaries	0.7%	**0.5%**
Retained profit of foreign subsidiaries	6.6%	**2.6%**
Changes in unrecognized deferred tax assets	2.9%	**1.4%**
Share of loss (profit) of entities accounted for using equity method	1.3%	**1.2%**
Non-deduction of withholding taxes of foreign companies	3.0%	**—%**
Other	2.7%	**(2.7)%**
Average effective tax rate	49.5%	**32.6%**

15. 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, 2017	As of September 30, 2018
Other financial assets		
Available-for-sale financial assets	442,159	512,907
Loans and receivables		
Lease and guarantee deposits	717,630	772,875
Loans and receivables	48,291	267,539
Allowance for credit losses	(37,817)	(29,613)
Total loans and receivables	728,105	1,010,801
Total	1,170,265	1,523,708
Current assets	—	230,000
Non-current assets	1,170,265	1,293,708
Total	1,170,265	1,523,708

The increase in loans and receivables in the fiscal year under review resulted from lending operations by LIFULL Social Funding Co., Ltd., a consolidated subsidiary.

Changes in provision for credit losses of the Group against the impairment of loans and receivables are as follows:

(Thousands of yen)

	Six months ended September 30, 2017	Fiscal year ended September 30, 2018
Beginning balance	37,854	37,817
Increase during the period (provision)	20,912	34,101
Decrease during the period (utilization)	(5,392)	(35,490)
Decrease during the period (reversal)	(15,556)	(6,815)
Ending balance	37,817	29,613

Of loans and receivables, the Group has established an allowance for credit losses against the amount of impairment of operating receivables that are individually impaired, 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.

The amounts of receivables that are individually impaired are mainly those from customers whose retention period has been prolonged, and they were ¥46,299 thousand and ¥35,557 thousand in the previous consolidated fiscal period and the consolidated fiscal year under review, respectively. The Group does not have security on these receivables.

(2) Other Financial Liabilities

(Thousands of yen)

	As of September 30, 2017	As of September 30, 2018
Current short-term loans	970,947	—
Other	28,465	—
Total	999,412	—
Current liabilities	999,412	—
Total	999,412	—

16. Other Assets and Liabilities

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

(1) Other Assets

(Thousands of yen)

	As of September 30, 2017	As of September 30, 2018
Prepayments	18,380	**8,068**
Prepaid expenses	418,065	**403,926**
Other	21,970	**113,439**
Total	458,417	**525,434**
Current assets	454,287	**521,720**
Non-current assets	4,129	**3,714**
Total	458,417	**525,434**

(2) Other Liabilities

(Thousands of yen)

	As of September 30, 2017	As of September 30, 2018
Accrued expenses	373,853	**305,005**
Accrued employees' bonuses	674,346	**736,717**
Accrued paid leave	396,294	**416,190**
Accrued consumption taxes	187,075	**391,672**
Other	300,788	**205,354**
Total	1,932,359	**2,054,940**
Current liabilities	1,898,684	**2,029,275**
Non-current liabilities	33,675	**25,664**
Total	1,932,359	**2,054,940**

17. Accounts Payable and Other Current Payables

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

(Thousands of yen)

	As of September 30, 2017	As of September 30, 2018
Trade payables	458,097	**479,648**
Accounts payable-other	2,478,251	**2,311,896**
Total	2,936,348	**2,791,544**

18. Interest-Bearing Debt

The breakdown of interest-bearing debt is as follows:

(Thousands of yen)

	As of September 30, 2017	As of September 30, 2018	Average interest rate (%)	Repayment date
Current portion of non-current borrowings (current borrowings)	970,947	**—**	—	—
Total	970,947	**—**	—	—
Total current liabilities	970,947	**—**	—	—

19. Lease Transactions

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

(Thousands of yen)

	Six months ended September 30, 2017	Fiscal year ended September 30, 2018
Minimum lease payments	442,458	**713,692**

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

(Thousands of yen)

	As of September 30, 2017	As of September 30, 2018
Within one year	661,665	**731,189**
After one year but within five years	2,894,750	**3,015,163**
After five years	1,801,765	**1,801,765**
Total	5,358,181	**5,548,118**

Operating lease payments are rent expenses to be paid by the Group for buildings and tools, furniture and fixtures, etc.

There is no restriction imposed by contingent rents, subleasing arrangements, purchase options, renewal options, an escalation clause, or leasing arrangements.

20. Provisions

The breakdown of provisions is as follows:

(Thousands of yen)

	As of September 30, 2017	As of September 30, 2018
Asset retirement obligations	518,680	**533,662**
Total	518,680	**533,662**
Non-current provisions	518,680	**533,662**

Note: Details of provisions are stated in (12) Provisions of "3. Significant Accounting Policies."

Details of changes in provisions are as follows:

(Thousands of yen)

	Asset retirement obligations
Balance as of September 30, 2017	518,680
Increase during the period	14,593
Adjustments arising from the passage of time	389
Balance as of September 30, 2017	533,662

Note: Details of provisions are stated in (12) Provisions of "3. Significant Accounting Policies."

Asset retirement obligations

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

21. 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 April 1, 2017	350,452,800	**118,789,100**
Changes	—	**—**
Balance as of September 30, 2017	350,452,800	**118,789,100**
Changes	—	**—**
Balance as of September 30, 2018	350,452,800	**118,789,100**

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 April 1, 2017	73,669
Changes*	67
Balance as of September 30, 2017	73,736
Changes	—
Balance as of September 30, 2018	73,736

* Increase in the number of shares
  Demand for purchase of shares of less than one unit: 67 shares

(3) Capital and Capital Surplus

The Companies Act of Japan stipulates that half or more of the amount of the contribution upon a share issue shall be recorded as capital and that the remaining amount shall be recorded as capital reserve that is included in capital surplus. The Companies Act also allows the amount of capital reserve to be recorded as capital by the resolution of a shareholders meeting.

(4) Retained Earnings

The Companies Act stipulates that an amount equivalent to one tenth of the surplus that will be reduced by the payment of dividends of surplus shall be recorded as capital reserve or retained earnings until the total amount of capital reserve and retained earnings reaches one fourth of capital.

In the Company, the distributable amount under the Companies Act is calculated based on the amount of retained earnings in its accounting book that is prepared in compliance with the generally accepted accounting standards in Japan. The Companies Act sets a certain limit in the calculation of the distributable amount.

(5) Other Components of Equity

Fiscal year ended September 30, 2018

(Thousands of yen)

	Exchange differences on translation of foreign operations	Available-for-sale financial assets	Other	Total
As of October 1, 2017	**(759,301)**	**26,301**	**482**	**(732,517)**
Other comprehensive income	**(62,539)**	**34,062**	**(451)**	**(28,928)**
Total comprehensive income	**(62,539)**	**34,062**	**(451)**	**(28,928)**
As of September 30, 2018	**(821,841)**	**60,363**	**31**	**(761,446)**

Six months ended September 30, 2017

(Thousands of yen)

	Exchange differences on translation of foreign operations	Available-for-sale financial assets	Other	Total
As of April 1, 2017	(1,884,515)	25,030	556	(1,858,928)
Other comprehensive income	1,125,213	1,271	(74)	1,126,410
Total comprehensive income	1,125,213	1,271	(74)	1,126,410
As of September 30, 2017	(759,301)	26,301	482	(732,517)

(i) Exchange differences on conversion of foreign operations

Exchange differences on conversion 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) Available-for-sale financial assets

Available-for-sale financial assets represent valuation differences in the fair value of available-for-sale financial assets that are measured through other comprehensive income.

22. Dividends

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

(1) Amount of Dividends Paid

Fiscal year ended September 30, 2018					
Date of resolution	Class of shares	Dividend per share (Yen)	Total amount of dividends (Thousands of yen)	Record date	Effective date
December 21, 2017	Common stock	0.82	97,346	September 30, 2017	December 22, 2017

Six months ended September 30, 2017					
Date of resolution	Class of shares	Dividend per share (Yen)	Total amount of dividends (Thousands of yen)	Record date	Effective date
June 28, 2017	Common stock	5.66	671,929	March 31, 2017	June 29, 2017

Dividends payable are included and presented in “trade and other current payables” in the Consolidated Statements of Financial Position.

(2) Dividends Whose Record Date Belongs to the Consolidated Fiscal Year Under Review and Whose Effective Date is in the Next Consolidated Fiscal Year

Fiscal year ended September 30, 2018				
Date of resolution	Dividend per share (Yen)	Total amount of dividends (Thousands of yen)	Record date	Effective date
December 10, 2018	6.02	714,666	September 30, 2018	December 11, 2018

23. Financial Instruments

(1) Equity Management

The Group works on new services and new businesses to expand its business 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, 2017	As of September 30, 2018
Cash and cash equivalents	5,509,642	7,571,312
Interest-bearing debt	970,947	—
Total equity	19,293,650	21,996,326

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

(2) Management Policy on Financial Risks

In the Group, various financial risks (currency risk, interest rate risk, credit risk, and liquidity risk) occur in the course of running the business. The Group manages risks according to a certain policy to prevent and reduce the financial risks.

As its policy, the Group limits derivatives to transactions with the aim of mitigating the risks involved in transactions based on actual demand and does not conduct transactions for speculative or trading purposes.

(i) Currency risk management

The Group operates businesses in multiple countries and regions, and its operating results and financial position are exposed to currency risk. The Company performs the continuous monitoring of exchange rates for the purpose of managing the currency risk.

The Group hedges the risk of exchange fluctuations in foreign currency borrowings with currency swaps, etc. and conducts interest rate swaps for the purpose of fixing interest rates of funds raised at the floating rate. However, if the requirements for hedge accounting are not met, the interest rate swaps could have an impact on profit before taxes and equity in the Consolidated Statements of Profit or Loss.

Details of interest rate and currency swaps are as follows, and there are no derivative transactions to which hedge accounting is not applied.

Fiscal year ended September 30, 2018

Not applicable.

Six months ended September 30, 2017

Derivative transactions to which hedge accounting is applied:

(Thousands of yen)

	Contract amount, etc.	Maturity over 1 year	At fair value
Interest rate and currency swaps			
Receive floating interest rate / pay fixed interest rate	304,267	—	28,465
Total	304,267	—	28,465

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 as follows:

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)

	Six months ended September 30, 2017	Fiscal year ended September 30, 2018
Profit before taxes	(1,560)	**(2,338)**
Equity	(1,170)	**(1,754)**

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 interest rates and floating interest rates, and the borrowed funds are exposed to the risk of fluctuations in interest rates. While almost half of interest-bearing debt is borrowings raised at a fixed interest rate, borrowings raised at a floating interest rate substantively derive an equivalent benefit to borrowings raised at a fixed interest rate from interest rate swaps.

As a result, the risk of fluctuations in interest rates is insignificant, and therefore the disclosure of the sensitivity analysis of the risk of fluctuations in interest rates is omitted.

(iii) Credit risk management

Receivables arising from operating activities of the Group are exposed to the credit risk of customers. Against the credit risk, the Group has established a system for managing the due dates and the balance of receivables for each customer according to the sales management regulations, etc. and regularly ascertaining the credit situation of the main customers.

The book value of the financial assets after impairment that are presented in the consolidated financial statements is the maximum value of the exposure of the Group's financial assets to the credit risk that does not take the appraised value of the collateral obtained into consideration.

The age analysis of financial assets that are past due but are not impaired is as follows:

In the age analysis, an amount for each delinquency period starting from the due date as of the end of the consolidated fiscal year is stated for financial assets for which payment is past due based on the terms of contract or is not made.

(Thousands of yen)

	As of September 30, 2018		
	Up to 3 months	Over 3 months and up to 6 months	Over 6 months
Accounts receivable-trade and other current receivables	**40,435**	**1,234**	**734**
Total	**40,435**	**1,234**	**734**

(Thousands of yen)

	As of September 30, 2017		
	Up to 3 months	Over 3 months and up to 6 months	Over 6 months
Accounts receivable-trade and other current receivables	66,873	458	8,140
Total	66,873	458	8,140

For the financial assets stated above, there is no property held as security or property that enhances credit.

(iv) Liquidity risk management

The Group manages liquidity risk through the analysis of budgets and actual results of cash flows and basically ensures necessary liquidity by cash flows from operating activities.

The Group also reduces liquidity risk by setting a credit line provided by large financial institutions in Japan.

(Thousands of yen)

	As of September 30, 2017	As of September 30, 2018
Credit line	5,500,000	5,500,000
Outstanding borrowings	—	—
Unused portions	5,500,000	5,500,000

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

(Thousands of yen)

	Within one year	After one year but within five years	After five years	Total
Balance as of September 30, 2017				
Accounts payable and other current payables	2,936,348	—	—	2,936,348
Current short-term loans	970,947	—	—	970,947
Other short-term financial liabilities*	25,146	—	—	25,146
Balance as of September 30, 2018				
Accounts payable and other current payables	2,791,544	—	—	2,791,544

* Other long-term financial liabilities in the previous consolidated fiscal period are derivative financial liabilities, consisting of receipts of ¥307,815 thousand and payments of ¥332,962 thousand.

(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, 2018

(Financial assets)

(Thousands of yen)

	Financial assets at fair value	Loans and receivables	Total
	Available-for-sale financial assets		
Accounts receivable-trade and other current receivables	—	4,577,193	4,577,193
Other short-term financial assets	—	230,000	230,000
Other long-term financial assets	512,907	780,801	1,293,708
Total	512,907	5,587,994	6,100,901

(Financial liabilities)

(Thousands of yen)

	Financial liabilities at fair value	Financial liabilities at amortized cost	Total
	Derivatives designated as hedge		
Accounts payable and other current payables	—	2,791,544	2,791,544
Total	—	2,791,544	2,791,544

As of September 30, 2017

(Financial assets)

(Thousands of yen)

	Financial assets at fair value: Available-for-sale financial assets	Loans and receivables	Total
Accounts receivable-trade and other current receivables	—	4,229,575	4,229,575
Other long-term financial assets	442,159	728,105	1,170,265
Total	442,159	4,957,680	5,399,840

(Financial liabilities)

(Thousands of yen)

	Financial liabilities at fair value: Derivatives designated as hedge	Financial liabilities at amortized cost	Total
Accounts payable and other current payables	—	2,936,348	2,936,348
Current short-term loans	—	970,947	970,947
Other short-term financial liabilities	28,465	—	28,465
Total	28,465	3,907,296	3,935,761

(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, 2017		As of September 30, 2018	
	Book value	At fair value	Book value	At fair value
Financial assets at amortized cost				
Other long-term financial assets	717,630	714,068	**772,875**	**766,346**

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 financial statements, lease and guarantee deposits are stated.

The main measurement methods of the fair value of financial instruments above are as follows:

(a) 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.

(b) Short-term loans

The fair value of short-term loans is measured by the discounted cash flow method using an interest rate that is assumed based on the case that loans are borrowed on the same terms and conditions for the same remaining period, and it is classified as Level 3.

(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, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale financial assets	—	—	512,907	512,907

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, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale financial assets	—	—	442,159	442,159
Financial liabilities				
Derivatives to which hedge accounting is applied	—	28,465	—	28,465

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) Available-for-sale financial assets
While the fair value of marketable securities is measured by using the market price, the tradable price in the case that an active market does not exist is classified as Level 2 as an observable input. The fair value of unlisted common shares is calculated by a valuation model based on the discounted future cash flow, revenue, profitability, and net assets and other valuation methods, and classified as Level 3.

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

(Thousands of yen)

	Six months ended September 30, 2017	Fiscal year ended September 30, 2018
	Available-for-sale financial assets	Available-for-sale financial assets
Beginning balance	402,942	442,159
Total gains and losses		
Profit or loss	(5,222)	(1,366)
Other comprehensive income	(1,527)	47,592
Acquisition	45,968	75,672
Disposal by sale	—	(51,151)
Ending balance	442,159	512,907

Gains and losses of the financial instrument above that were recognized in profit or loss are included in “financial revenue” and “financial expenses” in the Consolidated Statements of Profit or Loss. In addition, gains and losses that were recognized in other comprehensive income are included in “available-for-sale financial assets” and “exchange differences on translation of foreign operations” in the Consolidated Statements of Comprehensive Income.

(iii) Valuation techniques and inputs
Available-for-sale financial assets that are classified as Level 3 are mainly composed of unlisted shares. The fair value of these unlisted shares is measured by applying the similar company comparison method, the discounted cash flow method, valuation models based on most recent transaction prices and net assets, and the like. Significant unobservable inputs in the previous fiscal period equaled the discount ratio (20.0%) in the discounted cash flow method among these valuation techniques. Such inputs in the fiscal year under review equaled the price sales ratio (8.04 times) in the similar company comparison method. An increase (a decrease) in the discount ratio and a fall (a rise) in the price sales ratio cause the fair value of unlisted shares to drop (climb).

(iv) Valuation process
For assets and liabilities that are classified as Level 3, external valuation experts or appropriate persons in charge of valuation perform a valuation and analyze the results according to the valuation policy and procedures approved by the responsible person in the business administration department. The valuation results are reviewed and approved by the responsible person in the business administration department.

24. Revenue

Almost all revenue is derived from the provision of services.

25. Cost of Revenue

The breakdown of the cost of revenue is as follows:

(Thousands of yen)

	Six months ended September 30, 2017	Fiscal year ended September 30, 2018
Commission fee	1,589,547	**3,522,069**
Subcontract expenses	127,029	**38,974**
Other	145,893	**318,226**
Total	1,862,470	**3,879,270**

26. Selling, General, and Administrative Expenses

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

(Thousands of yen)

	Six months ended September 30, 2017	Fiscal year ended September 30, 2018
Advertising expenses	5,414,217	**11,384,177**
Benefit expenses for employees and directors	3,795,973	**7,727,220**
Rents	575,473	**839,465**
Commission fee	1,165,123	**2,346,731**
Subcontract expenses	611,747	**1,205,333**
Depreciation and amortization	519,951	**1,067,276**
Other	884,337	**1,851,566**
Total	12,966,824	**26,421,772**

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

(Thousands of yen)

	Six months ended September 30, 2017	Fiscal year ended September 30, 2018
Salaries and allowances	2,467,673	**5,187,303**
Directors' compensation	173,374	**303,430**
Employees' bonuses	648,368	**1,222,435**
Legal welfare expenses	448,766	**934,039**
Other	57,790	**80,010**
Total	3,795,973	**7,727,220**

27. Other Income and Expenses

(1) Other Income
The breakdown of other income is as follows:

(Thousands of yen)

	Six months ended September 30, 2017	Fiscal year ended September 30, 2018
Subsidy income	17,743	**43,647**
Income from the restaurant business	32,664	**61,536**
Gain on sales of shares of subsidiaries and associates	—	**89,902**
Other	45,869	**61,983**
Total	96,276	**257,069**

Note: Subsidies of a total of ¥17,743 thousand and ¥29,655 thousand were granted in the previous consolidated fiscal period and the consolidated fiscal year under review, respectively, based on the "Industrial Revitalization Municipal Ordinance of Kochi City."
The subsidies are recognized at fair value if the collateral conditions for the grant of a subsidy are met and if reasonable assurance about the receiving subsidiary is obtained. They are recognized as other income in profit or loss.
Subsidies related to income are recognized as profit or loss over the period when expenses compensated by subsidies are recognized.

(2) Other Expenses

The breakdown of other expenses is as follows:

(Thousands of yen)

	Six months ended September 30, 2017	Fiscal year ended September 30, 2018
Loss on sales and retirement of non-current assets	27,811	37,385
Expenses for the restaurant business	86,314	108,677
Rent expenses on real estate	24,767	50,721
Foreign exchange losses	47,263	2,047
Other	12,932	6,736
Total	199,089	205,567

28. Financial Revenue and Financial Expenses

(1) Financial Revenue

The breakdown of financial revenue is as follows:

(Thousands of yen)

	Six months ended September 30, 2017	Fiscal year ended September 30, 2018
Interest income		
Cash and cash equivalents	71	96
Disposition gains		
Available-for-sale financial assets	—	25,810
Total	71	25,907

(2) Financial Expenses

The breakdown of financial expenses is as follows:

(Thousands of yen)

	Six months ended September 30, 2017	Fiscal year ended September 30, 2018
Interest expenses		
Interest-bearing debt	14,997	18,773
Provisions	23	—
Impairment losses		
Available-for-sale financial assets	5,222	1,032
Total	20,243	19,806

29. Other Comprehensive Income

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

(Thousands of yen)

	Fiscal year ended September 30, 2018				
	Accruals during the period	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that may be reclassified as profit or loss, net of tax:					
Available-for-sale financial assets	45,780	—	45,780	(11,718)	34,062
Exchange differences on translation of foreign operations	(61,046)	(221)	(61,267)	—	(61,267)
Cash flow hedges	—	(604)	(604)	152	(451)
Share of other comprehensive income of investments accounted for using the equity method	(1,270)	—	(1,270)	—	(1,270)
Total other comprehensive income	(16,536)	(825)	(17,361)	(11,565)	(28,927)

(Thousands of yen)

	Six months ended September 30, 2017				
	Accruals during the period	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that may be reclassified as profit or loss, net of tax:					
Available-for-sale financial assets	1,677	—	1,677	(568)	1,108
Exchange differences on translation of foreign operations	1,127,554	—	1,127,554	—	1,127,554
Cash flow hedges	(104)	—	(104)	30	(74)
Share of other comprehensive income of investments accounted for using the equity method	(2,303)	—	(2,303)	—	(2,303)
Total other comprehensive income	1,126,823	—	1,126,823	(537)	1,126,285

30. Per Share Information

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

	Six months ended September 30, 2017	Fiscal year ended September 30, 2018
Profit attributable to owners of the parent (Thousands of yen)	489,042	**2,859,671**
Average number of basic common shares during the period	118,715,365	**118,715,364**
Profit per share attributable to owners of the parent (Yen)		
Basic earnings per share	4.12	**24.09**
Diluted earnings per share	4.12	**24.09**

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

31. Supplementary Information on the Consolidated Statements of Cash Flows

Fiscal year ended September 30, 2018

Major items in the purchase of shares in affiliates were additional investments in RAKUTEN LIFULL STAY PTE. LTD. of ¥267,918 thousand and investments in KAMARQ HOLDINGS PTE. LTD. of ¥399,866 thousand.

Proceeds from sales of shares in subsidiaries resulted from the disposal of shares in FLYMEe Inc., which had been an affiliate. Lending expenses resulted from lending operations performed by LIFULL Social Funding Co., Ltd., a consolidated subsidiary.

Six months ended September 30, 2017

Of the purchase of property, plant, and equipment, the major item was (¥817,956 thousand) related to the relocation of the head office.

Of the proceeds from the refund of leasehold deposits and guarantee, the major item was ¥439,578 thousand related to the relocation of the head office.

The purchase of shares of associates was due to the acquisition of shares in RAKUTEN LIFULL STAY PTE. LTD. (shareholding ratio 49%).

Of the purchase of shares in subsidiaries, the major item was the acquisition of shares in LIFULL Marketing Partners Co., Ltd. (shareholding ratio rose from 60% to 100%). The ¥184,018 thousand difference between the ¥205,981 thousand of change in equity resulting from transactions with non-controlling interests and the ¥390,000 thousand in consideration paid was reduced from capital surplus.

32. Contingent Liability

Not applicable.

33. Commitment

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

(Thousands of yen)

	Six months ended September 30, 2017	Fiscal year ended September 30, 2018
Commitment to the purchase of property, plant and equipment and intangible assets	46,410	**47,042**

34. Subsequent Events

Not applicable.

35. Transactions with Related Parties

(1) Transactions with Related Parties

There were no transactions with related parties and the balance of receivables and payables in the previous consolidated fiscal period and the consolidated fiscal year under review.

(2) Compensation for Principal Executives

Compensation for principal executives of the Group is as follows:

(Thousands of yen)

	Six months ended September 30, 2017	Fiscal year ended September 30, 2018
Short-term compensation	65,146	**127,252**
Total	65,146	**127,252**

36. Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the President and CEO of the Group, Takashi Inoue, on December 10, 2018.

Consolidated Supplementary Schedules

Bonds Schedule:

Not applicable.

Borrowings Schedule:

The information is provided in notes to the consolidated financial statements "18. Interest-Bearing Debt" and "23. Financial Instruments."

Asset Retirement Obligations Schedule:

The information is provided in notes to the consolidated financial statements "20. Provisions."

Other

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

(Cumulative period)		First quarter	Second quarter	Third quarter	Fiscal year under review
Revenue	(Thousands of yen)	8,128,651	17,669,772	26,015,262	34,564,915
Profit before taxes	(Thousands of yen)	1,080,833	2,426,062	3,552,507	4,156,511
Profit attributable to owners of the parent	(Thousands of yen)	591,727	1,572,078	2,274,527	2,859,671
Basic earnings per share	(Yen)	4.98	13.24	19.16	24.09

(Accounting period)		First quarter	Second quarter	Third quarter	Fourth quarter
Basic profit per share	(Yen)	4.98	8.26	5.92	4.93

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 24th Yuho* Financial Report, which was based on the audit carried out by PricewaterhouseCoopers Aarata LLC. While part of the layout has been changed, every effort was made in the preparation of this annual report to ensure there were no discrepancies between it and the content of the Yuho Financial Report.

Please note that neither the Japanese nor English integrated reports were included in the scope of the audit carried out by PricewaterhouseCoopers Aarata LLC.

* A document Japanese companies must prepare each fiscal year to comply with the Financial Instruments and Exchange Act.

Shareholder Information

(As of September 30, 2018)

Stock Information (As of September 30, 2018)

Fiscal year-end	September 30
General meeting of shareholders	December
Date of record for shareholders paid year-end dividends	September 30
Financial institution managing list of shareholders and special accounts	Sumitomo Mitsui Trust Bank, Limited
Contact information for above	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Department 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, Japan
Stock exchange listing	Tokyo Stock Exchange, First Section (Code: 2120)
Share trading unit	100 shares
Methods for releasing announcements	We provide public announcements by electronic means via our company website. https://lifull.com/en/

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

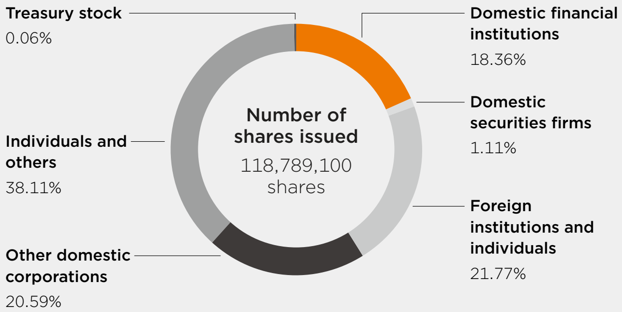
Questions on stocks and dividends
Please direct inquiries to the abovementioned administrator of shareholder lists. Shareholders using securities firms, please direct inquiries to the firm administering the account.

Major Shareholders (As of September 30, 2018)

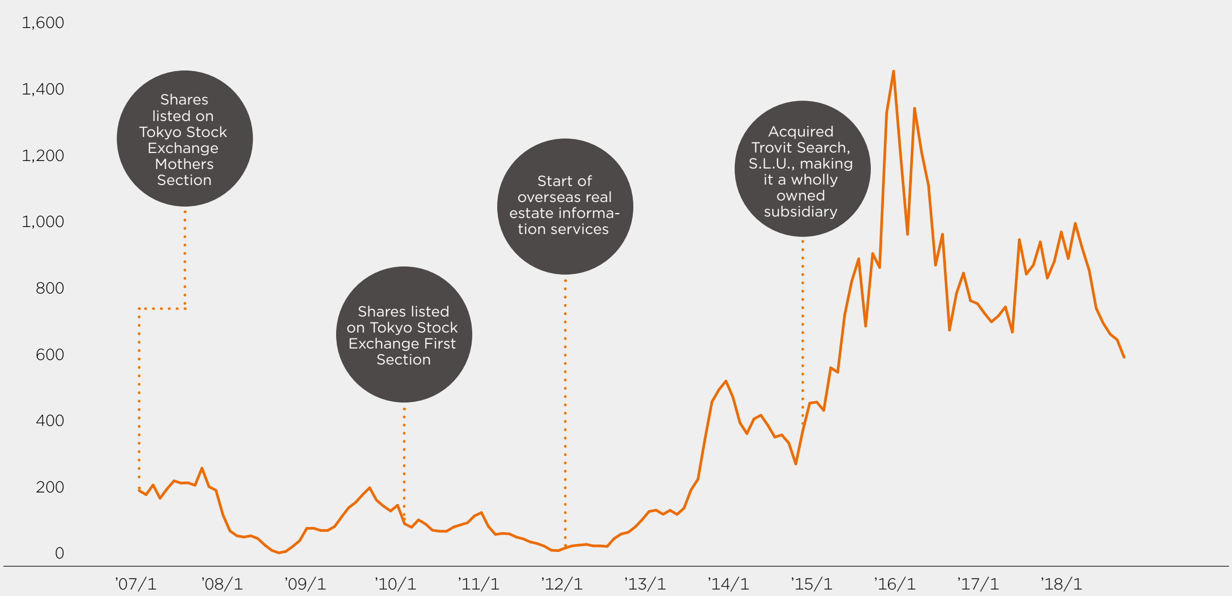
Name	Number of shares	Shareholding ratio (%)
Takashi Inoue	32,941,000	27.75
Rakuten, Inc.	23,797,100	20.05
Japan Trustee Services Bank, Ltd. (Trust Account)	12,160,400	10.24
THE BANK OF NEW YORK 133524	3,831,000	3.23
JPMC OPPENHEIMER JASDEC LENDING ACCOUNT	3,448,100	2.90
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,359,400	2.83
Daisuke Gomi	2,700,000	2.27
SAJAP	2,477,800	2.09
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,293,800	1.09
THE BANK OF NEW YORK 133612	1,246,800	1.05
Total	87,255,400	73.50

Note: Calculations for investment ratio exclude treasury stock (73,736 shares)

Distribution of Shareholders



Stock Price Performance



Note: Recalculations have been made to account for the impact of the following stock splits.
April 1, 2008: 2-to-1 share split
October 1, 2011: 100-to-1 share split
January 1, 2014: 3-to-1 share split
June 1, 2015: 2-to-1 share split

Corporate Information

(As of September 30, 2018)

Company name	LIFULL Co., Ltd. (formerly NEXT Co., Ltd.)
Date of establishment	March 12, 1997
Representative	Takashi Inoue, President and CEO
Headquarters	1-4-4 Kojimachi, Chiyoda-ku, Tokyo 102-0083 Japan
Capital	3,999 million yen
Employees	1,274 (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	Trovit Search, S.L.U. (Spain) LIFULL Marketing Partners Co., Ltd.

Company website

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

https://lifull.com/en/

IR website

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

Group Companies, Equity-Method Affiliates, and Investments and Alliances (As of September 30, 2018)

Group Companies

Japan	LIFULL senior Co., Ltd. LIFULL MOVE Co., Ltd. LIFULL SPACE Co., Ltd. LIFULL FinTech Co., Ltd. LIFULL Marketing Partners Co., Ltd. LIFULL bizas Co., Ltd. LIFULL Social Funding Co., Ltd. LIFULL FaM Co., Ltd.
Spain	Trovit Search, S.L.U.
Vietnam	LIFULL Tech Vietnam Co., Ltd.

Equity-Method Affiliates

Japan	VUILD Co., Ltd. Rakuten LIFULL STAY, Inc.*
Spain	Osclass, S.L.
Indonesia	PT. LIFULL MEDIA INDONESIA
Singapore	KAMARQ HOLDINGS PTE. LTD. RAKUTEN LIFULL STAY PTE. LTD.

* In March 2017, Rakuten LIFULL STAY, Inc. was established as a wholly owned subsidiary of RAKUTEN LIFULL STAY PTE. LTD., a joint investment with Rakuten, Inc.

Other Investments and Alliance

Japan	Glue-th, Inc. GO TODAY SHAiRE SALON Inc. Ishin Global Fund I Limited Living Anywhere, GIA WOTA CORP. WILLFU CO., LTD. Jdimoty, Inc. Neo Career Co., Ltd. ZAB, GIA
North America	Zumper, Inc.
Estonia	BitOfProperty Pte. Ltd.

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