

LIFULL Co., Ltd. (2120)

Edited Transcript of FY 2023/9 Second Quarter Earnings Briefing

(Online/Offline Hybrid Meeting)

Date: May 12, 2023 (Fri.) 11:00 AM – 12:00 PM (JST)

Participants (In-Person):

INOUE Takashi

Representative Director and CEO

ITO Yuji

Director, Managing Officer, General Manager of LIFULL HOME'S Business Department

FUKUZAWA Hidekazu

Managing Officer, General Manager of Group Businesses Management Department

Participants (Online):

YAMADA Takashi

Director, Managing Officer, Head of AI Strategy Office, General Manager of LIFULL HOME'S Business Department Development Division

HADA Yukihiro

Managing Officer, General Manager of Human Resources Department

KAWASAKI Kohei

Managing Officer, General Manager of Creative Department

NAGASAWA Tsubasa

Managing Officer, General Manager of Technology Department

Speaker: ITO

I. Main Points for FY 2023/9 Second Quarter

- Earnings for FY 2023/9 Second Quarter
 - Primarily in-line with full-year forecast
 - LIFULL HOME'S growing as planned
 - 2 acquisitions completed by overseas subsidiary, LIFULL CONNECT
 - Sale of investment projects by the Regional Revitalization Fund
- Further disclosure of sustainability initiatives

II. FY 2023/9 Second Quarter Earnings Results

[FY 2023/9 Second Quarter Earnings] Revenue was mostly in-line with original forecasts.

Consolidated revenue amounted to ¥19.1 bil. (+6.3% YoY.) After removing revenue from businesses sold in the previous fiscal year, revenue for the current period increased significantly by 20.1%.

Businesses sold: LIFULL Marketing Partners (LMP)

Fashiola (Kleding B.V)

Consolidated operating profit also grew considerably to ¥1.7 bil. (+236.6% YoY) including ¥0.5 bil. from the sale of investments by the Regional Revitalization Fund. Removing these one-off gains, operating profit would have increased by 139.5% YoY. Our focus on improvements in these two areas is reflected in our earnings.

[HOME'S Services Segment] The domestic HOME'S Services segment has been progressing in-line with our original forecast. Sales revenue for the period amounted to ¥11.9 bil. (+4.5% YoY) with segment profit at ¥1.3 bil (+286.4% YoY.)

(The above percentages have been calculated without including revenue from LMP which was sold in the previous fiscal year.)

The reasons for the growth in revenue and profit were an increase in inquiries (+3.2% YoY) and the overall conversion rate (+4.1% YoY) of the LIFULL HOME'S website. Additionally, the improvement in segment profit is largely due to a large decrease in advertising spending on branding. We curbed spending in this area by about 57% YoY during the peak moving season in Japan (January – March), but were still able to maintain the number of by-name searches for

LIFULL HOME'S by optimizing the content, target media and amount of our promotions. For this reason, we believe we have improved the efficiency of our advertising initiatives.

The goal of LIFULL HOME'S is to evolve into a more efficient platform which better supports people through the process of finding a new place to live and, thereby, increase the value we provide to our clients by improving the ratio at which inquiries translate into actual transactions.

In order to accomplish these goals, we are focusing on four different areas: richer listings, search assistance, personal support and transaction support. During the second quarter of this fiscal year, we have taken steps to improve the satisfaction of real estate professionals and users not only by increasing the number of listings available, but also enriching the information provided through those listings. We have also taken actions to ensure the accuracy of listings on our site as well as adding additional links to our consultation service, *Sumai No Madoguchi*, and developed new tools for real estate professionals to better understand the needs of users. As a result of these initiatives, we have seen improvements in the number of inquiries and the conversion rate for LIFULL HOME'S.

Recent topics in this segment include utilizing the skills of our developers to release AI Homes-kun BETA LINE Version, a generative AI solution using Chat GPT which provides users with a new search experience. We have also made progress in the investment property market by integrating the databases of LIFULL HOME'S Real Estate Investment and Kenbiya Co., Ltd. (acquired during FY 2020) in April. Moving forward, we will move on to the next step of active sales of the combined service to work toward our goal of becoming number one in this market.

[Overseas Segment] Despite some variance from the breakdown of the top line in our forecast at the beginning of the fiscal year, we expect to end the year in-line with the forecast. Segment revenue amounted to ¥3.9 bil. (+19.3% YoY) with segment profit at -¥0.1 bil.

(The above percentages have been calculated without including revenue from Fashiola which was sold in the previous fiscal year.)

With the consolidation of two acquisitions completed during the period, the Overseas segment was profitable for the second quarter (January – March.) The Thai real estate brokerage, FazWaz, was consolidated from January 2023. FazWaz has been growing at a faster rate than expected due to a combination of synergies from the LIFULL CONNECT network and the results of growth investments made by the original owners before the acquisition. Also, LIFULL CONNECT acquired the Mexican real estate portal, Lamudi, in an effort to further strengthen its portal businesses in the Latin American region.

Comparing the current status with the original forecast for the year, although we have increased the click prices for premium advertisements on aggregation sites, markets have continued on the sluggish trend seen in the first quarter. As a result, we have not met our original targets. However, the consolidation of Lamudi and FazWaz have put us above our original plans in both our portal and transactional businesses.

[Other Businesses Segment] Revenue and profit increased due to the sales of investments by the Regional Revitalization Fund. Segment revenue amounted to ¥3.3 bil. (+162.6% YoY) with segment profit at ¥0.05 bil. The sales of two hotel development projects were completed in February 2023 for about ¥0.5 bil. in profit.

In the original forecast, we expected the Other Businesses segment to remain unprofitable during the second quarter due to television advertisements for LIFULL senior, operator of a matching website for elderly care facilities. However, the sale of the investments by the Regional Revitalization Fund during the first half of the year made the segment profitable.

Current topics in this segment include a collaboration between LIFULL ArchiTech and an NPO for the placement of Instant Houses, simple residential structures that can be constructed within several hours, in areas affected by the earthquakes in Turkey and Syria. We plan to continue increasing sales of these structures in the future.

[Sustainability Initiatives] The LIFULL Group has been taking action toward reaching the sustainability goals we have set.

During the second quarter, we took steps toward improving our initiatives to provide for human rights by completing human rights due diligence for all of the subsidiaries of the Group and established a whistle blower channel for our business partners. In addition, we are

providing for diverse working styles by implementing schemes for three-day weekends and reduced working hours as of April for employees of LIFULL Co., Ltd.

Through the LIFULL HOME'S project, FRIENDLY DOOR (<https://actionforall.homes.co.jp/friendlydoor>), we are focusing on introducing real estate professionals to people who are at a disadvantage on the housing market due to characteristics beyond their control. Our goal is to have 6,000 real estate professionals participating in this project by 2025. As of the end of March 2023, over 4,500 offices have joined forces with us putting us at over 75% of our goal.

Refer to our Investor Website for more details about the sustainability initiatives of the LIFULL Group: <https://ir.lifull.com/en/sustainability/>

◆◆◆ Question & Answer Session ◆◆◆

In addition to translation, a portion of these questions have been edited. Please review the Japanese video of the Earnings Presentation for the questions in their entirety.

Q1) LIFULL seems to be doing very well, but with the bounce back of the economy, what kind of figures should we expect in the future regarding the increase in the number of inquiries and the improvement in conversions? Also, what are the risks involved?

A1: ITO) As for the number of inquiries, we have not changed our full-year forecast, and we expect the number of inquiries in the second half of the year to continue at the same pace. As for possible risks, there are a number of factors that could come up such as property sales or a revival of the pandemic. At the moment, though, economic activity is returning to normal and interest rates remain low, so we believe that demand for property sales and rents will continue to grow.

A2: INOUE) As you know, COVID-19 has been reclassified to Class 5, and I believe that the economic momentum will increase nationwide. In addition, with the increase in the number of inbound tourism to Japan, we expect to see an acceleration in investment in Japanese real estate by overseas investors, for example, as well as purchases for personal use.

Follow-Up: INOUE

The growth we are seeing in our conversion rates and inquiries are not the result of external factors, but rather the result of continuous tuning LIFULL HOME'S, and I am confident that we can continue to keep this trend going.

In summary, we have shown over the last half year that our approach of selective focus has been able to produce profits. As we continue with this strategy, we will implement solutions including new technology such as generative AI solutions and show what we can do to become a game-changer in the market.