

LIFULL (2120)

Consolidated Fiscal Year (Million Yen)		Revenue	EBITDA	Operating income	Profit attributable to owners of the parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2017		29,920	5,312	4,066	2,765	23.3	5.66	155.6
FY09/2017		15,948	1,536	1,016	489	4.1	0.82	162.0
FY09/2018CoE		41,000	6,016	5,000	3,478	29.3	-	-
FY09/2017		YoY	15.9%	(47.8%)	(59.4%)	(70.8%)	-	-
FY09/2018CoE		YoY	27.7%	54.0%	93.8%	120.5%	-	-
Consolidated Quarter (Million Yen)		Revenue	EBITDA	Operating income	Profit attributable to owners of the parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY09/2017		7,793	458	205	22	-	-	-
Q2 FY09/2017		8,154	1,077	811	467	-	-	-
Q1 FY09/2018		8,128	1,408	1,134	591	-	-	-
Q1 FY09/2017		YoY	13.8%	(67.1%)	(82.5%)	(97.0%)	-	-
Q2 FY09/2017		YoY	18.0%	(30.4%)	(39.1%)	(50.5%)	-	-
Q1 FY09/2018		YoY	14.4%	60.3%	109.9%	78.4%	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (9 March 2018)

Increasing Clients

LIFULL (formerly called NEXT), running “LIFULL HOME'S”, i.e., one of the largest real estate information portal sites in Japan, is currently seeing favorable business performance. The Company's business model is to collect listing fees from real estate companies or clients (advertisers) by means of providing users of the site with availability information on their rental property, second hand property, new condominium/detached house, etc. Most recently, the number of clients are on the rise, steadily driving revenue as a whole for the Company. According to the Company, one of the key drivers is that it has adopted “inquiry-based pricing” on rental property and second hand property, which is said to be the only one in the world, giving a distinguished feature against peers. Since the establishment in March 1997, the Company has been endeavoring to eliminate asymmetry on real estate information by means of trying to visualize said information and to beef up its comprehensiveness as well as enhancing appeals through media. Now, the Company is trying to get at “transformation of real estate industry”, “stimulation of real estate market” and “expansion of real estate market”, setting up “global platform” at the end of the day. Based on all those management strategies, the Company is calling for CAGR of 18.7% or more for revenue and 23.5% of more for EBITDA in a midterm view. Meanwhile, the Company has made a change for its fiscal yearend to 31 March from 30 September, having resulted in the most recent fiscal year ended on 30 September 2017, i.e., 6-month irregular fiscal year of FY09/2017, which is to be followed by 12-month regular fiscal year of FY09/2018. Due to this change, the Company will not have to see (moving-related) busy season (January to March) and fiscal-yearend period at the same time any more. The Company used to suffer from a case sometimes that it had to control expenses to assure planned earnings towards the end of the fiscal year, while the Company is now able to flexibly spend expenses during the same period, which may accelerate

increases of revenue.

In Q1 FY09/2018, revenue came in at ¥8,128m (up 14.4% YoY), EBITDA ¥1,408m (up 60.3%) and EBITDA margin 17.3% (up 5.0% points). Against full-year Company forecasts, the Company saw progress rate of 19.8% for revenue and 23.4% for EBITDA, suggesting favorable business performance roughly in line. By business segment, the mainstay HOME'S Services Business saw revenue of ¥6,742m (up 13.2%) and segment profit of ¥943m (up 85.0%), having accounted for 82.9% of revenue as a whole for the Company and 90.7% of segment profit (before elimination). Thus, business performance as a whole for the Company hinges on this business segment to a large extent. In Q1, the Company saw revenue increasing steadily here in line with increasing number of clients, while the ratio of advertising expenses to revenue having come down, as far as we could gather. Said ratio did come down as a whole for the Company too, i.e., 29.9% (down 0.3% points). Still, this has something to do with a suspension of spending on advertising expenses associated with change of company name and brand to have been spent in FY09/2017. Meanwhile, this is expected to be the case also in Q2.

FY09/2018 initial Company forecasts have remained unchanged, going for prospective revenue of ¥41,000m (up 27.7% YoY), EBITDA of ¥6,016m (up 54.0%) and EBITDA margin of 14.7% (up 2.5% points). In regards to the mainstay HOME'S Services Business, prospective revenue is ¥33,441m (up 24.3%), suggesting increases accelerating going forward. Meanwhile, EBITDA appears to benefit from revenue-increasing effect also accelerating in line with this. Further, Company forecasts assume prospective ratio of advertising expenses to revenue of 31.6% (down 0.8% points) on a full-year basis, also driving EBITDA. In H2, Company forecasts assume spending on above-mentioned advertising expenses associated with change of company name and brand start over, but this is to be more than compensated for by accelerating growth of revenue, as far as we could see. In regards to Overseas Business and Others Business, the Company is to see increases of revenue even faster than HOME'S Services Business.

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2.0 Company Profile

Running "LIFULL HOME'S", one of the Largest Real Estate Portal Sites in Japan

Company Name	LIFULL Co., Ltd. Website IR Information Share Price (Japanese)	
Established	12 March 1997	
Listing	12 March 2010: Tokyo Stock Exchange 1st Section (Ticker: 2120) 31 October 2006: Tokyo Stock Exchange Mothers	
Capital	¥3,999m (As of the end of December 2017)	
No. of Shares	118,789,100 shares, including 73,736 treasury shares (As of the end of Dec. 2017)	
Main Features	<ul style="list-style-type: none"> ● Total information listed of 7.79m articles (as of Dec. 2017) on "LIFULL HOME'S" ● Trying to eliminate asymmetry on real estate information ● Eventually operating on a global basis 	
Business Segments	<ul style="list-style-type: none"> . HOME'S Services Business . Overseas Business . Others Business 	
Top Management	President and CEO Takashi Inoue	
Shareholders	Takashi Inoue 27.7%, Rakuten, Inc. 20.0% (As of the end of December 2017)	
Headquarters	Chiyoda-ku, Tokyo, JAPAN	
No. of Employees	Consolidated:1,245 (As of the end of December 2017, including 212 temporary and 133 overseas)	

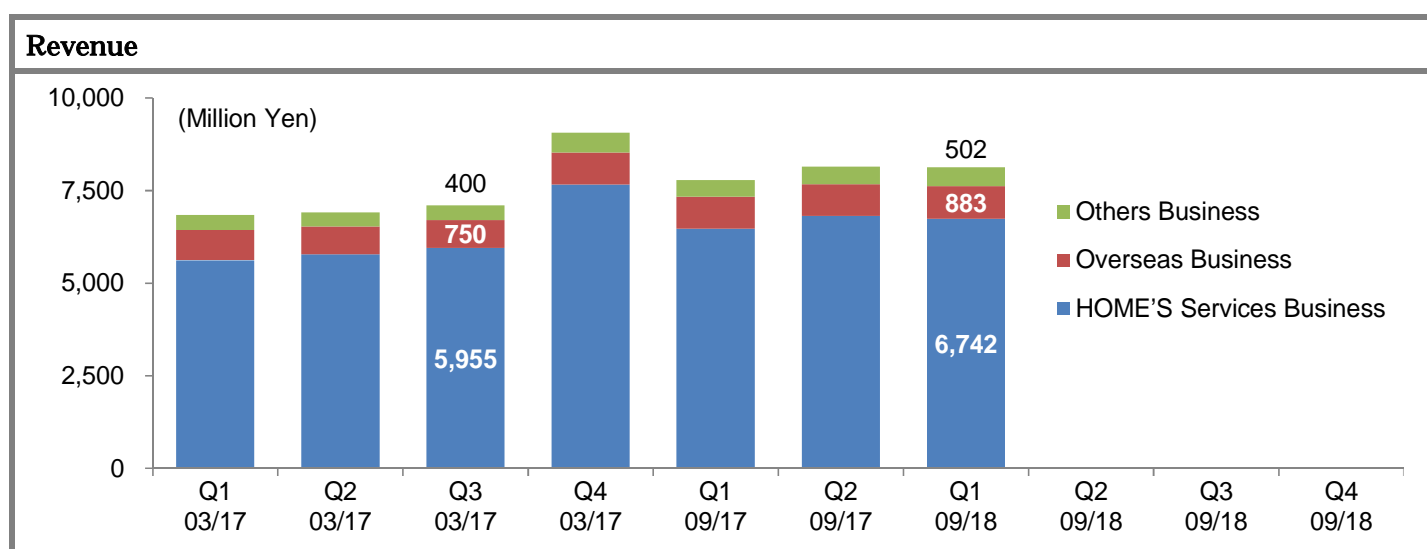
Source: Company Data

3.0 Recent Trading and Prospects

Q1 FY09/2018 Results

In Q1 FY09/2018, revenue came in at ¥8,128m (up 14.4% YoY), having seen progress rate of 19.8% against full-year Company forecasts. By business segment, HOME'S Services Business saw revenue of ¥6,742m (up 13.2%), Overseas Business revenue of ¥883m (up 17.7%) and Others Business revenue of ¥502m (up 25.3%).

In regards to HOME'S Services Business, revenue was basically driven by increasing number of clients. Meanwhile, Overseas Business saw increasing revenue due to yen's depreciation against euro and LIFULL Tech Vietnam having newly included as consolidated subsidiary. In regards to Others Business comprising diverse consolidated subsidiaries and new business, revenue was driven by strengths on the mainstay "LIFULL *Kaigo* (nursing care)" and LIFULL Social Funding having newly included as consolidated subsidiary.



Source: Company Data, WRJ Calculation

Meanwhile, EBITDA came in at ¥1,408m (up 60.3%) and EBITDA margin 17.3% (up 5.0% points), having seen progress rate of 23.4% against full-year Company forecasts. The Company, having voluntarily adopted International Financial Reporting Standards (IFRS), focuses on EBITDA (Earnings before Interest, Tax, Depreciation and Amortization or operating income before depreciation) as the key earnings indicator, given increasing exposure to overseas subsidiaries in line with consolidation of Trovit (Trovit Search S.L.) in 2015 and thus increasing needs to be compared with overseas peers, while also for the sake of measuring capability to generate cash. Now, EBITDA surged over the same period in the previous year mainly due to increases of SG&A expenses (before depreciation) having been smaller than those of revenue, i.e., ¥5,862m (up 8.1%) and ¥8,128m (up 14.4%), respectively. In terms of net changes, revenue saw net increases of ¥1,021m, SG&A expenses (before depreciation) net increases of ¥439m and EBITDA net increases of ¥529m.

SG&A expenses (before depreciation) comprised personnel expenses of ¥1,962m (net increases of ¥151m), advertising expenses of ¥2,426m (net increases of ¥280m), operating expenses of ¥236m (net decreases of ¥45m) and other expenses of ¥1,236m (net decreases of ¥53m). Due to enhancement of SEO measures, advertising expenses, having accounted for the largest proportion out of total, increased a lot, but the ratio against revenue rather came down, while the Company argues that it successfully controlled personnel expenses, operating expenses and other expenses. On top of deducting SG&A expenses (before depreciation) out of revenue of ¥8,128m, deducting cost of revenue of ¥928m and adding other income of ¥71m on a net basis, EBITDA of ¥1,408m (up 60.3%) comes out.

Condensed Statements of Income and Loss IFRS (Cumulative, Quarterly)

Condensed Statements of Profit and Loss IFRS	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1	Q1 to Q2	Q1 to Q2	Net Chg.
	03/2017	03/2017	03/2017	03/2017	09/2017	09/2017	09/2018	09/2018	09/2018	
Revenue	6,846	13,757	20,864	29,920	7,793	15,948	8,128	-	-	+1,021
Cost of revenue	670	1,408	2,183	3,080	915	1,862	928	-	-	+154
Personnel expenses	1,773	3,305	5,116	7,039	1,993	3,810	1,962	-	-	+151
Advertising expenses	1,689	3,420	5,565	8,400	2,719	5,414	2,426	-	-	+280
Operating expenses	246	483	765	1,010	240	455	236	-	-	(45)
Other	1,066	2,149	3,332	4,957	1,393	2,766	1,236	-	-	+53
SG&A (excl. depreciation and amortization)	4,776	9,358	14,781	21,408	6,346	12,446	5,862	-	-	+439
Other Income (Net)	(6)	(48)	(79)	(118)	(72)	(102)	71	-	-	+101
Depreciation and amortization	221	438	777	1,245	253	519	274	-	-	(64)
EBITDA	1,392	2,941	3,821	5,312	458	1,536	1,408	-	-	+529
EBITDA Margin	20.3%	21.4%	18.3%	17.8%	5.9%	9.6%	17.3%	-	-	+5.0%
Profit for the period attributable to owners of the parent	734	1,676	2,008	2,765	22	489	591	-	-	+260

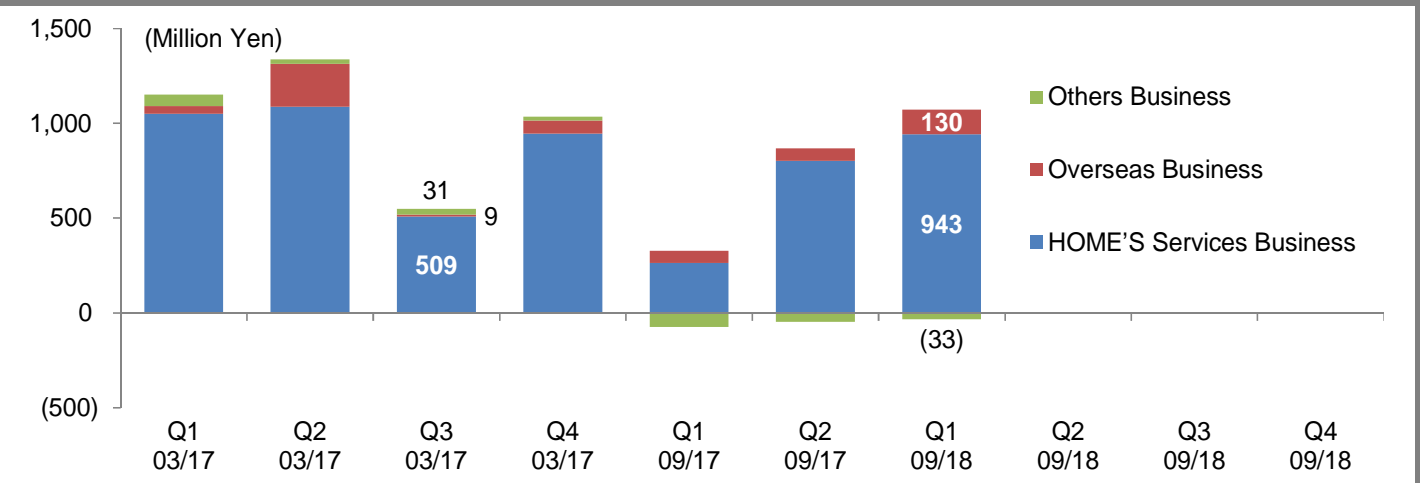
Condensed Statements of Profit and Loss IFRS	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1	Q1 to Q2	Q1 to Q2	Net Chg.
	03/2017	03/2017	03/2017	03/2017	09/2017	09/2017	09/2018	09/2018	09/2018	
Revenue	6,846	6,910	7,107	9,056	7,793	8,154	8,128	-	-	+1,021
Cost of revenue	670	737	774	897	915	946	928	-	-	+154
Personnel expenses	1,773	1,531	1,811	1,923	1,993	1,816	1,962	-	-	+151
Advertising expenses	1,689	1,730	2,145	2,834	2,719	2,695	2,426	-	-	+280
Operating expenses	246	236	282	244	240	215	236	-	-	(45)
Other	1,066	1,082	1,183	1,624	1,393	1,373	1,236	-	-	+53
SG&A (excl. depreciation and amortization)	4,776	4,581	5,422	6,627	6,346	6,100	5,862	-	-	+439
Other Income (Net)	(6)	(42)	(30)	(39)	(72)	(30)	71	-	-	+101
Depreciation and amortization	221	217	338	468	253	266	274	-	-	(64)
EBITDA	1,392	1,549	879	1,491	458	1,077	1,408	-	-	+529
EBITDA Margin	20.3%	22.4%	12.4%	16.5%	5.9%	13.2%	17.3%	-	-	+5.0%
Profit for the period attributable to owners of the parent	734	942	331	756	22	467	591	-	-	+260

Source: Company Data, WRJ Calculation

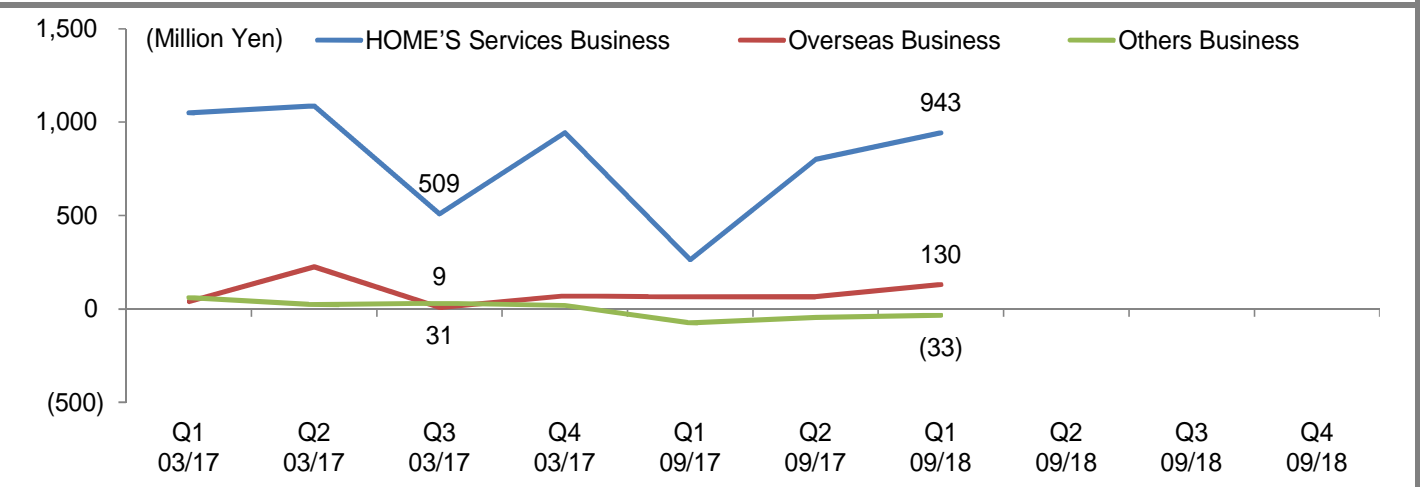
Meanwhile, HOME'S Services Business saw segment profit of ¥943m (up 85.0%), Overseas Business segment profit of ¥130m (13.4x) in Others Business segment profit of negative ¥33m (versus ¥31m during the same period in the previous year). HOME'S Services Business to have accounted for no less than 90.7% of segment profit (before elimination) as a whole for the Company saw surging earnings due mainly to revenue -increasing effect and lowering ratio of advertising expenses against revenue as mentioned earlier. Said ratio did come down as a whole for the Company too, i.e., 29.9% (down 0.3% points).

In regards to Overseas Business, earnings improved due mainly to improving efficiency of personnel expenses associated with Trovit, while Others Business has been suffering from loss for some time due to expenses on frontloaded investment in a long-term view. Still, the latter has remained generating just limited loss and thus the Company suggests the operations here are not in an unfavorable condition as has been the case.

Segment Profit



Segment Profit Margin



Source: Company Data, WRJ Calculation

Statements of Profit or Loss (Cumulative, Quarterly)

Statements of Profit or Loss	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1	Q1 to Q2	Q1	Net Chg.
(Million Yen)	03/2017	03/2017	03/2017	03/2017	09/2017	09/2017	09/2018	09/2018	09/2018	Net Chg.
Revenue	6,846	13,757	20,864	29,920	7,793	15,948	8,128	-	-	+1,021
Cost of revenue	670	1,408	2,183	3,080	915	1,862	928	-	-	+154
Gross profit	6,175	12,348	18,681	26,839	6,878	14,086	7,199	-	-	+867
Selling, general and administrative expenses	4,998	9,796	15,558	22,654	6,600	12,966	6,136	-	-	+375
Other income (Net)	(6)	(48)	(79)	(118)	(72)	(102)	71	-	-	+101
Operating income	1,171	2,503	3,043	4,066	205	1,016	1,134	-	-	+593
Financial revenue	30	51	52	53	0	0	0	-	-	-
Financial expenses	0	30	30	34	2	20	5	-	-	+5
Share of profit (loss) of investments accounted for using the equity method	3	0	0	2	5	(39)	(47)	-	-	(48)
Profit before taxes	1,205	2,523	3,065	4,087	208	957	1,080	-	-	+538
Income tax expenses	462	828	1,021	1,275	185	473	498	-	-	+304
Profit for the period	743	1,695	2,043	2,812	22	483	582	-	-	+234
Profit for the period attributable to owners of the parent	734	1,676	2,008	2,765	22	489	591	-	-	+260
Profit for the period attributable to non-controlling interests	9	18	34	46	0	(5)	(8)	-	-	(25)
Total	743	1,695	2,043	2,812	22	483	582	-	-	+234
Revenue YoY	+25.5%	+15.6%	+14.8%	+16.4%	+13.8%	+15.9%	+14.4%	-	-	-
Operating income YoY	+11.3%	+34.5%	+3.6%	+1.8%	(82.5%)	(59.4%)	+109.9%	-	-	-
Profit before taxes YoY	+14.8%	+34.2%	+3.6%	+1.7%	(82.7%)	(62.1%)	+99.5%	-	-	-
Profit for the period YoY	+6.9%	+33.4%	+4.0%	+3.7%	(97.0%)	(71.5%)	+67.3%	-	-	-
Profit for the period attributable to owners of the parent YoY	+7.6%	+35.8%	+4.2%	+3.6%	(97.0%)	(70.8%)	+78.4%	-	-	-
Gross profit Margin	90.2%	89.8%	89.5%	89.7%	88.2%	88.3%	88.6%	-	-	(0.5%)
(SG&A / Revenue)	73.0%	71.2%	74.6%	75.7%	84.7%	81.3%	75.5%	-	-	(5.6%)
Operating income Margin	17.1%	18.2%	14.6%	13.6%	2.6%	6.4%	14.0%	-	-	+6.3%
Profit before taxes Margin	17.6%	18.3%	14.7%	13.7%	2.7%	6.0%	13.3%	-	-	+5.7%
Profit for the period Margin	10.9%	12.3%	9.8%	9.4%	0.3%	3.0%	7.2%	-	-	+2.3%
Profit for the period attributable to owners of the parent Margin	10.7%	12.2%	9.6%	9.2%	0.3%	3.1%	7.3%	-	-	+2.6%
Income tax expenses / Profit before taxes	38.4%	32.8%	33.3%	31.2%	89.2%	49.5%	46.1%	-	-	+10.4%

Statements of Profit or Loss	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q2	Net Chg.
(Million Yen)	03/2017	03/2017	03/2017	03/2017	09/2017	09/2017	09/2018	09/2018	09/2018	Net Chg.
Revenue	6,846	6,910	7,107	9,056	7,793	8,154	8,128	-	-	+1,021
Cost of revenue	670	737	774	897	915	946	928	-	-	+154
Gross profit	6,175	6,172	6,332	8,158	6,878	7,208	7,199	-	-	+867
Selling, general and administrative expenses	4,998	4,798	5,761	7,096	6,600	6,366	6,136	-	-	+375
Other income (Net)	(6)	(42)	(30)	(39)	(72)	(30)	71	-	-	+101
Operating income	1,171	1,331	540	1,022	205	811	1,134	-	-	+593
Financial revenue	30	20	0	0	0	0	0	-	-	+0
Financial expenses	0	30	0	3	2	17	5	-	-	+5
Share of profit (loss) of investments accounted for using the equity method	3	(4)	0	2	5	(44)	(47)	-	-	(48)
Profit before taxes	1,205	1,317	541	1,022	208	748	1,080	-	-	+538
Income tax expenses	462	365	193	253	185	287	498	-	-	+304
Profit for the period	743	952	348	768	22	460	582	-	-	+234
Profit for the period attributable to owners of the parent	734	942	331	756	22	467	591	-	-	+260
Profit for the period attributable to non-controlling interests	9	9	16	11	0	(6)	(8)	-	-	(25)
Total	743	952	348	768	22	460	582	-	-	+234
Revenue YoY	+25.5%	+7.3%	+13.2%	+20.3%	+13.8%	+18.0%	+14.4%	-	-	-
Operating income YoY	+11.3%	+64.8%	(49.8%)	(3.3%)	(82.5%)	(39.1%)	+109.9%	-	-	-
Profit before taxes YoY	+14.8%	+58.6%	(49.7%)	(3.6%)	(82.7%)	(43.2%)	+99.5%	-	-	-
Profit for the period YoY	+6.9%	+65.3%	(49.9%)	+3.1%	(97.0%)	(51.6%)	+67.3%	-	-	-
Profit for the period attributable to owners of the parent YoY	+7.6%	+70.7%	(52.2%)	+2.0%	(97.0%)	(50.5%)	+78.4%	-	-	-
Gross profit Margin	90.2%	89.3%	89.1%	90.1%	88.2%	88.4%	88.6%	-	-	(0.5%)
(SG&A / Revenue)	73.0%	69.4%	81.1%	78.4%	84.7%	78.1%	75.5%	-	-	(5.6%)
Operating income Margin	17.1%	19.3%	7.6%	11.3%	2.6%	9.9%	14.0%	-	-	+6.3%
Profit before taxes Margin	17.6%	19.1%	7.6%	11.3%	2.7%	9.2%	13.3%	-	-	+5.7%
Profit for the period Margin	10.9%	13.8%	4.9%	8.5%	0.3%	5.7%	7.2%	-	-	+2.3%
Profit for the period attributable to owners of the parent Margin	10.7%	13.6%	4.7%	8.4%	0.3%	5.7%	7.3%	-	-	+2.6%
Income tax expenses / Profit before taxes	38.4%	27.7%	35.7%	24.8%	89.2%	38.4%	46.1%	-	-	+10.4%

Source: Company Data, WRJ Calculation

Reportable Segment (Cumulative, Quarterly)

Reportable Segment	Cons.Act Q1	Cons.Act Q1 to Q2	Cons.Act Q1 to Q3	Cons.Act Q1 to Q4	Cons.Act Q1	Cons.Act Q1 to Q2	Cons.Act Q1	Cons.Act Q1 to Q2	YoY Net Chg.
(Million Yen)	03/2017	03/2017	03/2017	03/2017	09/2017	09/2017	09/2018	09/2018	
HOME'S Services Business	5,616	11,398	17,353	25,017	6,472	13,288	6,742	-	+787
Overseas Business	823	1,574	2,324	3,193	859	1,718	883	-	+133
Others Business	406	783	1,183	1,709	461	941	502	-	+102
Revenue	6,846	13,757	20,864	29,920	7,793	15,948	8,128	-	+1,021
HOME'S Services Business	-	-	-	-	+15.2%	+16.6%	+13.2%	-	-
Overseas Business	-	-	-	-	+4.3%	+9.2%	+17.7%	-	-
Others Business	-	-	-	-	+13.7%	+20.2%	+25.3%	-	-
Revenue (YoY)	+25.5%	+15.6%	+14.8%	+16.4%	+13.8%	+15.9%	+14.4%	-	-
HOME'S Services Business	1,051	2,139	2,648	3,594	264	1,067	943	-	+433
Overseas Business	40	266	275	346	65	131	130	-	+121
Others Business	61	86	117	136	(74)	(120)	(33)	-	(65)
Segment profit (loss) before reconciliation	1,153	2,491	3,042	4,077	255	1,078	1,040	-	+489
Reconciliation	24	59	-	106	22	41	22	-	-
Segment profit (loss)	1,177	2,551	-	4,184	278	1,119	1,062	-	-
Other Income (expense)	(6)	(47)	(78)	(118)	(72)	(102)	71	-	+101
Operating income	1,171	2,503	3,043	4,066	205	1,016	1,134	-	+593
HOME'S Services Business	18.7%	18.8%	15.3%	14.4%	4.1%	8.0%	14.0%	-	+5.4%
Overseas Business	4.9%	16.9%	11.9%	10.9%	7.6%	7.7%	14.8%	-	+13.5%
Others Business	15.2%	11.0%	9.9%	8.0%	(16.0%)	(12.9%)	(6.7%)	-	(14.5%)
Segment profit (loss) before reconciliation	16.8%	18.1%	14.6%	13.6%	3.3%	6.8%	12.8%	-	+5.0%
Reconciliation	0.4%	0.4%	-	0.4%	0.3%	0.3%	0.3%	-	-
Segment profit (loss)	17.2%	18.5%	-	14.0%	3.6%	7.0%	13.1%	-	-
Other Income (expense)	(0.1%)	(0.3%)	(0.4%)	(0.4%)	(0.9%)	(0.6%)	0.9%	-	+1.3%
Operating income margin	17.1%	18.2%	14.6%	13.6%	2.6%	6.4%	14.0%	-	+6.3%

Reportable Segment	Cons.Act Q1	Cons.Act Q1 to Q2	Cons.Act Q1 to Q3	Cons.Act Q1 to Q4	Cons.Act Q1	Cons.Act Q1 to Q2	Cons.Act Q1	Cons.Act Q1 to Q2	YoY Net Chg.
(Million Yen)	03/2017	03/2017	03/2017	03/2017	09/2017	09/2017	09/2018	09/2018	
HOME'S Services Business	5,616	5,781	5,955	7,664	6,472	6,816	6,742	-	+787
Overseas Business	823	750	750	869	859	858	883	-	+133
Others Business	406	376	400	526	461	479	502	-	+102
Revenue	6,846	6,910	7,107	9,056	7,793	8,154	8,128	-	+1,021
HOME'S Services Business	-	-	-	-	+15.2%	+17.9%	+13.2%	-	-
Overseas Business	-	-	-	-	+4.3%	+14.5%	+17.7%	-	-
Others Business	-	-	-	-	+13.7%	+27.3%	+25.3%	-	-
Revenue (YoY)	+25.5%	+7.3%	+13.2%	+20.3%	+13.8%	+18.0%	+14.4%	-	-
HOME'S Services Business	1,051	1,088	509	945	264	802	943	-	+433
Overseas Business	40	226	9	70	65	66	130	-	+121
Others Business	61	24	31	19	(74)	(46)	(33)	-	(65)
Segment profit (loss) before reconciliation	1,153	1,337	551	1,035	255	822	1,040	-	+489
Reconciliation	24	34	-	-	22	18	22	-	-
Segment profit (loss)	1,177	1,373	-	-	278	841	1,062	-	-
Other Income (expense)	(6)	(41)	(30)	(39)	(72)	(30)	71	-	+101
Operating income	1,171	1,331	540	1,022	205	811	1,134	-	+593
HOME'S Services Business	18.7%	18.8%	8.6%	12.3%	4.1%	11.8%	14.0%	-	+5.4%
Overseas Business	4.9%	30.1%	1.3%	8.1%	7.6%	7.8%	14.8%	-	+13.5%
Others Business	15.2%	6.4%	7.8%	3.7%	(16.0%)	(9.8%)	(6.7%)	-	(14.5%)
Segment profit (loss) before reconciliation	16.8%	19.4%	7.8%	11.4%	3.3%	10.1%	12.8%	-	+5.0%
Reconciliation	0.4%	0.5%	-	-	0.3%	0.2%	0.3%	-	-
Segment profit (loss)	17.2%	19.9%	-	-	3.6%	10.3%	13.1%	-	-
Other Income (expense)	(0.1%)	(0.6%)	(0.4%)	(0.4%)	(0.9%)	(0.4%)	0.9%	-	+1.3%
Operating income margin	17.1%	19.3%	7.6%	11.3%	2.6%	9.9%	14.0%	-	+6.3%

Source: Company Data, WRJ Calculation

Statements of Financial Position (Quarterly)

Statements of Financial Position	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2		Net Chg.
	03/2017	03/2017	03/2017	03/2017	09/2017	09/2017	09/2018	09/2018		
Cash and cash equivalents	6,743	6,313	6,263	6,046	5,013	5,509	5,275	-		(988)
Accounts receivable-trade and other current receivables	3,360	3,543	3,517	4,712	3,916	4,229	4,091	-		+573
Other short-term financial assets	25	23	492	492	51	-	-	-		(492)
Other current assets	403	416	544	807	484	454	587	-		+43
Current assets	10,531	10,297	10,818	12,059	9,465	10,193	9,953	-		(864)
Property, plant and equipment	608	585	585	1,796	1,887	1,926	1,908	-		+1,322
Goodwill	8,232	8,161	8,805	8,860	9,520	9,857	10,001	-		+1,195
Intangible assets	2,848	2,859	2,797	2,621	2,514	2,423	2,304	-		(493)
Investments accounted for using the equity method	45	41	42	48	293	278	188	-		+146
Other long-term financial assets	989	1,545	1,140	1,123	1,157	1,170	1,600	-		+459
Deferred tax assets	631	429	429	594	625	509	397	-		(31)
Other non-current assets	3	3	5	5	4	4	11	-		+5
Non-current assets	13,360	13,627	13,806	15,050	16,003	16,170	16,412	-		+2,605
Total assets	23,892	23,924	24,625	27,110	25,469	26,363	26,366	-		+1,740
Accounts payable and other current payables	1,995	2,304	2,350	3,441	2,283	2,936	2,380	-		+30
Short-term loans	944	939	981	969	968	970	971	-		(9)
Lease obligations	-	-	-	-	-	3	3	-		+3
Accrued corporate income taxes	506	642	41	661	78	277	354	-		+313
Other short-term financial liabilities	-	-	-	-	-	28	26	-		+26
Provisions	-	-	209	249	-	-	-	-		(209)
Other current liabilities	2,195	1,499	1,520	1,766	2,339	1,898	1,676	-		+156
Current liabilities	5,642	5,386	5,102	7,088	5,670	6,115	5,413	-		+310
Long-term loans	1,429	950	992	484	484	-	-	-		(992)
Lease obligations	-	-	-	-	-	84	84	-		+84
Provisions	209	209	-	469	518	518	518	-		+518
Other long-term financial liabilities	139	122	37	45	44	-	-	-		(37)
Deferred tax liabilities	280	207	264	205	299	317	325	-		+60
Other non-current liabilities	-	-	-	-	-	33	34	-		+34
Non-current liabilities	2,059	1,490	1,294	1,205	1,346	954	962	-		(331)
Total liabilities	7,701	6,876	6,396	8,294	7,017	7,069	6,375	-		(20)
Equity attributable to the owners of the parent	15,980	16,832	17,957	18,471	18,346	19,227	19,907	-		+1,949
Equity attributable to non-controlling interests	209	215	271	344	105	66	83	-		(188)
Total equity	16,190	17,047	18,228	18,815	18,451	19,293	19,990	-		+1,761
Total liabilities and equity	23,892	23,924	24,625	27,110	25,469	26,363	26,366	-		+1,740
Interest Bearing Debt	2,373	1,890	1,973	1,454	1,453	1,059	1,059	-		(914)
Net Debt	(4,369)	(4,422)	(4,290)	(4,592)	(3,559)	(4,450)	(4,216)	-		+73
Equity attributable to the owners of the parent ratio	66.9%	70.4%	72.9%	68.1%	72.0%	72.9%	75.5%	-		+2.6%
Net debt equity ratio	(27.3%)	(26.3%)	(23.9%)	(24.9%)	(19.4%)	(23.1%)	(21.2%)	-		+2.7%
ROE (12 months)	19.6%	18.9%	16.0%	15.6%	12.0%	8.8%	9.7%	-		(6.3%)
ROA (12 months)	17.5%	19.3%	17.0%	15.6%	12.5%	10.0%	12.0%	-		(5.0%)
Quick ratio	179%	183%	192%	152%	157%	159%	173%	-		-
Current ratio	187%	191%	212%	170%	167%	167%	184%	-		-

Source: Company Data, WRJ Calculation

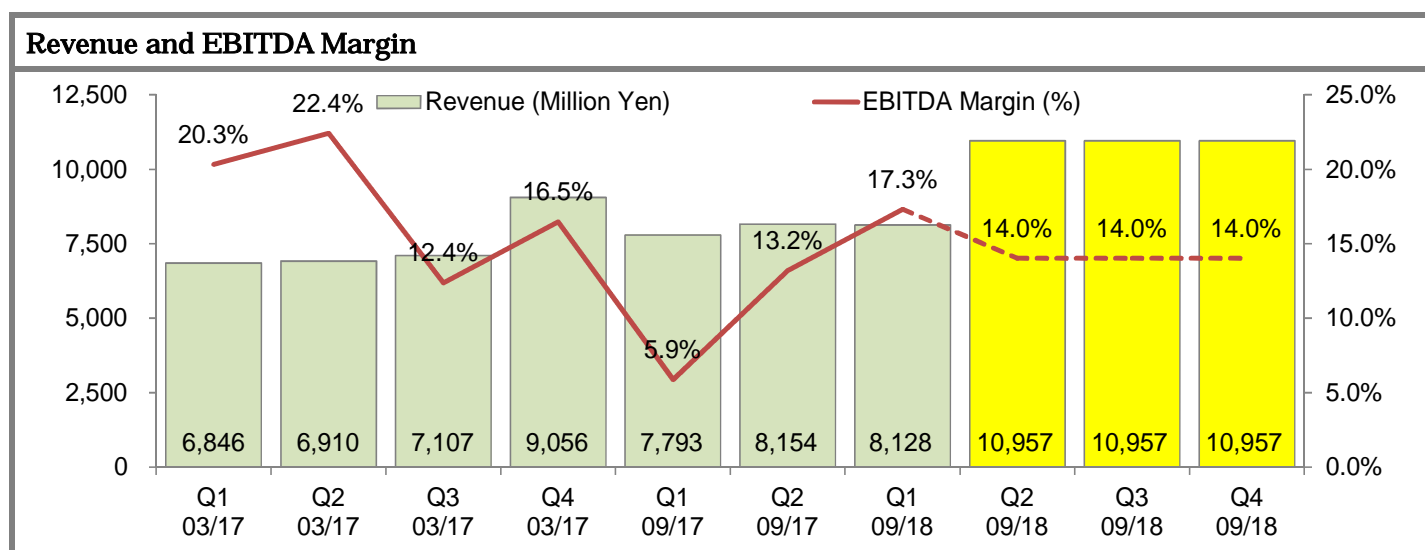
Statements of Cash Flows (Cumulative, Quarterly)

Statements of Cash Flows	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1	Q1 to Q2		Net Chg.
	03/2017	03/2017	03/2017	03/2017	09/2017	09/2017	09/2018	09/2018		
Cash flow from operating activities (A)	1,114	1,848	2,057	3,163	832	1,909	236	-		(1,820)
Cash flow from investing activities (B)	(302)	(953)	(1,334)	(2,134)	(868)	(999)	(425)	-		+908
Free cash flow (A) + (B)	812	894	722	1,028	(36)	910	(188)	-		(911)
Cash flow from financing activities	(552)	(1,052)	(1,018)	(1,517)	(1,098)	(1,601)	(69)	-		+949
Statements of Cash Flows	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q1	YoY
	03/2017	03/2017	03/2017	03/2017	09/2017	09/2017	09/2018	09/2018	09/2018	Net Chg.
Cash flow from operating activities (A)	1,114	733	208	1,106	832	1,077	236	-		+28
Cash flow from investing activities (B)	(302)	(651)	(380)	(800)	(868)	(131)	(425)	-		(45)
Free cash flow (A) + (B)	812	82	(172)	306	(36)	946	(188)	-		(16)
Cash flow from financing activities	(552)	(499)	33	(499)	(1,098)	(502)	(69)	-		(102)

Source: Company Data, WRJ Calculation

FY09/2018 Company Forecasts

FY09/2018 initial Company forecasts have remained unchanged, going for prospective revenue of ¥41,000m (up 27.7% YoY), EBITDA of ¥6,016m (up 54.0%) and EBITDA margin of 14.7% (up 2.5% points). Meanwhile, the Q1 results were roughly in line with assumptions here, having seen favorable business performance.



Source: Company Data, WRJ Calculation (Q2 to Q4 FY09/2018: pro rata on FY09/2018 Company forecasts and Q1 results)

Company forecasts are not going for absolute value for prospective annual dividend, while specifying payout ratio of 20% as the target and to do pay dividend in FY09/2018. When simply based on prospective basic earnings per share of ¥29.30 in FY09/2018 Company forecasts and payout ratio of 20%, it should be the case that Company forecasts are going for annual dividend of ¥5.86 per share versus ¥0.82 per share, implying payout ratio of 19.9%, in FY09/2017 (6-month irregular fiscal year). Meanwhile, Company forecasts are going for prospective sales of ¥33,441m (up 24.3%) in HOME'S Services Business, ¥4,834m (up 44.8%) in Overseas Business and ¥2,723m (up 45.9%) in Others Business.

Condensed Statements of Income and Loss IFRS

Condensed Statements of Profit and Loss IFRS (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2014	FY 03/2015	FY 03/2016	FY 03/2017	FY 09/2017	FY 09/2018	YoY Net Chg.
Revenue	-	18,165	25,707	29,920	15,948	41,000	+8,889
Cost of revenue	-	583	2,127	3,080	1,862	4,848	+1,314
Personnel expenses	-	4,440	6,269	7,039	3,810	9,253	+1,709
Advertising expenses	-	5,941	7,345	8,400	5,414	12,962	+2,568
Operating expenses	-	718	1,016	1,010	455	1,361	+379
Other	-	3,290	3,993	4,957	2,766	6,528	+954
SG&A (excl. depreciation and amortization)	-	14,391	18,625	21,408	12,446	30,106	+5,609
Other Income (Net)	-	(41)	(95)	(118)	(102)	(28)	+144
Depreciation and amortization	-	458	864	1,245	519	1,014	(312)
EBITDA	-	3,149	4,859	5,312	1,536	6,014	+2,107
EBITDA Margin	-	17.3%	18.9%	17.8%	9.6%	14.7%	+2.5%
Profit for the period attributable to owners of the parent	-	1,796	2,670	2,765	489	3,478	+1,900

Source: Company Data, WRJ Calculation

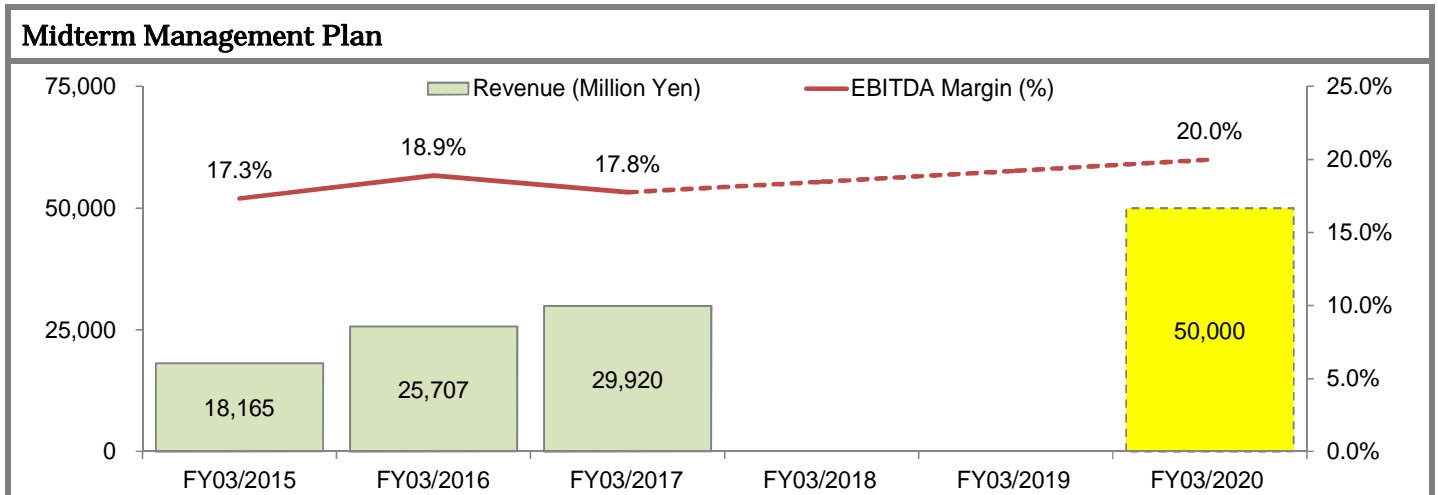
FY09/2018 Company Forecasts

Consolidated Fiscal Year (Million Yen)	Date	Event	Revenue	EBITDA	Operating income	Profit attributable to owners of the parent
FY09/2018CoE	13-Nov-17	Q4 Results	41,000	6,016	5,000	3,478
FY09/2018CoE	13-Feb-18	Q1 Results	41,000	6,016	5,000	3,478
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
FY09/2018CoE	13-Nov-17	Q4 Results	41,000	6,016	5,000	3,478
FY09/2018CoE	13-Feb-18	Q1 Results	41,000	6,016	5,000	3,478
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
Consolidated Half Year (Million Yen)	Date	Event	Revenue	EBITDA	Operating income	Profit attributable to owners of the parent
Q1 to Q2 FY09/2018CoE	13-Nov-17	Q4 Results	-	-	-	-
Q1 to Q2 FY09/2018CoE	13-Feb-18	Q1 Results	-	-	-	-
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q1 to Q2 FY09/2018CoE	13-Nov-17	Q4 Results	-	-	-	-
Q1 to Q2 FY09/2018CoE	13-Feb-18	Q1 Results	-	-	-	-
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Consolidated Half Year (Million Yen)	Date	Event	Revenue	EBITDA	Operating income	Profit attributable to owners of the parent
Q3 to Q4 FY09/2018CoE	13-Nov-17	Q4 Results	-	-	-	-
Q3 to Q4 FY09/2018CoE	13-Feb-18	Q1 Results	-	-	-	-
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q3 to Q4 FY09/2018CoE	13-Nov-17	Q4 Results	-	-	-	-
Q3 to Q4 FY09/2018CoE	13-Feb-18	Q1 Results	-	-	-	-
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-

Source: Company Data, WRJ Calculation

Long-Term Prospects

The Company suggests CAGR of 18.7% or more for revenue and 23.5% or more for EBITDA in a midterm view. It has been reiterated that the Company's midterm management plan is calling for "Revenue of over ¥50.0bn (less than ¥60.0bn) and EBITDA margin around 20%" in FY03/2020, in its Q1 FY09/2018 results meeting to have been held on 14 February 2018. As far as we could see, this suggests above-mentioned midterm growth potentials.



Source: Company Data, WRJ Calculation

Assuming revenue of ¥50,000m and EBITDA margin of 20% in FY03/2020, EBITDA equates to ¥10,000m in FY03/2020 versus revenue of ¥29,290m and EBITDA of ¥5,312m and EBITDA margin of 17.8% in FY03/2017 or the latest 12-month regular fiscal year.

Comparison between the two suggests midterm CAGR of 18.7% for revenue and 23.5% for EBITDA through FY03/2018 to FY03/2020, while EBITDA margin going up by 2.2% points during the same period. On the other hand, midterm management plan is calling for revenue exceeding ¥50,000m in FY03/2020. Thus, as mentioned above, midterm management plan is calling for CAGR for revenue higher than this assumption based on revenue of ¥50,000m at least in logical thinking. At the same time, this is true of EBITDA as far as assuming EBITDA margin of 20%.

Meanwhile, there was a change of company name to "LIFULL Co., Ltd." From NEXT Co., Ltd. for the Company in April 2017, which coincided with another change in terms of fiscal yearend to 30 September from 31 March. Thus, midterm management plan is calling for "Revenue of more than ¥50,000m and EBITDA margin of some 20%" over a 12-month period from Q3 FY09/2019 to Q2 FY09/2020 as far as the current fiscal yearend is concerned. Now, this text is to be followed by characteristics of business model with the Company and management strategy to achieve above-mentioned midterm CAGR.

4.0 Business Model

Running "LIFULL HOME'S", One of the Largest Real Estate Portal Sites in Japan

The Company runs HOME'S Services Business, Overseas Business and Others Business. HOME'S Services Business literally relates to operations of "LIFULL HOME'S", i.e., one of the largest real estate portal sites in Japan, while Overseas Business mainly comprising operations of Trovit and Others Business mainly comprising "LIFULL *Kaigo* (nursing care)".

Business Segments and Main Services	
Segments	Main services
HOME'S Services Business	LIFULL HOME'S AD Master (former Renter's Net) NabiSTAR LIFULL Marketing Partners Co., Ltd.
Overseas Business	Trovit (Trovit Search, S.L.) LIFULL Australia LIFULL Immofinder
Others Business	LIFULL <i>Kaigo</i> (nursing care) (LIFULL senior Co., Ltd.) LIFULL <i>Hikkoshi</i> (moving) (LIFULL MOVE Co., Ltd.) LIFULL Trunk Room (LIFULL SPACE Co., Ltd.) LIFULL <i>Hoken Sodan</i> (insurance consulting) (LIFULL FinTech Co., Ltd.) LIFULL Interior (LIFULL Interior Co., Ltd.) LIFULL Social Funding Co. Ltd. LIFULL Tech Vietnam Co.,Ltd. Other LIFULL subsidiaries

Source: Company Data

HOME'S Services Business

"LIFULL HOME'S", one of the largest real estate portal sites in Japan, run by the Company, has been proud of overwhelming volume in terms of total information listed, i.e., 7.79m articles (as of December 2017). It is overwhelming in particular on rental property with which the Company is heavily involved. One of the reasons for this is changeover to "inquiry-based pricing" from "pay-per-posting-based pricing" in regards to rental property and second hand property to have been implemented in 2011. On the "pay-per-posting-based pricing" side, charges are made per listing of every article, while charges are made per inquiry on every article having been listed unlimitedly with no charges on the "inquiry-based pricing" side. Thus, it is suggested that this change of charge system is one of the main factors to have driven the increases of total information listed with the Company.

Still, the Company pays respect to fair competition agreement on real estate advertisement rather than just simply pursuing volume, i.e., trying hard to improve precision and quality of information. The most recent data of 7.79m articles (as of December 2017) for total information listed is rather smaller than the peak of 8.48m (as of December 2016), which has a lot to do with the Company's pursuit of quality. Specifically speaking, the Company has been keen on elimination of decoy articles.

Above-mentioned most recent data of 7.79m articles (as of December 2017) for total information listed is of the number on a gross basis, while some 3.00m on a net basis, according to the Company. The Company has a lot of real estate companies as own clients and thus it takes place often for the same articles to get listed by plural number of real estate companies on "LIFULL HOME'S". So, it is suggested that this generates overlaps of articles almost 5.00m in the number.

On the other hand, the Company suggests that the number of articles effectively unoccupied stands at 4.50m or more in Japan but for so-called "secondary house", etc., mainly comprising rental property and just marginally second hand property. On top of this, the real estate market to which "LIFULL HOME'S" is exposed is always seeing launches of new condominium/detached house, etc. Thus, it appears total information listed with the Company has a large upside going forward.

Transfer of residence (moving) in Japan is of mainly to rental property, which is estimated to account for more than 60% of total. In this respect, the market in Japan has different nature compared to overseas, e.g., western countries where transfer of residence is of mainly to second hand property. Meanwhile, the Company is heavily involved with rental property or the core part of transfer of residence in Japan as well as with second hand property. However, the Company is not involved with new condominium/detached house (including custom home), etc. very much by exposure in terms of revenue. Eventually, the Company is to be heavily involved with new condominium/detached house (including custom home), etc., but it is now time to pursue thorough comprehensiveness on rental property or the core of transfer of residence in Japan, according to the Company. It also argues that this will bring the most efficient outcome at the end of the day, although it takes time.

Meanwhile, the Company is so keen on beefing up client network (real estate company network). In other words, this means that the Company, running its operations with real estate companies or providers of real estate information as own clients, is cultivating new clients aggressively and consistently in order to enhance total information listed and to increase the number of clients, i.e., to increase revenue of HOME'S Services Business. The increases in the number of clients here did largely drive EBITDA as a whole for the Company in Q1 FY09/2018 as mentioned earlier. In fact, revenue of HOME'S Services Business is determined by the number of clients and ARPA (or ARPA to be computed in line with revenue divided by the number of clients).

As of the end of Q1, the number of clients stood at 27,155 (up 14.9% from the end of Q3 FY03/2017, i.e., 12 months ago), while ARPA came in at ¥81,471 (down 1.9%), having resulted in revenue of ¥6,742m (up 13.2%) in HOME'S Services Business. While the number of clients was on the steady rise, ARPA (Average Revenue per Agent) to refer to revenue per client on a monthly basis came down marginally over the same period in the previous year. This is due to a factor that the increases of the number of clients were partly because of the Company's intentional strategy to improve comprehensiveness associated with small-sized real estate brokers based in provincial towns.

Still, the Company is to further enhance appealing through media in the upcoming busy season or Q2 (January to March) to create chargeable response (inquiry) more than before in order to increase ARPA. Meanwhile, above-mentioned number of clients, i.e., 27,155 comprised 24,555 of affiliated real estate brokers (in terms of the number of bases) and 2,600 of other, comprising real estate business operators, e.g., developers of condominium, house makers, providers of refurbishment, small-sized builders, etc. Going forward, the Company is looking to increases of the number affiliated real estate brokers, currently increasing by 3,000 to 4,000 per annum, while targeting to achieve the number of affiliated real estate brokers of 40,000 to 50,000 in the foreseeable future. When this is achieved, the Company should see through comprehensiveness on all the articles available in Japan. Thus, the Company is so keen on improving the comprehensiveness and the number of clients, while focusing on increases of ARPA at the same time, for the sake of pursuing increases of revenue in HOME'S Services Business in a long-term view.

Meanwhile, the Company's "inquiry-based pricing", which is said to be the only one in the world, is adopted in charges on rental property and second hand property. Detailed scheme on the mainstay rental property side is as follows:

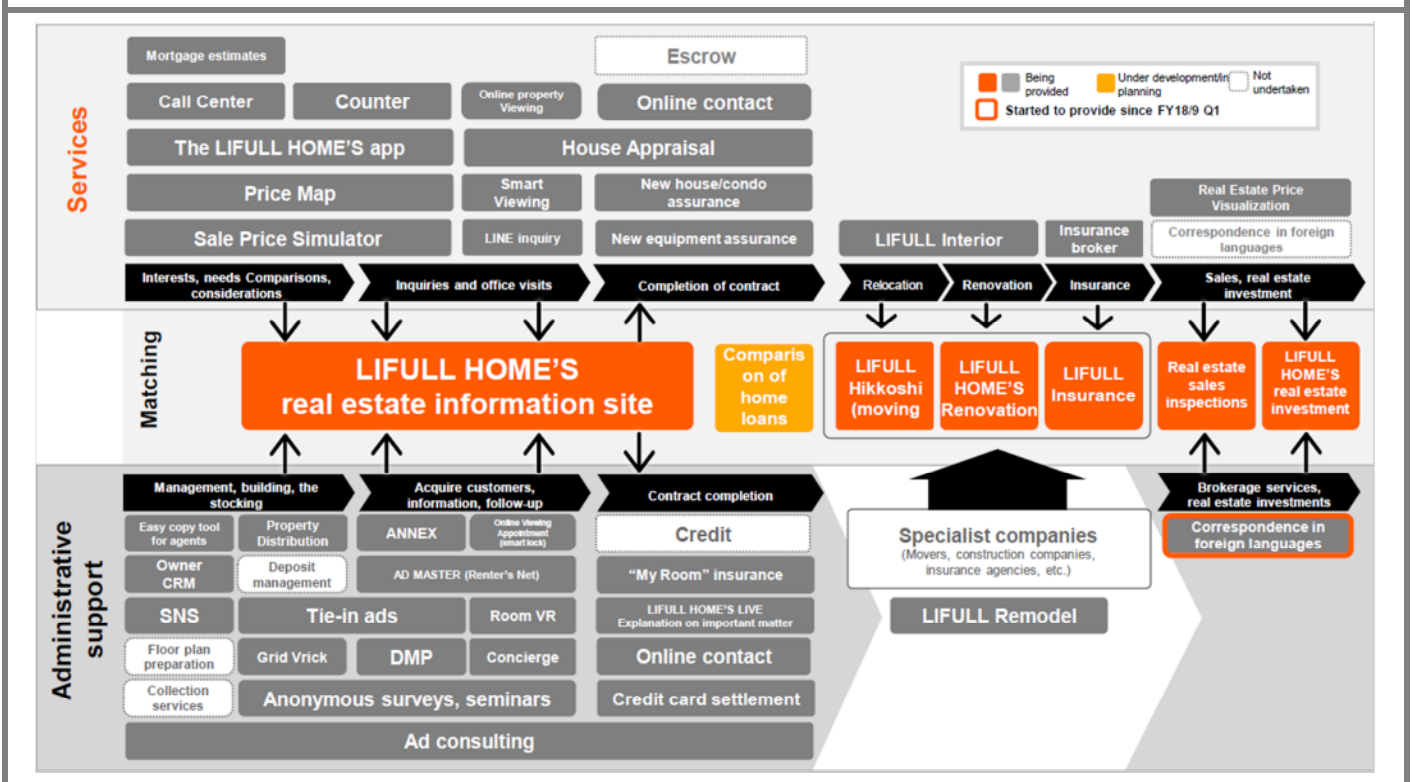
Real estate brokers to take advantage of "LIFULL HOME'S" pay monthly basic charge of ¥10,000 every month. On top of this, they are to additionally pay per inquiry on their articles (unlimited in the number) listed on the site. As far as the number of inquiries ranges from one to 15, the charge per inquiry equates to 5.5% of monthly rent of the object, while the said rate comes down to 4.0% when the number of inquiries exceeds 15. Thus, they pay both on a "fixed charge" basis and on a "remittance charge" basis.

Although the Company is not the direct source of information, it gathers through its interviews, etc. with clients or real estate brokers that it needs four to five inquires (on collective average) for brokerage contract to get concluded on an object. So, "remittance charge" should equates to 22.0% to 27.5% of monthly rent on the object. Given the fact that monthly rent often equates to brokerage fees for real estate brokers to obtain from the brokerage, the ratio here should equate to the ratio of variable costs to revenue, while monthly basic charge to fixed costs on the advertising side.

The Company suggests that its clients or real estate brokers are able to see satisfactory profit margin after deducting all those variable costs and fixed costs out of their revenue or brokerage fees. It appears that the story is the same, even when variable costs associated with objects whose contracts have not been concluded eventually. Otherwise, it cannot be the case that the number of clients on "LIFULL HOME'S" has been increasing to date since the changeover to "inquiry-based pricing" from "pay-per-posting-based pricing" to have been implemented in 2011.

Meanwhile, "pay-per-posting-based pricing" has been adopted in new condominium/detached house, etc. On the new condominium side, developers of condominium pay ¥200,000 per project on a monthly basis. On the new detached house side, house makers pay ¥30,000 per project on a monthly basis. On top of this, the Company also offers special ad inventory sometimes. For information, "pay-per-posting-based pricing" is adopted also by "LIFULL *Kaigo* (nursing care)", which is the mainstay services in Others Business.

LIFULL Services List



Source: Company Data

Meanwhile, in the business model of HOME'S Services Business, the Company is not only involved with services for users of the site but also with administrative support for real estate companies. At the moment, the former accounts for the bulk of revenue in this business segment, but the Company places emphasis on the latter as well so that it should be a factor to drive ARPA.

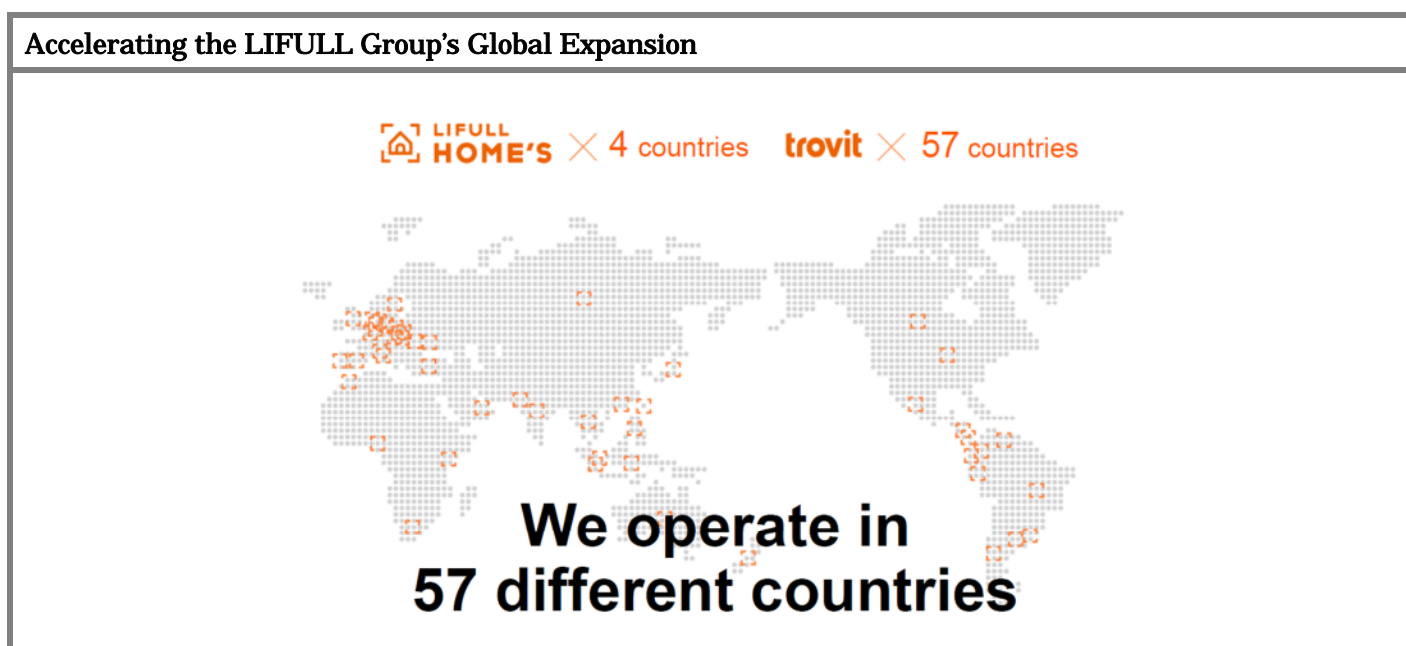
Administrative support for real estate companies comprises that of “management, building and stocking”, of “acquiring clients, information and follow-up” and of “concluding contract” though offering consultations to clients or real estate companies. Specifically, LIFULL Marketing Partners Co., Ltd. (formerly called Axelson Co., Ltd.) to have been merged and acquired by the Company in 2015 is in charge of diverse services comprising those of consultations, system development, revenue promotions, etc., mainly for developers of condominium as well as for other real estate business operators. On top of this, services are also offered in the field of CRM (Customer Relationship Management) and of DMP (Data Management Platform) to materialize the optimal ad action plans based on data.

Meanwhile, Recruit Sumai Company Ltd., i.e., one of the operating companies of Recruit Holdings Co., Ltd., running “SUUMO” to compete with “LIFULL HOME'S”, is mainly exposed to new condominium/detached house (including custom home) where ad budgets are huge in terms of revenue. In the first place, Recruit Holdings Co., Ltd. is rather like a legend to have been involved with the market of real estate ad in Japan for no less than 40 years and it gives in-depth consulting services to each client by means of taking advantage of long-lived trust between itself and clients.

In regards to At Home Co., Ltd. to run "at home", the key operation is to support real estate brokers at the initial stage of business cycle, i.e., procurement of articles, by means of utilizing own article distribution system to provide them with availability information of articles based on proprietary database together with floor plan for each. Said information on article procurement is used across the board among real estate brokers just like REINS (Real Estate Information Network System) which is a government-related computer network system on real estate information.

Overseas Business

The Company is running portal sites overseas based on a "LIFULL HOME`S" model in Indonesia, Australia and Germany. In this respect, the Company runs its operations in four countries on a global basis. Meanwhile, the bulk of revenue on the Overseas Business side comes from Trovit (Trovit Search, S.L.), based in Spain while operating in collective 57 countries worldwide. Having been consolidated as 100% subsidiary by investment of some ¥11,500m on 28 November 2014, Trovit is running one of the largest aggregation sites on a global basis, dealing with information mainly on real estate & house, used cars and job offer. The Company sets Trovit as cornerstone to set up "global platform", which is mentioned as the final target of its "Long-term Strategy Roadmap".



Source: Company Data

Others Business

Others Business comprises operations by subsidiaries, represented by those of LIFULL senior Co., Ltd. and new business. The Company has in-house entrepreneur scheme called "Switch" to have generated three new businesses in CY2017. The objectives of this scheme are to materialize vision raised by the Company, to develop executive and to enlarge business domains. In particular, the Company places emphasis on executive development in that this aims at producing successor of Inoue, the founder and CEO, i.e., the group CEO.

Meanwhile, above-mentioned LIFULL senior Co., Ltd. is the largest in revenue out of all the subsidiaries, while it runs “LIFULL *Kaigo* (nursing care)”, i.e., search site on information associated with nursing home and long-term care facility. Exact revenue, etc. are not disclosed, but the Company suggests favorable business performance here. In terms of revenue ranking, LIFULL senior Co., Ltd. is followed by LIFULL FinTech Co., Ltd., LIFULL SPACE Co., Ltd. and LIFULL MOVE Co., Ltd. in order.

5.0 Financial Statements

Statements of Profit or Loss

Statements of Profit or Loss (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2014	FY 03/2015	FY 03/2016	FY 03/2017	FY 09/2017	FY 09/2018	YoY Net Chg.
Revenue	-	18,165	25,707	29,920	15,948	41,000	+8,888
Cost of revenue	-	583	2,127	3,080	1,862	4,848	+1,313
Gross profit	-	17,582	23,580	26,839	14,086	36,152	+7,574
Selling, general and administrative expenses	-	14,849	19,489	22,654	12,966	31,124	+5,299
Other income (Net)	-	(41)	(95)	(118)	(102)	(28)	+144
Operating income	-	2,691	3,994	4,066	1,016	5,000	+2,420
Financial revenue	-	6	29	53	0	-	-
Financial expenses	-	43	10	34	20	-	-
Share of profit (loss) of investments accounted for using the equity method	-	2	4	2	(39)	-	-
Profit before taxes	-	2,656	4,018	4,087	957	-	-
Income tax expenses	-	851	1,306	1,275	473	-	-
Profit for the period	-	1,805	2,711	2,812	483	-	-
Profit for the period attributable to owners of the parent	-	1,796	2,670	2,765	489	3,478	+1,900
Profit for the period attributable to non-controlling interests	-	8	40	46	(5)	-	-
Total	-	1,805	2,711	2,812	483	-	-
Revenue YoY	-	-	+41.5%	+16.4%	+15.9%	+27.7%	-
Operating income YoY	-	-	+48.4%	+1.8%	(59.4%)	+93.8%	-
Profit before taxes YoY	-	-	+51.3%	+1.7%	(62.1%)	-	-
Profit for the period YoY	-	-	+50.2%	+3.7%	(71.5%)	-	-
Profit for the period attributable to owners of the parent YoY	-	-	+48.7%	+3.6%	(70.8%)	+120.5%	-
Gross profit Margin	-	96.8%	91.7%	89.7%	88.3%	88.2%	(0.8%)
(SG&A / Revenue)	-	81.7%	75.8%	75.7%	81.3%	75.9%	(4.5%)
Operating income Margin	-	14.8%	15.5%	13.6%	6.4%	12.2%	+4.2%
Profit before taxes Margin	-	14.6%	15.6%	13.7%	6.0%	-	-
Profit for the period Margin	-	9.9%	10.5%	9.4%	3.0%	-	-
Profit for the period attributable to owners of the parent Margin	-	9.9%	10.4%	9.2%	3.1%	8.5%	+3.6%
Income tax expenses / Profit before taxes	-	32.1%	32.5%	31.2%	49.5%	-	-

Source: Company Data, WRJ Calculation

Reportable Segment

Reportable Segment (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2014	FY 03/2015	FY 03/2016	FY 03/2017	FY 09/2017	FY 09/2018	YoY Net Chg.
HOME'S Services Business	-	-	-	25,017	13,288	33,441	+6,535
Overseas Business	-	-	-	3,193	1,718	4,834	+1,497
Others Business	-	-	-	1,709	941	2,723	+856
Revenue	-	18,165	25,707	29,920	15,948	41,000	+8,889
HOME'S Services Business	-	-	-	-	+16.6%	+24.3%	-
Overseas Business	-	-	-	-	+9.2%	+44.8%	-
Others Business	-	-	-	-	+20.2%	+45.9%	-
Revenue (YoY)	-	-	+41.5%	+16.4%	+15.9%	+27.7%	-
HOME'S Services Business	-	-	-	3,594	1,067	-	-
Overseas Business	-	-	-	346	131	-	-
Others Business	-	-	-	136	(120)	-	-
Segment profit (loss) before reconciliation	-	-	-	4,077	1,078	-	-
Reconciliation	-	-	-	106	41	-	-
Segment profit (loss)	-	-	-	4,184	1,119	-	-
Other Income (expense)	-	-	-	(118)	(102)	-	-
Operating income	-	2,691	3,994	4,066	1,016	5,000	+3,983
HOME'S Services Business	-	-	-	14.4%	8.0%	-	-
Overseas Business	-	-	-	10.9%	7.7%	-	-
Others Business	-	-	-	8.0%	(12.9%)	-	-
Segment profit (loss) before reconciliation	-	-	-	13.6%	6.8%	-	-
Reconciliation	-	-	-	0.4%	0.3%	-	-
Segment profit (loss)	-	-	-	14.0%	7.0%	-	-
Other Income (expense)	-	-	-	(0.4%)	(0.6%)	-	-
Operating income margin	-	14.8%	15.5%	13.6%	6.4%	12.2%	+4.2%

Source: Company Data, WRJ Calculation

Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2014	FY 03/2015	FY 03/2016	FY 03/2017	FY 09/2017	FY 09/2018	YoY Net Chg.
No. of shares FY end (-000 shares)	-	-	118,789	118,789	118,789	-	-
Profit for the period / Basic earnings per share (-000 Shares)	-	-	116,764	118,693	118,700	-	-
Treasury shares FY end (-000 Shares)	-	-	74	74	74	-	-
Basic earnings per share	-	-	22.9	23.3	4.1	29.3	-
Diluted net income per share	-	-	-	23.3	4.1	-	-
Equity attributable to owners of the parent per share	-	-	142.5	155.6	162.0	-	-
Dividends per share	-	-	4.5	5.7	0.8	-	-
Payout ratio	-	-	19.7%	24.3%	19.9%	20.0%	-
Per Share Data (After Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2014	FY 03/2015	FY 03/2016	FY 03/2017	FY 09/2017	FY 09/2018	YoY Net Chg.
Share split factor	-	-	1	1	1	-	-
Basic earnings per share	-	-	22.9	23.3	4.1	-	-
Equity attributable to owners of the parent per share	-	-	142.5	155.6	162.0	-	-
Dividends per share	-	-	4.5	5.7	0.8	-	-

Source: Company Data, WRJ Calculation

Statements of Financial Position

Statements of Financial Position	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
(Million Yen)	03/2014	03/2015	03/2016	03/2017	09/2017	09/2018	Net Chg.
Cash and cash equivalents	8,443	4,268	6,625	6,046	5,509	-	-
Accounts receivable-trade and other current receivables	2,197	3,136	3,901	4,712	4,229	-	-
Other short-term financial assets	-	1,100	26	492	-	-	-
Other current assets	215	253	418	807	454	-	-
Current assets	10,855	8,758	10,970	12,059	10,193	-	-
Property, plant and equipment	621	645	624	1,796	1,926	-	-
Goodwill	86	9,165	9,150	8,860	9,857	-	-
Intangible assets	971	2,930	3,076	2,621	2,423	-	-
Investments accounted for using the equity method	35	37	42	48	278	-	-
Other long-term financial assets	610	571	808	1,123	1,170	-	-
Deferred tax assets	429	479	587	594	509	-	-
Other non-current assets	2	3	3	5	4	-	-
Non-current assets	2,757	13,833	14,294	15,050	16,170	-	-
Total assets	13,612	22,592	25,265	27,110	26,363	-	-
Accounts payable and other current payables	1,687	2,440	2,267	3,441	2,936	-	-
Short-term loans	-	7,000	970	969	970	-	-
Lease obligations	-	-	-	-	3	-	-
Accrued corporate income taxes	600	529	1,063	661	277	-	-
Other short-term financial liabilities	-	-	-	-	28	-	-
Provisions	-	-	-	249	-	-	-
Other current liabilities	938	1,199	1,690	1,766	1,898	-	-
Current liabilities	3,225	11,169	5,991	7,088	6,115	-	-
Long-term loans	-	13	1,468	484	-	-	-
Lease obligations	-	-	-	-	84	-	-
Provisions	172	175	209	469	518	-	-
Other long-term financial liabilities	-	-	76	45	-	-	-
Deferred tax liabilities	-	380	240	205	317	-	-
Other non-current liabilities	-	-	137	-	33	-	-
Non-current liabilities	172	569	2,132	1,205	954	-	-
Total liabilities	3,398	11,738	8,123	8,294	7,069	-	-
Equity attributable to the owners of the parent	10,207	10,824	16,922	18,471	19,227	-	-
Equity attributable to non-controlling interests	7	28	219	344	66	-	-
Total equity	10,214	10,853	17,142	18,815	19,293	-	-
Total liabilities and equity	13,612	22,592	25,265	27,110	26,363	-	-
Interest Bearing Debt	-	7,013	2,439	1,454	1,059	-	-
Net Debt	(8,443)	2,745	(4,185)	(4,592)	(4,450)	-	-
Equity attributable to the owners of the parent ratio	75.0%	47.9%	67.0%	68.1%	72.9%	-	-
Net debt equity ratio	(82.7%)	25.4%	(24.7%)	(24.9%)	(23.1%)	-	-
ROE (12 months)	13.9%	17.1%	19.2%	15.6%	8.8%	-	-
ROA (12 months)	-	14.7%	16.8%	15.6%	10.0%	-	-
Quick ratio	330%	66%	176%	152%	159%	-	-
Current ratio	337%	78%	183%	170%	167%	-	-

Source: Company Data, WRJ Calculation

Statements of Cash Flows

Statements of Cash Flows	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
(Million Yen)	03/2014	03/2015	03/2016	03/2017	09/2017	09/2018	Net Chg.
Cash flow from operating activities (A)	-	2,193	3,175	3,163	1,909	-	-
Cash flow from investing activities (B)	-	(13,051)	93	(2,134)	(999)	-	-
Free cash flow (A) + (B)	-	(10,858)	3,268	1,028	910	-	-
Cash flow from financing activities	-	6,734	(868)	(1,517)	(1,601)	-	-

Source: Company Data, WRJ Calculation

6.0 Other Information

Measures to Revitalize the Market for Second Hand House

The Company has been implementing diverse measures to set up scheme to efficiently take advantage of vacant house, e.g., “revitalization of the market for second hand house”. In Japan, it is becoming an increasingly severe social problem that the number of vacant house is consistently increasing, given accelerating decreases of populations most recently, while it has been the case that deals on second hand house is less frequent than other developed countries in the first place. Meanwhile, “LIFULL HOME'S *Akiya Bank*” to have been released in September 2017 refers to services to work as interface between want ads on vacant house and land by local government and people who would be interested in the object. Thus, the Company is charge of implementing “the model business in regards to establishment/management of nation-wide vacant house and land bank” by MLIT (Mistry of Land, Infrastructure and Transport).

Meanwhile, the Company quickly declared its willingness to enter vacation rental (*Minpaku*) business, having established “Rakuten LIFULL STAY, Inc. (49% held by the Company and 51% by Rakuten)” with Rakuten, Inc. in June 2017. The government is to lift the ban on *Minpaku* on 15 June 2018, while the Company has been preparing for startup of the services to date. Although details of the services, rates, etc. have not been disclosed yet, this operation would remain insignificant to business performance as a whole for the Company at least in the early stage, according to the Company, partly because of its consolidation as equity-accounted affiliate.

Elsewhere, the Company has been keen on getting ready for real-estate-investment-type cloud funding to cope with funding needs from people who would be interested in revitalizing vacant house. LIFULL Social Funding Co., Ltd. (formally called JG Marketing Co., Ltd.) is currently setting up platform to do this and the services are to start up after current application for registration on Type II Financial Instruments Business being successfully concluded.

Make Every LIFE FULL.

The Company made a change for its company name in April 2017 to "LIFULL Co., Ltd." from NEXT Co., Ltd., having aggressively investing in the new corporate brand. As a result, the Company estimates that it has been steadily and increasingly well known as "LIFULL Co., Ltd." to date. According to Takashi Inoue (born in 1968), the founder and current CEO with the Company, voices are incoming from outside, saying that “make every life full.” clearly makes sense or just simply jolly good identity for new one. Thus, he sees storming favorability.

In line with above-mentioned change of company name, the Company moved into new headquarter building in Kojimachi, Chiyoda-ku of Tokyo. On the ground floor, “LIFULL Table” was opened as Canteen and as regular cafeteria for anybody else than employees at the same time. On the second floor, the Company set up co-working space of “LIFULL Hub”, where some events have been held. More recently, another one was opened on 1 February 2018, which is “LIFULL Fab” or full-fledged workshop incorporating cutting edge devices like laser cutters and 3D printers. Thus, innovations are now on the verge of being created together with measures to provide creative people both in-house and external with a space to get together. On top of this, Inoue suggests rosy prospects for future, positioning FY09/2018 as the year of aggressiveness with environment established to do so, taking into account a probability for revenue to accelerate due to change of fiscal yearend too.

Inoue, holding 27.7% of shares outstanding as the largest shareholder with the Company as of the end of December 2017, founded NEXT HOME Co. or the predecessor organization for the Company in July 1995. Prior to this, Inoue worked with Recruit COSMOS Co. Ltd. (currently, COSMOS INITIA Co. Ltd.) and Recruit Co., Ltd. His experiences with them made him convinced that the real estate industry should change and he set up NEXT HOME Co. The aim here was to enable anybody to find the most suitable place to live in (home) out of variety of choices by means of eliminating asymmetry on real estate information. “NEXT HOME” had connotation to offer next-generation way of finding home, while ‘HOME’ was removed from company name when NEXT Co., Ltd. was established in March 1997, with incorporations of diverse next-generation services in sight on top of existing ones associated with finding home. Now, it is a part of the Company’s real estate information portal site. In March 2010, the Company made a change of stock market for the shares to trade to TSE1 from TSE Mothers, which was followed by change of above-mentioned company name. Now, the Company is looking to long-term growth.

Company History

Date	Events
1995 Jul.	NEXT HOME Co. founded.
1997 Mar.	NEXT Co., Ltd. (now LIFULL Co., Ltd.) established.
Apr.	Launched HOME'S (now “LIFULL HOME'S”), a website for real estate and housing information.
2002 Jan.	Capital tie-up with Rakuten Inc.
2006 Oct.	Shares listed on Tokyo Stock Exchange Mothers Section.
2007 Apr.	Acquired Renter's Co., an ASP that helps real estate agents organize properties and clients, making it a wholly owned subsidiary.
2010 Mar.	Shares listed on TSE First Section.
2011 Feb.	Completed ownership acquired in Littel KK, a partnership with the University of Tokyo. Launched MONEymo (now “LIFULL <i>Hoken Sodan</i> ” –insurance consulting–), a website for searching for insurance agents and making appointments.
Mar.	Absorbed consolidated subsidiary Littel KK.
2012 Apr.	Invested in PT. Rumah Media (now PT. LIFULL MEDIA INDONESIA) in Republic of Indonesia (Indonesia).
2014 Apr.	Launched HOME'S Style Market (now “LIFULL Interior”), an e-commerce website for

- furniture and interior goods.
- Oct. Established LIFULL Fam Co., Ltd, supporting compatibility between child rearing and work.
- Nov. Acquired Trovit Search, S.L. (Spain), which operates one of the world's largest aggregation sites, making it a wholly owned subsidiary.
- 2015 May. Acquired Axelion Co., Ltd. (now LIFULL Marketing Partners), an Internet marketing provider for real estate agents, making it a wholly owned subsidiary.
- Jul. Established LIFULL senior Co., Ltd., LIFULL MOVE Co., Ltd., LIFULL Fin Tech Co., Ltd. and LIFULL SPACE Co., Ltd., as a wholly owned subsidiary.
- Capital tie-up with Rakuten, Inc.
- Nov. Established LIFULL bizas Co., Ltd. (100% subsidiary), operating back office work etc.
- Dec. Started Australian real estate and housing information site “LIFULL Australia Real Estate”
- 2017 Jan. JG Marketing Co., Ltd. (now LIFULL Social Funding Co., Ltd.), which manages the cloud funding platform, became a subsidiary.
- Apr. Changed company name to LIFULL Co., Ltd.
Integrate the provided services into the "LIFULL" brand.
Headquarters moved to Kojimachi, Chiyoda-ku, Tokyo.
Vietnam Creative Consulting Co., Ltd. (LIFULL Tech Vietnam Co., Ltd.), which develops software and application business, became a subsidiary.
- May. Fully consolidated LIFULL Marketing Partners.
- Jun. Entered vacation rental (*Minpaku*) business by establishment of Rakuten LIFULL STAY, Inc. with Rakuten, Inc.
- Oct. Merged and acquired Renter's Co.
- Nov. Invested in “KAMARQ HOLDINGS PTE. LTD” to run IoT future brand.
- 2018 Jan. Operational tie-up in international real estate investment with “Homelink”, one of the largest real estate brokers in China.

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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