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Notice of Posting of Extraordinary Loss and Revision to Financial Results Forecast

We hereby announce that an extraordinary loss arose in the third quarter of the fiscal year ending July 31, 2020, and the full-year consolidated financial results forecast for the fiscal year ending July 31, 2020, to be released on September 13, 2020, has been revised. The details are as follows.

1. Revision of Full-year Financial Results Forecast (August 1, 2019 - July 31, 2020)

(Unit: millions of Japanese yen)

	Revenue	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share (yen) (Common Stock)
Previous forecast (A)	2,122	-	-	-	-
Revised forecast (B)	1,650	-285	-290	-372	-40.33
Difference (B-A)	-472	-	-	-	-
Change (%)	-22.2%	-	-	-	-
(Reference) Previous year (ended July 31, 2019)	1,515	19	7	10	1.34

Reason for Revision of Full Year Financial Results Forecast

Regarding the financial results for the fiscal year ending July 31, 2020, revenue progressed as expected until the second quarter. In addition, the number of registered uses and registered MAU of our end-to-end real estate online brokerage platform for used and renovated properties, cowcamo, has been steadily increasing, even during the worldwide expansion of COVID-19 during the third quarter. As of the end of April, the number of registered users is over 165,000 and the number of registered MAUs is over 44,000.

However, due to the spread of COVID-19 in the third quarter of the fiscal year ending July 31, 2020, in Japan, there is a demand for refraining from going out by the Government as a countermeasure against COVID-19, and we partially suspended business considering the health and safety of customers, business partners and all employees. The business suspension and the reduction of the number of user viewings due to self-restraint on travel by individuals have affected our sales activities. As a result of this, the number of transactions decreased in cowcamo business in a short term, and revenue is expected to fall below the previous forecast. This revised forecast considers that the effects of self-restraint until May appear from June to July due to the time lag between transactions and the completion of settlement of transactions based on our business model.

As of the end of May, however, the number of inquiries and the number of visitors have almost recovered to the previous level. Assuming that this situation continues, we consider that the impact of COVID-19 on revenue for the next fiscal year will be limited.

As a result, revenue for FY2019 is expected to be 1,650 million yen, falling by 22.2% below the previous forecast, operating income is expected to be -285 million yen (19 million yen for the previous fiscal year), ordinary

income is expected to be -290 million yen (7 million yen for the previous fiscal year), profit attributable to owners of parent is expected to be -372 million yen (10 million yen for the previous fiscal year), and earnings per share is expected to be -40.33 yen (1.34 yen for the previous fiscal year). These figures are expected to fall below the previous forecast as mentioned above.

In addition to 2. below, a temporary extraordinary loss (impairment loss) of 28 million yen due to the reduction of fixed costs is included in the above forecast.

2. Posting of Extraordinary Loss

We decided to apply impairment accounting for the equipment of the head office due to the planned reduction of the office, which is introduced because of the transition to remote work as a countermeasure against COVID-19. As a result, an extraordinary loss (impairment loss) of 25 million yen was recorded in the third quarter according to "Accounting Standard for Impairment of Fixed Assets." In addition, an extraordinary loss (loss on liquidation of investments in equity) of 9 million yen was recorded. These extraordinary losses are included in the above revision of full year financial results forecast.