

## LIFULL | 2120

TSE Prime

Q3 Follow-up

**Performance driven by HOME'S Services segment, delivering steady results in the domestic real estate sector**

## Summary

■ **Q3 FY2025/9 Results Review:** In Q3 FY2025/9, LIFULL Co., Ltd. (hereafter, the Company) reported consolidated net sales of JPY 21,059 mn, up 7.1% YoY and operating profit of JPY 3,001 mn, up 23.3% YoY. Operating profit rose substantially, backed by strong performance in the HOME'S Services segment. Excluding the one-time gain on sale recorded in the same period a year earlier, operating profit doubled on an actual basis, underscoring a notable improvement in profitability. The Company's client network expanded to 33,113, with ARPA climbing to JPY 64,347. This growth was driven by stronger sales initiatives, website and app enhancements, and a continued increase in user traffic. Additionally, the company is accelerating its adoption of AI to improve efficiency for both its employees and real estate clients. In Other Businesses, earnings improved thanks to stronger profitability in LIFULL senior and reduced losses from the downsizing of the regional revitalization business. In addition, profits from Rakuten Stay accommodation facilities acquired in December helped curb losses.

■ **FY2025/9 Forecast:** The Company noted that full-year results are progressing in line with plan at this stage and stated its intention to carry out strategic investments in Q4 to support growth of its core businesses from the next fiscal year onward, while keeping close watch on profit trends. The Company also formally announced a year-end dividend forecast of JPY 7.33 per share, including a JPY 1.0 commemorative dividend. Management positioned this dividend as a message of confidence, indicating that the wind-down of the Overseas segment has been completed and the focus on domestic businesses is firmly on track.

■ **Share Price Insights:** Following the announcement of strategic transformation measures for the Overseas segment in November 2024 and aided by the recovery of the HOME'S Services segment, the Company's share price rose. However, the downward revision to its earnings forecast in February 2025 led to a pullback, as uncertainty in accounting treatment prompted investor caution. Subsequently, the Company provided clarity surrounding the accounting treatment and revised its shareholder return policy in its Q2 FY2025/9 results announcement. This was well received, pushing the share price higher. The Company then demonstrated solid progress toward its full-year targets in Q3 FY2025/9, which further supported an additional boost in share price. Having divested from its Overseas segment, the Company has maintained steady growth in the HOME'S Services segment, with business momentum trending upward. Assuming that a P/E ratio of 10 to 30x is reasonable when the Company's ROE is in the double digits, the current effective P/E ratio of 14.9x<sup>\*1</sup> implies a potential 34% upside to the stock price when using 20x as the average P/E target.

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 materials.

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



## Focus Point

LIFULL has completed 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 (9/1)	221
YH (8/22)	240
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)	29.70
24/9 Equity ratio	58.5%
FY24/9 P/B (act)	1.11x
FY25/9 P/E (CE)	6.74x
FY24/9 ROE (act)	-29.87%
FY25/9 DY (CE)	3.32%

## Share Price Chart 1Y



Source: Trading view

\*1: Calculated based on net profit of JPY 1,900 mn, excluding the impact of accounting treatment related to the restructuring of the Overseas segment

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Furthermore, the Company will likely further enhance its corporate value by continuing to streamline operations and establishing an asset-light business model that utilizes generative AI technology in innovative ways with its real estate information.

## Q3 FY2025/9 Results Review

In Q3 FY2025/9, LIFULL reported net sales of JPY 21,059 mn, up 7.1% YoY and operating profit of JPY 3,001 mn, up 23.3% YoY. Operating profit rose substantially, backed by strong performance in the HOME'S Services segment. In particular, operating profit nearly doubled on an actual basis excluding the one-time gain from the sale of its subsidiary, LIFULL SPACE, recorded in the same period a year earlier, highlighting a marked improvement in profitability. The increase in personnel expenses reflected higher provisions for bonuses, as the Company made additional progress in optimizing advertising and promotion expenses.

### Condensed Statements of Income and Loss (IFRS)

	FY2024 Q3 (Oct.-Jun.)	FY2025 Q3 (Oct.-Jun.)	Change	Change %	
Unit: JPY mil.					
Revenue	19,655	21,059	+1,404	+7.1%	*1
Cost of revenue	1,028	1,049	+21	+2.1%	
SG&A	17,026	16,842	-183	-1.1%	
Personnel-Related	6,652	7,033	+380	+5.7%	*2
Sales & Advertising	6,991	6,486	-504	-7.2%	*3
Depreciation and Amortization	847	873	+26	+3.1%	
Other	2,534	2,448	-86	-3.4%	
Other income and expenses	834	-166	-1,000	-	*4
Operating income	2,434	3,001	+566	+23.3%	
Operating income margin	12.4%	14.3%	+1.9pt	-	
Net profit*	-56	4,408	+4,464	-	*5

\* Net profit attributable to owners of the parent  
\* Change % have been excluded for results that were negative in the previous fiscal year.

\*1 Primarily due to increased revenue in HOME'S Services

\*2 Primarily increases in bonus accruals due to increased profit

\*3 Primarily from optimization of advertising spend for LIFULL HOME'S

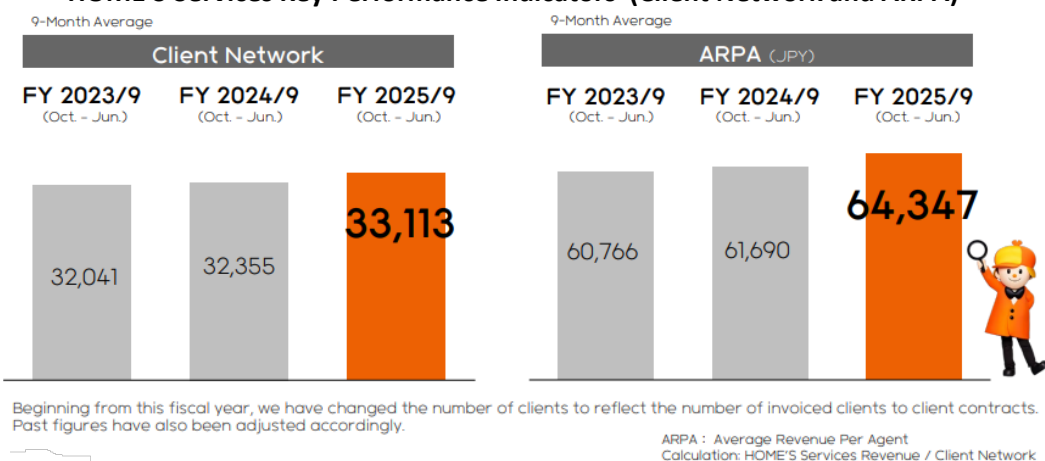
\*4 Refer to FY 2025/9 Q2 Earnings Presentation (One-off gains from sale of sub. in prev. FY and impairment from IT systems)

\*5 Refer to FY 2025/9 Q2 Earnings Presentation (Application of accounting treatment for transfer of Overseas segment)

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

In the HOME'S Services segment, the Company's client network expanded to 33,113, with ARPA climbing to JPY 64,347. This growth was driven by stronger sales initiatives, website and app enhancements, and a continued increase in user traffic. Additionally, the company is accelerating its adoption of AI to improve efficiency for both its employees and real estate clients.

### 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.

In Other Businesses, earnings improved due to enhanced profitability in LIFULL senior and the downsizing of the regional revitalization business. In addition, profits from Rakuten Stay accommodation facilities acquired in December also helped curb losses.

### Revenue/Income and Loss by Segment (IFRS)

Unit: JPY mil.	FY2024 Q3 (Oct.-Jun.)	FY2025 Q3 (Oct.-Jun.)	Change	Change %	Main items
<b>Revenue</b>	<b>19,655</b>	<b>21,059</b>	<b>+1,404</b>	<b>+7.1%</b>	
HOME'S Services	17,963	19,176	+1,212	+6.8%	Driven by increases in site traffic and inquiries
Other	1,691	1,883	+191	+11.3%	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)
<b>Segment income and loss</b>	<b>1,600</b>	<b>3,167</b>	<b>+1,566</b>	<b>+97.9%</b>	
HOME'S Services	1,941	3,427	+1,486	+76.6%	Increase due to revenue growth and optimization of advertising efforts
Other	-352	-270	+82	-	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)
<b>Inter-segment transactions</b>	<b>11</b>	<b>9</b>	<b>-1</b>	<b>-13.3%</b>	

Source: The Company IR presentation material

Note: Intersegment transactions have been eliminated.

### FY 2025/9 Full-Year Forecast

The Company noted that full-year results are progressing in line with plan at this stage and stated its intention to carry out strategic investments in Q4 to support growth of its core businesses from the next fiscal year onward, while keeping close watch on profit trends. The Company also formally announced a year-end dividend forecast of JPY 7.33 per share, including a JPY 1.0 commemorative dividend. Management positioned this dividend as a message of confidence, indicating that the wind-down of the Overseas segment has been completed and the focus on domestic businesses is firmly on track.

### Revenue by Service (IFRS)

Condensed Statements of Income and Loss			
Unit: JPY mil.	FY2025 Oct.-Sep. [Full-Year Forecast]	FY2025 Q3 Oct.-Jun. [Actual]	Progress
<b>Revenue</b>	<b>28,500</b>	<b>21,059</b>	<b>73.9%</b>
<b>Cost of revenue</b>	<b>1,889</b>	<b>1,049</b>	<b>55.5%</b>
<b>SG&amp;A</b>	<b>23,131</b>	<b>16,842</b>	<b>72.8%</b>
Personnel	9,814	7,033	71.7%
Advertising & Sales	8,682	6,486	74.7%
Other	4,635	3,321	71.7%
<b>Other revenues and expenses</b>	<b>-178</b>	<b>-166</b>	<b>93.3%</b>
<b>Operating income</b>	<b>3,300</b>	<b>3,001</b>	<b>90.9%</b>
Operating income margin	11.6%	14.3%	+2.7pt
<b>Net profit*</b>	<b>4,200</b>	<b>4,408</b>	<b>105.0%</b>

Revenue by Service			
Unit: JPY mil.	FY2025 Oct.-Sep. [Full-year forecast]	FY2025 Q3 Oct.-Jun. [Actual]	Progress
<b>Revenue</b>	<b>28,500</b>	<b>21,059</b>	<b>73.9%</b>
HOME'S Services	25,100	19,176	76.4%
Others	3,400	1,883	55.4%

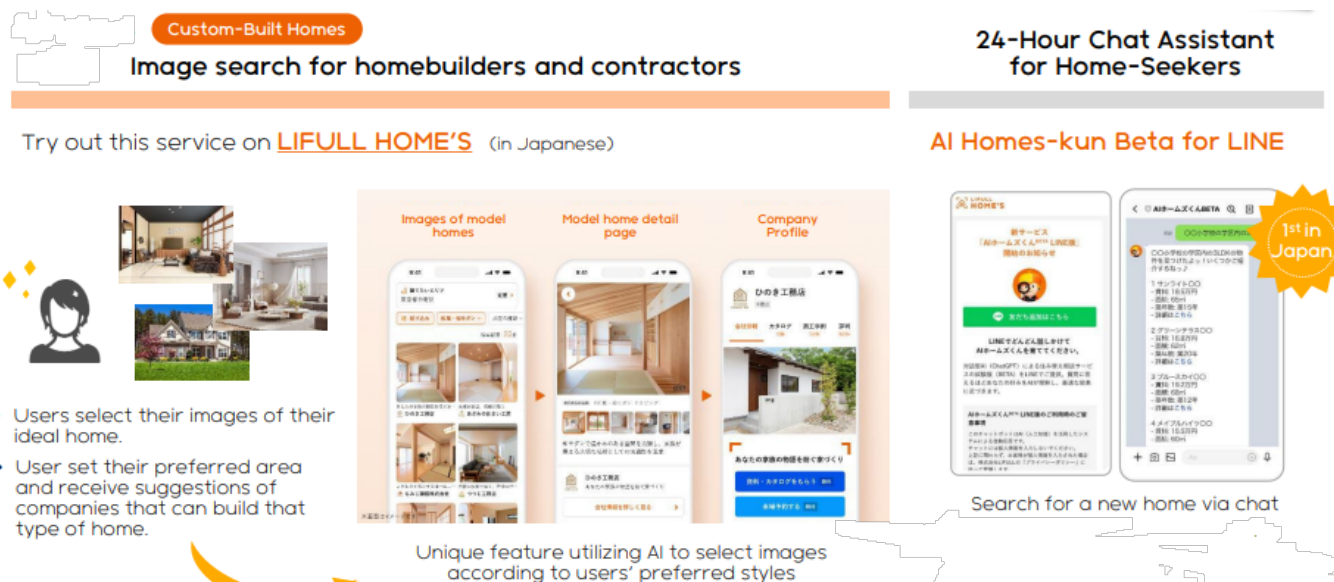
Source: The Company IR presentation material. Note\*: Net profit attributable to owners of the parent.

## Leveraging Generative AI

The Company's use of AI, particularly generative AI, has delivered notable results in business performance. In addition to higher user ratings, the HOME'S Services segment saw steady YoY increases in both the client network and ARPA, while progress in optimizing advertising costs further contributed to improved profitability.

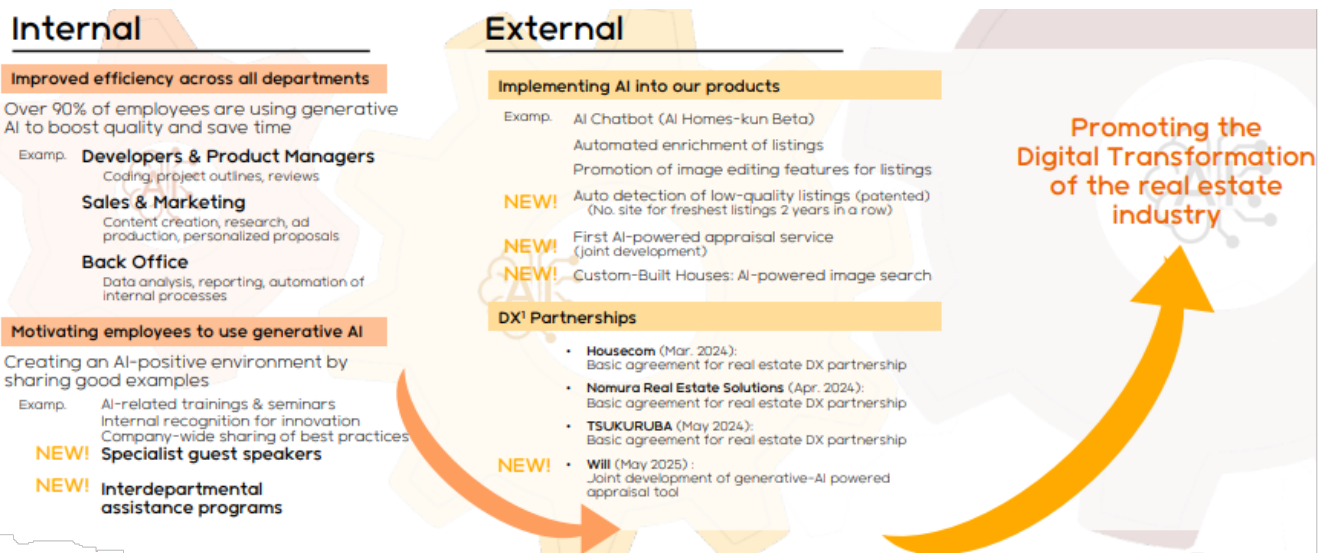
Specifically, the Company is rolling out new services that leverage generative AI, such as "AI Homes-kun Beta," a natural conversational home search service, and a custom home feature that allows users to search for home examples matching their preferences from images.

### New Services Leveraging AI and Generative AI



Within the Company, AI usage has spread across all job functions, with more than 90% of employees incorporating it into their work. This has resulted in higher productivity and improved quality. In addition, through real estate DX partnerships with companies such as Housecom and Nomura Real Estate Solutions, the Company is also extending its AI expertise externally, contributing to greater efficiency and value creation across the industry.

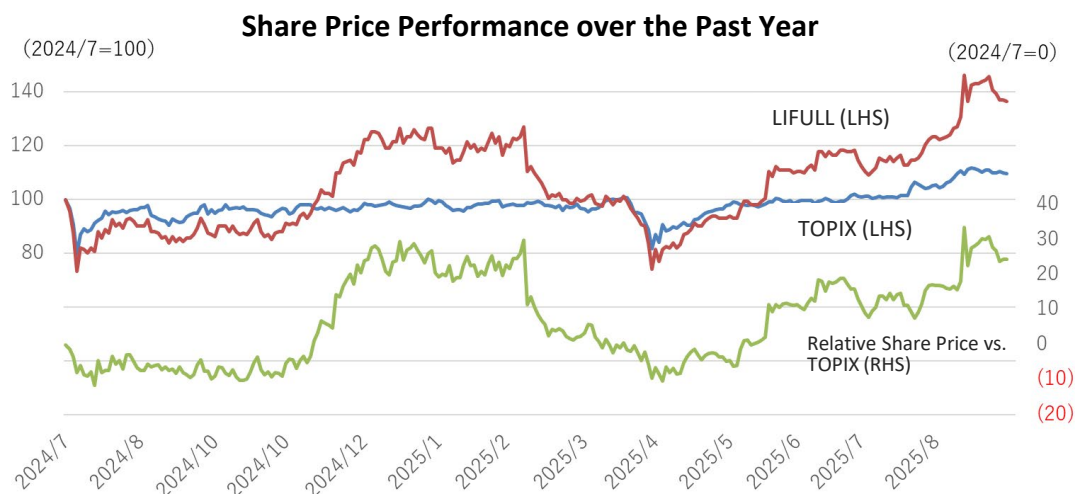
### Use of AI in the LIFULL Group





## Share Price Insights

Following the announcement of strategic transformation measures for the Overseas segment in November 2024 and aided by the recovery of the HOME'S Services segment, the Company's share price rose. However, the downward revision to its earnings forecast in February 2025 led to a pullback, as uncertainty in accounting treatment prompted investor caution. Subsequently, the Company provided clarity on accounting treatment and revised its shareholder return policy in its Q2 FY2025/9 results announcement. This was well received, pushing the share price higher. The Company then demonstrated solid progress toward its full-year targets in Q3 FY2025/9, which further supported an additional boost in share price.



The Company has now exited its Overseas segment and is delivering solid business results by maintaining steady growth in its HOME'S Services segment. Under these circumstances, SIR believes a P/E ratio of 10 to 30x is a reasonable valuation range during times of strong performance, when ROE consistently exceeds double digits. Assuming an average P/E ratio of 20x as a near-term target, the current effective P/E ratio of 14.9x (excluding temporary factors related to the overseas restructuring) implies a potential 34% upside to the stock price. This assumption, however, rests on business momentum continuing on an upward trajectory, with sustained growth being essential. For the Company to earn greater recognition from the equity market, it must further advance its strategy of selective focus while establishing an asset-light business model that utilizes generative AI in innovative ways with its real estate information. Initiatives like these will likely further enhance corporate value.



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