



LIFULL | 2120

TSE Prime

Q2 Follow-up

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



Summary

■ **FY2025/9 H1 Results Review:** In H1 FY2025/9, LIFULL Co., Ltd. (hereafter, the Company) reported net sales of JPY 14,291 mn, up 7.6% YoY and operating profit of JPY 1,824 mn, up 6.2% YoY. Operating profit effectively rose 2.2x YoY, adjusting for the gain on the sale of LIFULL SPACE recorded in FY2024/9. In the core HOME'S Services segment, the Company's client network increased 2.0% YoY as a result of stronger sales efforts. Meanwhile traffic and inquiries also grew thanks to improvements in user interface (UI) and user experience (UX), the addition of new features, and improvements to listing quality, leading to a 5.4% YoY increase in ARPA. Segment profit rose 98.6% YoY to JPY 2,175 mn, with segment profit margin improving 8 ppts, thanks to cost controls underpinned by tighter ad spending and productivity gains through AI. Losses in Other Businesses narrowed, thanks to contributions from the regional revitalization business, LIFULL senior, and the purchase of the trust rights for Rakuten Stay accommodation facilities. The Overseas segment has been classified as discontinued operations, and the Company has clearly indicated its intent to focus on its businesses in Japan.

■ **FY2025/9 Forecast:** For FY2025/9, the Company now forecasts net sales of JPY 28.5 bn, marking a 7.0% downward revision from the previous forecast. The revision reflects the reclassification of the Overseas segment as discontinued operations, as well as delayed progress—primarily in LIFULL Financial. Meanwhile, the HOME'S Services segment is progressing as planned, with no changes in forecast. The Company maintains its operating profit forecast at JPY 3.3 bn, as the removal of losses in the Overseas segment offset delays in LIFULL Financial. The net profit target was sharply revised upward to JPY 4.2 bn, driven by gains from the loss of control over the overseas subsidiaries and tax adjustments. The Company also raised its dividend payout ratio target from 25% to 30%, and—while still tentative—outlined a dividend forecast of JPY 7.33 per share, which includes a potential commemorative dividend to mark the 30th anniversary of its founding, underscoring its commitment to increasing shareholder returns.

■ **Share Price Insights:** LIFULL's share price had remained low reflecting the sluggish performance of its Overseas segment but rose sharply following the announcement of the strategic transformation on November 13, 2024. Recovery in the HOME'S Services segment helped reassure investors. However, the downward earnings revision

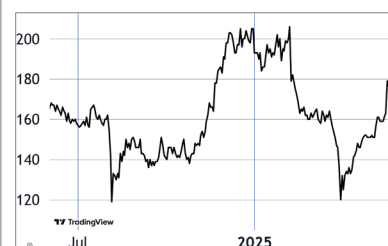
Focus Point

LIFULL has completed the strategic transformation of its Overseas segment and focusing 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 (6/4)	180
YH (1/6)	210
YL (4/7)	120
10YH (15/12/22)	1,598
10YL (24/8/5)	100
Shrs out. (mn shrs)	134.38
Mkt cap (JPY bn)	24.19
24/9 Equity ratio	58.5%
FY24/9 P/B (act)	0.94x
FY25/9 P/E (CE)	5.49x
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	(20.4)	7.31	4.26
2024/9 C	34,466	(5.3)	(6,443)	—	(7,076)	—	(8,463)	—	(66.12)	0.73
2025/9 CE	28,500	(17.3)	3,300	—	—	—	4,200	—	32.80	—

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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announced on February 12, 2025, and lingering uncertainty surrounding the accounting treatment related to the restructuring of its overseas businesses dampened investor sentiment, causing the Company's share price to fall once again. Following the May 14 announcement of FY2025/9 H1 results, the share price rebounded as the completion of accounting procedures for the strategic restructuring and shareholder return policy were well received. The Company has now exited its Overseas segment and is maintaining steady growth by focusing on the HOME'S Services segment. The current share price remains low, trading at a forward P/E ratio of 5.49x based on the FY2025/9 forecast (including one-off factors) and a P/B ratio below 1x. To achieve further growth, the Company will need to establish an asset-light business model and improve capital efficiency, in SIR's opinion.

H1 FY2025/9 Results Review

In H1 (Oct.-Mar.) FY2025/9, LIFULL reported net sales of JPY 14,291 mn (+7.6% YoY) and operating profit of JPY 1,824 mn (+6.2% YoY). Operating profit effectively rose 2.2x YoY, adjusting for the gain (JPY 910 mn) on the sale of rental storage search platform operator, LIFULL SPACE, recorded in FY2024/9. Personnel expenses went up approximately 6% YoY owing to an increase in provisions for bonuses which are directly linked to operating profit, but the Company successfully contained costs by effectively allocating ad spend and boosting productivity through AI.

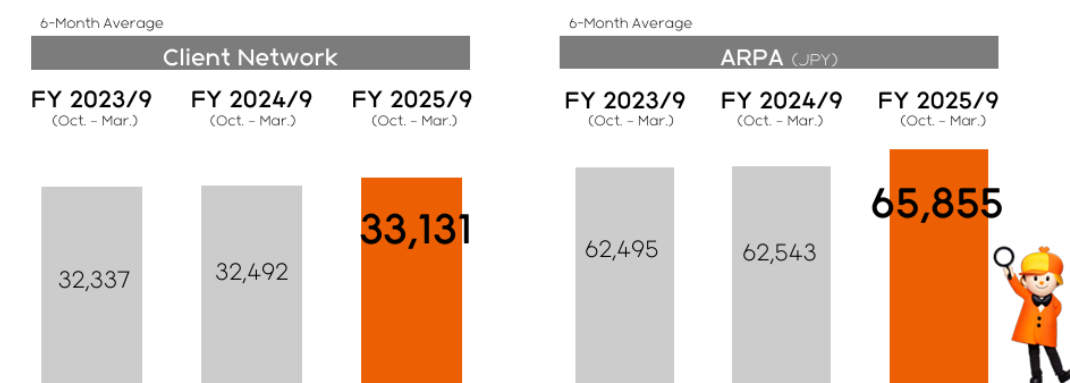
Condensed Statements of Income and Loss (IFRS)

	FY2024 Q2 (Oct.-Mar.)	FY2025 Q2 (Oct.-Mar.)	Change	Change %	
Unit: JPY mil.					
Revenue	13,280	14,291	+1,010	+7.6%	*1
Cost of revenue	693	712	+19	+2.8%	
SG&A	11,737	11,582	-154	-1.3%	
Personnel-Related	4,411	4,689	+278	+6.3%	*2
Sales & Advertising	5,061	4,646	-415	-8.2%	*3
Depreciation and Amortization	565	577	+11	+2.1%	
Other	1,698	1,668	-29	-1.8%	
Other income and expenses	867	-171	-1,039	-	*4
Operating income	1,717	1,824	+106	+6.2%	
Operating income margin	12.9%	12.8%	-0.1pt	-	
Net profit*	119	3,723	+3,604	+3,027.4%	*5

Source: The Company IR presentation material Note* : Net profit attributable to owners of the parent.
Overseas segment excluded as discontinued operations for both periods.

This earnings growth was driven primarily by initiatives in the HOME'S Services segment. The Company's client network increased 2.0% YoY as a result of stronger sales efforts. Meanwhile 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 5.4% YoY increase in ARPA. Combined with the cost controls noted earlier, these factors pushed segment profit up 98.6% YoY to JPY 2,175 mn, with segment profit margin improving 8 ppts. While strategic ad spending sometimes weighed on margins in the past, the Company has since applied its learnings to pursue more targeted and effective allocations, which now appear to be improving profitability. Year-on-year sales growth has now accelerated for six consecutive quarters, reflecting the continued effectiveness of the Company's cost control and various other measures.

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



Source: The Company IR presentation material.

Note: Beginning from this fiscal year, the Company has changed the number of clients to reflect the number of invoiced clients to client contracts. Past figures have also been adjusted accordingly.

Losses in Other Businesses narrowed, thanks to improved profitability in LIFULL senior and reduced losses in the regional revitalization business. This was further supported by income from non-current assets (trust rights for Rakuten Stay accommodation facilities) acquired in December 2024, aimed at strengthening lodging facility operations and marketing expertise.

As it moved forward with restructuring the Overseas segment, the Company announced a policy of focusing on its stable and profitable domestic business. In line with this, the Overseas segment has been reclassified under discontinued operations^{*1} and excluded from financial statements.

Revenue/Income and Loss by Segment (IFRS)

Unit: JPY mil.	FY2024 Q2 (Oct.-Mar.)	FY2025 Q2 (Oct.-Mar.)	Change	Change %	Main items
Revenue	13,280	14,291	+1,010	+7.6%	
HOME'S Services	12,102	13,031	+928	+7.7%	Driven by increases in site traffic and inquiries
Other	1,177	1,260	+82	+7.0%	One-off gains from sale of LIFULL SPACE in prev. FY and addition of revenue Rakuten STAY accommodations in Dec. 2024 (for knowledge sharing on vacation rentals)
Segment income and loss	850	1,995	+1,145	+134.8%	
HOME'S Services	1,095	2,175	+1,079	+98.6%	Increase due to revenue growth and optimization of advertising efforts
Other	-252	-185	+67	-	Reduction of losses primarily due to improved profitability of LIFULL senior, selective focus within the Regional Revitalization business and gains from Rakuten STAY accommodations acquired in Dec. 2024 (for knowledge sharing on vacation rentals)
Inter-segment transactions	7	6	-1	-14.6%	

Source: The Company IR presentation material

Note: Intersegment transactions have been eliminated.

FY 2025/9 Full-Year Forecast

According to its FY2025/9 forecast, LIFULL projects consolidated net sales of JPY 28.5 bn, a 7.0% downward revision from the previous revised forecast of JPY 30.6 bn. The revision mainly reflects the reclassification of the Overseas segment as discontinued operations, as well as delayed progress of LIFULL Financial under Other Businesses. Meanwhile, the HOME'S Services segment is progressing as planned, with no changes in forecast.

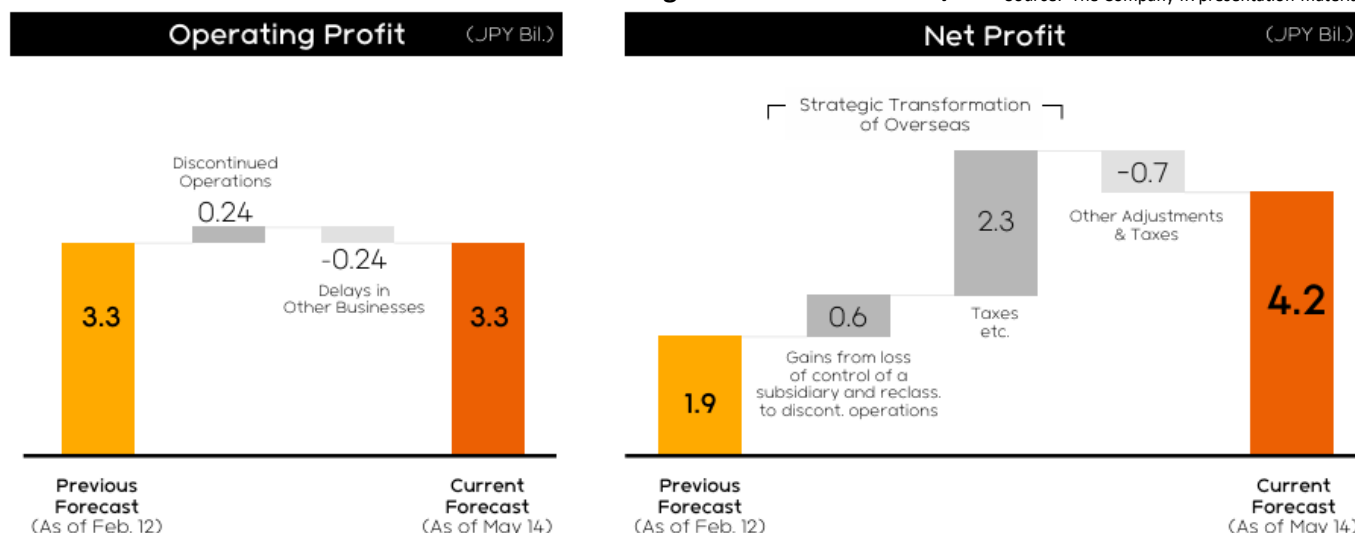
The Company maintains its operating profit target at JPY 3.3 bn, as the positive impact of reclassifying the Overseas segment losses booked in Q1 (Oct.-Dec.) as discontinued operations is offset by delayed progress in LIFULL Financial. It has also sharply raised its forecast for profit attributable to owners of parent to JPY 4.2 bn, up from the previous JPY 1.9 bn, reflecting gains from the loss of control associated with the strategic restructuring of the Overseas segment^{*2} and tax adjustments.

^{*1}: Under IFRS (International Financial Reporting Standards), the profit or loss of businesses that have already been disposed of or classified as held for sale must be presented separately from continuing operations. This is to ensure that investors and other stakeholders can accurately assess the company's financial condition.

^{*2}: Under IFRS, a gain or loss is recognized when a parent company loses control over a subsidiary. Specifically, it arises from the difference between the carrying amount of the subsidiary's assets and liabilities and the fair value of any retained interest.

Revision to Consolidated Earnings Forecast for FY 2025/9

Source: The Company IR presentation material



LIFULL announced its plan to raise the dividend payout ratio from 25% to 30% beginning in FY2025/9, citing a more stable financial base following the restructuring of its Overseas segment. This move underscores its commitment to bolster shareholder returns. While the dividend per-share forecast has not been disclosed, the Company has indicated that it will pay a regular dividend of JPY 6.33 per share based on the FY2025/9 forecast and the dividend policy, along with a commemorative dividend of JPY 1.00 to mark the 30th anniversary of its founding, bringing the total to JPY 7.33 per share.

Balance Sheet

H1 FY2025/9 marked a period of major business changes, most notably the restructuring of the Overseas segment. Against this backdrop, there were four key changes in the balance sheet over the six-month period since the end of FY2024/9.

#1 Reclassification of goodwill into investment securities (other long-term financial assets), along with the elimination of earn-out liabilities (other long-term financial liabilities).

#2 Acquisition of trust rights in Rakuten Stay accommodation facilities (recorded as investment property) using long-term loans.

#3 Decline in cash due to repayment of short-term loans and the transfer of cash and deposits from LIFULL CONNECT.

#4 Increase in retained earnings resulting from realizing foreign currency translation adjustments related to the overseas restructuring.

Key Changes in the Balance Sheet (FY2024/9 to H1 FY2025/9)

Assets	Sep 30, 2024	Mar 31, 2025	Change	Liabilities and equity	Sep 30, 2024	Mar 31, 2025	Change
Cash and cash equivalents	14,633	8,532	(6,101) #3	Short-term loans	3,572	843	(2,729) #3
Total other current assets	6,956	7,995	1,039	Other current liabilities	6,723	4,465	(2,258)
Total current assets	21,589	16,527	(5,062)	Total current liabilities	10,295	5,308	(4,987)
Goodwill	9,954	389	(9,565) #1	Long-term loans	253	6,123	5,870 #2
Total other long-term financial assets	2,220	8,550	6,330 #1	Lease obligations	987	497	(490)
Investment properties		5,554	5,554 #2	Other long-term financial liabilities(Earnout)	4,334	266	(4,068) #1
Total other non-current assets	7,428	6,415	(1,013)	Total other non-current liabilities	1,120	612	(508)
Total non-current assets	19,602	20,908	1,306	Total non-current liabilities	6,693	7,497	804
				Capital stock, Capital surplus, Treasury shares	17,645	17,604	(41)
				Retained Earnings	2,639	6,269	3,630 #4
				Other components of equity (incl. foreign exchange gain)	3,819	656	(3,163) #4
				Total equity	24,202	24,629	427
Total assets	41,191	37,436	(3,755)	Total liabilities and equity	41,191	37,436	(3,755)

Source: Compiled by SIR from the Company IR material.

Share Price Insights

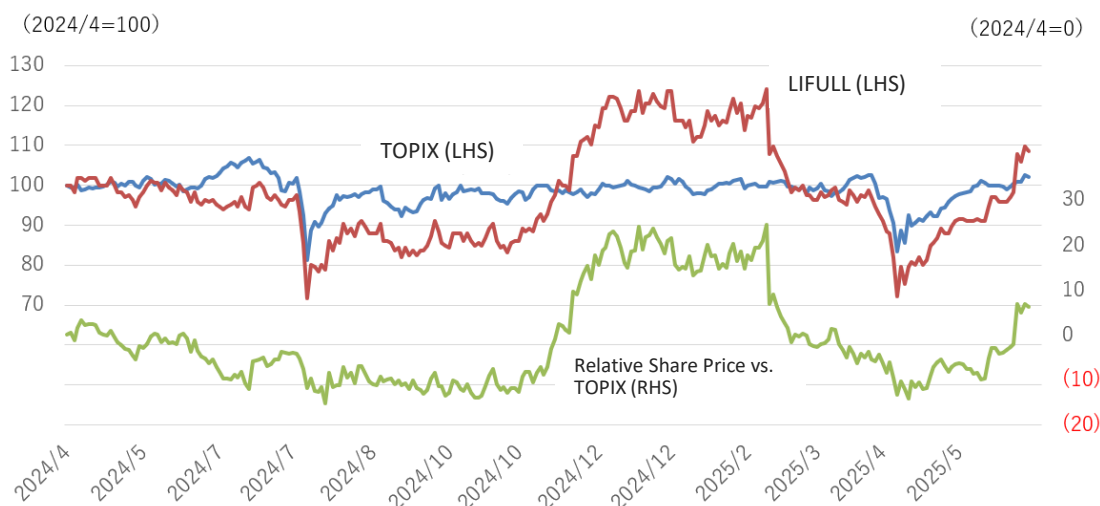
As a result, on the asset side, there was a reduction in overseas equity interests and cash while the Company advanced investments aimed at building new models for repurposed real estate. On the liability side, refinancing short-term borrowings into long-term debt improved financial stability. Although total equity saw little change, total assets decreased as a result of the overseas restructuring, lowering the equity multiplier from 1.70x to 1.52x.

In 2024, LIFULL's share price remained low reflecting the sluggish 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, as the financial accounting treatment of the Overseas segment remained unclear, likely dampening investor sentiment.

The Company's H1 FY2025/9 results, announced on May 14, 2025, were well received by the market and pushed the share price higher. This positive reaction likely reflects greater clarity around the financial accounting treatment of the restructuring, as well as market approval of the revised shareholder return policy.

Share Price Performance over the Past Year

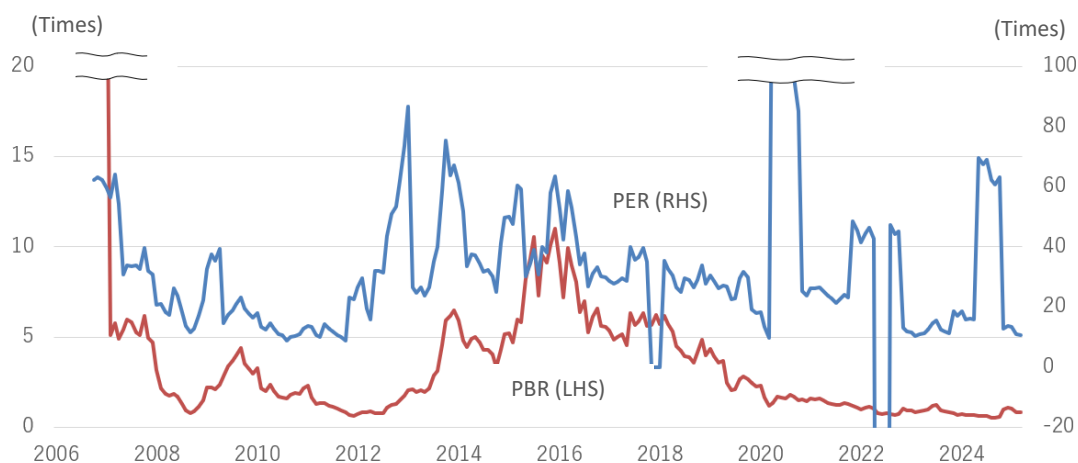


Source: Compiled by SIR from SPEEDA

The Company has now exited its Overseas segment and is delivering solid business results by maintaining steady growth in its HOME'S Services segment. The current share price, however, is low, trading at a forward P/E ratio of 5.49x based on the FY2025/9 forecast (includes one-off factors) and a P/B ratio below 1x.

SIR believes that the Company will need to further pursue selective focus on its core businesses in order to drive a re-rate. Key catalysts will likely include greater clarity around investment decision-making rules—particularly those that ensure appropriate pricing for M&A and asset acquisitions—and a push to improve capital efficiency. For example, after achieving the goal of acquiring and utilizing expertise through recent investments such as Rakuten Stay accommodations and container hotels^{*1}, SIR views that it will be important to promptly sell these assets to recover funds invested. SIR believes the Company should pursue an asset-light business model that utilizes technology to innovatively leverage real estate information, rather than a business model that involves holding real estate assets over the long term. This approach is essential to achieving sustainable growth.

Valuation since Listing



Source: Compiled by SIR from SPEEDA

^{*1}: Container hotels are often located along major roadways. In times of disaster, they can be towed to affected areas and serve as a temporary housing facility or hospital (Reference: Nikkei Newspaper, May 22, 2025, morning edition, page 14)

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