

FY 2025/9 Second Quarter Earnings Presentation

Time & Date: May 15 (Thu.), 2025 11:00 – 12:00 (JST)

Attendees:

In-Person: *Representative Director, President, Managing Officer*
ITO Yuji (Head of LIFULL HOME'S Business Department)
Representative Director, Chairperson
INOUE Takashi
Managing Officer
FUKUZAWA Hidekazu (Head of Group Company Business Development Department)

Online :

Director
SHISHIDO Kiyoshi (Responsible for Overseas businesses)
Director
SHIMIZU Tetsuro (Representative Director, President of LIFULL Financial Co., Ltd.)
Managing Officer
YAMADA Takashi (Head of Group Data Department)
Managing Officer
HADA Yukihiro (Head of Human Resources Department)
Managing Officer
KAWASAKI Kohei (Head of Creative Department)
Managing Officer
NAGASAWA Tsubasa (Head of Technology Department)

Speaker: ITO Yuji

Almost a year and a half has passed since I took on my role as President in December 2023. As a company, we have taken on new challenges during this period. Of course, some of these are already showing positive results. However, low profitability and goodwill impairment Overseas as well as sluggish growth in the HOME'S Services segment have caused concern for external stakeholders and led to a slump in stock prices. All of this has left me feeling extremely discouraged.

However, with the results of the second quarter, I feel that my and our employees' efforts over the last year and a half are beginning to bear fruit. We have now built a foundation that will allow us to go on the offensive. The LIFULL HOME'S business in Japan is showing solid recovery, and the results of our strategic transformation of the Overseas segment have been reflected in our revised earnings forecast. As a result, our financial base has stabilized, and we have announced enhancements to shareholder returns. From today onward, I hope that we can renew your expectations, and that we will maintain solid growth in our businesses.

Main Points

1. Steady growth in revenue and profit for the HOME'S Services segment
2. Strategic Transformation of Overseas Segment and Revisions to Full-Year Results Forecast
 - Significantly reduced risk to balance sheet
 - Reclassified loss-making Overseas segment to discontinued operations
 - Upward revisions to net profit in the Full-Year Forecast
3. Enhancements to Shareholder Returns
 - Increasing dividend payout ratio to 30% (+5 pp.)
 - Commemorative dividend for the 30th anniversary of our founding

FY 2025/9 Second Quarter Earnings Digest

[Consolidated Results]

Consolidated revenue reached ¥14.2 bil., showing a YoY increase of 7.6%. This figure excludes the Overseas segment, which has been reclassified as discontinued operations for both the current and previous fiscal years. Consolidated operating profit stood at ¥1.8 bil., up 6.2% YoY. However, excluding the temporary gain of ¥910 mil. from the sale of LIFULL SPACE Co., Ltd. in the previous year, the profit increase would be approximately 2.2 times that of the previous year – a significant improvement.

After the reclassification of the Overseas segment, our results are divided into only two segments: HOME'S Services and Other Businesses. Revenue from HOME'S Services was ¥13 bil., reflecting a 7.7% YoY increase indicating accelerated growth. Segment profit also doubled compared to the previous period, reaching ¥2.1 bil., a rise of 98.6%, demonstrating a substantial improvement in profitability. For reference, in the previous period, the Overseas segment recorded revenue of ¥4 bil. and a segment loss of ¥730 mil. However, this segment has now been reclassified as discontinued operations and excluded from the consolidated results.

FY 2025/9 Second Quarter Topics

[Strategic Transformation of the Overseas Business]

Main Points of the Strategic Transformation

1. Exit from loss-making businesses
2. Results of the strategic transformation
 - Significantly reduced risk to balance sheet
 - Improved profitability after reclassification of loss-making Overseas segment to discontinued operations
 - Possibility of a future increase in the value of our shares in CONNECT NEXT
3. Focusing management resources on growth in domestic businesses in Japan

When we began our overseas expansion, we wanted to leverage our knowledge and experience gained through HOME'S Services to grow outside of Japan. To achieve this goal, we acquired companies that operated multinational aggregation services. However, our external environment changed more quickly than we anticipated, and profitability deteriorated over the last few years. In November 2024, we decided to restructure the Overseas business and completed the transfer of shares of our subsidiary in January of this year. The results of the accounting treatment for this transfer have been reflected in the revised earnings forecast. Moving forward, we will focus exclusively on expanding our operations in Japan.

As shown in the charts on pages 10 and 11 of the Earnings Presentation, ¥9.9 bil. of goodwill on our balance sheet has been reduced to ¥5.9 bil. in investment securities. This means that we have significantly reduced the risk of impairment on our statement of profit and loss. Additionally, we have eliminated long-term financial liabilities of ¥4.2 bil., significantly reducing potential future cash outflows. Going forward, we look forward to growth in our investment securities as a shareholder and will support this growth through communication with local management teams.

In terms of profit and loss, HOME'S Services generated ¥1 bil. in profit in the previous year, but we also had losses of ¥700 mil. and ¥250 mil. for the Overseas and Other Businesses segments. This resulted in total segment profit of ¥110 mil. In the current period, though, the loss-making Overseas business has been excluded from consolidation and reclassified as discontinued operations. With HOME'S Services profits doubling and reduced

losses in Other Businesses, segment profit has significantly increased to ¥1.99 bil. Looking ahead, we plan to concentrate our management resources on domestic operations, aiming to further grow the HOME'S Services segment, which is experiencing accelerated growth.

[HOME'S Services]

Main Points for the HOME'S Services Segment

1. Driving revenue through site and sales enhancements
2. Boosting profitability via investment optimization
3. Accelerating growth with generative AI

Revenue for the HOME'S Services segment reached ¥13 bil., representing a 7.7% YoY increase, and segment profit nearly doubled to ¥2.1 billion, a 98.6% increase. As stated on page 15, our continuous improvements to the LIFULL HOME'S website have increased traffic and inquiry volumes. Since we operate on a partially inquiry-based business model, these enhancements directly enhance our potential to increase revenue. By layering this with proactive sales initiatives, we have further accelerated this growth cycle, achieving sustained growth over six consecutive quarters.

On page 16, we have outlined our strategic framework. By leveraging AI, we have further improved both the speed and quality of initiatives, contributing to revenue growth and improved profit margins. The reasons for increased profitability are detailed on page 17. Advertising and sales expenses have decreased by 5%. Although we did conduct large-scale promotions and events during the peak moving season from January to March, we also focused on making targeted investments and adjusting our strategy based on outcomes while leveraging AI for even more operational efficiency. As a result, we have seen substantial growth in segment profit.

Also included in the HOME'S Services segment is Kenbiya (<https://www.kenbiya.com/>). This is our investment real estate platform which we acquired in 2020. After completing database integration with LIFULL HOME'S Investment Real Estate last year, we are now in a phase of strengthening sales initiatives. Over the past year, the number of listed properties increased by approximately 20% to 70,913. This increase in listings drives more inquiries and new memberships, creating a virtuous cycle. We aim to become the No. 1 in this domain through our continued strategic investments.

Additionally, we have been making even more use of AI. Over the last six months from October 1, 2024, we have saved a total of 31,600 hours, as we announced yesterday in a press release (<https://lifull.com/news/42912/>) (in Japanese.) To ensure widespread adoption, our in-house developers have been creating LIFULL-specific AI tools, and we are promoting cross-departmental use through recognition programs. We intend to extend these efforts to other companies in the real estate industry. We have been certified as a DX (Digital Transformation) corporation by the Japanese government and provide consulting services and training programs to help our clients with their own digital transformations.

FY 2025/9 Second Quarter Financial Results

As a result of the positive results from the HOME'S Services segment, consolidated revenue increased by ¥14.2 bil. (+7.6% YoY), and operating profit increased by ¥1.8 bil. (+6.2% YoY). Excluding the one-time gains from the sale of LIFULL SPACE in the previous fiscal year, operating profit increased 2.2 fold. Additionally, net profit significantly increased to ¥3.7 bil. due to the strategic transformation of the Overseas segment.

By segment, both HOME'S Services Other Businesses saw increased revenue and profit. In Other Businesses,

we increased profitability of LIFULL senior and reduced losses in Regional Revitalization. Additionally, revenue and profit from the acquisition of Rakuten Stay properties have had a positive effect. We acquired these properties in December 2014 to gain know-how in the operation and marketing of vacation rentals, and they have further reduced our losses in this segment.

As for the balance sheet, goodwill has been transferred into investment securities after the strategic transformation of the Overseas segment. Therefore, impairment risk of goodwill and future potential cash outflows from long-term financial liabilities have been eliminated, greatly reducing risks for the future.

In the cash flow statement, our operating cash flow was positively influenced by gains in the HOME'S Services segment. Our investing and financial cash flows fluctuated significantly due to the acquisition of Rakuten Stay properties, restructuring of our Overseas assets and the repayment of loans. As a result, cash and cash equivalents amounted to ¥8.5 bil.

[Revisions to the Full-Year Forecast]

Main Points of the Revisions

1. Upward revision to net profit resulting from the strategic transformation of the Overseas segment
2. No revisions to HOME'S Services (Continued Growth)
3. Revisions for delays in Other Businesses

Reflecting the reclassification of the Overseas segment as discontinued operations and delays in some other businesses, consolidated revenue for FY 2025/9 is expected to be ¥28.5 bil., operating profit remains unchanged from the previous revision at ¥3.3 bil. and net profit attributable to owners of the parent, including temporary gains, is expected to be ¥4.2 bil., the highest ever. Supplementary information for each item is provided on page 28 of the Earnings Presentation.

[Shareholder Returns]

Since our founding, we have operated under the principle of "Will-Centric Public Interest Capitalism," sharing our vision with all stakeholders and working together to find solutions to social issues.

The strategic transformation of our Overseas businesses and steady performance of LIFULL HOME'S have prompted us to enhance shareholder returns. Therefore, we have announced an increase in the dividend payout ratio by 5 percentage points to 30% from FY 2025/9 onwards. We have provided more details on the calculation methods for dividend resources on page 32. Following our policy, we have also taken extraordinary factors that do not involve cash inflows or outflows into consideration in calculations.

In addition to raising the dividend payout ratio, on July 1, 2025, we will celebrate the 30th anniversary of our founding by our chairperson, INOUE Takashi. Over the past 30 years, we have continuously promoted innovation in the real estate industry through technology while staying true to our Corporate Credo of "Altruism." This success is owed entirely to support from our stakeholders. As a token of gratitude for the support of our shareholders, we are issuing a commemorative dividend of ¥1.00 per share.

In recent years, we have faced challenges in our international expansion and lower-than-expected growth in LIFULL HOME'S. These factors have led to a prolonged slump in stock prices. However, we see our current position as an opportunity to reset and enter a growth phase to further enhance corporate value, and we hope to share the benefits with our shareholders. Moving forward, we will continue to explore ways to expand and strengthen shareholder returns bolstered by growth in our core businesses in Japan. As a reference, we

anticipate an ordinary dividend of ¥6.33 per share based on the full-year performance forecast (page 35.) Additionally, adding the commemorative dividend of ¥1.00, this would be ¥7.33 per share, with a dividend yield of 4.85%.

[Purchase of Shares of the Company by Representative Director and President ITO Yuji]

Finally, I would like to express my own personal confidence in and commitment to the future growth of the business and corporate value of the LIFULL Group. It is easy to make promises with words alone, so to demonstrate my commitment, I have personally invested in our future by announcing a purchase of ¥300 mil. worth of company shares, as announced in our recent release. With this announcement, I want to reinforce my dedication to leading the company with an even higher level of commitment, and I hope you will look forward to our continued progress.

[Comments from Other Attendees]

INOUE:

With the completion of the strategic transformation of the Overseas segment and the strong, accelerating growth in our domestic business quarter after quarter, we are entering a new phase where we feel a high level of confidence in achieving further growth and expanding corporate value. We greatly appreciate your continued support.

FUKUZAWA:

The accounting process for the strategic transformation of the Overseas segment has finally been completed. Until now, due to uncertainties in the details, my communication with investors has been somewhat unclear. With this milestone, however, things have been clarified, and we are now in a position where our continuing businesses have regained their earning power. Therefore, it is important for us to ensure everyone fully understands our progress and to work towards reaching a price-to-book ratio above 1. We are committed to these efforts and look forward to ongoing communication with all of you.
