LIFULL

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

Consolidated Financial Report for the Nine-month Period Ended June 30, 2019 (IFRS)

August 7, 2019

Company name:	LIFULL Co., Ltd.	Listed exchange:	Tokyo Stock Exchange
Stock code:	2120	URL:	https://lifull.com/en/
Representative:	(Position) President and CEO	(Name) Takashi Inoue	
Contact:	(Position) Managing Officer, General Manager of Group Company Business Development Department	(Name) Kazuhiko Abe	(TEL) +81-3-6774-1603
Scheduled quarterly securities report submission date:		August 7, 2019	
Scheduled date of start of dividend payments:		-	
Preparation of supporting documentation for earnings:		Yes	
Earnings presentations:		Yes (For institutional investors and analysts)	

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

1. Consolidated Financial Results for the Nine-month Period Ended June 30, 2019 (October 1, 2018 to June 30, 2019)

(1) Consolidated Operating Results

(Percentages indicate year-on-year change)

	Revenue		Operating Income		Profit before income taxes		Net profit		Profit attributable to owners of the parent		Total comprehensive income	
		%		%		%		%		%		%
Nine-month ended June 30, 2019	¥29,352	12.8	¥3,332	(8.3)	¥3,098	(12.8)	¥1,985	(11.1)	¥2,018	(11.3)	¥560	(68.6)
Nine-month ended June 30, 2018	¥26,015	-	¥3,635	-	¥3,552	-	¥2,233	-	¥2,274	-	¥1,786	-

	Basic earnings per share (yen)	Diluted earnings per share (yen)
Nine-month ended June 30, 2019	15.70	-
Nine-month ended June 30, 2018	19.16	-

(Reference) EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortization)
Nine-month ended June 30, 2019: ¥4,256 million Nine-month ended June 30, 2018: ¥4,439 million

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Equity attributable to owners of the parent ratio (%)
As of June 30, 2019	¥43,550	¥33,243	¥33,167	76.2
As of September 30, 2018	¥29,181	¥21,996	¥21,881	75.0

2. Dividends

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

Note 1: There have been no changes in dividend forecast.
Note 2: Dividend forecast for the fiscal year ending September 30, 2019 will be calculated based on a payout ratio of 25%.

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

(Percentages indicate year-on-year change)

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

Note 1: Revision to the most recently announced consolidated forecasts : No
Note 2: The Company issued 15,450,770 new shares on January 8, 2019 in exchange for the acquisition of equity shares in Mitula Group Limited. Basic earnings per share for the fiscal year ending September 30, 2019 have been calculated using the new shares issued as mentioned above.

*** Notes**

(1) There have been changes in material subsidiaries during the term.

(Change in specified subsidiaries which accompanies a change in the range of consolidation)

1 New: (Name) Mitula Group Limited

(Note) For details, refer to "1. Condensed Consolidated Financial Statements and Significant Notes (5) Notes to the Condensed Consolidated Financial Statements 3. Business Consolidation" on Page 16.

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

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

(Note) For details, refer to "1. Condensed Consolidated Financial Statements and Significant Notes (5) Notes to the Condensed Consolidated Financial Statements 2. Significant Accounting Policies" on Page 12.

(3) Number of shares issued (common stock)

[1] Number of shares issued at the end of the period (including treasury stock)	
As of June 30, 2019	134,239,870 shares
As of September 30, 2018	118,789,100 shares
[2] Treasury shares at the end of the period	
As of June 30, 2019	74,393 shares
As of September 30, 2018	73,736 shares
[3] Average shares during term	
Nine-month ended June 30, 2019	128,562,877 shares
Nine-month ended June 30, 2018	118,715,364 shares

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

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

- The Company plans to hold an earnings briefing for institutional investors and analysts. Scenes from the briefing and presentation content (audio recordings) will be made available on the Company's website as soon as possible thereafter.
- August 8, 2019 (Thursday) : Earnings presentation for institutional investors and analysts.
- In addition, the Company holds briefings as appropriate for individual investors. Please refer to the LIFULL IR website for more details.

(Appendices)

Contents

1. Condensed Consolidated Financial Statements and Significant Notes

(1) Condensed Consolidated Statements of Financial Position

(Thousands of yen)

	As of September 30, 2018	As of June 30, 2019
Assets		
Current assets		
Cash and cash equivalents	7,571,312	8,912,817
Accounts receivable-trade and other current receivables	4,577,193	5,376,386
Other short-term financial assets	230,000	290,153
Other current assets	521,720	751,043
Total current assets	12,900,226	15,330,401
Non-current assets		
Property, plant and equipment	1,810,709	1,774,329
Goodwill	9,806,312	20,987,914
Intangible assets	2,018,313	2,087,650
Investments accounted for using the equity method	785,146	632,164
Other long-term financial assets	1,293,708	1,834,506
Deferred tax assets	563,833	899,221
Other non-current assets	3,714	4,556
Total non-current assets	16,281,738	28,220,343
Total assets	29,181,965	43,550,744

(Thousands of yen)

	As of September 30, 2018	As of June 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Accounts payable-trade and other current payables	2,791,544	2,956,299
Short-term loans	-	3,400,000
Lease obligations	4,205	4,932
Accrued corporate income taxes	1,356,368	767,197
Other current liabilities	2,029,275	2,011,120
Total current liabilities	6,181,394	9,139,550
Non-current liabilities		
Lease obligations	80,600	76,804
Provisions	533,662	560,497
Deferred tax liabilities	364,316	508,295
Other long-term financial liabilities	25,664	22,007
Total non-current liabilities	1,004,244	1,167,604
Total liabilities	7,185,638	10,307,154
Equity		
Attributable to owners of the parent		
Capital stock	3,999,578	9,716,363
Capital surplus	4,256,942	9,947,792
Retained earnings	14,394,920	15,698,938
Treasury shares	(8,694)	(9,085)
Other components of equity	(761,446)	(2,186,328)
Attributable to owners of the parent	21,881,301	33,167,680
Attributable to non-controlling interests	115,025	75,908
Total equity	21,996,326	33,243,589
Total liabilities and equity	29,181,965	43,550,744

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

Condensed Consolidated Statements of Profit or Loss
For the Nine-month Period Ended June 30, 2019

(Thousands of yen)

	Nine-month period ended June 30, 2018	Nine-month Period ended June 30, 2019
Revenue	26,015,262	29,352,758
Cost of revenue	2,872,509	3,342,045
Gross profit	23,142,753	26,010,712
Selling, general and administrative expenses	19,602,893	22,779,744
Other income	228,904	574,037
Other expenses	133,018	472,513
Operating income	3,635,745	3,332,492
Financial revenue	33,787	4,344
Financial expenses	15,081	27,510
Share of profit (loss) of investments accounted for using the equity method	(101,944)	(210,512)
Profit before taxes	3,552,507	3,098,813
Income tax expenses	1,319,353	1,113,541
Profit for the period	2,233,153	1,985,272
Profit for the period attributable to:		
Owners of the parent	2,274,527	2,018,559
Non-controlling interests	(41,374)	(33,287)
Total	2,233,153	1,985,272

(Yen)

	Nine-month period ended June 30, 2018	Nine-month Period ended June 30, 2019
Profit for the period per share attributable to owners of the parent		
Basic profit for the period per share	19.16	15.70
Diluted profit for the period per share	-	-

For the Three-month Period Ended June 30, 2019

	Three-month period ended June 30, 2018	Three-month period ended June 30, 2019
Revenue	8,345,490	9,753,221
Cost of revenue	996,685	1,035,432
Gross profit	7,348,805	8,717,788
Selling, general and administrative expenses	6,212,039	7,087,592
Other income	28,568	44,631
Other expenses	22,363	35,454
Operating income	1,142,971	1,639,373
Financial revenue	33,700	1,201
Financial expenses	4,506	5,384
Share of profit of investments accounted for using the equity method	(45,721)	(48,573)
Profit before taxes	1,126,445	1,586,617
Income tax expenses	434,509	519,348
Profit for the period	691,935	1,067,269
Profit for the period attributable to:		
Owners of the parent	702,448	1,073,201
Non-controlling interests	(10,513)	(5,932)
Total	691,935	1,067,269

		(Yen)
Profit for the period per share attributable to owners of the parent		
Basic profit for the period per share	5.92	8.00
Diluted profit for the period per share	-	-

Condensed Consolidated Statements of Comprehensive Income
For the Nine-month Period Ended June 30, 2019

(Thousands of yen)

	Nine-month period ended June 30, 2018	Nine-month Period ended June 30, 2019
Profit for the period	2,233,153	1,985,272
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Equity instruments measured at FVTOCI	-	(15,008)
Total of items that will not be reclassified to profit or loss	-	(15,008)
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets	2,486	-
Exchange differences on translation of foreign operations	(438,033)	(1,397,555)
Cash flow hedge	463	-
Share of other comprehensive income of investments accounted for using the equity method	(11,284)	(12,469)
Total of items that may be reclassified subsequently to profit or loss	(446,368)	(1,410,024)
Other comprehensive income, net of tax	(446,368)	(1,425,032)
Total comprehensive income for the period	1,786,785	560,239
Comprehensive income for the period attributable to:		
Owners of the parent	1,828,186	593,677
Non-controlling interests	(41,401)	(33,438)
Total	1,786,785	560,239

For the Three-month Period Ended June 30, 2019

(Thousands of yen)

	Three-month period ended June 30, 2018	Three-month period ended June 30, 2019
Profit for the period	691,935	1,067,269
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Equity instruments measured at FVTOCI	-	(11,122)
Total of items that will not be reclassified to profit or loss	-	(11,122)
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets	6,683	-
Exchange differences on translation of foreign operations	(228,622)	(481,870)
Cash flow hedge	621	-
Share of other comprehensive income of investments accounted for using the equity method	(5,209)	(12,300)
Total of items that may be reclassified subsequently to profit or loss	(226,526)	(494,171)
Other comprehensive income, net of tax	(226,526)	(505,293)
Total comprehensive income for the period	465,408	561,976
Comprehensive income for the period attributable to:		
Owners of the parent	475,868	568,025
Non-controlling interests	(10,459)	(6,048)
Total	465,408	561,976

(3) Condensed Consolidated Statements of Changes in Equity

For the Nine-month Period Ended June 30, 2018 (October 1, 2017 to June 30, 2018)

(Thousands of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Balance as of October 1, 2017	3,999,578	4,336,231	11,632,596	(8,694)	(732,517)	19,227,194	66,456	19,293,650
Profit for the period	-	-	2,274,527	-	-	2,274,527	(41,374)	2,233,153
Other comprehensive income	-	-	-	-	(446,340)	(446,340)	(27)	(446,368)
Total comprehensive income for the period	-	-	2,274,527	-	(446,340)	1,828,186	(41,401)	1,786,785
Dividends of surplus	-	-	(97,346)	-	-	(97,346)	(1,577)	(98,924)
Capital transaction with owners of non-controlling interests	-	(9,656)	-	-	-	(9,656)	188	(9,467)
Increase due to business combinations	-	-	-	-	-	-	28,000	28,000
Total transactions with owners	-	(9,656)	(97,346)	-	-	(107,002)	26,611	(80,391)
Balance as of June 30, 2018	3,999,578	4,326,575	13,809,777	(8,694)	(1,178,858)	20,948,377	51,666	21,000,043

For the Nine-month Period Ended June 30, 2019 (October 1, 2018 to June 30, 2019)

(Thousands of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Balance as of October 1, 2018	3,999,578	4,256,942	14,394,920	(8,694)	(761,446)	21,881,301	115,025	21,996,326
Profit for the period	-	-	2,018,559	-	-	2,018,559	(33,287)	1,985,272
Other comprehensive income	-	-	-	-	(1,424,881)	(1,424,881)	(150)	(1,425,032)
Total comprehensive income for the period	-	-	2,018,559	-	(1,424,881)	593,677	(33,438)	560,239
New stock issues	5,716,784	5,687,694	-	-	-	11,404,479	-	11,404,479
Dividends of surplus	-	-	(714,666)	-	-	(714,666)	(507)	(715,173)
Purchase of treasury stock	-	-	-	(390)	-	(390)	-	(390)
Capital transaction with owners of non-controlling interests	-	3,154	-	-	-	3,154	(5,045)	(1,891)
Changes from exclusion from consolidation	-	-	125	-	-	125	(125)	-
Total transactions with owners	5,716,784	5,690,849	(714,541)	(390)	-	10,692,701	(5,678)	10,687,023
Balance as of June 30, 2019	9,716,363	9,947,792	15,698,938	(9,085)	(2,186,328)	33,167,680	75,908	33,243,589

(4) Condensed Consolidated Statements of Cash Flows

(Thousands of yen)

	Nine-month period ended June 30, 2018	Nine-month period ended June 30, 2019
Cash flow from operating activities		
Profit for the period before tax	3,552,507	3,098,813
Depreciation and amortization	822,287	943,176
Impairment loss	-	298,071
Financial revenue	(33,787)	(4,344)
Financial expenses	15,081	27,510
Decrease (increase) in accounts receivable-trade and other current receivables	(71,970)	(201,493)
Increase (decrease) in accounts payable-trade and other current payables	(484,666)	(315,001)
Others	242,320	(429,736)
Subtotal	4,041,771	3,416,995
Interest and dividends received	92	1,763
Interest paid	(13,978)	(14,905)
Income taxes paid	(438,570)	(2,104,052)
Net cash from operating activities	3,589,314	1,299,800
Cash flow from investing activities		
Purchase of available-for-sale financial assets	(454,437)	-
Cash used for acquisition of instrument assets	-	(93,920)
Proceeds from sales of available-for-sale financial assets	23,793	-
Purchase of property, plant and equipment	(189,652)	(141,013)
Proceeds from sale of property, plant and equipment	1,508	377
Purchase of intangible assets	(317,395)	(254,374)
Cash used for acquisition of subsidiaries	-	(1,645,463)
Proceeds from sales of investments in subsidiaries	-	473,216
Cash used for acquisition of the shares of an affiliate company	(317,918)	(70,000)
Acquisition of shares of associates	135,000	-
Payments of loans receivable	(150,000)	(773,492)
Collection of loans receivable	-	258,947
Others	(42,512)	(86,793)
Net cash from investing activities	(1,311,615)	(2,332,515)
Cash flow from financing activities		
Proceeds from loans payable	-	3,600,000
Repayments of short-term borrowings	-	(200,000)
Repayments of long-term borrowings	(499,995)	-
Dividends paid	(97,342)	(714,016)
Repayment of lease obligations	(2,481)	(3,068)
Dividends paid to non-controlling interests	(1,577)	(507)
Proceeds from non-controlling interests for additional shares	(11,438)	(1,891)
Proceeds from share issuance to non-controlling interest	29,972	-
Proceeds from issuance of bonds	3,000	-
Purchase of treasury shares	-	(390)
Others	-	(42,074)
Net cash from financing activities	(579,862)	2,638,050
Effect of exchange rate changes on cash and cash equivalents	(71,229)	(263,831)
Net increase (decrease) in cash and cash equivalents	1,626,606	1,341,504
Cash and cash equivalents at beginning of period	5,509,642	7,571,312
Cash and cash equivalents at end of period	7,136,248	8,912,817

(5) Notes to the Condensed Consolidated Financial Statements

1. Note Regarding Going Concern Assumption

Not applicable.

2. Significant Accounting Policies

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

(Changes in accounting policies)

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

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

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

The main effects of the application of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the condensed quarterly consolidated financial statements for Third quarter of this consolidated period or the condensed quarterly consolidated statement of financial position as of the end of this consolidated fiscal year are as follows

(1) Application of IFRS 9 Financial Instruments

[1] Financial Instruments

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

At initial recognition, the Company measures a financial asset or a financial liability at its fair value. 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.

[2] Non-derivative Financial Assets

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

A regular way purchase or sale of financial assets is recognized and derecognized using trade date accounting. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require the delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

(i) Financial Assets Measured at Amortized Cost

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

(a) The asset is held within a business model for which the objective is to hold assets in order to collect contractual cash flows.
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to the initial recognition, financial assets at amortized cost are measured in terms of the amount net of impairment loss using an effective interest method when necessary. Interest income is recognized using an effective interest method in profit or loss.

(ii) FVTOCI Debt Instrument Assets

A financial asset is classified under FVTOCI Debt Instrument Assets if both of the following conditions are met:
(a) The asset is held within a business model 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 asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(iii) FVTOCI Equity Instrument Assets

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

When a financial instrument is derecognized or its fair value is significantly below the acquisition cost or it remains so over a long period of time, cumulative gains or losses recognized through the other comprehensive income are reclassified directly into retained earnings. Dividend income relating to FVTOCI Equity Instrument Assets has been recognized in profit or loss.

(iv) FVTPL Financial Assets

A financial asset is classified under FVTPL Financial Assets if any of the following conditions are applicable:
(a) Financial assets held for purposes of sale
(b) Financial assets not classified under Financial Assets Measured at Amortized Cost, FVTOCI Debt Instrument Assets, FVTOCI Equity Instrument Assets.

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

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

(v) Impairment of Financial Assets

The Group makes doubtful debt provisions relating to those financial assets measured at amortized cost or FVTOCI Debt Instrument Assets in the amount of expected credit loss. The Group undertakes 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, the Group usually makes a doubtful debt allowance for its trade receivables in the amount equal to the expected credit loss for the entire fiscal period. However, for trades receivable, doubtful debt provisions are measured in the amount of expected credit loss for the entire fiscal period.

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

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

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

(vi) Derecognition of financial assets

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

[3] Non-derivative Financial Liabilities

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

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.

[4] 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 the fair value at the end of each quarter period. Any change in the amount of fair value for the derivative instrument shall be recognized immediately in profit or loss.

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

[5] Offsetting Financial Assets and Financial Liabilities

The Group offsets 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 on the consolidated statement of financial position.

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

(Thousands of yen)

<table>
<tr><td rowspan="2"></td><td colspan="2">Measured Categories</td><td colspan="2">Book Value</td></tr>
<tr><td>Previous Standard (IAS 39)</td><td>Current Standard (IFRS 9)</td><td>Previous Standard (IAS 39)</td><td>Current Standard (IFRS 9)</td></tr>
<tr><td>Financial Asset</td><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td>Accounts Receivable and Other Short-Term Credit</td><td>Loans and Receivables</td><td>Amortized Cost</td><td>4,577,193</td><td>4,577,193</td></tr>
<tr><td>Other Short-Term Financial Assets</td><td>Loans and Receivables</td><td>Amortized Cost</td><td>230,000</td><td>230,000</td></tr>
<tr><td rowspan="2">Other Long-Term Financial Assets</td><td>Available-for-sale Financial Assets</td><td>FVTOCI (Equity)</td><td>512,907</td><td>512,907</td></tr>
<tr><td>Loans and Receivables</td><td>Amortized Cost</td><td>780,801</td><td>780,801</td></tr>
</table>

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

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

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

Step 1 – Identify the contract(s) with a customer
Step 2 – Identify the performance obligations in the contract
Step 3 – Determine the transaction price
Step 4 – Allocate the transaction price to the performance obligations in the contract
Step 5 – Recognize revenue when (or as) the entity satisfies a performance obligation

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

[1] HOME’S business and advertising sales

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

[2] Overseas Business

The Overseas Business utilizes aggregation sites to provide an information matching service for real estate, used vehicles, job listings, and retail items to connect users around the world with content partners. The main sources of revenue are search-related advertisements and listings. In search advertising, users are remitted to clients' websites upon clicking advertisements. Therefore, revenue is recognized at the time when users click advertisements. Advertisements are posted on the websites for a set period of time. Revenue is recognized when clients continue to use the service for a pre-determined length of time.

[3] Other Businesses

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

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

3. Business Consolidation

(Business combination by acquisition)

1. Mitula Group Limited

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

(1) Outline of the business combination

i) Name of the acquired company and its businesses

Name of the acquired company: Mitula Group Limited

Business domain: Operating aggregation and portal websites (Real estate, jobs, used vehicles, fashion)

ii) Date of acquisition

January 8, 2019

iii) Percentage of voting rights to be acquired

100%

iv) Method for obtaining control of acquired company

Acquisition of the shares in consideration for regular shares of LIFULL and cash

v) Primary reason for the business combination

Since the subsidiary of the Group, Trovit Search S. L. (hereinafter, "Trovit") operates a similar aggregation site, it was decided that significant value could be added to the Group by incorporating the corporate resources of Mitula, such as their technology and knowhow, to Trovit, so the decision was made to acquire Mitula.

(2) Cost of the acquisition of the acquired company

(Thousands of yen)

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

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

(3) Cost relating to acquisition

As the cost relating to the business combination of the company, selling and general administrative expenses of 720,597 thousand yen were recorded. 166,274 thousand yen, which was generated in the previous consolidated fiscal year, was expensed in the previous consolidated fiscal year.

(4) Recognized amount of acquired assets and liabilities succeeded on the day of the business combination

(Thousands of yen)

Consideration for acquisition Common shares and cash of the Company	13,786,004
Assets acquired and liabilities assumed Cash and cash equivalents Accounts receivable-trade and other current receivables Property, plant and equipment Intangible assets Other assets Accounts payable and other current payables Other liabilities	 1,836,197 723,768 67,858 2,866,485 29,625 (496,737) (340,267)
Total	4,686,929
Goodwill (Note 1, 2, 3)	9,099,075

(Note) 1. Goodwill mainly includes existing businesses that are expected to be generated from the acquisition, synergies, and excess earnings strength, each of which does not meet the requirements for recognition.
2. At the end of the third quarter of the consolidated fiscal year, the calculation of assets recognized on the day of the business combination on the basis of fair value has not been completed, and the distribution of the acquisition cost has not been completed. Accordingly, goodwill is calculated based on the rational information available tentatively at the end of the third quarter of the consolidated fiscal year.
3. For goodwill, no deductible expenses for tax purposes are included.

(5) Cash flow for business combination

(Thousands of yen)

	Amount
Consideration for acquisition by cash	(2,352,435)
Remaining value of cash and cash equivalent acquired through business combination	1,836,197
Cash use for acquisition of subsidiaries	(516,237)

(6) Impact on performance

The Condensed Consolidated Statements of Profit or Loss for the Nine-month period ended June 30, 2019 include Revenue and Profit for the Period generated by Mitula since the date of acquisition totaling 2,264,177 thousand yen and 270,488 thousand yen.

In addition, assuming that the merger had been carried out at the beginning of the period, the impact on the consolidated statements of income for the consolidated nine-month period would have been an increase in revenue of 1,070,851 thousand yen and an increase in net income of 2,906 thousand yen.

2. RESEM Corporation Limited

The Company approved the acquisition of all the shares of RESEM Corporation Limited at the board of directors' meeting held on April 17, 2019, concluded a share transfer agreement on May 8, 2019 and acquired all the shares on May 21, 2019.

(1) Outline of the business combination

i) Name of the acquired company and its businesses

Name of the acquired company: RESEM Corporation Limited

Business domain: Real estate information business

ii) Date of acquisition

May 21, 2019

iii) Percentage of voting rights to be acquired

100%

iv) Method for obtaining control of acquired company

Acquisition of shares by cash

v) Primary reason for the business combination

The Company set “Reform and Revitalization of the real estate market in Japan” and “Development of global platform” as the pillars of its medium/long-term strategy and has focused on global business development overseas: creating subsidiaries including Trovit Search S.L., an operator of a real estate, housing, job recruitment, and used car information aggregation website in Spain in November 2014 and Mitula Group Limited, an operator of a real estate, housing, job recruitment, used car, and fashion information aggregation website in January 2019.

The Company plans to continue expanding its overseas business, including this acquisition of R Corporation.

(2) Cost of the acquisition of the acquired company

1,158,837 thousand yen

(3)Cost relating to acquisition

This information is omitted because there was only minor impact on the consolidated statement of profit & loss for the third quarter.

(4) Recognized amount of acquired assets and liabilities succeeded on the day of the business combination

(Thousands of yen)

Consideration for acquisition	
Cash	1,158,837
Assets acquired and liabilities assumed	
Cash and cash equivalents	29,611
Accounts receivable-trade and other current receivables	45,269
Property, plant and equipment	1,435
Intangible assets	232,918
Other assets	2,773
Accounts payable and other current payables	(47,614)
Other liabilities	(86,424)
Total	177,969
Goodwill (Note 1, 2, 3)	980,867

(Note) 1. Goodwill mainly includes existing businesses that are expected to be generated from the acquisition, synergies, and excess earnings strength, each of which does not meet the requirements for recognition.

2. At the end of the third quarter of the consolidated fiscal year, the calculation of assets recognized on the day of the business combination on the basis of fair value has not been completed, and the distribution of the acquisition cost has not been completed. Accordingly, goodwill is calculated based on the rational information available tentatively at the end of the third quarter of the consolidated fiscal year.

3. For goodwill, no deductible expenses for tax purposes are included.

(5) Cash flow for business combination

(Thousands of yen)

	Amount
Consideration for acquisition by cash	(1,158,837)
Remaining value of cash and cash equivalent acquired through business combination	29,611
Cash use for acquisition of subsidiaries	(1,129,225)

(6) Impact on performance

The Condensed Consolidated Statements of Profit or Loss for the Nine-month period ended June 30, 2019 include Revenue and Profit for the Period generated by RESEM since the date of acquisition totaling17,235 thousand yen and (8,882) thousand yen.

In addition, assuming that the merger had been carried out at the beginning of the period, the impact on the consolidated statements of income for the consolidated nine-month period would have been an increase in revenue of 165,397 thousand yen and a decrease in net income of (78,792) thousand yen.

4. Subsequent event

Not applicable