LIFULL

Annual Report

Fiscal Year Ended September 30, 2023

Consolidated Financial Statements and Notes

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Notes to the Consolidated Financial Statements

1. Method of Preparation of Consolidated Financial Statements and Non-Consolidated Financial Statements

(1) The Consolidated Financial Statements of the Company have been prepared in compliance with the International Financial Reporting Standards (IFRS) as provided in Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The Non-Consolidated Financial Statements of the Company are prepared in compliance with the Ordinance on Terminology, Forms and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance No. 59 of 1963).
Because the Company is classified as a company that prepares its financial statements pursuant to special provisions, the Non-Consolidated Financial Statements are prepared as provided in Article 127 of the Ordinance on Non-Consolidated Financial Statements.

(3) In previous years, the Company has reported the amounts of items and other matters in its consolidated financial statements and financial statements in thousand-yen units. However, starting from this consolidated fiscal year, the Company has changed to reporting items in units of millions of yen.

2. Audit Certification

The Company underwent an audit by PricewaterhouseCoopers Japan LLC of the Consolidated Financial Statements for the consolidated fiscal year (from October 1, 2022, to September 30, 2023) and the Non-Consolidated Financial Statements for the fiscal year (from October 1, 2022, to September 30, 2023) in compliance with the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

Furthermore, PricewaterhouseCoopers Aarata LLC, which has been providing audit certification for our company, merged with PricewaterhouseCoopers Kyoto on December 1, 2023, and changed its name to PricewaterhouseCoopers Japan LLC.

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

The Company has undertaken the following specific measures to ensure the appropriateness of its Consolidated Financial Statements and other documents.

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

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

In order to maintain awareness of the most recent standards, the Company obtains press releases and standards announced by the International Accounting Standards Board. In addition, the Company has prepared the Group's Accounting Manual in compliance with IFRS to establish a system to appropriately prepare the Consolidated Financial Statements based on IFRS.

Consolidated Financial Statements

1. Consolidated Statements of Financial Position

(Millions of yen)

	Notes	As of September 30, 2022	As of September 30, 2023
Assets			
Current Assets			
Cash and cash equivalents	7,24	16,521	16,510
Accounts receivable-trade and other current receivables	8,24	4,461	4,630
Other short-term financial assets	16,24	1,068	1,183
Other current assets	17	2,960	739
Total current assets		25,011	23,064
Non-current assets			
Property, plant and equipment	9,12	1,191	1,045
Right-of-Use assets	9,12,20	2,656	2,100
Goodwill	11,12	11,499	17,066
Intangible assets	10,12	2,961	2,504
Investments accounted for using the equity method	14	1,112	536
Other long-term financial assets	16,24	1,528	2,040
Deferred tax assets	15	2,716	2,735
Other Non-current assets	17	49	9
Total Non-current assets		23,715	28,038
Total assets		48,727	51,102

(Millions of yen)

	Notes	As of September 30, 2022	As of September 30, 2023
Liabilities and equity			
Liabilities			
Current liabilities			
Accounts payable and other current payables	18,24	3,036	3,259
Short-term loans	19,24	8,092	5,329
Lease liabilities	19,20,24	693	698
Accrued corporate income taxes		250	598
Other current liabilities	17	1,316	2,241
Total current liabilities		13,389	12,127
Non-current liabilities			
Long-term loans	19,24	462	297
Lease obligations	19,20,24	2,036	1,464
Provisions	21	511	511
Other long-term financial liabilities	16,24	200	3,278
Deferred tax liabilities	15	479	408
Other Non-current liabilities	17	523	361
Total Non-current liabilities		4,214	6,322
Total liabilities		17,603	18,449
Equity			
Attributable to the owners of the parent			
Capital stock	22	9,716	9,716
Capital surplus	22	10,033	10,035
Retained earnings	22	11,018	11,754
Treasury shares	22	(1,009)	(2,009)
Other components of equity	22	1,233	3,057
Attributable to the owners of the parent		30,991	32,554
Attributable to non-controlling interests		131	97
Total equity		31,123	32,652
Total liabilities and equity		48,727	51,102

2. Condensed Consolidated Statements of Profit or Loss and Condensed Consolidated Statements of Comprehensive Income

(Millions of yen)

	Notes	Fiscal 2022 (October 1, 2021, to September 30, 2022)	Fiscal 2023 (October 1, 2022, to September 30, 2023)
Revenue	6,25	35,730	36,405
Cost of revenue	26	4,055	3,856
Gross profit		31,674	32,548
Selling, general and administrative expenses	20,27,28	31,372	30,091
Other revenue	29	1,492	793
Other expenses	29	122	1,291
Operating profit (loss)		1,672	1,959
Financial revenue	30	5	61
Financial expenses	20,30	89	189
Share of profit (loss) of investments accounted for using the equity method	14	(202)	(197)
Profit (loss) before taxes		1,386	1,634
Income tax expenses	15	201	579
Profit (loss) for the period		1,185	1,055
Profit (loss) for the period attributable to:			
Owners of the parent		1,180	1,031
Non-controlling interests		4	24
Total		1,185	1,055

(Yen)

	Notes	Fiscal 2022	Fiscal 2023
Profit (loss) for the period per share attributable to owners of the parent			
Basic profit for the period per share	32	8.96	8.03
Diluted profit for the period per share	32	8.94	8.01

3. Condensed Consolidated Statements of Comprehensive Income

(Millions of yen)

	Notes	Fiscal 2022 (October 1, 2021, to September 30, 2022)	Fiscal 2023 (October 1, 2022, to September 30, 2023)
Profit (loss) for the period		1,185	1,055
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Equity instruments measured at FVTOCI	31	38	(174)
Total of items that will not be reclassified to profit or loss		38	(174)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	31	1,610	2,177
Share of other comprehensive income of investments accounted for using the equity method	14,31	174	(184)
Total of items that may be reclassified subsequently to profit or loss:		1,785	1,992
Other comprehensive income, net of tax		1,823	1,818
Total comprehensive income (loss) for the period		3,008	2,874
Comprehensive income (loss) for the period attributable to:			
Owners of the parent		3,003	2,850
Non-controlling interests		4	24
Total		3,008	2,874

4. Condensed Consolidated Statements of Changes in Equity

For Fiscal 2022 (October 1, 2021, to September 30, 2022)

(Millions of yen)

	Notes	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Balance as of October 1, 2021		9,716	9,982	10,296	(1,009)	(572)	28,413	124	28,538
Profit (loss) for the period		-	-	1,180	-	-	1,180	4	1,185
Other comprehensive income		-	-	-	-	1,823	1,823	-	1,823
Total comprehensive income for the period		-	-	1,180	-	1,823	3,003	4	3,008
Dividends of surplus	23	-	-	(477)	-	-	(477)	(5)	(482)
Stock-based compensation transactions	28	-	51	-	-	-	51	-	51
Transfer to retained earnings		-	-	20	-	(20)	-	-	-
Purchase of treasury shares		-	-	-	(0)	-	(0)	-	(0)
Changes from exclusion from consolidation		-	-	(1)	-	1	-	7	7
Total transactions with owners		-	51	(458)	(0)	(18)	(425)	1	(423)
Balance as of September 30, 2022		9,716	10,033	11,018	(1,009)	1,233	30,991	131	31,123

For Fiscal 2023 (October 1, 2022, to September 30, 2023)

(Millions of yen)

	Notes	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Balance as of October 1, 2022		9,716	10,033	11,018	(1,009)	1,233	30,991	131	31,123
Profit (loss) for the period		-	-	1,031	-	-	1,031	24	1,055
Other comprehensive income		-	-	-	-	1,818	1,818	-	1,818
Total comprehensive income (loss) for the period		-	-	1,031	-	1,818	2,850	24	2,874
Dividends of surplus	23	-	-	(296)	-	-	(296)	(60)	(357)
Stock-based compensation transactions	28	-	2	-	-	6	9	-	9
Transfer to retained earnings		-	-	1	-	(1)	-	-	-
Purchase of treasury shares		-	-	-	(1,000)	-	(1,000)	-	(1,000)
Equity transactions with non - controlling interest shareholders		-	-	-	-	-	-	3	3
Total transactions with owners		-	2	(294)	(1,000)	5	(1,287)	(57)	(1,345)
Balance as of September 30, 2023		9,716	10,035	11,754	(2,009)	3,057	32,554	97	32,652

5. Condensed Consolidated Statements of Cash Flows

(Millions of yen)

	Notes	Fiscal 2022 (October 1, 2020, to September 30, 2021)	Fiscal 2023 (October 1, 2021, to September 30, 2023)
Net cash from operating activities			
Profit for the period before tax		1,386	1,634
Depreciation and amortization		1,920	1,980
Impairment loss		-	128
Financial revenue		(5)	(61)
Financial expenses	30	89	189
Decrease (increase) in accounts receivable-trade and other current receivables		(1,738)	675
Increase (decrease) in accounts payable-trade and other current payables		2,174	(1,772)
Decrease (increase) in inventory assets		(584)	1,994
Changes in fair value related to contingent consideration	29	-	774
Other		(583)	886
Subtotal		2,658	6,429
Interest and dividends received		4	5
Interest paid		(172)	(69)
Income taxes paid		205	(132)
Net cash from operating activities		2,697	6,233
Net cash used in investing activities			
Proceeds from sale of financial instrument assets		20	3
Purchase of property, plant and equipment		(92)	(131)
Proceeds from sale of property, plant and equipment		7	2
Purchase of intangible assets		(586)	(388)
Payments for business transfer	33	(453)	-
Purchase of subsidiaries		(295)	(1,264)
Proceeds from the sale of shares of subsidiaries	13	2,440	-
Payments of lease deposits and guarantees		(18)	(48)
Proceeds from refund of lease deposits and guarantees		6	60
Purchase of shares of affiliates		(800)	-
Proceeds from the sale of shares of affiliates		-	858
Payments of loans receivable		(985)	(2,442)
Collection of loans receivable		1,141	1,552
Other		5	56
Net cash from investing activities		388	(1,743)
Net cash provided by (used in) financing activities			
Proceeds from short-term loans payable	19	503	400
Repayment of short-term loans	19	(250)	(1,800)
Proceeds from long-term loans payable	19	1,319	-
Repayment of long-term loans	19	(404)	(1,592)
Dividends paid		(477)	(296)
Repayment of lease obligations	19	(739)	(742)
Dividends paid to non-controlling interests		(5)	(57)
Proceeds from share issuance to non-controlling interests		-	3
Purchase of treasury shares		(0)	(1,000)
Other		-	6
Net cash from financing activities		(54)	(5,079)
Effect of exchange rate changes on cash and cash equivalents		343	578
Net increase (decrease) in cash and cash equivalents		3,375	(10)
Cash and cash equivalents at beginning of period	7	13,145	16,521
Cash and cash equivalents at end of period	7	16,521	16,510

6. Consolidated supplementary statements

Bond Schedule

Not applicable

Borrowing Schedule

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

Asset Retirement Obligations Schedule

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

Notes to the Consolidated Financial Statements

1. Reporting Entity

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

2. Basis of Presentation

(1) Consolidated Financial Statements Prepared in Compliance with IFRS

The Group's Consolidated Financial Statements meet the requirements for Specified Companies Complying with Designated International Accounting Standards set forth in Articles 1-2 of the Ordinance on Consolidated Financial Statements. Thus, the Company's financial statements have been prepared in compliance with IFRS pursuant to the provisions of Article 93 of the above-mentioned Ordinance.

(2) Basis of Measurement

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

(3) Functional Currency and Presentation Currency

The presentation currency of these statements is Japanese yen, which is the Company's functional currency, and amounts have been rounded down to the nearest million yen.

(4) New Standards and Interpretation Guidelines not yet Applied

The major Standards and Interpretation Guidelines which the Company had established or revised by the date of approval but not yet implemented as of September 30, 2023, are as follows:

Standard	Name of standard	Date of mandatory application (fiscal year when application begins)	Fiscal year when the Group starts application	Summary
IAS 12	Income Taxes	Jan. 1, 2023	FY 2024/9	Clarification of deferred tax accounting for assets and liabilities arising from a single transaction.
IAS 12	Income Taxes	Jan. 1, 2023	FY 2024/9	Disclosure requirements regarding the impact, exposure and other aspects of applying the Pillar Two model rules.
IAS 1	Presentation of Financial Statements	Jan. 1, 2024	FY 2025/9	- Aimed at improving the information provided by companies regarding long-term debt with covenants. - Intended to clarify whether liabilities should be classified as current or Non-current based on the rights existing at the end of the reporting period.

(5) Changes to Presentation Method

(Consolidated Statement of Cashflows)

In the previous consolidated fiscal year, the "Increase (decrease) in inventory" was included in "Other" under cash flows from operating activities. However, due to its increased financial significance, it is now listed separately from this consolidated fiscal year onwards. To reflect this change in presentation, the consolidated financial statements of the previous fiscal year have been restructured.

As a result, in the consolidated cash flow statement for the previous fiscal year, an amount of ¥1,168 million previously reported under "Other" in cash flows from operating activities has been reclassified as ¥584 million under "Increase (decrease) in inventory" and ¥583 million under "Other."

3. Significant Accounting Policies

The following accounting policies are applied to everything during the period described in the Consolidated Financial Statements under review unless otherwise stated.

(1) Basis of Consolidation

The Consolidated Financial Statements under review include the Non-Consolidated Financial Statements of the Company and its subsidiaries and the amount equivalent to the equity interest of affiliated companies and jointly controlled entities.

(i) Subsidiaries

A subsidiary is an entity controlled by the Group. If the Group has exposure or the right to variable returns arising from involvement in the investee and has the ability to influence the relevant return with its power over the investee, it is judged that the entity is controlled. The acquisition date of a subsidiary is the date when the Group acquired the control, and the Group consolidates the subsidiary from the acquisition date to the date when the Group loses control of it.

If the accounting policies that a subsidiary has applied differ from those applied by the Group, the financial statements of the subsidiary have been adjusted as necessary.

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

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

(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) Corporate Mergers

The accounting processing of corporate mergers uses the acquisition method. Acquisition consideration is measured as the total of the fair values of the assets transferred in exchange for the control of the acquiree, the liabilities assumed and the financial instruments issued by the Company on the acquisition date. The non-controlling equity interest, which is the current equity interest and gives the holder a proportional share of the entity's net assets at the time of liquidation, is measured at fair value or by the amount equivalent to the proportional share of the non-controlling equity interest for the recognized amount of the identifiable assets of the acquiree at the time of initial recognition. The choice of the measurement basis is made by the unit of transaction. Non-controlling equity interest other than the above is measured at fair value or, if applicable, by the measurement method identified in other standards. After recognizing assets and liabilities of the acquiree that are identifiable at the time of the acquisition at fair value, and if there is any existing equity interest held, remeasuring it at fair value at the time of acquisition, the total fair value of the identifiable assets and liabilities is subtracted from the total of the transferred consideration and the price of the existing equity interest held and the non-controlling equity interest remeasured. The resulting surplus is recorded as goodwill in the Consolidated Statements of Financial Position. If the resulting surplus is negative, it is posted as profit in the Consolidated Statements of Profit or Loss. If the accounting processing of the business combination was not completed by the end of the term during which the business combination occurred, a provisional amount is used in accounting processes. The provisional amount is adjusted during the measurement period within one year from the acquisition date. The acquisition cost incurred is processed as expenses. The non-controlling equity interest additionally acquired after the acquisition of control is processed as a capital transaction. The difference between the

adjusted amount of the non-controlling equity interest and the fair value of consideration paid or consideration received is directly recognized as capital surplus, and no goodwill is recognized from the relevant transaction.

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

- Recognition and measurement are undertaken for deferred tax assets and deferred tax liabilities pursuant to IAS 12 Income Taxes, for liabilities (or assets) relating to employee benefits pertaining to IAS 19 Employee Benefits and for liabilities relating to stock compensation pursuant to IFRS 2 Share-based Payment, respectively.
- Non-current assets classified as held for sale or asset groups to be disposed of are measured pursuant to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

(3) Foreign Currencies

(i) Foreign Currency Transactions

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

Differences arising from the settlement of conversion of monetary assets and liabilities denominated in foreign currencies at the exchange rate at the end of the term are recognized as profit or loss. However, if the income or loss relating to non-monetary items is recorded as other comprehensive income, exchange differences are also recognized as other comprehensive income.

(ii) Foreign Operations

Assets and liabilities of foreign operations (including adjustments of goodwill and fair value arising from acquisitions) are converted into Japanese yen by using the exchange rate on the date at the end of the term, and profit and expenses are converted using the average exchange rate during the term assuming that there was no significant fluctuation in the exchange rate.

The differences in currency conversion arising from the translation of financial statements of foreign operations are recognized as other comprehensive income.

The differences are included in other components of equity as conversion gains and losses. If disposing of the entire equity interest in a foreign operation or if disposing of part of the equity interest that results in a loss of control, significant influence or joint control, the conversion gains and losses are changed to profit or loss as a part of the disposal.

(4) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand, deposits held on call with banks, and other short-term, highly liquid investments with a maturity of three months or less from the acquisition date and an insignificant risk of changes in value.

(5) Financial Instruments

(i) Recognition

The Company recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Company measures a financial asset or a financial liability at its fair value. Except for those financial assets or liabilities measured at fair value through profit or loss (hereinafter "FVTPL Financial Assets" or "FVTPL Financial Liabilities"), the Company measures a financial asset or a financial liability at its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability at initial recognition. The Company recognizes transaction costs that are directly attributable to the acquisition of FVTPL Financial Assets or FVTPL Financial Liabilities through profit or loss.

(ii) Non-derivative Financial Assets

Non-derivative financial assets have been classified into Financial Assets Measured at Amortized Cost, Debt Instrument Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI debt instrument assets), Equity Instrument Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI equity instrument assets) and FVTPL Financial Assets. The classification is determined at initial recognition in terms of the nature or purpose of the asset.

Financial assets purchased or sold by ordinary means are recognized and derecognized using trade date accounting. Ordinary means refers to a purchase or sale under contract terms which require the delivery of the asset within a timeframe generally established by regulation or convention in the marketplace concerned.

(A) Financial Assets Measured at Amortized Cost

A financial asset is classified under Financial Assets Measured at Amortized Cost if both of the following conditions are met:

(a) The asset is held within a business model for which the objective is to hold assets in order to collect contractual cash flows.

(b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets measured at amortized cost are measured at amortized cost according to the effective interest rate method less impairment losses if necessary. Interest income based on the effective interest rate method is recognized as profit or loss.

(B) FVTOCI Debt Instrument Assets

A financial asset is classified under FVTOCI debt instrument assets if both of the following conditions are met:

(a) The asset is held within a business model for which the objective is to hold assets in order to collect contractual cash flows and sell financial assets.

(b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(C) FVTOCI Equity Instrument Assets

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

When a financial instrument is derecognized, cumulative gains or losses recognized through the other comprehensive income are reclassified directly into retained earnings. Dividend income relating to FVTOCI equity instrument assets has been recognized in profit or loss.

(D) FVTPL Financial Assets

A financial asset is classified into FVTPL debt instrument assets or FVTPL equity instrument assets if any of the following conditions are applicable:

(a) Financial assets held for purposes of sale

(b) Financial assets not classified under the Financial Assets Measured at Amortized Cost, FVTOCI debt instrument assets or FVTOCI equity instrument assets

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

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

(E) Impairment of Financial Assets

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

However, for trades receivable, doubtful debt provisions are measured in the amount of expected credit loss for the entire fiscal period.

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

(a) Unbiased and probability-weighted amount to be derived by evaluating a range of possible outcomes

(b) Current value of currency

(c) Reasonable and supportable information that is available without undue cost or effort on the reporting date about past events, current conditions and forecasts of future economic conditions

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

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

(F) Derecognition of Financial Assets

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

(iii) Non-derivative Financial Liabilities

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

Upon initial recognition, FVTPL Financial Liabilities are measured at fair value, and valuation gains or losses arising from changes in the fair value as well as interest expense are recognized in profit or loss.

Upon initial recognition, financial liabilities at amortized cost are calculated using the effective interest method.

The Group derecognizes a financial liability when the relevant obligation has been performed, discharged, cancelled or has expired.

(iv) Derivative Financial Assets and Liabilities

Derivatives are initially measured at fair value as of the date of the trade agreement. Upon initial recognition, the Group updates the values of the derivative instruments using their fair value at the end of each quarter period. Any change in the amount of fair value for the derivative instrument shall be recognized immediately in profit or loss.

Derivative financial assets and liabilities have been classified into FVTPL Financial Assets and FVTPL Financial Liabilities, respectively.

(v) Offsetting Financial Assets and Financial Liabilities

The Group offsets recognized financial assets and recognized financial liabilities only when they have a legally enforceable right of set-off and intends either to settle the asset and the liability on a net basis or to realize the asset and settle the liability simultaneously. With the set-off arrangements, the net effect is presented in the Consolidated Statements of Financial Position.

(6) Inventory Assets

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

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

(7) Property, Plant and Equipment

The cost model has been adopted for property, plant and equipment, and items are recorded at the amount of the acquisition cost less any accumulated depreciation and accumulated impairment losses.

Expenses directly related to the acquisition of assets and expenses for demolition, removal and restoration have been included in acquisition costs.

Each asset depreciates using the straight-line method for its estimated useful life, except assets such as land that are not subject to depreciation. The estimated useful life for each main asset item is as follows:

- Buildings: 7 to 18 years
- Tools, furniture and fixtures: 4 to 15 years

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

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

(8) Goodwill

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

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

(9) Intangible Assets

The cost method is adopted for intangible assets acquired individually for which useful lives can be determined and are recorded at the amount of the acquisition cost less accumulated amortization and impairment losses. Intangible assets acquired individually for which useful lives cannot be determined are posted at the amount of the acquisition cost less accumulated impairment losses.

Intangible assets acquired through business consolidation and recognized as distinct from goodwill are initially recognized at fair value on the acquisition date. After the initial recognition, the intangible assets acquired

through business consolidation are recorded at the amount of the acquisition cost less accumulated amortization and impairment losses, just like intangible assets acquired individually.

Expenditures incurred in the research phase are recorded as expenses in the period in which they occurred. Internally generated intangible assets created in the development phase are recognized at the total amount of expenditures during the period from the date when all the requirements for recording the assets were met until the completion of the development. After the initial recognition, internally generated intangible assets are recorded at the amount of the acquisition cost less accumulated amortization and impairment losses, just like intangible assets acquired individually.

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

The estimated useful lives of the main intangibles are as follows:

- Software: 5 years
- Trademark rights: 5 years to 10 years
- Customer-related assets: 10 years to 12 years

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

(10) Impairment of Non-Financial Assets

The Group undertakes an assessment at the end of each reporting period as to whether there is any indication that any assets may be impaired. If there is any indication or an annual impairment test is required, the recoverable amount of the asset is estimated. If the recoverable amount of each asset cannot be estimated, the recoverable amount of the Cash-Generating unit to which the asset belongs is estimated. The recoverable amount is the higher of the fair value less the disposal cost of an asset or Cash-Generating unit and its value in use. If the carrying amount of the asset or Cash-Generating unit exceeds the recoverable amount, the impairment of the asset is recognized and recorded as the recoverable amount. In addition, the estimated future cash flow in evaluating the value in use is discounted to the present value using the pre-tax discount rate, reflecting the market valuation of the current monetary time value and the risks specific to the asset. The fair value less the disposal cost is calculated based on the appropriate valuation model backed by the fair value indicators available.

Goodwill is allocated to Cash-Generating units or Cash-Generating unit groups that are expected to benefit from the synergies of business consolidation. If there is any indication that the Cash-Generating unit or Cash-Generating unit group may be impaired, or at certain times of each fiscal year regardless of whether there is an indication of impairment, an impairment test is performed.

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

(11) Short-term Employee Benefits

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

(12) Stock-Based Compensation

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

(13) Provisions

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

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

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

(14) Equity

(i) Common Stock

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

(ii) Treasury Shares

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

(15) Revenue

The Company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services based on the following five-step approach:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The primary standards for the recognition of revenue in each of the Group's segments are as follows.

Revenue is measured after deducting discounts from the amount promised in the contract with the customer.

Revenue recognition standards by segment and performance obligations

(i) HOME'S Services

The HOME'S Services segment consists of advertising-related services, including comprehensive information services on real estate and housing, LIFULL HOME'S and internet marketing services for real estate business operators. Revenues are mainly generated from LIFULL HOME'S and internet marketing, and recognized as follows:

(A) LIFULL HOME'S

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

(a) Providing a platform and advertising

The performance obligation of this service is to provide a platform for posting property information on the LIFULL HOME'S website for a certain period of time and to post advertisements on the website for a certain period of time, based on a customers' applications.

This performance obligation is satisfied over the period of services; thus, revenue is recognized on a straight-line basis over the respective period of time.

(b) User referral services

The performance obligation of this service is to refer users to the respective customer through LIFULL HOME'S.

This performance obligation is satisfied when a user makes an inquiry to the respective customer; thus, revenue is recognized based on the actual number of inquiries.

(ii) Overseas

The Overseas segment utilizes aggregation sites to provide an information matching service for real estate/housing, used vehicles, job listings and retail items to connect users around the world with content partners. The main sources of revenue are search advertisements, advertisements and tech-enabled real estate agency-related services. The revenue is recognized as follows:

(A) Search Advertisements

The performance obligation of this service is to transfer a user to the website of a customer who posts search advertisements through the Company.

This performance obligation is satisfied when a user clicks a search advertisement; thus, revenue is recognized at that time.

(B) Advertisements

The performance obligation of this service is to transfer a user to a website of the customer who posts an advertisement through an aggregation site.

This performance obligation is satisfied when a user clicks a search advertisement; thus, revenue is recognized at that time.

(C) Tech-Enabled Real Estate Agency-Related Services

The performance obligation of this service is to provide real estate consultation services.

The performance obligation is satisfied when the buyer or tenant sign a binding contract with a seller, developer or landlord.

(iii) Other Businesses

This segment consists of search sites for nursing homes (LIFULL Kaigo), rental storage space (LIFULL Trunk Room) and other businesses.

The performance obligation of this service is to provide a platform and provide information for a certain period of time.

The services are continuously provided and this performance obligation is satisfied over the respective contract period; thus, revenue is recognized on a straight-line basis over the respective contract period.

(16) Leases

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

(Lessee)

(i) Lease Transactions of Intangible Assets

The Group has not applied IFRS 16 Leases for lease transactions of intangible assets.

(ii) Right-of-Use Assets

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

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

(iii) Lease Liabilities

The Group recognizes a lease liability on the commencement date of the lease. The Group measures lease liabilities at the present value of lease payments remaining as of the lease commencement date. These lease payments are discounted using the interest rate implicit in the lease when it is readily determinable; otherwise, the incremental borrowing rate is used. In measuring a lease liability, by applying a practical expedient, the Group has decided not to separate non-lease components from lease components, but instead to recognize each lease component and any associated non-lease components as a single lease component. Lease payments included in the measurement of lease liabilities primarily consist of fixed lease payments, lease payments for periods covered by an extension option if the exercise is reasonably certain, lease payments for periods covered by a termination option if the exercise is reasonably certain not to occur, and penalties for terminating the lease if the option is not exercised.

After the commencement date, the Group increases or decreases the carrying amount of the lease liability to reflect interest on the lease liability and the lease payments made. If the lease liabilities are re-assessed or lease terms are modified, the lease liabilities are remeasured, and the Right-of-Use assets are adjusted accordingly.

(17) Income Taxes

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

Income taxes for the current fiscal year are measured as the amount expected to be paid to or refunded by tax authorities. The tax rates and laws used in the calculation of tax amounts have been established or essentially established before the closing date. Income taxes for the current fiscal year are recognized as net profit or loss, except for taxes on items directly recognized as other comprehensive income or capital, and taxes incurred from business consolidation.

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

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

- Those arising from a future deductible temporary difference from the initial recognition of goodwill
- Those arising from the initial recognition of assets or liabilities in a transaction that is not a business consolidation and does not affect accounting profit and taxable profit (tax loss)
- Regarding deductible temporary differences related to investments and shared control of subsidiaries and affiliated companies: If it is probable that the temporary differences will not be resolved in the foreseeable future, or if the taxable revenue applicable for the temporary difference is not likely to be earned
- For taxable temporary differences related to equity in the arrangements of investments in and shared control of subsidiaries and affiliates, when the timing of the reversal of temporary differences can be controlled and the temporary differences are not likely to be reversed in the foreseeable future

Deferred tax assets and liabilities are determined by estimating the tax rate for the fiscal year in which the assets have been realized or liabilities have been settled based on the established tax rate or one that has essentially been established before the closing date.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset the tax assets and liabilities for the current fiscal year and income taxes are imposed on the same taxable entity by the same tax authorities, or income taxes are imposed on different taxable entities but such taxable entities intend to settle the tax assets and liabilities for the fiscal year under review based on their net amounts, or these tax assets and liabilities are planned to be realized simultaneously.

(18) Earnings per Share

Basic earnings per share are calculated by dividing the net income attributable to owners of the parent company by the weighted average number of common shares outstanding, adjusted for treasury shares for that period. Note that diluted earnings per share are calculated by adjusting for the effects of all potential shares, but since there are potential shares that do not have a dilutive effect, diluted earnings per share are equal to basic earnings per share.

4. Important Accounting Estimates and Decisions

In the preparation of these financial statements, the management has applied accounting policies; made decisions that affect the reported amounts of assets, liabilities, earnings and expenses and makes estimates and assumptions. The results of the accounting estimates may differ from the actual results.

Estimates and the underlying assumptions are reviewed on an ongoing basis. The effects of changes in accounting estimates are recognized in the annual accounting period in which the estimate is revised and in future annual accounting periods. The following is information regarding estimates and their underlying assumptions that involve significant risks that could lead to material adjustments to the carrying amounts of assets and liabilities in the current and subsequent annual accounting periods.

- Goodwill impairment (3. Significant Accounting Policies, (10) Impairment of Non-Financial Assets,12．Impairment of non-financial assets)
- Recoverability of deferred tax assets (3. Significant Accounting Policies」(17) Income Taxes)
- How to measure financial assets at fair value for which there is no market price in an active market (3. Significant Accounting Policies, (5) Financial Instruments, 24. Financial instruments (4) Fair value of financial instruments)
- Fair value measurement of contingent consideration in business combinations (3. Significant Accounting Policies, (5) Financial Instruments, 24. Financial instruments (4) Fair value of financial instruments)

5. Changes in Accounting Estimates

There have been no significant changes in accounting estimates.

6. Segment Information

(1) Reportable Segments

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

The business segments of the Company and its subsidiaries have been classified as two reportable segments:

the HOME'S Services segment and the Overseas segment. The classification is primarily based on the content of the services provided and the components of business earnings management.

The service categories of each reportable segment are as follows:

Reportable Segment	Service Category
HOME'S Services	Primarily operation of the real estate and housing platform, LIFULL HOME'S; investment real estate platform, Kenbiya, and other related services
Overseas	Primarily overseas real estate and housing platforms and tech-enabled real estate agency

(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:

Previous Consolidated Fiscal Year (October 1, 2021 – September 30, 2022)

(Millions of yen)

	Reportable Segment		Other[2]	Total
	HOME'S Services	Overseas		
Revenue				
Customers	26,067	6,938	2,725	35,730
Intersegment	15	263	20	299
Total	26,083	7,201	2,745	36,030
Segment Profit (Loss)[1]	349	567	(661)	255
Other Income and Expenses (Net)				
Operating Profit				
Financial Revenue and Expenses (Net)				
Share of Profit (Loss) of Investments Accounted for Using the Equity Method				
Profit Before Taxes				
Other Items				
Depreciation and Amortization	1,203	615	85	1,903

	Reconciliation[3]	Consolidated
Revenue		
Customers	-	35,730
Intersegment	(299)	-
Total	(299)	35,730
Segment Profit (Loss)[1]	47	302
Other Income and Expenses (Net)		1,369
Operating Profit		1,672
Financial Revenue and Expenses (Net)		(83)
Share of Profit (Loss) of Investments Accounted for Using the Equity Method		(202)
Profit Before Taxes		1,386
Other Items		
Depreciation and Amortization	-	1,903

1. Segment profit (loss) is revenue less cost of revenue and selling, general and administrative expenses.
2. The Other Businesses segment comprises businesses that are not included in the reportable segments. These include LIFULL Kaigo (nursing care), a search website for care homes for the elderly and nursing care facilities, LIFULL Trunk Room, a website for searching rental storage space, and other new businesses.
3. Adjustments to segment profit (loss) include elimination of intersegment transactions.

Current Fiscal Year (October 1, 2022 – September 30, 2023)

(Millions of yen)

	Reportable Segment		Other[2]	Total
	HOME'S Services	Overseas		
Revenue				
Customers	23,158	8,320	4,926	36,405
Intersegment	6	347	—	354
Total	23,165	8,668	4,926	36,759
Segment Profit (Loss)[1]	2,644	3	(204)	2,443
Other Income and Expenses (Net)				
Operating Profit				
Financial Revenue and Expenses (Net)				
Share of Profit (Loss) of Investments Accounted for Using the Equity Method				
Profit Before Taxes				
Other Items				
Depreciation and Amortization	1,095	778	90	1,964

	Reconciliation[3]	Consolidated
Revenue		
Customers	-	36,405
Intersegment	(354)	-
Total	(354)	36,405
Segment Profit (Loss)[1]	13	2,457
Other Income and Expenses (Net)		(497)
Operating Profit		1,959
Financial Revenue and Expenses (Net)		(127)
Share of Profit (Loss) of Investments Accounted for Using the Equity Method		(197)
Profit Before Taxes		1,634
Other Items		
Depreciation and Amortization	-	1,964

1. Segment profit (loss) is revenue less cost of revenue and selling, general and administrative expenses.
2. The Other Businesses segment comprises businesses that are not included in the reportable segments. These include LIFULL Kaigo (nursing care), a search website for care homes for the elderly and nursing care facilities, LIFULL Trunk Room, a website for searching rental storage space, and other new businesses.
3. Adjustments to segment profit (loss) include elimination of intersegment transactions.

(3) Information on Major Goods and Services

Previous Fiscal Year (October 1, 2021 – September 30, 2022)

(Millions of yen)

	LIFULL HOME'S	Internet Marketing	Overseas Media	Other	Total
Revenue from Clients	22,036	3,522	6,883	3,287	35,730

Current Fiscal Year (October 1, 2022 – September 30, 2023)

(Millions of yen)

	LIFULL HOME'S	Internet Marketing	Overseas Media	Other	Total
Revenue from Clients	22,547	-	8,252	5,604	36,405

(4) Regional Information

Previous Fiscal Year (October 1, 2021 – September 30, 2022)

(Millions of yen)

	Japan	Europe	Other	Total
Non-current Assets	5,452	12,733	123	18,309

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

(Millions of yen)

	Japan	Europe	Asia	North America	South America	Other	Total
Revenue from Clients	28,796	3,766	973	1,245	809	139	35,730

1. Revenue is classified by country or region based on the locations of customers.
2. Countries and regions are classified on the basis of geographical proximity.
3. Major countries and regions in the respective classifications:
   - Europe: Italy, France, Spain, the UK, Germany, etc.
   - Asia: Thailand, India, etc.
   - North America: the USA, etc.
   - South America: Brazil, Colombia, Chile, etc.
   - Other: Oceania, Africa etc.

Current Fiscal Year (October 1, 2022 – September 30, 2023)

(Millions of yen)

	Japan	Europe	Other	Total
Non-current Assets	4,332	18,254	129	22,716

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

(Millions of yen)

	Japan	Europe	Asia	North America	South America	Other	Total
Revenue from Clients	28,115	2,982	2,231	1,927	938	209	36,405

1. Revenue is classified by country or region based on the locations of customers.
2. Countries and regions are classified on the basis of geographical proximity.
3. Major countries and regions in the respective classifications:
   - Europe: Italy, France, Spain, the UK, Germany, etc.
   - Asia: Thailand, India, etc.
   - North America: the USA, etc.
   - South America: Brazil, Colombia, Chile, etc.
   - Other: Oceania, Africa etc.

(5) Information on Major Customers

Because there is no single external customer for whom revenue from transactions comprises 10% or more of the revenue of the Group, this item has been omitted.

7. Cash and Cash Equivalents Receivables

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

(Millions of yen)

	Previous Fiscal Year (Sep. 30, 2022)	Current Fiscal Year (Sep. 30, 2023)
Cash and Cash Equivalents	16,521	16,510
Total	16,521	16,510

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

8. Accounts Receivable and Other Current Receivables

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

(Millions of yen)

	Previous Fiscal Year (Sep. 30, 2022)	Current Fiscal Year (Sep. 30, 2023)
Accounts Receivable – Trade	3,673	3,847
Accounts Receivable – Other	863	952
Allowance for Credit Losses	(76)	(169)
Total	4,461	4,630

Accounts receivable-trade and other current receivables are classified into financial assets measured at amortized cost.

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

(Millions of yen)

	Previous Fiscal Year (Oct. 1, 2021 to Sep. 30, 2022)	Current Fiscal Year (Oct. 1, 2022 to Sep. 30, 2023)
Beginning Balance	69	76
Increase During the Period (Provision)	50	339
Corporate Mergers	0	-
Decrease During the Period (Utilization)	(20)	(147)
Decreasing During the Period (Reversal)	(29)	(115)
Exchange Differences on Translation of Foreign Operations	6	15
Ending Balance	76	169

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

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

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

(Millions of yen)

Acquisition Cost	Buildings	Tools, Equipment and Fixtures	Construction in Progress	Other	Total Property, Plant and Equipment	Right-of-Use Assets
Balance as of Oct. 1, 2021	2,033	608	16	24	2,681	5,059
Acquisitions	31	33	8	4	78	-
Reclassification from construction in progress	10	-	(24)	-	(14)	-
Business combinations	-	0	-	-	0	-
Dispositions	(15)	(78)	-	-	(94)	-
Deconsolidation	-	(32)	-	(4)	(37)	-
Exchange differences on translation of foreign operations	9	40	-	0	50	26
Changes due to change in terms	-	-	-	-	-	(156)
Balance as of Sep. 30, 2022	2,069	572	-	23	2,665	4,929
Acquisitions	31	65	29	1	127	167
Reclassification from construction in progress	14	6	(29)	-	(8)	-
Business combinations	-	43	-	-	43	-
Dispositions	(99)	(114)	-	(2)	(217)	-
Exchange differences on translation of foreign operations	9	47	-	0	56	36
Changes due to change in terms	-	-	-	-	-	(187)
Balance as of Sep. 30, 2023	2,024	620	-	22	2,668	4,945

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

(Millions of yen)

Accumulated Depreciation and Accumulated Impairment	Buildings	Tools, Equipment and Fixtures	Construction in Progress	Other	Total Property, Plant and Equipment	Right-of-Use Assets
Acquisitions	(806)	(427)	-	(7)	(1,240)	(1,629)
Reclassification from construction in progress	(211)	(89)	-	(6)	(307)	(743)
Business combinations	7	77	-	-	84	-
Dispositions	-	21	-	2	24	-
Deconsolidation	(5)	(29)	-	0	(35)	(18)
Exchange differences on translation of foreign operations	-	-	-	-	-	118
Changes due to change in terms	(1,015)	(447)	-	(10)	(1,474)	(2,272)
Balance as of Sep. 30, 2022	(210)	(83)	-	(3)	(297)	(732)
Acquisitions	85	106	-	3	195	-
Reclassification from construction in progress	(7)	(39)	-	0	(46)	(26)
Business combinations	-	-	-	-	-	187
Dispositions	(1,148)	(464)	-	(10)	(1,622)	(2,844)

(Millions of yen)

Book Value	Buildings	Tools, Equipment and Fixtures	Construction in Progress	Other	Total Property, Plant and Equipment	Right-of-Use Assets
Balance as of Oct. 1, 2021	1,227	180	16	16	1,441	3,429
Balance as of Sep. 30, 2022	1,053	124	-	13	1,191	2,656
Balance as of Sep. 30, 2023	876	156	-	12	1,045	2,100

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

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

10. Intangible Assets

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

(Millions of yen)

Acquisition	Software	Customer-Related Assets	Other	Total
Balance as of Oct. 1, 2021	8	2772	612	8,948
Acquisitions	377	-	-	377
Internal Development	214	-	-	214
Corporate Mergers	-	117	-	117
Dispositions	(332)	-	-	(332)
Deconsolidations	(97)	(97)	0	(195)
Exchange Differences on Translation of Foreign Operations	97	199	2	299
Balance as of Sep. 30, 2022	5,821	2,992	614	9,429
Acquisitions	317	-	-	317
Internal Development	154	-	-	154
Dispositions	(216)	-	-	(216)
Exchange Differences on Translation of Foreign Operations	108	149	3	262
Balance as of Sep. 30, 2023	6,185	3142	618	9,946

(Millions of yen)

Accumulated amortization and accumulated impairment	Software	Customer-Related Assets	Other	Total
Balance as of Oct. 1, 2021	(4,096)	(1,463)	(305)	(5,865)
Amortization	(575)	(179)	(67)	(823)
Dispositions	321	-	-	321
Deconsolidations	57	-	-	57
Exchange Differences on Translation of Foreign Operations	(33)	(124)	0	(157)
Balance as of Sep. 30, 2022	(4,327)	(1,766)	(372)	(6,467)
Amortization	(698)	(173)	(69)	(941)
Impairment Losses	(28)	-	-	(28)
Dispositions	107	-	-	107
Exchange Differences on Translation of Foreign Operations	(44)	(67)	0	(111)
Balance as of Sep. 30, 2023	(4,991)	(2,007)	(442)	(7,441)

(Millions of yen)

Book Value	Software	Customer - Related Assets	Other	Total
Balance as of Oct. 1, 2021	1,467	1,309	306	3,083
Balance as of Sep. 30, 2022	1,494	1,225	241	2,961
Balance as of Sep. 30, 2023	1,194	1,134	175	2,504

Software in intangible assets is mostly generated internally.

There are no intangible assets of which ownership is restricted and on which a mortgage is placed as collateral for debt.

Amortization of intangible assets is included in selling, general and administrative expenses in the Consolidated Statements of Profit or Loss.

Research and development expenses totaled 181 million yen in the previous consolidated fiscal period and 170 million yen in the current fiscal year.

11. Goodwill

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

(Millions of yen)

	Previous Consolidated Fiscal Year (October 1, 2021 to September 30, 2022)	Current Consolidated Fiscal Year (October 1, 2022 to September 30, 2023)
(Acquisition Cost)		
Beginning Balance	22,650	23,123
Corporate Mergers	865	3,995
Deconsolidation	(614)	-
Exchange Differences from Translation of Foreign Operations	221	1,671
Ending Balance	23,123	28,790
(Accumulated Impairment)		
Beginning Balance	(11,624)	(11,624)
Impairment Losses	-	(100)
Ending Balance	(11,624)	(11,724)
(Book Value)		
Beginning Balance	11,026	11,499
Ending Balance	11,499	17,066

12. Impairment of Non - Financial Assets

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

At the end of each reporting period, the Group assesses whether there are any indications of impairment for property, plant, and equipment; Right-of-Use assets and intangible assets. If there are indications of impairment, the recoverable amount of the asset is estimated.

Property, plant, and equipment, Right-of-Use assets, and intangible assets are grouped into the smallest identifiable Cash-Generating unit.

In the previous fiscal year, no impairment losses were recognized.

In the current fiscal year, an impairment loss of 28 million yen was recognized for intangible assets.

(2) Impairment of Goodwill

(i) Cash-Generating Units

The balance of goodwill in each Cash-Generating unit or Cash-Generating unit group is as follows.

(Millions of yen)

Cash-Generating Unit or Cash-Generating Unit Group	Reportable Segment	As of Sep. 30, 2022	As of Sep. 30, 2023
LIFULL CONNECT	Overseas	11,007	16,671
Other		492	394
Total		11,499	17,066

(ii) Calculation Basis of Recoverable Amounts

The following are the significant assumptions used in estimating recoverable amounts for the previous fiscal year ended September 30, 2022 and the current fiscal year ended September 30, 2023. These forecasts are used when analyzing each Cash-Generating unit or group of Cash-Generating units.

Previous Consolidated Fiscal Year (September 30, 2022)

Cash-Generating Unit: LIFULL CONNECT

This Cash-Generating unit group consists of Trovit Search, S.L., Mitula Group Limited and RESEM Corporation Limited.

The impairment test for LIFULL CONNECT's goodwill is performed by calculating the recoverable amount based on value in use. The value in use is calculated using discounted cash flow projections.

The value in use calculation is based on a business plan approved by management with a five-year horizon. This business plan reflects management's assessment of the industry's future outlook and past performance and is prepared based on external and internal information. Additionally, the growth rate used to estimate future cash flows beyond the business plan period is determined by considering the average growth rate of the market or country in which the Cash-Generating unit group operates, and a rate of 2.0% is used. Moreover, the pre-tax discount rate is calculated based on the weighted average cost of capital related to the Cash-Generating unit group, and a rate of 17.7% is used.

At the end of the current fiscal year, the recoverable amount exceeded the carrying amount by 3,441 million yen. It is estimated that an impairment loss would occur if the discount rate were to increase by 4.0%.

Cash-Generating Unit: Other

The impairment test for Other goodwill is performed by calculating the recoverable amount based on value in use. The value in use is calculated using discounted cash flow projections.

The value in use calculation is based on a business plan approved by management with a five-year horizon. This business plan reflects management's assessment of the industry's future outlook and past performance, and is prepared based on external and internal information. Additionally, the growth rate used to estimate future cash flows beyond the business plan period is determined by considering the average growth rate of the market or country in which the Cash-Generating unit group operates, and a range of 0.0% to 5.0% is used. Moreover, the pre-tax discount rate is calculated based on the weighted average cost of capital related to the Cash-Generating unit group, and a range of 19.3% to 20.4% is used.

Current Consolidated Fiscal Year (September 30, 2023)

Cash-Generating Unit: LIFULL CONNECT

This Cash-Generating unit group consists of LIFULL CONNECT S.L.U., Mitula Group Limited, RESEM Corporation Limited and FazWaz Thailand Co. Ltd., among others.

The impairment test for LIFULL CONNECT's goodwill is performed by calculating the recoverable amount based on value in use. The value in use is calculated using discounted cash flow projections.

The value in use calculation is based on a business plan approved by management with a five-year horizon. This business plan reflects management's assessment of the industry's future outlook and past performance, and is prepared based on external and internal information. Additionally, the growth rate used to estimate future cash flows beyond the business plan period is determined by considering the average growth rate of the market or country in which the Cash-Generating unit group operates, and a rate of 2.1% is used. Moreover, the pre-tax discount rate is calculated based on the weighted average cost of capital related to the Cash-Generating unit group, and a rate of 19.2% is used.

At the end of the current fiscal year, the recoverable amount exceeded the carrying amount by 2,230 million yen. It is estimated that an impairment loss would occur if the discount rate were to increase by 2.0%.

Cash-Generating Unit: Other

The impairment test for Other goodwill is performed by calculating the recoverable amount based on value in use. The value in use is calculated using discounted cash flow projections.

The value in use calculation is based on a business plan approved by management with a five-year horizon. This business plan reflects management's assessment of the industry's future outlook and past performance, and is prepared based on external and internal information. Additionally, the growth rate used to estimate future cash flows beyond the business plan period is determined by considering the average growth rate of the market or country in which the Cash-Generating unit group operates, and a range of 0.0% to 5.0% is used. Moreover, the pre-tax discount rate is calculated based on the weighted average cost of capital related to the Cash-Generating unit group, and a range of 20.4% to 21.7% is used.

(iii) Recognition of Impairment Losses

In the previous fiscal year, no impairment losses were recognized.

In the current fiscal year, an impairment loss of 100 million yen was recognized for Other Cash-Generating units.

Impairment losses are included in Other expenses in the consolidated income statement. For more details on impairment losses, please refer to 29. Other income and expenses."

13. Subsidiaries

Major subsidiaries of the Group are as follows. There are no subsidiaries that fall under subsidiaries with individual noncontrolling 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 Sep. 30, 2022	As of Sep. 30, 2023
LIFULL CONNECT, S.L.U.	Barcelona, Spain	Business management of Group companies that operate aggregation websites and related operations	100.0	100.0
Mitula Group Limited	Melbourne, Australia	Operation of aggregation websites	100.0	100.0
LIFULL senior Co., Ltd.	Chiyoda-ku, Tokyo	Operation of the website for searching for housing and nursing facilities for seniors, LIFULL Kaigo	93.0	93.0
LIFULL SPACE Co., Ltd.	Chiyoda-ku, Tokyo	Operation of the website for searching for rental storage space, LIFULL Trunk Room	94.3	94.3
LIFULL Investment Co., Ltd.	Chiyoda-ku, Tokyo	Operation of a fund, funding and businesses related to abandoned houses in rural Japan	100.0	100.0
Kenbiya Co., Ltd.	Chiyoda-ku, Tokyo	Operation of the website for information on real estate investment and investment properties, Kenbiya	100.0	100.0

Summary of Major Transactions Related to Subsidiary Equity:

Previous Consolidated Fiscal Year (October 1, 2021 to September 30, 2022)

(1) Transfer of Shares of Kleding B.V.

At a meeting of the Board of Directors held on July 25, 2022, the Company resolved to transfer all shares of Kleding B.V. (hereinafter referred to as "Kleding"), held by our wholly-owned subsidiary, LIFULL CONNECT S.L.U., to PubTech GmbH, a subsidiary of Waterland Private Equity GmbH. A share transfer agreement was concluded on the same day. This share transfer was executed on July 31, 2022.

(i) Reason for the Share Transfer

Under our corporate message of "Make Every LIFE FULL," the LIFULL Group provides a multitude of online services focused around real estate both in Japan and abroad tailored to lives of individual users.

In addition to LIFULL HOME'S, one of the largest real estate platforms in Japan, the LIFULL Group operates real estate-focused information services in over 60 countries around the world through its subsidiary LIFULL CONNECT. LIFULL is using leveraging the data collected to implement AI and other cutting-edge technology to create new value for individual users by personalizing their experiences and recommending the right properties for their lifestyles.

LIFULL CONNECT, the international headquarters located in Spain, is the operator of a group of digital marketplaces for real estate, job listings, cars and fashion. Through the transfer of shares of the non-core fashion aggregation site, the Group will strengthen its focus on its core field of real estate and further expand the value it provides to users and clients.

(ii) Recipient Company and Transfer Date

Company Name	PubTech GmbH
Transfer Dates	July 31, 2022

(iii) Name of the Subsidiary, Business and Segment in which the Subsidiary was Reported

Company Name	Kleding B.V.
Business	Operation of aggregation sites for fashion
Segment	Overseas

(iv) Total Transferred Shares, Holding Ratio After Sale, Transfer Price and Proceeds from Transfer

Total Shares Before Sale	6,800
Total Shares Sold	6.800
Holding Ratio After Sale	- %
Transfer Price	EUR 15,371 thousand
Proceeds from Transfer	Gain on sale of equity securities of affiliated companies of 839 million yen in other income of the consolidated income statement

(2) Transfer of Shares of LIFULL Marketing Partners Co., Ltd.

At a meeting of the Board of Directors held on August 22, 2022, the Company resolved to transfer all shares of its wholly-owned, specified subsidiary LIFULL Marketing Partners Co., Ltd. ("LMP") to Digital Identity Inc., a subsidiary of Orchestra Holdings Inc. The share transfer was completed on September 30, 2022.

(i) Reason for the Share Transfer

Under our corporate message of "Make Every LIFE FULL," the LIFULL Group provides a multitude of online services focused around real estate tailored to lives of individual users both in Japan and abroad. During the current fiscal year, we are making concentrated growth investments to strengthen our media capacity and the services we provide through LIFULL HOME'S, one of the leading real estate information sites in Japan, and LIFULL CONNECT S.L.U. which provides real estate-related and other life-related services in over 60 countries around the world.

As part of our initiatives to provide more supplemental support services for real estate professionals and increase our client network, we acquired LMP in May 2015. Through this acquisition, we were began offering all-inclusive solutions including media and internet marketing options to our clients. However, due changes in our current business environment, we have altered our growth strategy and decided to focus our resources on our growth investments in LIFULL HOME'S.

The transfer of LMP will allow Digital Identity Inc. to combine their knowledge and experience in digital marketing and integrate the client base to produce to provide more added value to clients. For LIFULL, we will be able to focus our management resources on the abovementioned purposes. Therefore, we believe that this transfer will result in an improvement in our corporate value and value provided to shareholders.

(ii) Recipient Company and Transfer Date

Company Name	Digital Identity Co., Ltd.
Transfer Date	September 30, 2022

(iii) Name of the Subsidiary, Business and Segment in which the Subsidiary was Reported

Company Name	LIFULL Marketing Partners Co., Ltd.
Business	Internet marketing
Segment	HOME'S Services

(iv) Total Transferred Shares, Holding Ratio After Sale, Transfer Price and Proceeds from Transfer

Total Shares Before Sale	3,250
Total Shares Sold	3.250
Holding Ratio After Sale	- %
Transfer Price	JPY 658 million
Proceeds from Transfer	Gain on sale of equity securities of affiliated companies of 130 million yen in other income of the consolidated income statement

Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)

Not applicable

14. Investments Accounted for Using the Equity Method

Information about affiliates and jointly controlled entities is as follows:

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.

(Millions of yen)

	As of Sep. 30, 2022	As of Sep. 30, 2023
Book value of investments accounted for using the equity method	1,112	536

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:

(Millions of yen)

	As of Sep. 30, 2022	As of Sep. 30, 2023
Incorporated amount for share of profit for the period	(202)	(197)
Incorporated amount for share of other comprehensive income	174	(184)
Incorporated amount for share of total comprehensive income	(27)	(381)

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

15. Corporate Income Taxes

(1) Deferred Taxes

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

Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)

(Millions of yen)

	Oct. 1, 2021	Recognized as Profit or Loss	Recognized as Other Comprehensive Income	Corporate Mergers	Deconsoli-dations	Other[1]	Sep. 30, 2022
Deferred Tax Assets							
Allowance for Credit Losses	8	0	-	-	-	0	8
Employee Bonuses	76	5	-	-	0	-	81
Accrued Paid Leave	199	39	-	-	(16)	6	229
Enterprise Taxes Payable	11	(4)	-	-	-	-	6
Impairment Losses	0	5	-	-	-	-	6
Asset Retirement Obligations	155	0	-	-	-	-	155
Fair Value Measurement of Financial Assets	17	-	(13)	-	-	-	3
Expenses for Acquisition of Interests	118	(2)	-	-	-	-	116
Tax Brought Forward from the Previous Term	2,083	(159)	-	-	(138)	-	1,785
Other	278	109	(3)	-	0	15	400
Total Deferred Tax Assets	2,950	(5)	(16)	-	(156)	22	2,794
Deferred Tax Liabilities							
Trademark Rights	90	(18)	1	-	-	-	74
Customer - Related Assets	368	(48)	15	28	(30)	1	335
Other	125	13	11	-	(2)	-	148
Total Deferred Tax Liabilities	584	(52)	28	28	(33)	1	557

1. Other includes exchange differences of foreign operations.

Current Fiscal Year (October 1, 2022, to September 30, 2023)

(Millions of yen)

	Oct. 1, 2022	Recognized as Profit or Loss	Recognized as Other Comprehensive Income	Corporate Mergers	Deconsoli-dations	Other[1]	Sep. 30, 2023
Deferred Tax Assets							
Allowance for Credit Losses	8	3	-	-	-	0	12
Employee Bonuses	81	6	-	-	-	-	87
Accrued Paid Leave	229	24	-	-	-	10	265
Enterprise Taxes Payable	6	(6)	-	-	-	-	-
Impairment Losses	6	6	-	-	-	-	12
Asset Retirement Obligations	155	0	-	-	-	-	156
Fair Value Measurement of Financial Assets	3	-	109	-	-	-	112
Expenses for Acquisition of Interests	116	-	-	-	-	-	116
Tax Brought Forward from the Previous Term	1,785	(361)	-	-	-	-	1,424
Other	400	257	(47)	-	-	0	610
Total Deferred Tax Assets	2,794	(69)	61	-	-	11	2,798
Deferred Tax Liabilities							
Trademark Rights	74	(19)	0	-	-	-	55
Customer - Related Assets	335	(45)	17	-	-	2	309
Other	148	(19)	(32)	-	-	9	105
Total Deferred Tax Liabilities	557	(84)	(14)	-	-	12	470

1. Other includes exchange differences of foreign operations.

Deferred tax assets and deferred tax liabilities in the Consolidated Statements of Financial Position are as follows:

(Millions of yen)

	As of September 30, 2022	As of September 30, 2023
Deferred Tax Assets	2,716	2,735
Deferred Tax Liabilities	479	408
Net	2,237	2,327

(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 796 million yen and 287 million yen in the previous consolidated fiscal period and the consolidated fiscal year under review, respectively.

Loss carried forward for each carryover deadline for which deferred tax assets are not recognized has been omitted, because the amount was immaterial in both the previous consolidated fiscal period and the consolidated fiscal year under review.

(3) The Amount of Taxable Temporary Differences Relating to Investments in Subsidiaries for Which Deferred Tax Liabilities Are Not Recognized Is as Follows:

(Millions of yen)

	As of September 30, 2022	As of September 30, 2023
Total amount of taxable temporary differences relating to investments in subsidiaries	5,355	12,538

(4) Income Tax

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

(Millions of yen)

	Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)
Current Tax Expense		
Current Tax Expense for Profit for the Period	248	594
Total Current Tax Expense	248	594
Deferred Tax Expense		
Origination and Reversal of Temporary Differences	(47)	(15)
Total Deferred Tax Expense	(47)	(15)
Income Tax Expenses	201	579

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

Mainly corporate tax, residential tax and enterprise tax are imposed on the Group, and the statutory effective tax rate calculated based on these taxes is 30.6% in the previous consolidated fiscal period and 30.6% in the consolidated fiscal year under review. However, corporate taxes, etc. are imposed on overseas subsidiaries in their respective locations.

	Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)
Statutory Effective Tax Rate	30.6%	30.6%
Reconciliation		
Items that are not Permanently Deductible, such as Entertainment Expenses	0.9%	1.1%
Tax Rate Difference for Foreign Subsidiaries	(8.5%)	(4.9%)
Tax Rate Difference for Domestic Subsidiaries	2.1%	0.1%
Retained Profit of Foreign Subsidiaries	2.6%	0.1%
Impairment Loss on Goodwill	- %	1.6%
Special Deduction Items for Corporate Tax etc.	(19.1%)	- %
Changes in Unrecognized Deferred Tax Assets	4.5%	13.3%
Share of Loss (Profit) of Entities Accounted for Using the Equity Method	2.6%	3.7%
Profit from Sales of Shares of Affiliates	- %	(12.5%)
Other	(1.2%)	2.2%
Average Effective Tax Rate	14.5%	35.4%

16. Other Financial Assets and Financial Liabilities

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

(1) Other Financial Assets

(Millions of yen)

	As of September 30, 2022	As of September 30, 2023
Other Financial Assets		
FVTOCI Equity Instrument Assets	751	444
FVTPL Debt Instrument Assets	-	-
Financial Assets Measured at Amortized Cost		
Lease and Guarantee Deposits	735	716
Loans and Receivables (Current)	1,044	1,183
Loans and Receivables (Non-current)	80	909
Allowance for Credit Losses	(15)	(30)
Total	2,596	3,223
Current Assets	1,068	1,183
Non-current Assets	1,528	2,040
Total	2,596	3,223

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

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

(Millions of yen)

	Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)
Beginning Balance	15	15
Increase During the Period (Provision)	15	31
Decrease During the Period (Utilization)	(8)	(11)
Decrease During the Period (Reversal)	(6)	(4)
Ending Balance	15	30

Of other financial assets, assets determined to be impaired are mainly delinquent loans and receivables, whose balances are 19 million yen and 42 million yen as of September 30, 2022 and 2023, respectively. These loans and receivables are not secured by collateral.

(2) Other Financial Liabilities

(Millions of yen)

	As of September 30, 2022	As of September 30, 2023
Other Financial Liabilities		
Other Accounts Payable	170	224
FVTPL Financial Liabilities	-	3,053
Financial Liabilities Measured at Amortized Cost		
Received Deposits	30	-
Total	200	3,278
Non-current Liabilities	200	3,278
Total	200	3,278

17. Other Assets and Liabilities

The breakdowns of other current and Non-current assets and other current and Non-current liabilities are as follows:

(1) Other Assets

(Millions of yen)

	As of September 30, 2022	As of September 30, 2023
Products[1,2]	2,033	17
Unfinished Products	-	-
Prepaid Expenses	552	477
Income Tax Refunds Receivable	133	99
Consumption Taxes Receivable	262	55
Other	27	99
Total	3,009	749
Current Assets	2,960	739
Non-current Assets	49	9
Total	3,009	749

1. In the previous consolidated accounting period, products pledged as collateral for liabilities amounted to 1,240 million yen. There are no such products in the current consolidated accounting period.
2. Products are mainly real estate that is for sale.

(2) Other Liabilities

(Millions of yen)

	As of September 30, 2022	As of September 30, 2023
Accrued Expenses	109	183
Accrued Employee Bonuses	431	536
Accrued Paid Leave	468	474
Accrued Consumption Taxes	54	386
Contract Liabilities	16	316
Long-term Accounts Payable	307	307
Other	451	398
Total	1,839	2,603
Current Liabilities	1,316	2,241
Non-current Liabilities	523	361
Total	1,839	2,603

18. Accounts Payable and Other Current Payables

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

(Millions of yen)

	As of September 30, 2022	As of September 30, 2023
Trade Payables	734	976
Other Accounts Payable	2,302	2,282
Total	3,036	3,259

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

19. Interest-Bearing Debt

The breakdown of interest-bearing debt is as follows:

(Millions of yen)

	As of Sep. 30, 2022	As of Sep. 30, 2023	Avg. Interest Rate (%)	Repayment Period
Current Loans[1,2,3,4]	8,092	5,329	0.26	-
Non-current Loans[1,2,5]	462	297	2.42	Oct. 2024 - Apr. 2027
Current Lease Liabilities[2]	693	698	1.22	-
Non-current Lease Liabilities[2,5]	2,036	1,464	1.02	Oct. 2024 - Dec. 2026
Total	11,285	7,789		
Total Current Liabilities	8,785	6,027		
Total Non-current Liabilities	2,499	1,762		

1. Loans are classified as financial liabilities measured at amortized cost.
2. Average interest rates refer to the weighted average interest rate on the balance at the end of the current financial period.
3. Average interest rates refer to the Japanese yen TIBOR (three-months) + spread released by the Japanese Bankers Association TIBOR Administration.
4. Includes loans with repayment date of less than one year.
5. The total amount of loans and lease liabilities (excluding those scheduled to be paid within one year) that are scheduled to be paid each year within five years of the consolidated closing date is as follows:

(Millions of yen)

Category	Over 1 Year Within 2 Years	Over 2 Years Within 3 Years	Over 3 Years Within 4 Years	Over 4 Years Within 5 Years
Loans	92	29	175	-
Lease Liabilities	650	627	176	10

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

(Millions of yen)

	Liabilities	
	Loans	Lease Liabilities
October 1, 2021	7,627	3,500
Changes in cash flows due to financing or repayments		
Proceeds from short-term loans	503	-
Proceeds from long-term loans	1,319	-
Repayment of short-term loans	(250)	-
Repayment of long-term loans	(404)	-
Repayment of lease liabilities	-	(739)
Total changes in cash flows from financing activities	1,167	(739)
Other changes		
Changes resulting from the acquisition or loss of control over subsidiaries or other businesses	(240)	-
Increases due to interest expenses	-	38
Decrease due to interest payments	-	(38)
Changes in terms and conditions	-	(40)
Effect of change in foreign currency exchange rates	-	8
October 1, 2022	8,555	2,730
Changes in cash flows due to financing or repayments		
Proceeds from short-term loans	400	-
Proceeds from long-term loans	-	-
Repayment of short-term loans	(1,800)	-
Repayment of long-term loans	(1,592)	-
Repayment of lease liabilities	-	(742)
Total changes in cash flows from financing activities	(2,992)	(742)
Other changes		
Changes resulting from the acquisition or loss of control over subsidiaries or other businesses	57	-
Increase due to Right-of-Use assets	-	167
Increases due to interest expenses	-	32
Decrease due to interest payments	-	(32)
Changes in terms and conditions	-	(1)
Effect of change in foreign currency exchange rates	6	9
September 30, 2023	5,626	2,162

20. Lease Transactions

The Group is mainly a lease of offices and data centers, etc.

The following summarizes information on leases as a lessee.

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

(Millions of yen)

	As of September 30, 2022	As of September 30, 2023
Right-of-Use Assets		
Offices as underlying assets	2,567	2,070
Data centers as underlying assets	85	27
Other underlying assets	3	1
Total Right-of-Use Assets	2,656	2,100
Lease Liabilities	2,730	2,162

Increases in Right-of-Use assets are detailed in 9. Property, Plant and Equipment and Right-of-Use Assets.

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

(Millions of yen)

	Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)
Depreciation Expenses of Right-of-Use Assets		
Offices as underlying assets	677	671
Data centers as underlying assets	58	59
Other underlying assets	7	1
Total Depreciation Expenses of Right-of-Use Assets[1]	743	732
Interest Expenses of Lease Liabilities[2]	38	42

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

(3) Cash Flows for Lease Transactions

(Millions of yen)

	Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)
Total Cash Outflows for Lease Transactions	(777)	(775)

(4) Extension Option and Termination Option

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

21. Provisions

The breakdown of provisions is as follows:

(Millions of yen)

	As of September 30, 2022	As of September 30, 2023
Asset Retirement Obligations	511	511
Total	511	511
Current Provisions	-	-
Non-current Provisions	511	511

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

Details of changes in provisions are as follows:

(Millions of yen)

	Asset Retirement Obligations
Balance as of Sep. 30, 2022	511
Increase during the period	-
Amount of decrease due to utilization	-
Decrease due to write-off	-
Adjustments arising from the passage of time	0
Balance as of Sep. 30, 2023	511

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

Asset Retirement Obligation

The Group recognizes an estimate of the costs associated with the restoration obligation for leased buildings pursuant to the lease contract at the inception of the lease. The timing of the expenditure will be affected by future business plans, etc.

22. Equity and Other Equity Components

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

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

	Number of Shares Authorized	Number of Shares Issued
Balance as of October 1, 2021	350,452,800	134,239,870
Changes	-	-
Balance as of September 30, 2022	350,452,800	134,239,870
Changes	-	-
Balance as of September 30, 2023	350,452,800	134,239,870

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
Balance as of October 1, 2021	2,458,256
Changes	14
Balance as of September 30, 2022	2,458,270
Changes	3,786,803
Balance as of September 30, 2023	6,245,073

1. Of the increase in treasury stock in the current consolidated accounting period, 3,786,700 shares represent the increase resulting from the acquisition of treasury stock pursuant to Article 156 of the Companies Act, as resolved at the Board of Directors' meeting held on November 9, 2022. The remaining 103 shares represent the purchase of fractional 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

Previous Consolidated Fiscal Year (October 1, 2021 - September 30, 2022)

(Millions of yen)

	Exchange differences on translation of foreign operations	Equity Instrument Assets	Other	Total
As of October 1, 2021	(693)	121	-	(572)
Other Comprehensive Income	1,785	38	-	1,823
Total Comprehensive Income	1,785	38	-	1,823
Total Transactions with Owners	-	(18)	-	(18)
As of September 30, 2022	1,091	141	-	1,233

Current Consolidated Fiscal Year (October 1, 2022 - September 30, 2023)

(Millions of yen)

	Exchange differences on translation of foreign operations	Equity Instrument Assets	Other	Total
As of October 1, 2022	1,091	141	-	1,233
Other Comprehensive Income	1,992	(174)	-	1,818
Total Comprehensive Income	1,992	(174)	-	1,818
Total Transactions with Owners	-	(1)	6	5
As of September 30, 2023	3,084	(34)	6	3,057

(i) Exchange Differences on Translation of Foreign Operations

Exchange differences on translation of foreign operations represent conversion differences that are generated when financial statements of foreign operations are converted into the presentation currency of the Group.

(ii) Equity Instrument Assets

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

23. Dividends

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

(1) Dividends Paid

Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)					
Date of Resolution	Class of Shares	Dividend per Share (Yen)	Total Amount of Dividends (Mil. of Yen)	Record Date	Effective Date
Dec. 23, 2021	Common Stock	3.62	477	Sep. 30, 2021	Dec. 24, 2021

Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)					
Date of Resolution	Class of Shares	Dividend per Share (Yen)	Total Amount of Dividends (Mil. of Yen)	Record Date	Effective Date
Dec. 22, 2022	Common Stock	2.25	296	Sep. 30, 2022	Dec. 23, 2022

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

(2) Dividends with Record Dates in the Current Fiscal Year and Effective Dates in the Coming Fiscal Year

Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)				
Date of Resolution	Dividend per Share (Yen)	Total Amount of Dividends (Mil. of Yen)	Record Date	Effective Date
Dec. 21, 2023	4.26	545	Sep. 30, 2023	Dec. 22, 2023

24. Financial Instruments

(1) Equity Management

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

For more information, refer to 19. Interest-Bearing Debt.

(Millions of yen)

	As of Sep. 30, 2022	As of Sep. 30, 2023
Cash and Cash Equivalents	16,521	16,510
Interest-Bearing Debt	11,285	7,789
Total Equity	31,123	32,652

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

(2) Management Policy on Financial Risks

There are various risks (currency, interest rate, credit and liquidity) associated with running the Group's businesses. The Group manages risks according to its policy to prevent and reduce financial risks.

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

(i) Currency Risk Management

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

The impact on profit before taxes and equity in the Consolidated Statements of Profit or Loss in the case that each currency other than the functional currency of each company changes by 1% against the functional currency in financial instruments held by the Group at the end of fiscal years is stated below.

This does not include the impact when financial instruments in the functional currency, assets and liabilities, and revenue and expenses of foreign operations are converted into yen. This is also based on the assumption that the currencies other than each currency used for the calculation do not change.

(Millions of yen)

	Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)
Profit Before Taxes	(82)	(95)
Equity	(61)	(71)

The () above shows that if the exchange rate of the functional currency appreciates by 1%, the impact on profit before taxes and equity of the Group becomes negative, and that if the exchange rate of the functional currency depreciates by 1%, the impact becomes positive by the same amount.

(ii) Interest Rate Risk Management

The Group borrows funds at both fixed and floating interest rates, and these funds are exposed to the risk of fluctuations in these rates. While almost half of interest-bearing debt is borrowings with fixed interest rates, the Group mitigates the risk of fluctuations in interest rates by monitoring and reviewing borrowings with floating interest rates depending on the market trend.

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

(iii) Credit Risk Management

The Group's trade receivables, loans, deposits and guarantees are exposed to credit risk. With respect to the risk of trade receivables, the Group has established a system to regularly monitor the credit status of major customers, along with managing due dates and balances for each customer in accordance with our sales and administration regulations. For loans, the Group has established a system to regularly conduct credit assessments for all borrowers, along with managing due dates and balances for each borrower in accordance with our internal regulations.

For deposits and guarantees, the Group regularly monitors the status of counterparties to mitigate risks by early identification of deterioration in financial condition.

The carrying amount of financial assets after impairment as shown in the consolidated financial statements represents the maximum exposure of the Group to credit risk of financial assets, excluding the valuation of any collateral obtained.

The maximum credit risk exposures of accounts receivable-trade and other current receivables for the previous and current fiscal years is as follows:

(Millions of yen)

	As of September 30, 2022				
	Within Due Date	Up to 3 Months	Over 3 Months and Up to 6 Months	Over 6 Months	Total
Accounts Receivable and Other Short-term Liabilities	4,212	148	100	0	4,461
Current Loans and Receivables	1,044	-	-	-	1,044
Non-current Loans and Receivables	61	-	1	2	65
Deposits and Guarantees	735	-	-	-	735
Total	6,053	148	101	2	6,306

(Millions of yen)

	As of September 30, 2023				
	Within Due Date	Up to 3 Months	Over 3 Months and Up to 6 Months	Over 6 Months	Total
Accounts Receivable and Other Short-term Liabilities	4,141	380	108	0	4,630
Current Loans and Receivables	1,183	-	-	-	1,183
Non-current Loans and Receivables	866	-	10	1	878
Deposits and Guarantees	716	-	-	-	716
Total	6,908	380	119	1	6,908

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

(iv) Liquidity Risk Management

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

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

(Millions of yen)

	As of September 30, 2022	As of September 30, 2023
Credit Line(s)	9,600	9,000
Outstanding Borrowings	6,500	4,900
Unused Portions	3,100	4,100

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

(Millions of yen)

	Within 1 Year	Within 1-2 Years	Within 2-3 Years	Within 3-4 Years	Within 4-5 Years	Over 5 Years	Total
Balance as of Sep. 30, 2022							
Accounts payable and other current payables	3,036	-	-	-	-	-	3,036
Current Loans	8,124	-	-	-	-	-	8,124
Current Lease Liabilities	718	-	-	-	-	-	718
Non-current Loans	-	231	31	30	176	-	470
Non-current Lease Liabilities	-	649	623	627	170	4	2,075
Balance as of Sep. 30, 2023							
Accounts payable and other current payables	3,259	-	-	-	-	-	3,259
Current Loans	5,343	-	-	-	-	-	5,343
Current Lease Liabilities	736	-	-	-	-	-	736
Non-current Loans	-	102	30	176	-	-	309
Non-current Lease Liabilities	-	681	653	182	11	-	1,529
Accounts payable and other current payables	-	-	1,822	1,822	-	-	3,645

(3) Classification of Financial Instruments

The classification of financial instruments (excluding cash and cash equivalents) in the Group is as follows:

Previous Consolidated Fiscal Year (Sep. 30, 2022)

(Financial Assets)

(Millions of yen)

	FVTOCI Equity Instrument Assets	Financial assets measured at amortized cost	Total
Accounts receivable-trade and other current receivables	-	4,461	4,461
Other short-term financial assets	24	1,044	1,068
Other long-term financial assets	727	800	1,528
Total	751	6,306	7,057

(Financial Liabilities)

(Millions of yen)

	FVTPL Financial Liabilities	Financial liabilities measured at amortized cost	Total
Accounts payable and other current payables	-	3,036	3,036
Current loans	-	8,092	8,092
Non-current loans	-	462	462
Other long-term financial liabilities	-	30	30
Total	-	11,622	11,622

Current Consolidated Fiscal Year (Sep. 30, 2023)

(Financial Assets)

(Millions of yen)

	FVTOCI Equity Instrument Assets	Financial assets measured at amortized cost	Total
Accounts receivable-trade and other current receivables	-	4,630	4,630
Other short-term financial assets	-	1,183	1,183
Other long-term financial assets	444	1,595	2,040
Total	444	7,409	7,853

(Financial Liabilities)

(Millions of yen)

	FVTPL Financial Liabilities	Financial liabilities measured at amortized cost	Total
Accounts payable and other current payables	-	3,259	3,259
Current loans	-	5,329	5,329
Non-current loans	-	297	297
Other long-term financial liabilities	3,053	-	3,053
Total	3,053	8,886	11,939

(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:

(Millions of yen)

	As of Sep. 30, 2022		As of Sep. 30, 2023	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets measured at amortized cost				
Other long-term financial assets[2]	796	794	1,583	1,662
Financial liabilities measured at amortized cost				
Loans[3]	2,055	2,056	526	526

1. Financial instruments whose carrying amounts are a reasonable approximation of fair value are not included in the above table.
2. Of the Non-current assets "Other long-term financial assets" in the consolidated statement of financial position, loans and receivables, and deposits and guarantees are listed.
3. Long-term loans that are due within one year are included, but short-term borrowings with an initial contractual term of less than one year are not included.ん。

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) Loans

The fair value of loans is calculated by discounting the total amount of principal and interest from the interest rate that would be expected if a similar new loan were taken out. Their fair value is classified as Level 2.

(ii) Financial Instruments Measured at Fair Value

Financial instruments measured at fair value are classified into three levels in the stratum of fair value according to the observability and materiality of the inputs used for measurement.

The stratum of fair value consists of the following levels:

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

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

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

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

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

(Millions of yen)

	Previous Consolidated Fiscal year (Sep. 30, 2022)			
	Level 1	Level 2	Level 3	Total
Financial Assets				
FVTOCI equity instrument assets	-	-	751	751

There is no reclassification among Level 1, Level 2 and Level 3 in the previous consolidated fiscal period.

(Millions of yen)

	Current Consolidated Fiscal Year (Sep. 30, 2023)			
	Level 1	Level 2	Level 3	Total
Financial Assets				
FVTOCI equity instrument assets	-	-	444	444
Financial Liabilities				
FVTPL financial liabilities	-	-	3,053	3,053

There is no reclassification among Level 1, Level 2 and Level 3 in the previous consolidated fiscal period.

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

(a) FVTOCI Equity Instrument Assets

FVTOCI equity instruments primarily consist of unlisted shares and are classified in Level 3, as their fair value is determined using a suitable valuation method that comprehensively considers quantitative information such as recent transaction prices and net asset value in independent third-party transactions, based on the Group's policy and procedures for utilizing the most appropriate and relevant available data.

In measuring this fair value, unobservable inputs such as net asset value for the relevant securities are used.

(b) FVTPL financial liabilities

FVTPL financial liabilities are contingent consideration (other long-term financial liabilities) arising from a business combination and are classified in Level 3, as their fair value is determined using a discounted cash flow model that considers the present value of future payments based on expected future performance.

Changes in the fair value of contingent consideration are recognized in "finance costs" for the portion attributable to changes in the time value of money, and in "other income" or "other expenses" for the portion attributable to changes other than the time value of money.

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

(Millions of yen)

	Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)	
	FVTOCI Equity Instrument Assets	FVTPL Financial Liabilities
Beginning Balance	696	-
Total Gains and Losses		
Profit or Loss	-	-
Other Comprehensive Income	51	-
Acquisitions	-	-
Corporate Mergers	-	-
Disposal by Sale	(20)	-
Collections	-	-
Other	24	-
Ending Balance	751	-

(Millions of yen)

	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)	
	FVTOCI Equity Instrument Assets	FVTPL Financial Liabilities
Beginning Balance	751	-
Total Gains and Losses		
Profit or Loss	-	893
Other Comprehensive Income	(283)	-
Acquisitions	-	-
Corporate Mergers	-	2,007
Disposal by Sale	(3)	-
Collections	(24)	-
Other	3	151
Ending Balance	444	3,053

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

(iii) Valuation Process

Assets and liabilities classified in Level 3 are assessed and analyzed by external valuation experts or appropriate valuation personnel in accordance with valuation policies and procedures approved by the head of the management accounting department. The assessment results are reviewed and approved by the head of the management accounting department.

25. Revenue

(1) Breakdown of Revenue

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

Previous Consolidated Fiscal Year (Oct. 1, 2021 to Sep. 30, 2022)

(Millions of yen)

	Reportable Segment		Other	Total
	HOME'S Services	Overseas		
LIFULL HOME'S	22,036	-	-	22,036
Internet Marketing	3,522	-	-	3,522
Overseas Media	-	6,883	-	6,883
Other	508	54	2,725	3,287
Revenue from Contracts with Clients	26,067	6,938	2,725	35,730

1. Since the significance of income from other sources is insignificant, it is presented as Other.

Current Consolidated Fiscal Year (Oct. 1, 2022 to Sep. 30, 2023)

(Millions of yen)

	Reportable Segment		Other[3]	Total
	HOME'S Services	Overseas		
LIFULL HOME'S	22,547	-	-	22,547
Internet Marketing	-	-	-	-
Overseas Media	-	8,252	-	8,252
Other	610	67	4,926	5,604
Revenue from Contracts with Clients	23,158	8,320	4,926	36,405

1. Since the significance of income from other sources is insignificant, it is presented as Other.
2. LIFULL Marketing Partners Co., Ltd., a company that was previously engaged in internet marketing, has been excluded from the Group's consolidated financial statements as all of its shares were transferred in the previous fiscal year.
3. This increase in revenue is primarily attributable to the sale of real estate held for sale by our consolidated subsidiary, the regional revitalization fund, which was previously classified as inventory.

	Service Description
LIFULL HOME'S	Provides a platform for posting property information, advertising service on the LIFULL HOME'S website and user referral service
Internet Marketing	Advertising operations agent service and consulting service to support promotion and production
Overseas Media	Search advertising and advertisement on aggregation websites for real estate/housing; tech-enabled agency services to support real estate transactions
Other	Advertising-related services on LIFULL Kaigo, LIFULL Trunk Room, LIFULL Hikkoshi and other platforms

(2) Remaining Balances on Contracts

In the consolidated balance sheet, receivables arising from contracts with customers are included in 'accounts receivable and other short-term receivables', while contract liabilities are included in 'other current liabilities'. Contract liabilities primarily relate to advance payments from customers.

Receivables and liabilities resulting from client contracts are as follows:

Previous Consolidated Fiscal Year (Oct. 1, 2021 to Sep. 30, 2022)

(Millions of yen)

	Oct. 1, 2021	Sep. 30, 2022
Credit on contracts with customers	4,214	3,597
Contract liabilities	26	16

Of the revenue recognized in the previous consolidated fiscal year, 26 million yen was included in the contract liabilities balance as of October 1, 2021.

Current Consolidated Fiscal Year (Oct. 1, 2022 to Sep. 30, 2023)

(Millions of yen)

	Oct. 1, 2022	Sep. 30, 2023
Credit on contracts with customers	3,597	3,677
Contract liabilities	16	316

Of the revenue recognized in the current consolidated fiscal year, 16 million yen was included in the contract liabilities balance as of October 1, 2022.

(3) Transaction Amounts Allocated to Remaining Performance Obligations

There are no significant transactions with contracts that extend beyond one year within the Group. There are no transaction amounts not included in payment generated from contracts with customers.

(4) Assets Recognized from Costs for Acquiring or Implementing Contracts with Customers

For the previous and current consolidated fiscal years, the amount of assets recognized from costs incurred to acquire or fulfill customer contracts is immaterial. Additionally, for assets with a useful life of one year or less, the Group has elected to apply a practical expedient on a contract-by-contract basis to recognize incremental costs of acquiring a contract as an expense when incurred.

(5) Significant Financial Factors

Services provided by the Group do not have payment terms that exceed one year, and there are no significant financial factors.

26. Cost of Sales

The breakdown of the cost of sales is as follows:

(Millions of yen)

	Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)
Commission Fees	3,391	867
Subcontracting Expenses	285	723
Cost of Sales of Product Inventory	336	2,224
Other	42	40
Total	4,055	3,856

27. Selling, General and Administrative Expenses

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

(Millions of yen)

	Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)
Advertising Expenses	12,824	11,495
Benefit Expenses for Employees and Directors	9,720	9,687
Office Rent Expenses	101	118
Commission Fees	3,315	3,588
Subcontracting Expenses	2,085	1,566
Depreciation and Amortization	1,903	1,964
Other	1,420	1,670
Total	31,372	30,091

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

(Millions of yen)

	Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)
Salaries and Allowances	7,141	6,991
Directors' Compensation	491	479
Employee Bonuses	787	848
Legal Welfare Expenses	1,182	1,224
Other	118	144
Total	9,720	9,687

28. Share-Based Compensation

(1) Share-Based Compensation Scheme

(a) Overview of the Share-based Compensation Scheme

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

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

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

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

Fair value on the day that points are granted is calculated by adjusting the market value of the Company's shares while considering the expected dividend yield.

<u>Previous Consolidated Fiscal Year (Sep. 30, 2022)</u>

The number of points awarded during the period was 238,171, and the weighted average fair value for points awarded was 237 yen.

<u>Current Consolidated Fiscal Year (Sep. 30, 2023)</u>

The number of points awarded during the period was 268,051, and the weighted average fair value for points awarded was 225 yen.

(c) Costs of Share-based Compensation

Expenses related to this scheme amounted to 56 million yen in the previous consolidated fiscal year and 60 million yen in the current consolidated fiscal year. These expenses have been included in selling, general and administrative expenses in the Consolidated Statements of Profit or Loss.

(2) Stock Option

(a) Content of the Stock Option

The Company has implemented an equity-settled share-based payment plan (stock option plan) for our directors and employees. The purpose of this plan is to further enhance the motivation and morale of internal directors and employees in pursuing the long-term growth of the Company and group and achieving the performance targets set forth in the Medium-Term Management Plan.

This stock option plan is accounted for as an equity-settled share-based payment transaction. The exercise period is specified in the grant agreement, and if the options are not exercised within the exercise period, they will expire.

The outline of the stock option plan is as follows:

	First Issuance	Second Issuance
Eligible Parties	Executives and Employees of LIFULL Co., Ltd.	Employees of LIFULL Co., Ltd.
Issuance Date	January 6, 2023	January 6, 2023
Shares Offered	767,000 Ordinary Shares	1,353,000 Ordinary Shares
Vesting Conditions	Remain continuously employed as a director, auditor, or employee of the Company or its affiliated companies from the grant date until September 30, 2024, inclusive. However, this requirement shall not apply in the event of retirement due to the expiration of a term of office, retirement due to reaching retirement age, or other justifiable reasons as determined by the Board of Directors.	Remain continuously employed as a director, auditor, or employee of the Company or its affiliated companies from the grant date until September 30, 2024, inclusive. However, this requirement shall not apply in the event of retirement due to the expiration of a term of office, retirement due to reaching retirement age, or other justifiable reasons as determined by the Board of Directors.
Exercise Period	Jan. 1, 2026 – Jan. 5, 2029	Jan. 1, 2026 – Jan. 5, 2029
Exercise Price (Yen)	168	168

(b) Movement in the Number of Stock Options

	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)
	Option (Shares)
Beginning Unexercised Balance	-
Granted	2,120,000
Exercised	-
Lapsed	19,500
Expired	-
Ending Unexercised Balance	2,100,500
Ending Exercisable Balance	-

No stock options were exercised during the period.

(c) Fair Value and Underlying Assumptions of Stock Options Granted During the Period

The weighted average fair value of stock options granted during the period was determined using a Monte Carlo simulation based on the following assumptions.

	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)	
	First Issuance	Second Issuance
Fair Value (Yen / Share)	1	6
Share Price on Grant Date (Yen)	219	219
Exercise Price (Yen / Share)	168	168
Expected Volatility[1]	47.9	47.9
Expected Remaining Life of the Option (Years)	6	6
Expected Dividend (%)	1.03	1.03
Risk-Free Rate (%)	0.334	0.334

1. Based on share price calculations from the last six years.

29. Other Income and Expenses

(1) Other Income

The breakdown of other income is as follows:

(Millions of yen)

	Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)
Subsidy Income	6	7
Income from Restaurant Business	13	14
Gains from Sale of Shares of Affiliates[1]	978	664
Foreign Exchange Gains	399	-
Other	94	106
Total	1,492	793

1. The gain on sale of investments in associates for the current consolidated fiscal year resulted from the sale of shares in Rakuten LIFULL STAY Pte. Ltd., which was previously accounted for using the equity method. The gain on sale of investments in associates for the previous consolidated fiscal year is described in 13. Subsidiaries.

(2) Other Expenses

The breakdown of other expenses is as follows:

(Millions of yen)

	Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)
Loss on Sales and Retirement of Non-current Assets	6	76
Impairment Losses	-	128
Expenses for Restaurant Business	26	24
Foreign Exchange Losses	-	169
Fair Value Change Related to Contingent Considerations	-	774
Other	89	117
Total	122	1,291

30. Financial Revenue and Financial Expenses

(1) Financial Revenue

The breakdown of financial revenue is as follows:。

(Millions of yen)

	Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)
Interest Income		
Cash and Cash Equivalents	5	61
Dividend Income		
Financial Assets Measured at Fair Value through other Comprehensive Income	0	-
Total	5	61

(2) Financial Expenses

The breakdown of financial expenses is as follows:

(Millions of yen)

	Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)
Interest Expenses		
Interest-Bearing Debt	89	70
Contingent Considerations	-	119
Provisions	0	0
Total	89	189

31. Other Comprehensive Income

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

(Millions of yen)

	Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)				
	Accruals During the Period	Reclassification Adjustments	Before Tax Effect	Tax Effect	After Tax Effect
Items that will not be Reclassified to Profit or Loss:					
FVTOCI Equity Instrument Assets	51	-	51	(13)	38
Items that may be Reclassified as Profit or Loss, Net of Tax:					
Exchange Differences on Translation of Foreign Operations	1,610	-	1,610	-	1,610
Share of other Comprehensive Income of investments Accounted for Using the Equity Method	174	-	174	-	174
Total Other Comprehensive Income	1,837	-	1,837	(13)	1,823

(Millions of yen)

	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)				
	Accruals During the Period	Reclassification Adjustments	Before Tax Effect	Tax Effect	After Tax Effect
Items that will not be Reclassified to Profit or Loss:					
FVTOCI Equity Instrument Assets	(283)	-	(283)	109	(174)
Items that may be Reclassified as Profit or Loss, Net of Tax:					
Exchange Differences on Translation of Foreign Operations	2,177	-	2,177	-	2,177
Share of other Comprehensive Income of investments Accounted for Using the Equity Method	(184)	-	(184)	-	(184)
Total Other Comprehensive Income	1,709	-	1,709	109	1,818

32. Per Share Information

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

	Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)
Profit (Loss) Attributable to Owners of the Parent (Millions of yen)	1,180	1,031
Average Number of Basic Common Shares During the Period	131,781,600	128,460,800
Effects of Dilution on Existing Basic Common Shares	269,712	261,314
Average Number of Basic Common Shares after Dilution	132,051,312	128,722,114
Profit per Share Attributable to owners of the Parent (Yen)		
Basic Earnings (Loss) per Share	8.96	8.03
Diluted Earnings (Loss) per Share	8.94	8.01

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

33. Supplementary Information on the Consolidated Statements of Cash Flows

Previous Consolidated Fiscal Year (Oct.1, 2021, to Sep. 30, 2022)

The expenditure of 453 million yen is attributable to the acquisition of the 'Properati' business, a real estate information platform operating in multiple South American countries.

Current Consolidated Fiscal Year (Oct. 1, 2022, to Sep. 30, 2023)

No items to report.

34. Corporate Mergers

Previous Consolidated Fiscal Year (Oct.1, 2021, to Sep. 30, 2022)

No significant corporate mergers.

Current Consolidated Fiscal Year (Oct. 1, 2022, to Sep. 30, 2023)

(Corporate Merger by Acquisition)

1. FazWaz Thailand Co. Ltd,

The Company and its wholly-owned subsidiary, LIFULL CONNECT S.L.U. (headquartered in Spain, "LIFULL CONNECT,") entered into a transaction to acquire all shares of FazWaz Thailand Co., Ltd., a subsidiary of FazWaz Pte. Ltd. (headquartered in Singapore) through the wholly-owned subsidiary of LIFULL CONNECT, Dot Property Co., Ltd. (headquartered in Thailand, "Dot Property") for the purposes of expanding the Company's real estate businesses in Thailand and Southeast Asia and acquiring technology.

(1) Overview of Corporate Merger

(i) Name and Business of the Acquired Entity

Company	FazWaz Thailand Co. Ltd.
Location	Bangkok, Thailand
Business	Tech-Enabled Real Estate Agency

(ii) Date of Corporate Merger

January 1, 2023

*Although the contract was signed on February 11, 2023, considering the contractual agreements with other voting rights holders and the exposure or rights related to the variable returns arising from involvement in investee companies, the Group has treated January 1, 2023, as the business combination date.

(iii) Acquired Ratio of Voting Rights

100%

(iv) Method of Control over the Acquired Entity

Share acquisition by cash

(v) Purpose and Content of the Acquisition

Since our founding, we have followed our Corporate Philosophy "Create a society where everyone can attain comfort and happiness through continuous social innovations" providing people with lifestyle information focused mainly around the real estate sector. The focal point of our current Mid-Term Management Plan ending in FY 2025/9 is the expansion of our core real estate-related businesses in Japan and abroad.

LIFULL CONNECT, a wholly-owned subsidiary of the Company, offers primarily real estate-related services in over sixty countries under a variety of brands and attracts the largest real estate audience in the world.

These services include a mixture of portal and aggregation sites as well as other services tailored to the needs of each region.

Based out of in Thailand, Dot Property Pte. Ltd., a subsidiary of LIFULL CONNECT, has operated a network of real estate portal sites in Southeast Asia since 2013 and has been active as a real estate brokerage in Thailand. In 2020, Dot Property acquired the Thailand-based real estate portal, HipFlat, and has continued to make active investments in the expansion of its business.

FazWaz, on the other hand, was founded in 2015 in Thailand, the expansion of its brokerage services across Thailand

and Southeast Asia has been remarkable.

In combining the user base and client network of Dot Property and FazWaz, LIFULL CONNECT will continue to expand its business across Southeast Asia. At the same time, we will leverage the technology and industry experience of FazWaz to develop products that the LIFULL Group can utilize across the 60 countries and regions where it is active. We, therefore, believe that this acquisition will improve the quality of our services and strengthen the overall global competitiveness of the Group.

In this acquisition, Dot Property is acquiring all shares of FazWaz Thailand. However, Dot Property and FazWaz plan to utilize their management resources to the fullest extent with both LIFULL CONNECT and FazWaz working together to accelerate business growth in Thailand and other regions in Southeast Asia.

Therefore, FazWaz will also receive a portion of the shares of Dot Property.

(2) Acquisition Price

3,003 million yen

(3) Acquisition-Related Costs

Costs related to this acquisition amounted to 18 million yen and were accounted for in selling, general and administration expenses.

(4) Recognized Amount of Assets Acquired and Liabilities Assumed at the Acquisition Date

(Millions of yen)

Acquisition Price	
Cash	995
Contingent Considerations	2,007
Recognized Amount of Assets Acquired and Liabilities Assumed	
Cash and Cash Equivalents	248
Accounts Receivable and Other Short-term Receivables	398
Other Current Assets	24
Non-current Assets	14
Accounts Payable and other Short-term Payables	(550)
Accrued Income Taxes	(17)
Other Current Liabilities	(102)
Non-current Liabilities	(77)
Total	(61)
Goodwill[1,2,3]	3,083

1. The main components of goodwill are the synergy effects and excess earnings capacity expected to arise from the acquisition and which do not individually meet the recognition criteria.
2. As of the end of the current consolidated accounting period, the fair value of identifiable assets at the acquisition date has not been fully determined, and the allocation of the purchase price has not been completed. Therefore, goodwill is provisionally calculated based on the best information available at the end of the current consolidated accounting period.
3. There is no amount of goodwill that is expected to be tax-deductible.

(5) Fair Value of Acquired Receivables, Contractual Amounts Receivable, and Expected Uncollectible Amounts

The fair value of acquired trade receivables and other receivables is 383 million yen. The contractual amount receivable is also 383 million yen, and there are no expected uncollectible amounts.

(6) Contingent Considerations

The contingent consideration is a payment agreement that varies based on the achievement level of specific performance indicators of the acquiree from January 1, 2025 to December 31, 2025.

The Group has recognized this contingent consideration as an estimated liability.

(7) Effects of Corporate Mergers on the Cash Flow

(Millions of yen)

	Amount
Cash Acquisitions	(995)
Balance of Cash and Cash Equivalents from Corporate Mergers	248
Expenditures for the Acquisition of Subsidiaries	(747)

(8) Effects on Results

The consolidated statement of profit or loss for the current consolidated accounting period includes sales revenue and profit for the period from the acquisition date of 1,330 million yen and 267 million yen, respectively, generated by FazWaz Thailand.

If the business combination had been assumed to have occurred at the beginning of the period, the impact on the consolidated statement of profit or loss for the current consolidated accounting period would have been an increase in sales revenue of 299 million yen and an increase in profit for the period of 36 million yen.

Please note that this note has not been audited.

35. Contingent Liability

No items to report.

36. Commitment

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

(Millions of yen)

	Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)
Commitment to the purchase of property, plant and equipment and intangible assets	35	9

37. Subsequent Events

No items to report.

38. Transactions with Affiliates

(1) Transactions with Affiliates

No items to report.

(2) Compensation for Principal Executives

Compensation for principal executives of the Group is as follows:

(Millions of yen)

	Previous Consolidated Fiscal Year (October 1, 2021, to September 30, 2022)	Current Consolidated Fiscal Year (October 1, 2022, to September 30, 2023)
Short-term Compensation	177	187
Total	177	187

39. Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the Representative Director, President and Managing Officer of the Group, ITO Yuji, on December 21, 2023.

Other Items

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

(Cumulative Periods)		First Quarter	Second Quarter	Third Quarter	Full-Year
Revenue	(Mil. Yen)	7,583	19,168	27,994	36,405
Profit (Loss) for the Period Before Taxes	(Mil. Yen)	737	1,600	2,236	1,634
Profit (Loss) for the Period Attributable to Owners of the Parent	(Mil. Yen)	564	1,153	1,503	1,031
Basic Earnings (Loss) for the Period per Share	(Yen)	4.35	8.94	11.69	8.03

(Cumulative Period)		First Quarter	Second Quarter	Third Quarter	Full-Year
Basic Profit (Loss) per Share	(Yen)	4.35	4.60	2.74	(3.69)

Preparation of the Annual Report and 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 29th *Yukashoken Hokokusho*[1] Financial Report, which was based on the audit carried out by PricewaterhouseCoopers Japan LLC. While part of the layout has been changed, every effort was made in the preparation of this annual report to ensure there were no discrepancies between it and the content of the Yuho Financial Report.
Please note that neither the Japanese nor English annual reports were included in the scope of the audit carried out by PricewaterhouseCoopers Japan LLC.

1. Yukashoken Hokokusho: A document Japanese companies must prepare each fiscal year to comply with the Financial Instruments and Exchange Act.