

LIFULL | 2120

TSE Prime

Full report

Maximizing group synergies to become the AI leader in the housing sector



Summary

■ **Company Profile:** LIFULL Co., Ltd. (hereafter, the Company) operates one of Japan's largest real estate and housing information sites, LIFULL HOME'S, which works with real estate professionals across Japan to provide listings for rental and for-sale properties. Emphasizing a user-first approach, it not only offers property information but also supports users' decision-making through features such as information on living conditions by area, user reviews, and AI-driven recommendations. Beyond real estate, the Company has expanded into new businesses, including LIFULL Kaigo, a matching platform for senior living facilities, and *LIFULL Regional Revitalization*, to meet a broad range of user needs. Although the Company also pursued global expansion, declining competitiveness weighed on performance. Accordingly, the Company announced its withdrawal in November 2024. By concentrating management resources on its HOME'S Services segment in Japan, it has now returned to a growth trajectory and aims to further boost this momentum.

■ **Business trends:** In FY2025/9, the Company's structure became domestic-focused following the completion of the restructuring of its Overseas business. Excluding the Overseas segment as discontinued operations, consolidated revenue increased 6.9% YoY to JPY 28,127 mn, while operating profit rose 26.1% YoY to JPY 3,815 mn. Profitability improved driven by greater efficiency in advertising and promotion expenses and enhanced sales activities, and the Company achieved revenue growth for eight consecutive quarters driven by an expanding customer network and higher ARPA. Improvements in user experience (UX) and user interface (UI) and new service launches boosted organic traffic, leading to higher inquiry volumes and greater efficiency in customer acquisition costs. The HOME'S Services segment drove growth, with segment margin improving to 16.9%. Losses in Other Businesses also narrowed thanks to progress in profitability improvements in the regional revitalization and LIFULL senior businesses.

■ **Share Price Insights:** The Company's share price has underperformed the TOPIX since peaking at the end of 2015, with intermittent rebounds, and has now fallen below its post-peak low. Following the separation of the Overseas business, growth in the HOME'S Services segment supported the share price through August 2025, but the market reacted negatively to the Company's forecast of a profit decline, which led to a further drop from November. The HOME'S Services segment continues to maintain an upward trajectory, and SIR believes the profit decline driven by strategic investment will

Focus Point

Following the restructuring of the Overseas business, management resources have been concentrated on the HOME'S Services segment, and the core domestic real estate portal business is now on a strong recovery trajectory. The Company aims to maximize Group synergies with AI utilization at the core. A continued commitment to "Filling Life with Comfort and Happiness."

Key Indicators

Share price (2/6)	171
52WH (25/8/22)	240
52WL (25/4/7)	120
10YH (16/1/4)	1,508
10YL (24/8/5)	100
Shrs out. (mn shrs)	134.38
Mkt cap (JPY bn)	22.98
EV (JPY bn)	20.57
25/9 Equity ratio	63.6%
25/9 P/B (act)	0.84x
26/9 P/E (CE)	12.1x
25/9 ROE (act)	21.2%
26/9 DY (CE)	---%

Share Price Chart - One year



Source: Trading View

JPY mn, %	Revenue	YoY	Operating Profit	YoY	Pre-tax profit	YoY	Net profit	YoY	EPS	DPS
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 C	28,127	(18.4)	3,815	-	3,805	-	5,317	-	41.51	10.41
2026/9 CE	29,700	5.6	3,000	(21.4)	-	-	1,900	(64.3)	14.10	-
2024/9 C*	26,312	-	3,027	-	-	-	(8,463)	-	(66.12)	0.73
2025/9 C*	28,127	6.9	3,815	26.1	3,805	-	5,317	-	41.51	10.41

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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be temporary. Based on past performance, a P/E ratio range of 10x to 30x appears appropriate, and using the average of 20x as a benchmark, the current P/E ratio of 12.1x suggests that the Company's shares are undervalued. However, for the share price to bottom out, the Company needs to present concrete growth indicators in the HOME'S Services segment and disclose its capital allocation policy.

Company Profile

■ Overview

The Company's primary business is operating the real estate and housing information site, LIFULL HOME'S. This site allows users to search and compare a wide range of property listings, including rentals, new and pre-owned homes, land, and apartments, serving as a comprehensive platform for real estate information. Beyond real estate, the Company also operates other businesses to address social challenges, such as services for the rapidly-aging population of Japan and regional revitalization. Excluding its financing and fund-related businesses, these businesses also follow a matching-service model built around search and comparison functionalities. Having effectively withdrawn from its Overseas business, which had struggled with declining competitiveness, the Company has concentrated its management resources on the HOME'S Services segment, which has returned to a growth trajectory.

■ Corporate history

In 1997, Mr. Takashi Inoue, the founder and current Chairman, established NEXT Co., Ltd. (now LIFULL Co., Ltd.) and launched the real estate and housing information site HOME'S (now LIFULL HOME'S). At the time, Mr. Inoue was working at Recruit Cosmos (now Cosmos Initia Co., Ltd.), where he experienced firsthand the challenges of gathering information about properties. This frustration ultimately led to the founding of the Company, setting Mr. Inoue on a mission to make real estate information easily accessible.

In 2002, the Company entered into a capital alliance with Rakuten (now Rakuten Group, Inc.<4755>). In 2011, the Company introduced an inquiry-based billing model, under which fees are charged according to the number of inquiries received, which assisted the Company in securing the top spot in property listings in Japan.

As a technology pioneer, the Company has consistently spearheaded user experience innovations, introducing map search and commute-time search features in 2005 and developing the industry's first dedicated app in 2009. After listing on TSE Mothers in 2006 and moving to the TSE First Section (now the Prime Market) in 2010, the Company diversified its business into areas such as operational support (CRMs, etc.), AI-driven property recommendations, and real estate crowdfunding. In 2017, the Company changed its name to LIFULL Co., Ltd.

From 2014 onward, the Company accelerated its overseas expansion through acquisitions of aggregation sites,^{*1} such as Trovit and Mitula. More recently, however, in November 2024 the Company announced restructuring plans for its Overseas segment in response to changes in the market environment. The Company is now concentrating its management resources on its core businesses in Japan, focusing on re-accelerating its flagship service, LIFULL HOME'S, and leveraging AI. Thirty years after its founding, the Company continues to uphold its challenge-driven spirit of breaking conventional norms and aims to continue its growth as a leader in Japan's real estate tech sector.

*1: A website that gathers and organizes scattered information from across the web based on specific verticals, presenting it on a single platform.

*1 : In 1991, Chairman Inoue, who was then working in sales at a real estate developer, encountered a client who had to abandon plans to purchase a property due to a denied mortgage application. Wanting to help, he introduced the client to properties with information from other companies. The client ultimately chose one of these properties and completed the purchase. However, Chairman Inoue was reprimanded by his supervisor for recommending competitor properties. Despite this, he had no regrets and further strengthened his resolve to focus on work that genuinely benefits others.

Business model

*2: Kenbiya is a specialized website offering information on real estate investment and income-generating properties. It became a subsidiary of LIFULL in 2020. Its main competitor is Rakumachi, operated by Rakumachi Inc. <6037> (formerly First Logic).

Corporate philosophy and values

The Company places great importance on its corporate ethos, with the guiding value of “altruism” deeply ingrained among its employees. This value stems from an experience*1 Chairman Inoue had prior to founding the Company. Rooted in this altruistic foundation, the Company’s management philosophy defines the vision for the world it aspires to create through its business efforts.

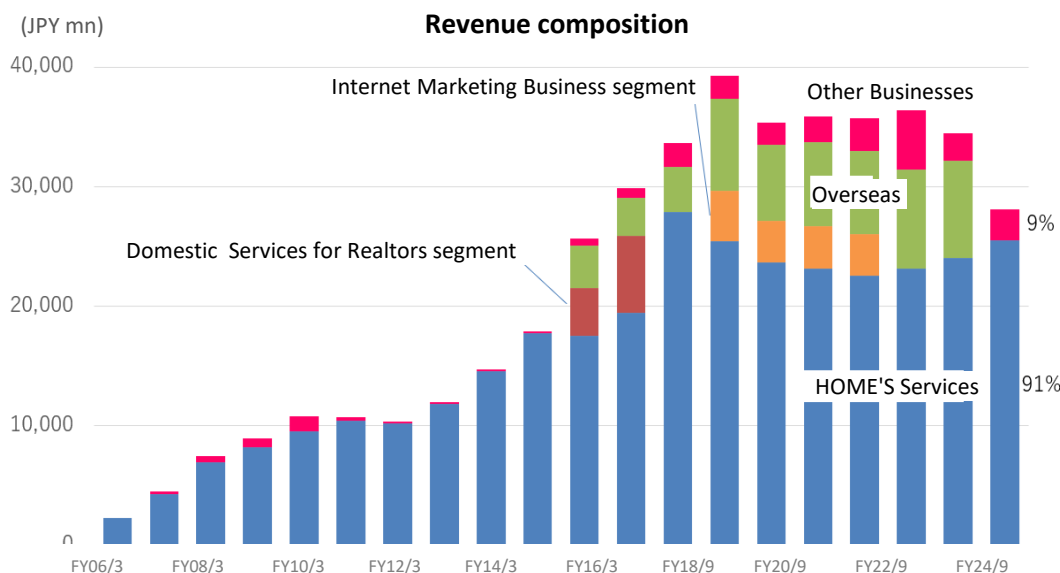
Create a society where everyone can attain Comfort and Happiness through continuous social innovations (Source: the Company website)

The Company’s name, LIFULL, clearly embodies this philosophy. It reflects the aspiration to enrich the lives of people around the world (LIFE), filling them with comfort and happiness (FULL).

Business description

The Company’s business segments are as follows: 1) **HOME’S Services (accounting for 91% of FY2025/9 revenue)**, which includes LIFULL HOME’S and the real estate investment and income property information site Kenbiya*2; and **Other Businesses (9% of revenue)**, which includes new business initiatives such as LIFULL Kaigo, a matching platform for senior living facilities; LIFULL Regional Revitalization, a collection of services devoted to the repurposing of abandoned homes in rural Japan as well as funding opportunities for revitalization projects.

The Domestic Services for Realtors segment, which was previously an independent segment, included LIFULL Marketing Partners (LMP), acquired in May 2015, which provided internet advertising agency services, and *Renter’s*, a CRM service for real estate businesses. Following a segment reclassification, these were incorporated into the HOME’S Services segment starting from FY2017/3. Financial reports from FY2018/9 to FY2022/9 disclosed revenue from the internet marketing business segment, which closely resembled revenue of LMP. Excluding this, revenue from HOME’S Services have remained stable at over JPY 20,000 mn in recent years. LMP was completely sold during FY2022/9, as business synergies did not materialize as expected.



Source: Compiled by SIR from the Company’s IR material and Securities report.

Note 1: Due to a change in the reporting period, FY2017/9 covers only six months. However, it has been combined with FY2018/9 and presented on a 12-month basis.

Note 2: Prior to FY2013/3, the “Other” segment included advertising agency, local community services, and real estate lease warrant businesses.

In November 2024, the Company announced a restructuring and withdrew from its Overseas business. The Company records its equity interests in overseas subsidiaries as passive investments without management control under “Other long-term financial assets” on the balance sheet, and this structure essentially has no impact on the income statement.

1) HOME’S Services Segment (91% of FY2025/9 revenue)

The majority of this segment is comprised of LIFULL HOME’S, which provides a service enabling users to search a wide range of housing-related information across Japan, including rental and for-sale properties, as well as custom-built homes and renovations. It operates as a real estate and housing information site, earning listing fees from real estate and moving companies, helping to match them with users.

Other comprehensive real estate portals include SUUMO by Recruit Holdings Co., Ltd. <6098>, at home by At Home Co., Ltd. <unlisted>, and Yahoo! Real Estate by LY Corporation <4689>*¹. In addition, aggregation sites that compile information from these portals include Nifty Real Estate by NIFTY Lifestyle Co., Ltd. <4262>, Rakuten Real Estate by Rakuten Group <4755>, and Sumaity by Kakaku.com, Inc. <2371>.

Number of listings by major real estate portal companies

Site name	HOME'S	SUUMO	at home	Yahoo! Real Estate
Operating company	LIFULL	Recruit	At Home	LINE Yahoo
Start of service	1997	1996	1999	1999
Number of Listed Rental Properties (Nationwide)	5,814,823	8,717,285	1,844,059	8,162,171
Number of Listed Rental Properties (Tokyo)	1,050,451* ²	1,565,953	387,661	303,369
Number of Listed Rental Properties (Kagurazaka Station)* ¹	927* ²	1,247	376	178
Number of Listed Rental Properties (Kichijoji Station)* ¹	78* ²	132	24	30

Source: Compiled by SIR based on each company's website and IR materials

Note 1: Search criteria: “within a 5-minute walk from the station, building age of less than 20 years, studio, 1K, 1DK, 1LDK, apartment”

Note 2: The Company typically discloses the number of listings after removing duplicates, as it prioritizes eliminating duplicate listings and providing an accurate count of properties that users can actually access. However, this table uses the total number of listings to maintain comparability with other companies. For reference, the number of listings after removing duplicates is 203,437 for Tokyo, 119 for Kagurazaka Station, and 14 for Kichijoji Station.

Users tend to favor portals with a large number of property listings, driving intense competition among portal operators to increase the number of listings on their sites. SIR compiled the number of listings across major portals as of October 21, 2024 (see table above). Given the significant time required to compile all listings, this analysis focuses exclusively on rental properties. The listing counts for more narrowly defined geographic areas are considered more reliable. Hence, SIR believes using locations like Tokyo, or even narrower areas like Kagurazaka or Kichijoji Stations, is appropriate. Based on this analysis, the ranking of real estate portals by listing count is as follows: SUUMO (#1), LIFULL HOME'S (#2), at home (#3), and Yahoo! Real Estate (#4).

A quarter-century has passed since various portal services were launched, and online real estate search has long been established as a standard practice among consumers. In 2023, the number of vacant rental properties stood at 4.43 million (compared to 330,000 properties available for sale)*². Taking into account duplicate listings by multiple real estate operators, the pace of market growth on a volume basis may be gradually moderating. However, there remains ample room for growth going forward, driven by qualitative advancement and new demand creation, including improved matching accuracy through innovations in user experience and the acquisition of previously untapped user demographics.

*1: Other portal sites focusing primarily on rental properties include CHINTAI (operated by CHINTAI, a subsidiary of Able & Partners, which is unlisted) and Chintai SMOCCA (operated by ZIGEXN Co., Ltd. <3679>).

*2: Based on data from Ministry of Internal Affairs and Communications, 2023 Housing and Land Survey (preliminary report).

Unlike other companies that typically charge a basic fee based on the number of property listings, the Company offers two billing models, a listing-based fee model and an inquiry-based fee model.

The Company's pricing structure (property for rental/sale)

	Basic fee (monthly)	Inquiry	Inquiry fee
Property for rent	JPY 15,000	Property inquiry (mail/phone)	Monthly rent of the inquired property × 9.5%
		Company inquiry	Number of inquiries × JPY 5,000
Property for sale	JPY 15,000	Property inquiry (mail/phone)	Transaction value of the inquired property × 0.05%
		Company inquiry	Number of inquiries × JPY 10,000

Source: Compiled by SIR from the Company IR material

*1:

The Company has begun rolling out "LIFULL AI," which uses AI to understand individuals' latent needs and proactively deliver optimal recommendations, shifting from massive information "search" to tailored "recommendations" (from late 2025). This initiative presents a new approach to home searching.

The Company focuses on improving the inquiry-to-transaction conversion rate for real estate professionals, directly supporting their performance. To enhance the conversion rate, the Company has been actively developing and offering a variety of services. For real estate professionals, this includes tools for managing operations, marketing support, customer service assistance utilizing generative AI, and efficiency tools to streamline workflows. For end-users, the Company offers features such as AI-powered search, personalized recommendations^{*1}, 3D floor plans, and VR tours to improve satisfaction and drive more inquiries.

Five Forces of the real estate portal site industry

5 Forces	Consideration points
Threat of new entrants	The threat of new entrants is relatively low. This is because the cost of building a nationwide property database and a network of real estate agencies is extremely high, and because establishing a brand is difficult. In addition, the barriers to entry, such as continuously developing advanced search and recommendation functions, are high. Potential entrants, if any, could include major IT platform companies, e-commerce and point ecosystem players, social media and community companies, real estate technology companies and startups, and players in the financial and insurance industries.
Industry rivalry	Competition is fierce. SUUMO and the Company compete head-on as the two dominant players, while players, such as NIFTY Real Estate, participate as aggregation channels. The key differentiators now extend to UI/UX, information quality, pricing models, and integration with adjacent services. As a result, competition over price, functionality, and data quality is fierce, and securing a competitive advantage in a mature market with slowing growth has become the overriding priority for each company.
Bargaining power of customers	The bargaining power of customers (namely real estate professionals and, by extension, their clients, end users) is moderate overall. The advertisers, real estate professionals, optimize cost effectiveness by using multiple media platforms and are sensitive to pricing structures and performance-based elements. However, their bargaining power is limited due to the fragmented nature of the industry. End users have relatively strong bargaining power because switching costs are low and they tend to use multiple sites. However, because there are no costs to using portal sites, users' choices have a limited direct impact on revenue. On the other hand, the number of inquiries and usage frequency generated through portals can indirectly influence advertisers' willingness to list properties and the number of listing slots they purchase, which can, in turn, affect the monetization structure.
Bargaining power of suppliers	The bargaining power of suppliers, namely real estate professionals, is limited and weak at the individual company level. However, because the aggregate volume of supply and the freshness of information materially influence the value of the platform, their bargaining power can be seen as moderate.
Threat of substitutes	The threat of substitutes is low. While alternatives such as in-store channels, print media, social media, and C2C platforms remain, portals maintain a competitive advantage in terms of convenience, breadth of coverage, and reliability.

Source: Compiled by SIR

SWOT Analysis

4 Elements	Consideration points
Strengths	The Company's competitive advantages lie in enhancing the user experience through high-quality information and technology utilization, as well as in the flexibility of its pricing model. Initiatives such as eliminating duplicate listings, displaying disaster risk information (such as integrating hazard maps), and offering AI-driven property recommendations aim to provide high-quality, accurate information to users and have garnered strong user support. In addition, its performance-based pricing model serves as a powerful tool for the Company as it seeks to increase its property listings. This unique billing model has proven particularly useful in attracting a large number of small to mid-sized clients dissatisfied with competitor pricing, which initially propelled the Company's listing count to a leading position in Japan. In recent years, the Company has also implemented initiatives to enhance platform value, including the provision of business support tools utilizing generative AI to improve customer service and administrative efficiency for real estate professionals. Overall, while the Company does not match SUUMO in terms of information volume, it maintains competitiveness by being the preferred option for both users and real estate agencies through a combination of accurate information, technology, and partnerships.
Weaknesses	Persistent gap remains versus market leader SUUMO in terms of brand strength and customer acquisition power. Advertising and promotional costs are high, requiring continuous improvements in efficiency. Business risk remains insufficiently diversified, as monetization has not progressed outside the core LIFULL HOME'S business.
Opportunities	The Company sees opportunities to increase the lifetime value (LTV) for its customers through the advancement of digital technology, including AI, in the housing sector and society as a whole; further enhancing its pricing structure; and its expansion into adjacent services such as investment, finance, and services for the aging population of Japan.
Threats	Threats include a potential decline in advertising due to slowdowns in the economy and the housing market, changes in user traffic channels, and the risk that information distribution becomes fragmented and restructured with the rise of emerging real estate technology companies.

Source: Compiled by SIR

While differentiation strategies remain the mainstream approach across the real estate portal industry, significant differences in listing fees and functionality are becoming increasingly rare, blurring the boundaries between strategies. Although each platform has its own strategic "flavor," their core service offerings and target audiences overlap, resulting in limited strategic differentiation.

Strategy Models in the Real Estate Portal Site Industry

Cost Leadership Strategy	A strategy aimed at securing a broad customer base by minimizing the burden on listing companies through a low-price approach. Among major players, the portal At Home adopts a relatively low-priced fee structure and has built up a customer base of small and mid-sized real estate professionals.
Differentiation Strategy	A strategy aimed at differentiating from competitors through added value in services and brand value. This includes SUUMO's brand power built through major advertising campaigns, as well as the Company's reliability driven by the use of AI and IT as well as efforts to eliminate unreliable listings.
Focused Strategy (Niche specialization)	A strategy that concentrates management resources on specific market segments and competes through specialization. Domain-focused sites such as CHINTAI, which specializes in rental properties, and Rakumachi (6037), which focuses on investment properties, adopt this approach.

Source: Compiled by SIR

2) Other Businesses (9% of FY2025/9 revenue)

This segment comprises multiple services, including LIFULL Kaigo, a matching platform for senior living facilities; LIFULL Regional Revitalization, a collection of services devoted to the repurposing of abandoned homes in rural Japan as well as funding opportunities for revitalization projects.

Other main services

LIFULL Kaigo	One of Japan's largest online platforms for searching senior homes, nursing care facilities, and other care services. Users can search for and compare care facilities and services, check customer reviews and ratings, access caregiving information and articles, and take advantage of free consultation services. Launched in 2008.
LIFULL Regional Revitalization	LIFULL's Regional Revitalization business works to help people rediscover and maximize the potential of rural areas of Japan by collaborating with local governments and businesses nationwide. This includes initiatives such as abandoned home utilization projects and encouraging people to move to rural areas. Launched in 2014.
LIFULL Regional Revitalization Funds	Managed by LIFULL Investment, the fund has been investing in projects that contribute to revitalizing regional economies and promoting regional development since 2018. Its primary focus is on leveraging local assets, such as real estate, to develop lodging facilities and tourism-related businesses, thereby stimulating regional economies. The first fund financed three regional development projects, including the construction of the apartment-style hotel FAV HOTEL TAKAMATSU (Takamatsu City, Kagawa Prefecture), featuring kitchens, refrigerators, and washing machines, and achieved a 7.7% return on investment.

Source: Compiled by SIR from the Company Website

The Company identifies itself as a social enterprise dedicated to solving social challenges, guided by its Corporate Credo of "altruism." In pursuit of this philosophy, the Company focuses on the housing sector while also actively addressing related social issues such as a super-aging society and regional revitalization and is developing new businesses in other areas related to housing and lifestyles. Internally, the Company has designed its policies and regulations with employees' "intrinsic motivation" in mind, fostering a culture where employees are rewarded for demonstrating initiative and taking on new challenges. To support this, the Company has introduced a program that encourages employees to propose new business ideas*¹ aimed at solving social challenges, thereby fostering the development of intrapreneurs.

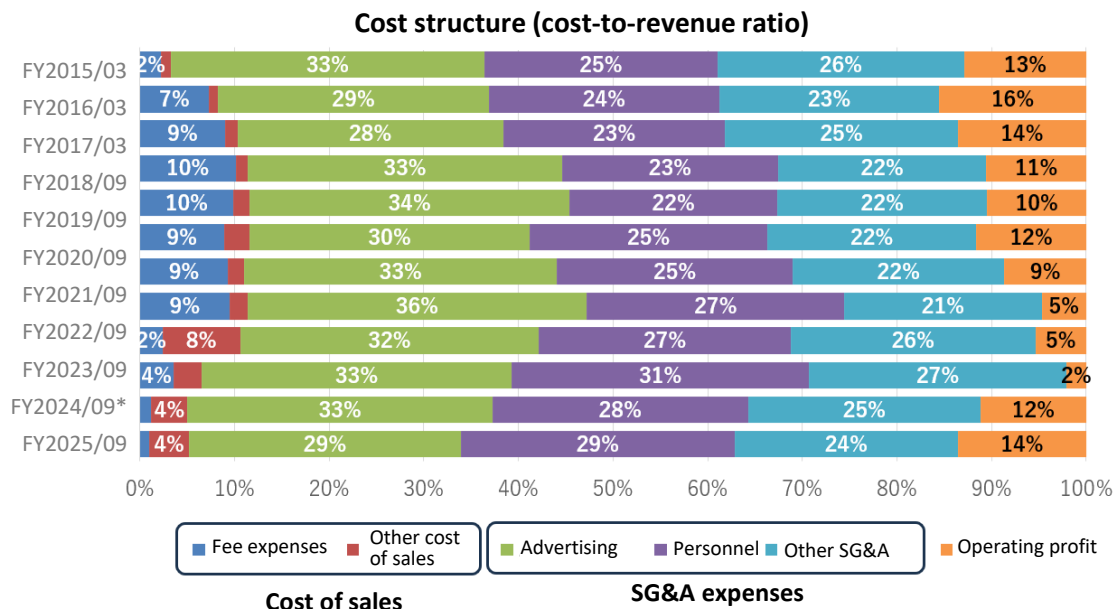
This segment has seen considerable turnover in its business offerings over the years, taking on a variety of new challenges. However, none of these efforts has grown enough to become the next "core business pillar." As discussed later, the current mid-term management plan clearly sets out a shift from the previous approach, under which each subsidiary pursued initiatives independently, to a more advanced strategy that aggregates the Group's strengths to enhance its value proposition. Specifically, in addition to leveraging the expertise accumulated by LIFULL HOME'S, the Group is promoting technology utilization and know-how sharing across the entire Group. These actions will help to establish a framework where companies can grow on a common foundation, without having to first pursue individual optimization. Through these efforts, the Other Businesses segment aims to build an operational model that combines the freedom to start new businesses with backing from the organizational strength and technological capabilities of the Group as a whole.

*1: The new business proposal program "SWITCH" consists of a three-step process: document screening, a first-round interview, and a final presentation. Any employee can apply and present their ideas. The Company offers support throughout the process, including feedback and refinement of proposals through meetings with division heads and leaders from established subsidiaries. Occasionally, external experts familiar with new business ventures, such as those from venture capital firms, are invited to provide additional feedback. The program receives 100-150 applications annually, with 30-50% advancing to the first-round interview, and 4-10 proposals receiving awards each year.

*1: Includes three months of contribution from the acquired aggregation site operator *Trovit* starting from January 2015, though this is deemed to have no significant impact on overall results.

Profit structure

The graph below shows the trend in the cost-to-revenue ratio up to operating profit since FY2015/3, when detailed cost of sales data were first disclosed. From FY2016/3 to FY2022/9, the internet advertising agency business LMP was consolidated, meaning the figures for FY2015/3 and FY2025/9*1 provide a clearer representation of the cost structure of the Company's core portal business (The following analysis is based on FY2025/9).



Source: Compiled by SIR from the company's securities report

Note 1: Operating profit for FY2020/9, FY2021/9, and FY2024/9 excludes impairment losses

Note 2: FY2024/9* figures exclude discontinued operations

*2: Branding expenses, as long-term investments, often become a target for cost-cutting when business conditions are tough. As such, it may be appropriate to view advertising expenses as entirely sales-linked (variable cost).

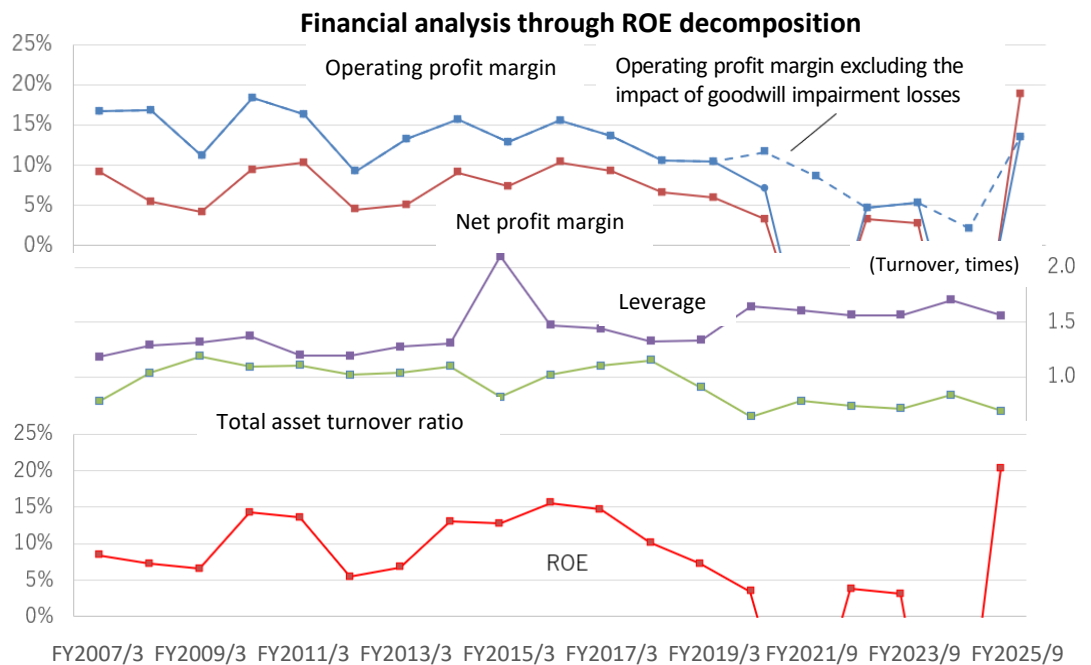
As common for portals, the cost of sales is minimal, with 82% of revenue attributed to SG&A expenses. The largest component of expenses is made up of advertising (29% of revenue), which include branding-related expenses*2 and listing ads directly linked to revenue growth. The next largest is personnel expenses (29% of revenue), primarily for developers and designers focused on developing services for both clients and users, followed by back-office staff, including corporate functions, and sales and marketing teams targeting real estate professionals. Although the Company is often seen as an internet business, its significant investment in development staff underscores its focus on various initiatives to improve conversion rates. Other SG&A expenses are a collection of various items, but according to the Company, they mainly consist of office rent, M&A advisory fees and other fees, as well as depreciation costs for the Company's own systems and software. The Company operates with a profit structure where variable expenses account for 30-40% of revenue, leading to a high marginal profit ratio.

Since FY2016/3, the cost of sales appears to have increased by around 10%, primarily due to the consolidation of the internet advertising agency LMP, which resulted in recording media procurement costs as fee expenses. However, following the divestiture of LMP shares in FY2022/9, these fee expenses in the cost of sales decreased to approximately 2% in FY2023/9. Meanwhile, in the same fiscal year, operating costs from the regional revitalization fund were recorded as a lump sum within the cost of sales, due to the sale of fund assets for investment recovery. As a result, the cost of sales ratio only declined slightly overall. Although fund asset sales are infrequent, the cost of sales can fluctuate significantly during such phases.

Financial Analysis

Analysis of financial trends

The Company's ROE, which had fluctuated around an average of 10%, began to decline due to factors including partial changes to the LIFULL HOME'S pricing structure in FY2020/9 and bottoming out at -29.9% in FY2024/9 due to the impact of impairment losses. In particular, the drop in ROE from 10.2% in FY2018/9 to -29.9% in FY2024/9 is primarily attributed to a decline in operating profit margins and impairment losses in the Overseas segment. Because this business had a high contribution margin, a slowdown in revenue growth due to weakened competitiveness led to margin deterioration and impairment losses. However, from FY2024/9 onward, the HOME'S Services segment returned to a growth trajectory, and profitability recovered rapidly in FY2025/9 as the Company restructured its Overseas business and renewed its focus on core businesses.



Source: Compiled by SIR from SPEEDA data and the Company's IR releases
 Note 1: Due to a change in the reporting period, FY2017/9 covers only six months. However, it has been combined with FY2018/9 and presented on a 12-month basis.
 Note 2: The profit margins for FY2021/9 and FY2024/9 show significant losses due to goodwill impairment but are not displayed in the chart because of scale limitations.
 Note 3: Decomposition of ROE (ROE = Net income/Net asset = Net income/Net sales x Net sales/Total asset x Total asset/Net asset)

The asset turnover ratio, which had remained around 1.0x, has slightly declined since FY2019/9. The main reasons were the consolidation of Mitula as a subsidiary in 2019 and the adoption of IFRS16 in Q1 FY2020/9 which increased assets and liabilities*1. Another factor has been the underperformance of Overseas aggregators (Trovit and Mitula), which were expected to be growth drivers but began to struggle in 2020.

In terms of leverage (total assets/net assets), some factors reduced leverage, including equity financing associated with large acquisitions (Trovit and Mitula) and an increase in currency translation adjustments due to yen depreciation. However, factors that increased leverage, including goodwill impairment losses*2 stemming from the underperformance of aggregation sites and the acquisition of real estate (funded through borrowings) to acquire know-how on the operation of vacation rentals, outweighed those factors, resulting in a trend of rising leverage*3. While this has unintentionally improved capital efficiency indicators, it is estimated that without the three goodwill impairments, capital efficiency would have significantly deteriorated. In light of these circumstances, beyond clarifying its shareholder return policy and raising the dividend payout ratio to 30%, the Company will need to further refine its capital policy by more precisely managing the balance between equity and debt and sustainably improving capital efficiency.

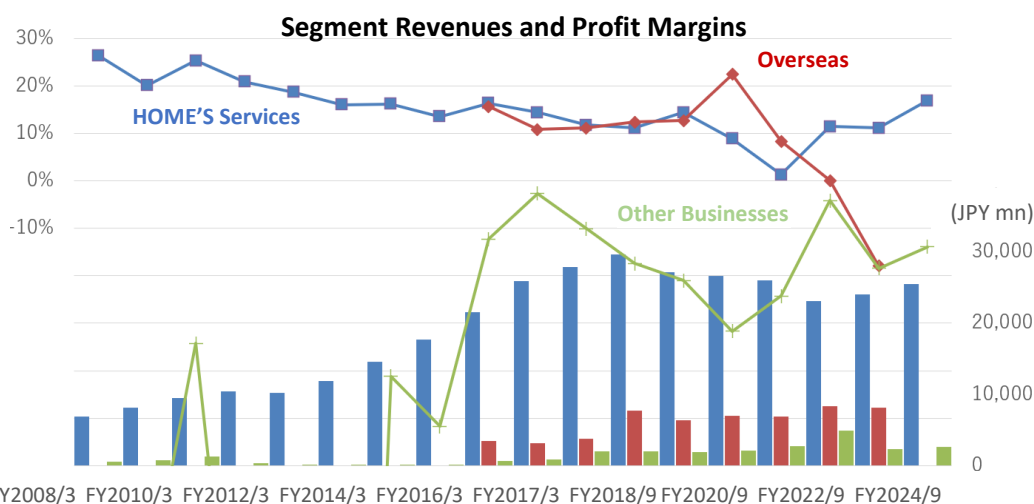
*1: The adoption of IFRS16 resulted in the recognition of operating leases as right-of-use assets, increasing both assets and liabilities by approximately JPY 4,400 mn.

*2: JPY 1,619 mn in FY2020/9, JPY 9,749 mn in FY2021/9, and JPY 7,056 mn in FY2024/9.

*3: The Company also conducted share buy-back programs in 2020 and from 2022 to 2023.

■ Profitability (trends in segment profit margins)

The segment profit margin for HOME'S Services had been on a structural decline before bottoming out in FY2022/9. As part of its growth strategy, the Company attempted to expand into businesses peripheral to real estate, including internet marketing, but was unable to achieve success in these ventures. At the same time, the core LIFULL HOME'S business itself faced intensifying competition leading to stagnant revenue growth in addition to a decline in revenue following changes to its pricing structure. However, after divesting the internet marketing business in FY2022/9 and implementing measures such as making enhancements to the UI and UX of LIFULL HOME'S and improving advertising efficiency, the segment profit margin has been on a recovery trend.



FY2008/3 FY2010/3 FY2012/3 FY2014/3 FY2016/3 FY2017/3 FY2018/9 FY2020/9 FY2022/9 FY2024/9

Source: Compiled by SIR from SPEEDA data.

Note 1: The bar graph represents sales, while the line graph shows the segment profit margin.

Note 2: Due to a change in the reporting period, FY2017/9 covers only six months. However, it has been combined with FY2018/9 and presented on a 12-month basis.

Note 3: Services for domestic real estate agents are included under HOME'S Services

The segment profit margin for the Overseas business had consistently remained in the double-digits since the Company entered the business but declined in recent years, ending in a significant loss in FY2024/9. Revenue continued to decline for the aggregators even after COVID-19. Despite recovery measures, including the acquisition of real estate portals and a tech-enabled brokerage, these initiatives failed to keep pace with the rapid changes in the external environment. The Company attributes the underperformance of its aggregation services to factors such as changes in user search behavior following amendments to General Data Protection Regulation in the EU and changes to Google's search algorithms*¹. Since Q2 FY2024/9, the Company had been considering plans to rebuild its Overseas business. However, the decline in organic traffic to its aggregation sites continued; consequently, the Company decided to move forward with a strategic restructuring of the business.

In the Other Businesses segment, few individual businesses have achieved sufficient traction, and the segment has never turned a profit. In FY2023/9, it came close to profitability, but this was largely driven by one-off factors from the sales of regional revitalization fund assets. Various measures have been implemented to increase revenue growth, but none of the businesses has managed to secure sufficient revenue to reach break-even. Based on these challenges, the Company is stepping up management support for new businesses and applying its expertise from LIFULL HOME'S to enhance group synergies and improve profitability.

*1: Google's search algorithm determines the ranking of websites displayed when keywords are entered into the search bar. Changes to this algorithm, known as "core algorithm updates," are reportedly implemented two to four times per year to improve search results and can cause fluctuations in search rankings.

Earnings results

In FY2025/9, following the completion of the restructuring of the Overseas segment, the Company shifted its focus back to the domestic market. Consolidated revenue increased 6.9% YoY to JPY 28,127 mn, and operating profit rose 26.1% YoY to JPY 3,815 mn (both figures exclude the Overseas segment, which was classified as discontinued operations in both the previous and current fiscal years). The 2.1pt improvement in profit margin reflected more efficient advertising and operating expenses and enhanced sales activities. Net profit reached a record high of JPY 5,317 mn, despite temporary factors.

Condensed Statements of Income and Loss (IFRS)

	FY2024/9 (Oct.-Sep.)	FY2025/9 (Oct.-Sep.)	Change	Change %
Unit: JPY mil.				
Revenue	26,312	28,127	+1,815	+6.9%
Cost of revenue	1,364	1,460	+95	+7.0%
SG&A	22,681	22,693	+12	+0.1%
Personnel-Related	8,952	9,640	+687	+7.7%
Sales & Advertising	9,201	8,472	-729	-7.9%
Depreciation and Amortization	1,107	1,165	+57	+5.2%
Other	3,418	3,415	-3	-0.1%
Other Income and Expenses	760	-158	-918	-
Operating Profit	3,027	3,815	+788	+26.1%
Operating Profit Margin	11.5%	13.6%	+2.1pt	-
Net profit*	-8,463	5,317	+13,780	-

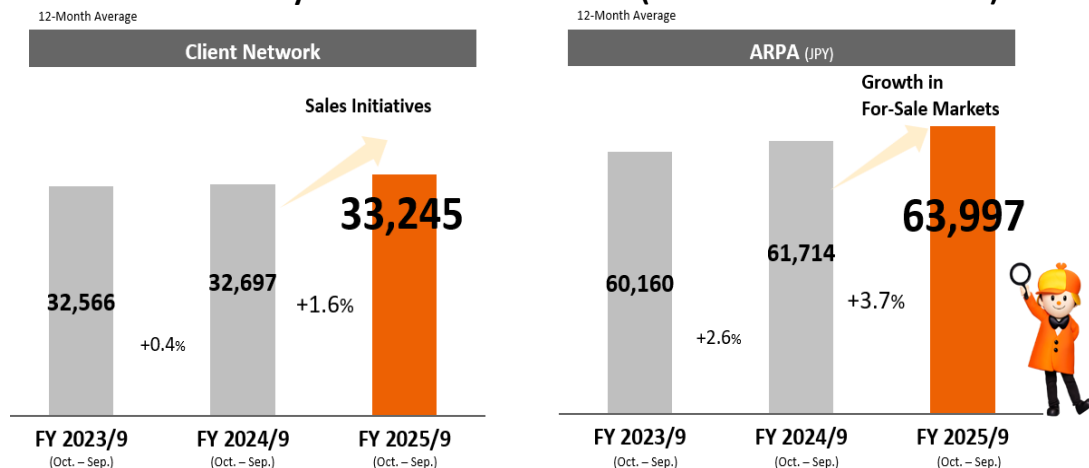
Source: The Company IR presentation material.

Note: Net profit attributable to owners of the parent.

The Overseas segment is excluded as discontinued operations for both periods.

Both the number of clients and ARPA increased, enabling the Company to achieve revenue growth for eight consecutive quarters. Stronger sales efforts accelerated the impact of website improvements, with organic traffic increasing on the back of improved media capabilities stemming from updates to the UX and UI of LIFULL HOME'S and new service launches. This led to higher inquiry volumes, which in turn improved efficiency of online marketing and enhanced earnings power. This cycle is further accelerated by increased sales initiatives, acquisitions of larger clients, and improved sales techniques thanks to implementation of AI tools. As a result, key metrics such as traffic and inquiry volume significantly improved, driving earnings growth.

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.

By segment, the HOME'S Services segment drove growth, with segment profit reaching a record high of JPY 4,322 mn and the segment margin improving from 11.1% to 16.9%. Property listings for Kenbiya grew to more than 80,000 listings, and revenue increased a solid 16.6% YoY. Losses in Other Businesses also narrowed, with profitability improving in Regional Revitalization and the LIFULL senior businesses. The Overseas segment was reorganized as discontinued operations. As a result, the Company's financial risk has been substantially reduced.

Revenue/Income and Loss by Segment (IFRS)

Unit: JPY mil.	FY2024/9 (Oct.-Sep.)	FY2025/9 (Oct.-Sep.)	Change	Change %	Main items
Revenue	26,312	28,127	+1,815	+6.9%	
HOME'S Services	24,024	25,530	+1,506	+6.3%	Driven by increases in site traffic and inquiries
Other	2,288	2,596	+308	+13.5%	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)

Unit: JPY mil.	FY2024/9 (Oct.-Sep.)	FY2025/9 (Oct.-Sep.)	Change	Change %	Main items
Segment income and loss	2,266	3,974	+1,707	+75.3%	
HOME'S Services	2,673	4,322	+1,649	+61.7%	Increase due to revenue growth and optimization of advertising & sales spend.
Other	-421	-361	+59	-	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	15	13	-1	-10.8%	

Source: The Company IR presentation material

Note: Intersegment transactions have been eliminated. The Overseas segment is excluded as discontinued operations for both periods.

As the first year of its mid-term management plan, the Company positions FY2026/9 as a year of proactive investment aimed at future growth. It forecasts revenue to rise 5.6% YoY to JPY 29,700 mn, with operating profit declining 21.4% YoY to JPY 3,000 mn. This reflects the Company's decision to prioritize strategic investments, including expanding hiring of sales and development personnel, developing AI-leveraged services, and boosting marketing investment. To drive further growth in the HOME'S Services segment, the Company will promote operational efficiency through AI and innovation in user experience, while expanding digital support services for real estate professionals. While the Company has not disclosed a dividend forecast, it has clearly established a dividend payout ratio policy of 30%.

FY2026/9 Results Forecast

Condensed Statements of Income and Loss				
Unit: Millions of yen	FY2025 (Oct.-Sep.) [Actual]	FY2026 (Oct.-Sep.) [Full-year forecast]	Change	Change %
Revenue	28,127	29,700	+1,573	+5.6%
Cost of revenue	1,460	2,016	+556	+38.1%
SG&A	22,693	24,737	+2,044	+9.0%
Personnel-Related	9,640	9,879	+239	+2.5%
Sales & Advertising	8,472	9,498	+1,026	+12.1%
Other	4,580	5,360	+780	+17.0%
Other Income and Expenses	-158	53	+211	-
Operating Profit	3,815	3,000	-815	-21.4%
Operating Profit Margin	13.6%	10.1%	-3.5pt	-
Net profit*	5,317	1,900	-3,417	▲64.3%

Revenue by Segment				
Unit: Millions of yen	FY2025 (Oct.-Sep.) [Actual]	FY2026 (Oct.-Sep.) [Full-year forecast]	Change	Change %
Revenue	28,127	29,700	+1,573	+5.6%
HOME'S Services	25,530	26,450	+920	+3.6%
Other Businesses	2,596	3,250	+654	+25.2%

Source: The Company IR presentation material.

Note: Net profit attributable to owners of the parent.

Mid-Term Management Plan

Under the three-year plan starting in FY2026/9, the Company aims to achieve step-change growth by focusing on its domestic businesses, maximizing group synergies, and leveraging AI. The strategy has three pillars. First, the Company will accelerate growth in the HOME'S Services segment. With the withdrawal from the Overseas segment, the Company has refocused on its domestic businesses and will strengthen investment in sales, development, and marketing. Second, the Company will maximize group synergies by laterally deploying expertise to Kenbiya and services for the rapidly-aging society of Japan. Third, the Company will drive service innovation and operational efficiency through the use of AI technologies. By promoting AI across the three areas of consumer-facing services, business-facing services, and internal operations, the Company aims to significantly enhance client experience and productivity. Over the medium to long term, the Company aims to "Become the AI Leader in the Housing Sector," and positions its three-year plan as a period for building the foundation toward that goal.

Theme of our Mid-Term Plan

Leveraging AI & Group Synergy to Become the AI Leader in the Housing Sector

Growth in our Core Business (Housing)	<ul style="list-style-type: none"> Shifting Management Focus to Japan Post-Overseas Restructuring Continued High Growth from FY 2024/9 through FY 2025/9, Setting the Stage for Greater Scale
+Maximizing Group Synergy	<ul style="list-style-type: none"> Leveraging HOME'S Expertise Across Group Subsidiaries Cross-Utilization of Data and Talent
+Step-Change Growth via AI Optimization	<ul style="list-style-type: none"> Restructuring Services for AI-Native Performance AI-Powered Optimization of Business Workflows

Source: Excerpt from the Company IR material.

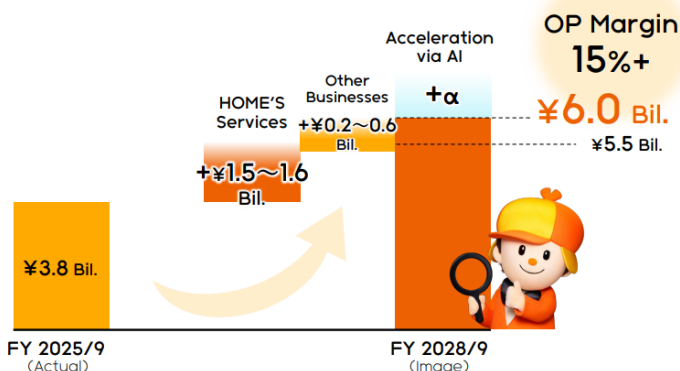
The quantitative targets for FY2028/9 call for revenue of JPY 35–40 bn, operating profit of JPY 5.5–6.0 bn, and an operating margin exceeding 15%. For shareholder returns, the Company will maintain a dividend payout ratio of 30% while building internal reserves to prepare for potential M&A opportunities. While the Company will prioritize investments in the near term, it aims to achieve both profitability improvement and growth over the medium term.

SIR believes there is a high probability that the Company will achieve its new mid-term management plan. Growth in re-sale properties is accelerating, driven by an expanded sales and development headcount. Furthermore, the Company's ability to leverage thirty years of proprietary LIFULL HOME'S data serves as the foundation for its successful AI initiatives and underpins a sustainable competitive advantage. These core strengths underpin our view that HOME'S Services possesses significant room for growth.

Scaling Top-Line G
+ Targeting Record Profit Productivity and Expandin

FY 2025/9
(Consolidated)

Revenue ¥28.12 Bil.
OP ¥3.81 Bil.
OP Margin 13.6%



Source: Excerpt from the Company IR material.

To maximize group synergies, the Company is rolling out expertise cultivated within LIFULL HOME'S to Kenbiya and the senior business and shifting to a structure where data, personnel, and know-how are shared groupwide. The Company is shifting from independence of its subsidiaries to stronger links between group companies to speed up decision-making and pursue improvements in profitability and growth. In addition, the Company has expanded its stock option program across the entire group, which becomes exercisable upon achieving the mid-term management plan target of operating profit of at least JPY 5.5 bn, to step up its commitment to achieving shared goals.

**Incentives Issued to Executives and Employees
Stock Options for Mid-Term Management Plan Success**

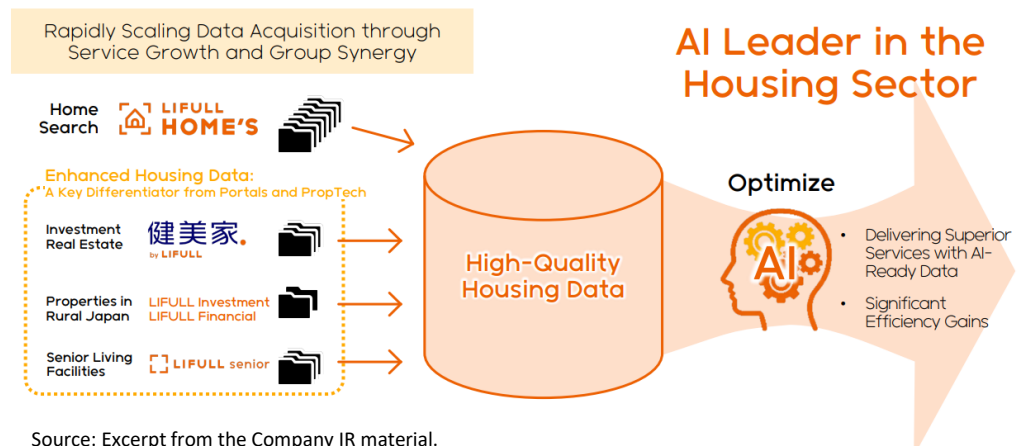
Target	LIFULL Co., Ltd. Executives (Full-Time Directors & Managing Officers)	
Req.	FY 2028/9 Cons. OP	¥6.0 Bil.+
Target	LIFULL Co., Ltd. Employees & Directors & Employees of Consolidated Subsidiaries	
Req.	FY 2028/9 Cons. OP	¥5.5 Bil.+ : 50% ¥6.0 Bil.+ : 100%

Total Stock Acquisition Rights: 40,600 Units

Source: Excerpt from the Company IR material.

Meanwhile, the Company is accelerating the adoption of AI across consumer-facing services, business operator support, and internal operational efficiency improvement, to deliver innovation in user experience and improve sales and development productivity. In particular, the Company recently announced “LIFULL AI,” an initiative aimed at fundamentally shifting the user experience from “search” to “recommendation.” Specifically, the Company is rolling out functions such as image search and home staging*1 to drive higher inquiry volumes and revenue growth, while also enabling personalized recommendations that incorporate user lifestyle context (AI HOMES-kun) by combining ChatGPT with its proprietary data. Internally, the Company reports that AI tool usage exceeds 95%, and it has established an AI Transformation Committee to promote group-wide knowledge sharing and new service creation.

Building AI in the housing sector



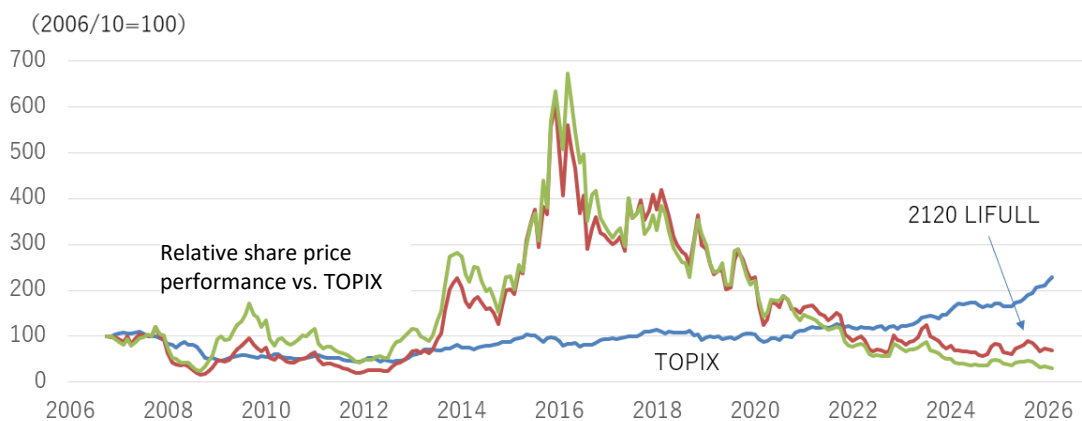
Source: Excerpt from the Company IR material.

*1: A service that transforms properties for sale or rent into attractive model homes by adding furniture and interior decor, helping potential buyers visualize their future life.

Share Price Insights

The Company’s share price declined following its earnings forecast revision in February 2025 but remained firm through August, supported by growth in the HOME’S Services segment. In addition, the market appears to view President Ito’s acquisition of the Company’s shares and the increase in the dividend payout ratio as factors that lifted investor expectations and supported the strong share price performance. However, the stock turned weak as the market shifted its focus to assessing performance in FY2026/9. Following the announcement of FY2025/9 results and the mid-term management plan in November, selling pressure intensified on concerns over the forecasted decline in profit.

Share price performance since IPO

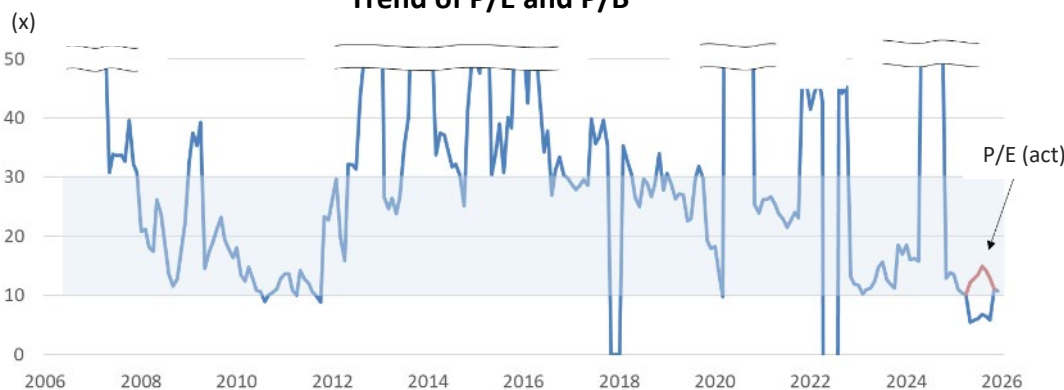


Source: Compiled by SIR from SPEEDA

Meanwhile, the Company expects the HOME’S Services segment to remain strong, and SIR believes that the earnings decline resulting from strategic investment is temporary. Furthermore, the downside risks have been significantly reduced through the restructuring of the Overseas segment, which had been a concern due to previous losses and impairment charges, serving as a positive factor. Based on past performance, a P/E ratio of 10–30x appears reasonable, and using the average of 20x as a benchmark suggests that the Company is undervalued at the current 12.1x level. However, SIR believes that for the share price to bottom out and for market valuation to improve, the Company needs:

- Clearly demonstrating the growth potential of the HOME’S Services segment
- Disclosing capital allocation policies

Trend of P/E and P/B



Source: Compiled by SIR from SPEEDA

Appendix | Consolidated Statements of Income

[IFRS]	FY2022/09	FY2023/09	FY2024/09	FY2025/09	FY2026/09
JPY mn, %	act	act	act	act	CE
Total Revenue	35,731	36,405	34,466	28,127	29,700
Total Cost of Sales	4,056	3,856	2,252	1,460	
Gross Profit	31,675	32,548	32,214	26,667	
<i>Gross Margin</i>	<i>88.6</i>	<i>89.4</i>	<i>93.5</i>	<i>94.8</i>	
Selling, General and Administrative Expenses	29,993	30,589	38,658	22,852	
Operating Profit	1,682	1,959	(6,443)	3,815	3,000
<i>Operating Profit Margin</i>	<i>4.7</i>	<i>5.4</i>	<i>(18.7)</i>	<i>13.6</i>	<i>10.1</i>
Non-Operating Income	6	61	143	117	
Interest and Dividends Income	6	61	143		
Non-Operating Expenses	291	386	775	127	
Interest Expenses	89	189	321		
Income from Equity Method - Non-Operating	(202)	(197)	(454)	(67)	
Ordinary Profit	1,396	1,634	(7,076)	3,805	
<i>Ordinary Profit Margin</i>	<i>3.9</i>	<i>4.5</i>	<i>(20.5)</i>	<i>13.5</i>	
Extraordinary Profit/Loss					
Extraordinary Profit					
Extraordinary Loss					
Pretax Profit	1,396	1,634	(7,076)	3,805	
<i>Pretax Profit Margin</i>	<i>3.9</i>	<i>4.5</i>	<i>(20.5)</i>	<i>13.5</i>	
Income Taxes	204	579	1,386	1,322	
Income Taxes-Current	249	594	788		
Income Taxes-Deferred	(45)	(15)	598		
Net Profit Attribute to parent company shareholders	1,188	1,031	(8,463)	5,317	1,900
Net Profit	1,193	1,055	(8,462)	5,310	
Net Profit Attribute to non-controlling shareholders	5	24	0	(6)	
<i>Net Profit Margin</i> <i>(Attribute to parent company shareholders)</i>	<i>3.3</i>	<i>2.8</i>	<i>(24.6)</i>	<i>18.9</i>	<i>6.4</i>

Source: Compiled by SIR from SPEEDA data.

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

Balance Sheet

JPY mn, %	FY2022/09	FY2023/09	FY2024/09	FY2025/09
Total Assets	48,707	51,102	41,191	40,915
Current Assets	25,011	23,064	21,589	18,522
Cash Equivalents And Short-term Investments	16,521	16,510	14,633	10,702
Accounts Receivables	4,538	4,799	4,441	4,160
Accounts Receivable - Other and Accrued Income	1,044	1,183	1,836	
Allowance for Doubtful Accounts - Current	(77)	(169)	(142)	
Non-Current Assets	23,696	28,038	19,602	22,392
Property, Plant & Equipment (PPE)	3,848	3,145	2,604	3,973
Intangible Assets	14,441	19,570	12,410	1,053
Goodwill	11,591	17,066	9,954	385
Investments and Other Assets	5,407	5,320	4,585	17,362
Investment Securities (inc. Subsidiaries and Affiliates)	728	444	555	
Long-Term Loans	81	909	983	
Deferred Tax Assets - Non-Current	2,716	2,735	2,118	3,234
Total Liabilities	17,576	18,449	16,989	14,691
Current Liabilities	13,390	12,127	10,295	5,732
Trade Payables	3,037	3,258	2,973	2,047
Accounts Payable - Other and Accrued Expenses				
Short-Term Borrowings	8,092	5,329	3,572	1,467
Current Portion of Long-term Borrowings	693	698	725	
Non-Current Liabilities	4,186	6,322	6,693	8,958
Long-Term Borrowings	2,500	1,761	1,240	7,657
Deferred Tax Liabilities - Non-Current	451	408	509	23
Total Net Assets	31,131	32,652	24,202	26,223
Shareholders' Equity	30,999	32,555	24,105	26,022
Capital Stock	9,716	9,716	9,716	9,726
Capital Surplus	10,033	10,035	9,938	9,900
Retained Earnings	11,025	11,754	2,639	7,863
Treasury Stock	(1,009)	(2,009)	(2,009)	(2,009)
Accumulated Other Comprehensive Income	1,234	3,057	3,819	540
Valuation Difference On Available-for-sale Securities	141	(34)	(93)	
Foreign Currency Translation Adjustments	1,092	3,084	3,905	
Non-controlling interest	132	97	97	201

Source: Compiled by SIR from SPEEDA data.

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

Statements of Cash Flows

JPY mn, %	FY2021/09	FY2022/09	FY2023/09	FY2024/09
Cash Flows from Operating Activities	2,697	6,233	1,671	4,808
Depreciation - CF	1,911	1,980	1,974	1,393
Interest and Dividends Received - Operating CF	5	5	42	97
Interest Paid - Operating CF	(172)	(69)	(63)	(61)
Cash Flows from Investing Activities	389	(1,743)	(718)	(11,852)
Payments for Purchases of Stocks of Subsidiaries and Affiliates	(800)		(124)	(60)
Proceeds from Sales of Stocks of Subsidiaries and Affiliates	2,440	858	939	33
Purchases/Sales of PPE	(86)	(129)	(242)	(8,162)
Payments for Purchases of PPE	(93)	(131)	(250)	(8,162)
Proceeds from Sales of PPE	7	2	8	
Purchases of Intangible Assets	(587)	(388)	(148)	(158)
Sales of Intangible Assets				
Cash Flows from Financial Activities	(54)	(5,079)	(2,977)	3,890
Proceeds from Short-Term Borrowings	503	400	400	430
Repayments of Short-Term Borrowings	(251)	(1,800)	(2,029)	(3,475)
Increase in Long-Term Debt	1,320		100	7,755
Repayments of Long-Term Debt	(404)	(1,592)	(217)	(230)
Proceeds from Issuance of Stock		3	100	150
Redemption/Retirement of Stock	0	(1,000)	(65)	
Cash Dividends Paid	(483)	(353)	(546)	(93)
Foreign exchange adjustment	344	578	147	112
Changes in Cash & Cash Equivalent	3,376	(10)	(1,876)	(3,930)
Cash & Cash Equivalent - Beginning	13,145	16,521	16,510	14,633
Cash & Cash Equivalent - Ending	16,521	16,510	14,633	10,702
Free Cash Flow (FCF)	3,086	4,490	953	(7,044)

Source: Compiled by SIR from SPEEDA data.

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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