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Notice Regarding Our Actions Toward Capital Cost-Conscious Management

LIFULL Co., Ltd. hereby announces that we are taking the following actions toward making our management more capital cost conscious.

Notes

1. Background and Current Status

Since our founding in 1997, our mission has been to create a society where everyone can attain Comfort and Happiness through continuous social innovations. Leveraging cutting-edge technology, we have dedicated ourselves to providing comprehensive lifestyle-related information to achieve this goal.

In 2017, we rebranded as LIFULL Co., Ltd. to embody our vision of enriching every aspect of life. Our services now span over sixty countries and regions worldwide. Originally focused on real estate information, we have diversified into finance, human resources, training, dance and several other areas, and we remain committed to further innovation and expansion.

Our Mid-Term Management Plan, set to conclude in FY 2025/9, was initially aimed at broadening our scope and business operations. However, in response to the challenges posed by a global pandemic, evolving search algorithm behaviors and other external pressures, we have adjusted our strategy to emphasize steady growth in our core areas. Consequently, we are now concentrating our management resources on these core businesses, while selectively limiting investments and divesting assets with limited synergy.

We use revenue, revenue growth rate, operating profit, and free cash flow as our primary performance metrics. By closely monitoring these indicators and annual performance trends, we aim to maintain a focus on mid to long-term growth.

Currently, our Price-to-Book Ratio (PBR) has fallen below 1. We recognize that the stagnation of our share price is linked to a decline in profitability and uncertainties surrounding our future potential.

2. Policy for Improvement and Targets

We believe that a capital cost-conscious management approach is essential for ensuring sustainable growth and enhancing shareholder value. Therefore, our Mid-Term Management Plan, set to conclude in FY 2025/9, includes targets for revenue, revenue growth rate, operating profit and operating profit margin.

Our goal is to achieve mid-term returns that surpass the capital invested in our ventures. We will make informed decisions only after confirming the potential for these returns and will continually monitor our investments, making timely adjustments as necessary. When we identify capital investment opportunities that align with our growth strategy, we will ensure that we maintain adequate cash reserves or financial leverage to support our business operations.

3. Concrete Actions

During our Mid-Term Management Plan ending in FY 2025/9, we have set the following targets:

- Operating Profit: ¥5.0 bil. (Consolidated), ¥3.0 (LIFULL Co., Ltd. standalone)
- Revenue Growth Rate: 2% improvement each fiscal year

Additionally, we have introduced a paid stock option triggered by these targets to executives and employees to further improve motivation towards reaching our goals.

We primarily evaluate our businesses, including mergers and acquisitions, by calculating the Net Present Value (NPV) using the Discounted Cash Flow (DCF) method. We, then, make decisions with the objective of achieving returns that exceed our cost of capital.

In regard to start-ups, we have set specific standards for approval and divesting and generally require new businesses to reach profitability within three years. Investments in startups are made with balanced decision-making, taking into account the overall business and financial status of the group, and are seen as investments towards the mid- to long-term expansion of business scale.

In regard to the decline in profitability of our overseas businesses, we have undergone a restructuring of the management team to ensure stronger collaborations with Japan. Through these actions, we believe that we will have more visibility of the details of the business and be able to make quicker decisions to ensure an early recovery.

For non-core businesses where we see limited synergies with our core business areas or less profitable businesses, we have made decisions to either sell them or limit investments due to low capital efficiency. In addition to less-profitable, non-core businesses, we are also starting to consider the restructuring of the entire Group including our core businesses to improve the profitability and capital efficiency of the entire Group.

In regard to capital allocation, we continue to focus on investing into business areas where we can expect mid to long-term returns. At the same time, we pay dividends based on our business results and have also repurchased treasury shares where appropriate.

We also continue to work on our sustainability issues (materiality) and promoting proactive investor relations (IR) activities, such as enhancing the information we disclose to the market and engaging with investors, in order to realize market value that includes future growth potential and reduce our cost of capital.

4. Schedule

We plan to release our forecast for FY 2025/9 along with a concrete plan at the same time as our Full-Year Earnings Report for FY 2024/9 in November 2024.

We will also release our mid-term targets and concrete plans along with the Full-Year Earnings Report for FY 2025/9, the final year of our current Mid-Term Management Plan.

We will also disclose any further details as soon as possible as they become available.