



LIFULL | 2120

TSE Prime

Q1 Follow-up

HOME'S Services segment delivers steady performance and aims for renewed growth through selective focus



Summary

■ **FY2025/9 Q1 Results Review:** In Q1 FY2025/9, LIFULL Co., Ltd. (hereafter, the Company) reported net sales of JPY 8,367 mn, up 2.2% YoY, driven by growth in the HOME'S Services segment. Operating profit turned positive at JPY 652 mn, thanks to higher sales in the HOME'S Services segment as well as cost-cutting efforts, particularly in the Overseas segment. In the HOME'S Services segment, sales rose 7.7% YoY and operating profit grew 24.2% YoY, due to growth in the Company's client network and average revenue per agent (ARPA) driven by a stronger sales efforts and improved user interface (UI) and experience (UX). The segment profit margin improved by 2 ppt as a result of the increase in sales revenue. While sales Overseas fell by 8.8% YoY to JPY 1,909 mn, the operating loss narrowed owing to the absence of one-off expenses as well as cost reductions. In Other Businesses, sales declined due to the sale of LIFULL SPACE in FY2024/9 while initial start-up costs for LIFULL Financial weighed on profits.

■ **FY2025/9 Forecast:** On February 12, 2025, LIFULL revised its earnings forecast. The main reason was a change in its business structure, including the completion of the transfer of its overseas subsidiary, LIFULL CONNECT, in January and the acquisition of Rakuten Stay-related fixed assets in December. Following the strategic transformation of the Overseas segment, earnings initially included in the consolidated earnings forecast for this portion of the business were excluded from January 2025 onward. Additionally, it added the projected benefits from Rakuten Stay accommodation facilities the Company acquired. As a result, the Company made downward revisions to sales and operating profit forecasts but does not expect changes to profit attributable to owners of the parent. The accounting treatment resulting from the transfer of the Overseas segment is not included in this revision, and the Company plans to revise its earnings forecast again once the details become clear.

■ **Share Price Insights:** In 2024, LIFULL's share price had been in a slump reflecting the sluggish performance of its Overseas segment but rose sharply following the announcement of the strategic transformation in November. However, the rise was wiped out by the downward revision announced in February 2025. Going forward, the Company is expected to revise its earnings forecast again as soon as the accounting treatment of its Overseas segment is finalized. While this is a temporary factor, uncertainties remain. Nevertheless, the Company's business is on an upward trajectory, with HOME'S Services continuing to recover and deconsolidation of Overseas.

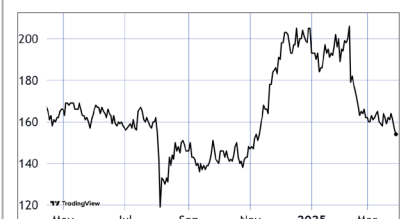
Focus Point

LIFULL is restructuring its Overseas segment and strengthening its focus on the Japanese real estate sector. Its shares may be undervalued, and the key to a share price rebound depends on its capital efficiency improvement measures going forward.

Key Indicators

Share price (3/28)	157
YH (1/6)	210
YL (8/5)	100
10YH (15/12/22)	1,598
10YL (24/8/5)	100
Shrs out. (mn shrs)	134.38
Mkt cap (JPY bn)	21.10
24/9 Equity ratio	58.5%
FY24/9 P/B (act)	0.81x
FY25/9 P/E (CE)	10.58x
FY24/9 ROE (act)	-29.87%
FY25/9 DY (CE)	---%

Stock Price Chart 1Y



Source: Trading view

JPY mn, %	Revenue	YoY	Operating Profit	YoY	Pre-tax profit	YoY	Net profit	YoY	EPS	DPS
2021/9 C	35,857	1.3	(6,644)	—	(6,857)	—	(5,901)	—	(44.78)	3.62
2022/9 C	35,730	(0.4)	1,672	—	1,386	—	1,180	—	8.96	2.25
2023/9 C	36,405	1.9	1,842	10.2	1,518	9.5	939	(204.0)	7.31	4.26
2024/9 C	34,466	(5.3)	(6,443)	—	(7,076)	—	(8,463)	—	(66.12)	0.73
2025/9 CE	30,659	(11.0)	3,300	—	—	—	1,900	—	14.84	—

Source: Compiled by SIR from the Company IR material.

Note: Figures may differ from the Company materials due to differences in SIR's financial data processing and the Company TANSIN reporting standards.

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The current share price appears to be undervalued, but the Company will be required to further pursue its strategy of selective focus on core businesses in order to correct valuation multiples. In addition, it will be important to clarify the criteria for M&A and asset acquisition to improve capital efficiency. SIR believes that the direction the Company should be aiming for is not to keep the acquired Rakuten Stay properties for the long term, but rather utilize technology to innovatively leverage real estate information, thereby establishing an asset-light business model which will be essential for sustainable growth.

Q1 FY2025/9 Results Review

LIFULL reported higher sales and profits in Q1 FY2025/9, driven by strong performance in its HOME'S Services segment. Net sales rose 2.2 YoY to JPY 8,367 mn. Meanwhile, operating profit turned positive at JPY 652 mn, thanks to higher sales in the HOME'S Services segment as well as cost-cutting efforts, particularly in the Overseas segment.

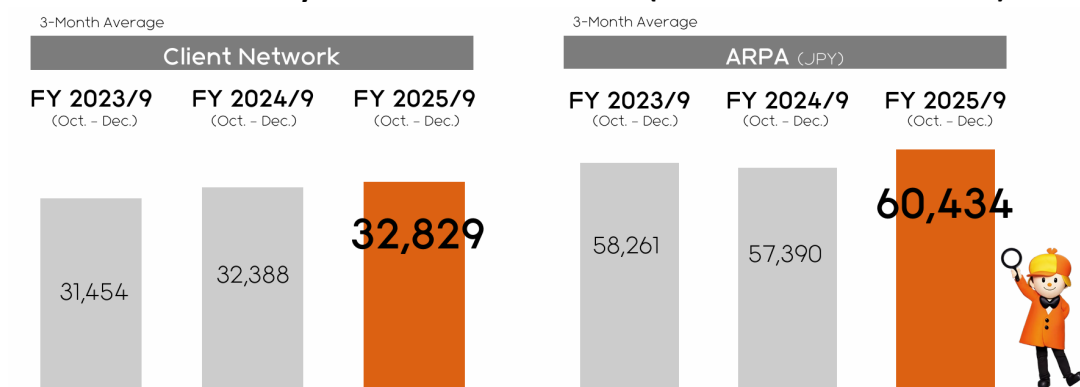
Condensed Statements of Income and Loss (IFRS)

Unit: JPY mil.	FY2024 Q1 (Oct.-Dec.)	FY2025 Q1 (Oct.-Dec.)	Change	Change %
Revenue	8,190	8,367	+177	+2.2%
Cost of revenue	527	572	+44	+8.4%
SG&A	7,672	7,361	-311	-4.1%
Personnel expenses	2,916	2,750	-165	-5.7%
Advertising expenses	2,336	2,248	-87	-3.8%
Operating expenses	224	196	-27	-12.2%
Depreciation and amortization	498	485	-13	-2.6%
Other	1,697	1,679	-17	-1.0%
Other income and expenses	-46	218	+264	-
Operating income	-55	652	+708	-
Operating income margin	-0.7%	7.8%	+8.5pt	-
Net profit*	-400	383	+784	-

Source: The Company IR presentation material * Net profit attributable to owners of the parent

Sales in the HOME'S Services segment progressed steadily, rising 7.7% YoY to JPY 5,951 mn. As a result of improved sales initiatives, the Company's client network increased by 1.4% YoY, while traffic and inquiries also grew thanks to improvements in UI and UX, the addition of new features, and improvements to listing quality, leading to a 5.3% YoY increase in ARPA. Segment profit rose 24.2% YoY to JPY 864 mn, with segment profit margin improving 2 pts. Although personnel expenses were up around 12% YoY, the Company completed its sales staff expansion in the previous year. Other costs were kept flat YoY, raising expectations for earnings growth in H2.

HOME'S Services Key Performance Indicators (Client Network and ARPA)



Source: Compiled by SIR from the Company IR material.

Note: Beginning from this fiscal year, the Company has changed the way it calculates its client network changing from invoiced clients to client contracts. Past figures have also been adjusted accordingly.

In the Overseas segment, sales fell 8.8% YoY to JPY 1,909 mn as the Company was unable to offset the drop in sales from its aggregators with sales growth from its real estate portals and Tech-Enabled Brokerage business. On the other hand, segment loss improved by JPY 332 mn YoY to JPY 276 mn, reflecting the absence of JPY 190 mn in one-time expenses related to changes in the management of LIFULL CONNECT, as well as cost reductions in advertising and other expenses.

In Other Businesses, sales fell 11.1% YoY to JPY 506 mn owing to the sale of LIFULL SPACE in February 2024. In addition, segment loss came to JPY 157 mn, worsening by JPY 56 mn YoY from initial costs for its newly-established subsidiary, LIFULL Financial.

Revenue/Income and Loss by Segment (IFRS)

Unit: JPY mil.	FY2024 Q1 (Oct.-Dec.)	FY2025 Q1 (Oct.-Dec.)	Change	Change %	Main items
Revenue	8,190	8,367	+177	+2.2%	
HOME'S Services	5,527	5,951	+424	+7.7%	Driven by increases in site traffic and inquiries
Overseas	2,093	1,909	-184	-8.8%	Primarily due to lower revenue from aggregation services
Other	569	506	-63	-11.1%	Primarily due to sale of LIFULL SPACE in Feb. 2024

Unit: JPY mil.	FY2024 Q1 (Oct.-Dec.)	FY2025 Q1 (Oct.-Dec.)	Change	Change %	Main items
Segment income and loss	-9	434	+444	-	
HOME'S Services	695	864	+168	+24.2%	Due to increased revenue
Overseas	-608	-276	+332	-	Temporary costs for LIFULL CONNECT (¥0.19 mil.) incurred in prev. FY ¥0.13 improvement in losses with added cost savings during curr. FY
Other	-100	-157	-56	-	Primarily due to the establishment of LIFULL Financial in prev. FY
Inter-segment transactions	3	3	+0	+4.2%	

Source: The Company IR presentation material

Note: Intersegment transactions have been eliminated.

Restructuring of Overseas Business

Through the strategic transformation of the Overseas segment, the Company has reallocated its management resources and clearly indicated its intent to focus on its domestic business. These efforts have shown tangible progress with the completion of the share transfer of LIFULL CONNECT in January 2025, after the initial announcement of the decision to transfer management rights in November 2024. As a result, LIFULL CONNECT is no longer a consolidated subsidiary and will be held purely as an investment.

This move primarily resulted from changes in the competitive environment, such as amendments to General Data Protection Regulations in the E.U. (January 2024) and updates to the Google search algorithm (May and August 2024). In particular, there was a noticeable decline in traffic and sales in the Company's aggregator services. Meanwhile, the Moving to Direct strategy for real estate portals and Tech-Enabled Brokerage continued to show some growth, but this did not improve overall earnings. As a result, the Company decided to refocus its management resources on its domestic Japanese businesses.

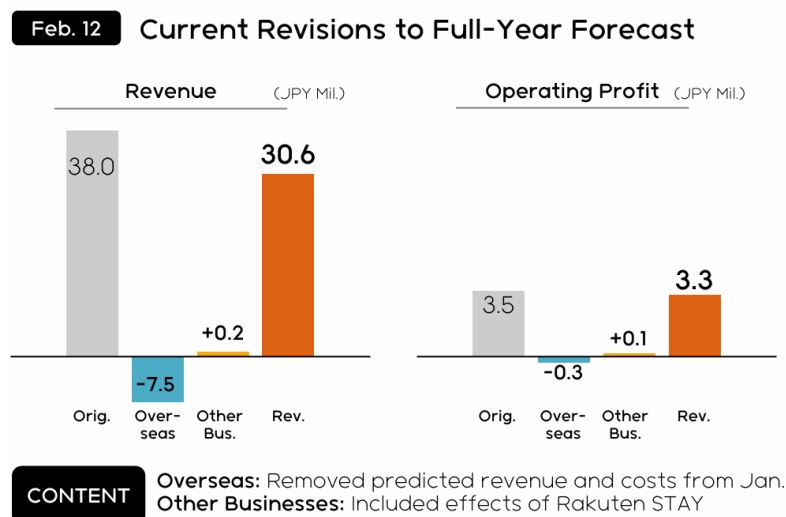
Revisions to FY 2025/9 Full-Year Forecast

These strategic transformations represent a major turning point in LIFULL's Mid-Term Management Plan. This will enable the Company to focus on expanding its domestic business, centered on the housing domain, in addition, it plans to focus on related domains such as senior living facilities, investment real estate, and repurposing of abandoned properties in rural Japan. This strategic focus will help the Company achieve long-term growth while strengthening its earnings base.

On February 12, 2025, LIFULL revised its FY2025/9 earnings forecast. The backdrop for this was a change in its business structure, including the completion of the share transfer of the overseas subsidiary, LIFULL CONNECT in January 2025 and the acquisition of Rakuten Stay-related fixed assets in December 2024. More specifically, following the changes in the Overseas segment, the portion of earnings (sales of JPY 7,591 mn, operating profit of JPY 300 mn) that the Company had initially included in its consolidated earnings forecast from January 2025 onward has been excluded. On the other hand, it added the projected beneficial interests in trust from Rakuten Stay (Dec. 2024–Sep. 2025; Sales of JPY 250 mn and operating profit of JPY 110 mn. As a result, the Company downwardly revised its initial sales and operating profit forecasts but does not expect changes to profit attributable to owners of parent.

This revision is based on information available as of February 12, 2025, and does not include the accounting treatment following the transfer of the Overseas segment. For instance, the Company expects accounting treatments related to the loss of control resulting from exclusion from the scope of consolidation and accounting treatments related to the liquidation of the Mitula Group but is currently carefully reviewing these with its accounting auditor. Accordingly, the Company plans to revise its earnings forecast again once the details become clear.

Revisions to FY 2025/9 Full-Year Forecast



NEXT Expected Accounting Procedures for Deconsolidation of Overseas

Basic Policy	
(+)	Expiration of earnout payment
(±)	Changes due to loss of management control
(+)	Reduction of consolidated losses (and revenue)
-	Associated costs ¹
=	Operating profit
-	Taxes ²
=	Net profit for the period

¹ Anticipated Associated Costs:

- Accounting & financial advisory fees
 - External legal fees
- (Included in Nov. 13 Full-Year Forecast)

² Anticipated Taxes:

- To be included in revised forecasts after details have been determined

Accounting procedures spanning several countries under audit

Source: The Company IR presentation material

Acquisition of Rakuten Stay Accommodation Facilities

■ Background to the acquisition

On December 10, 2024, LIFULL acquired beneficial interests in trust for four accommodation facilities operated by Rakuten Stay*. This acquisition is based on the Company's strategy of revitalizing the Japanese real estate market and addressing the issue of abandoned homes in rural areas of Japan and revitalizing local communities with new models for repurposed real estate. The properties in question are all villas located in popular tourist destinations surrounded by an abundance of nature, and specifically include Rakuten Stay Villa Hakone Sengokuhara North Wing, Rakuten Stay Villa Hakone Sengokuhara South Wing, Rakuten Stay Villa Kamogawa, and Rakuten Stay Villa Nikko.

Through this acquisition, the Company will be able to secure stable operating revenue and acquire the expertise in lodging facility operations and marketing that Rakuten Stay has built up to date. Based on this, the Company plans develop new finance-related services around real estate, such as small-lot investment options. These initiatives not only promote real estate utilization and revitalize local economies in rural areas but also play an important role in the growth strategy of the entire LIFULL Group.

*(Reference) Rakuten Stay's business model

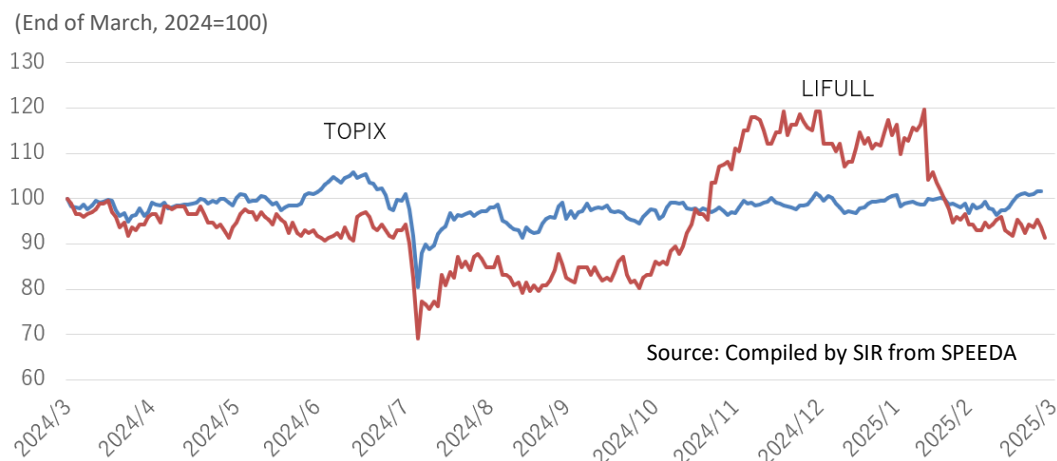
LIFULL sold its stake in Rakuten LIFULL STAY, the predecessor of Rakuten Stay, at the end of October 2022. It decided to sell its stake as development of the vacation rental business using abandoned homes was more limited than initially expected, and the Company was following a strategy of selective focus on core businesses.

On the other hand, Rakuten Stay's business model has changed substantially since then, and it now operates its own villa-style lodging facilities. It leverages the Rakuten Group's extensive data and network to apply sophisticated expertise in site selection and marketing.

Share Price Insights

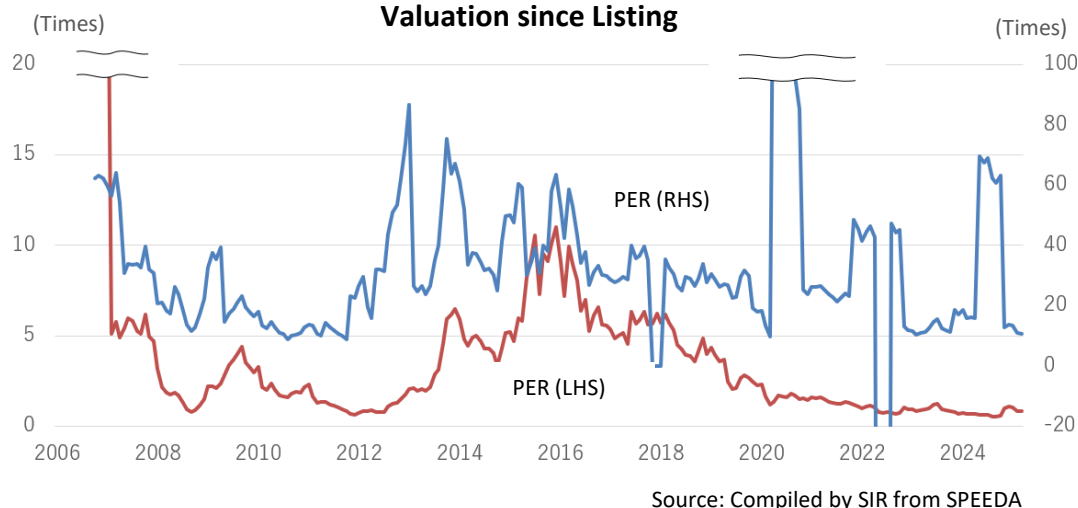
In 2024, LIFULL's share price had been in a slump reflecting the sluggish earnings performance of its Overseas segment. Following the announcement of the strategic transformation of its Overseas segment on November 13, 2024, its share price rose sharply, reflecting the market's positive response. In addition, the continued recovery of the HOME'S Services segment, where the Company had already been stepping up its efforts, also helped to boost investors' relief. However, the rise in share price was wiped out after the downward revision announced on February 12, 2025. The following two points likely dampened investor sentiment. The first point is that the accounting treatment around the deconsolidation of the Overseas segment remains unclear, and that this uncertainty is likely to continue. The second factor is that investors have become more cautious after realizing that the earnings contribution from the acquisition of Rakuten Stay facilities (beneficial trust interests) will be limited.

Share Price Performance over the Past Year



Going forward, the Company plans to revise its earnings forecasts again as soon as it has more details on the accounting treatment for the Overseas segment. Accordingly, it remains uncertain whether all potential market surprises have been fully eliminated. Nevertheless, the Company's business is on an upward trajectory, with the core HOME'S Services segment continuing to grow steadily along with clear deconsolidation of the Overseas segment. SIR believes that the Company's stock is currently undervalued, with a P/E ratio of around 10x and a P/B ratio below 1x.

Valuation since Listing



However, the Company will be required to further pursue selective focus on its core businesses in order to correct valuation multiples. In addition, clearly disclosing managerial decision-making principles to ensure appropriate pricing in M&A and asset acquisitions, along with initiatives to improve capital efficiency, will likely serve as catalysts, in SIR's view. For example, after achieving the goal of acquiring and utilizing expertise through recent investments such as Rakuten Stay accommodations and container hotels, it will be important to promptly sell these assets to recover funds invested. The direction the Company should be aiming for is not a business model that keeps funds tied up long-term in real estate, but one that instead utilizes technology to innovatively leverage real estate information. SIR believes that establishing an asset-light business model is essential for sustainable growth.

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