LIFULL | 2120

TSE Prime

Q4 Follow-up

Declining profits are temporary; aggressive investments expected to accelerate growth

Summary

■ **FY2025/9 Results Review**: In FY2025/9, LIFULL Co., Ltd. (hereafter, the Company) completed the restructuring of the Overseas segment, establishing a structure focused on the domestic market. Excluding the Overseas segment as discontinued operations, consolidated revenue increased 6.9% YoY to JPY 28,127 mn, and operating profit rose 26.1% YoY to JPY 3,815 mn. Improvements in profit margins reflected more efficient advertising and operating expenses and enhanced sales activities. Profit attributable to owners of parent (hereinafter net profit) reached a record high of JPY 5,317 mn, despite temporary factors. Both its client network and ARPA (average revenue per agent) increased, while improvements in user experience (UX) and 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 profit reaching a record high of JPY 4,322 mn and the segment margin improving to 16.9%. Losses in Other Businesses also narrowed.

■ **FY2026/9 Forecast**: 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. The projected decline in profit reflects the Company's decision to prioritize strategic investments, including expanding hiring of sales and development personnel, developing services that leverage AI technologies, and boosting marketing investment. By accelerating growth in the HOME'S Services segment, promoting operational efficiency through AI and innovation in user experience, and expanding digital transformation (DX) support services for business operators, the Company aims to improve medium-term profitability and achieve sustainable growth.

■ **Share Price Insights**: The Company's share price fell following its earnings forecast revision in February 2025 but remained firm through August, supported by growth in the HOME'S Services segment. However, the stock took a downturn 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. 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. 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 current level of 12.9x is undervalued. That said, for the share price to bottom out, the Company needs to demonstrate the growth potential of the HOME'S Services segment more concretely and advance initiatives to improve capital efficiency, including disclosing policies related to capital efficiency.

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 materials. Note 1:* Excludes the Overseas segment classified as discontinued operations. Note 2: Figures may differ from the Company materials due to differences in SIR's financial data processing and the Company's TANSHIN reporting standards.

Focus Point

Following the restructuring of the Overseas segment, the Company has concentrated management resources on the HOME'S-related businesses, resulting in a strong recovery trend in its core domestic real estate portal business.

With AI utilization at the core, the Company aims to maximize group synergies.

A challenge to make life more fulfilled with comfort and happiness.

Key Indicators	
Share price (12/22)	182
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)	24.46
EV (JPY bn)	22.05
25/9 Equity ratio	63.6%
FY25/9 P/B (act)	0.90x
FY26/9 P/E (CE)	12.9x
FY25/9 ROE (act)	21.2%
FY26/9 DY (CE)	—%

Share Price Chart 1Y

Trading View

Yasutaka Watanabe, Analyst
research@sessapartners.co.jp

FY2025/9 Results Review

In FY2025/9, following the completion of the restructuring of the Overseas segment, the Company established a structure focused on 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 2.1 ppt 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)

Continuing Operations: Revenue through Operating Profit Margin; Continuing Operations & Discontinued Operations: Net profit*

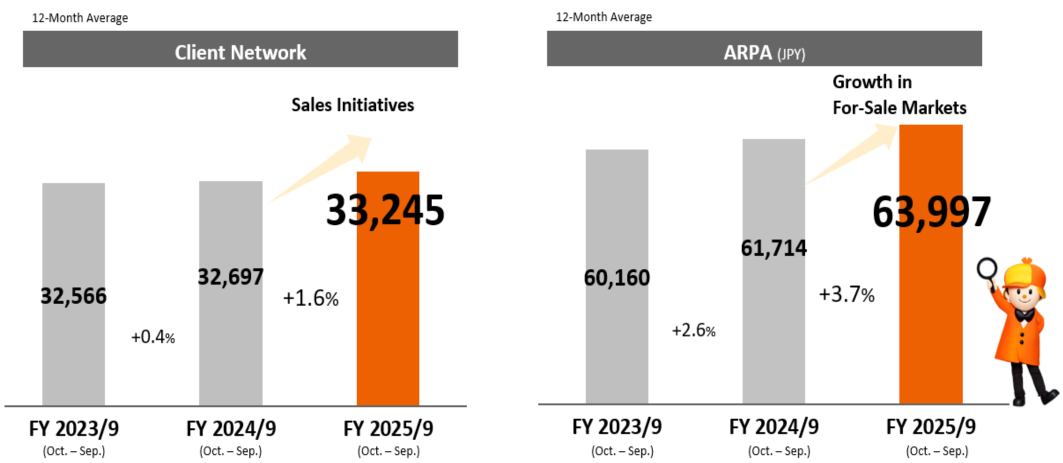
Unit: JPY mil.

	FY2024/9 (Oct.-Sep.)	FY2025/9 (Oct.-Sep.)	Change	Change %
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 client network 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 improvements to UI and UX and new service launches. This led to higher inquiry volumes, which in turn improved efficiency of paying customer acquisition costs and enhanced earnings power. This cycle is further accelerated by sales structure expansion, major client acquisitions, and improved proposal accuracy through utilization 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 over 80,000, and revenue increased a solid 16.6% YoY. Losses in Other Businesses also narrowed, with profitability improving in the regional revitalization and LIFULL senior businesses. The Overseas segment was reclassified 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 accomodations 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 accomodations 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.

FY 2026/9 Full-Year Forecast

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 services that leverage AI technologies, 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 DX support services for business operators. 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 Statemants 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

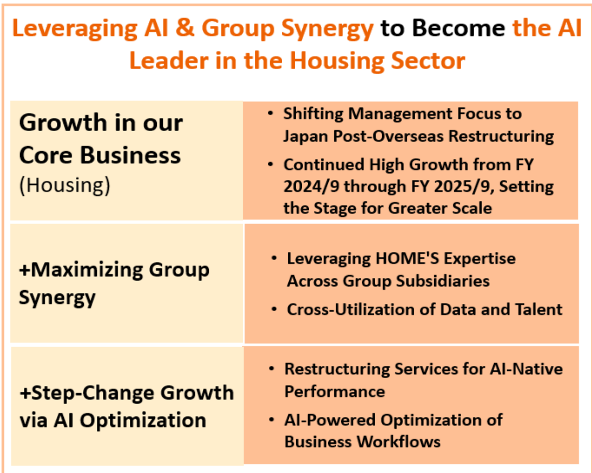
Unit: Millions of yen	FY2025 (Oct.-Sep.) [Actual]	FY2026 (Oct.-Sep.) [Full-year forecast]	Change	Change %
Revenue	28,127	29,700	+1,573	+5.6%
HOME'S Services	25,530	26,450	+920	+3.6%
Other Businesses	2,596	3,250	+654	+25.2%

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 businesses in Japan, 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 established a domestically focused structure and will strengthen investment in sales, development, and marketing. Second, the Company will maximize group synergies by laterally deploying expertise to Kenbiya and its businesses in the senior care sector. Third, the Company will drive service innovation and operational efficiency through the use of AI technologies. By promoting AI across 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 Management Plan

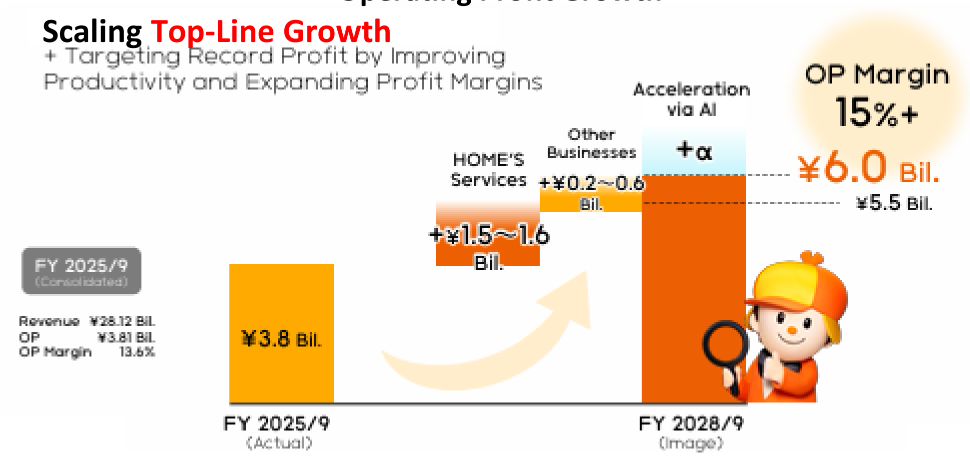


Source: Compiled by SIR from the Company IR materials.

The quantitative targets for FY2028/9 call for revenue of JPY 35,000–40,000 mn, operating profit of JPY 5,500–6,000 mn, 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 that the likelihood of the Company achieving its mid-term targets is high. This assessment is based on the ample growth potential of the HOME'S Services segment, as the Company expands in the pre-owned property transaction domain through increases in sales and development personnel and successfully executes AI initiatives by establishing a competitive advantage on the back of its wealth of proprietary LIFULL HOME'S data accumulated over 30 years since its founding.

Operating Profit Growth



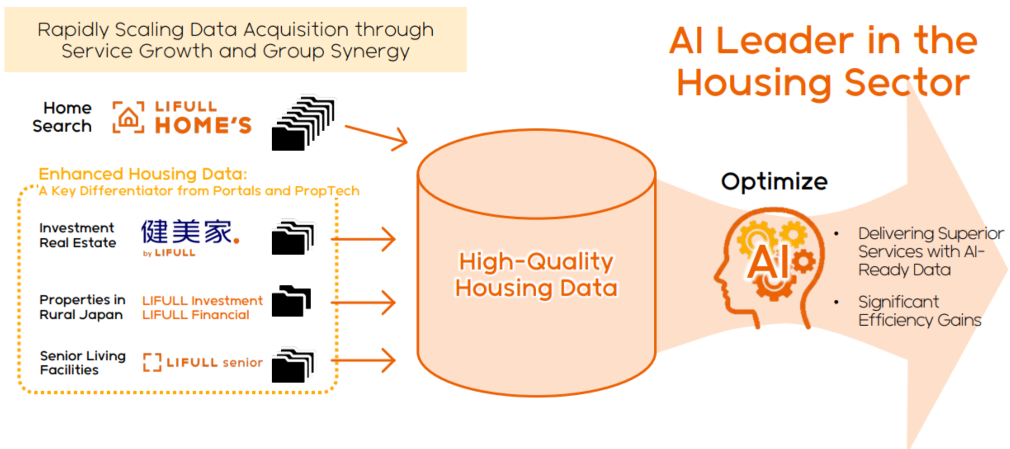
Source: Compiled by SIR from the Company IR materials.

To maximize group synergies, the Company is rolling out expertise cultivated at LIFULL HOME’S to Kenbiya and the senior businesses and shifting to a structure that shares data, personnel, and know-how. The Company plans to shift from an independence-focused model to one driven by the parent organization (Corporate Management Headquarters) 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 to step up its commitment to achieving shared goals.

Source: Excerpt from the Company IR material.

Meanwhile, the Company is also accelerating the adoption of AI across the three areas of consumer-facing services, business operator support, and internal operational efficiency improvement, to deliver innovation in user experience and improve sales and development productivity. Specifically, the Company is rolling out functions such as AI HOME's-kun, image search, and home staging*1, directly linking these initiatives to higher inquiry volumes and earnings growth. 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

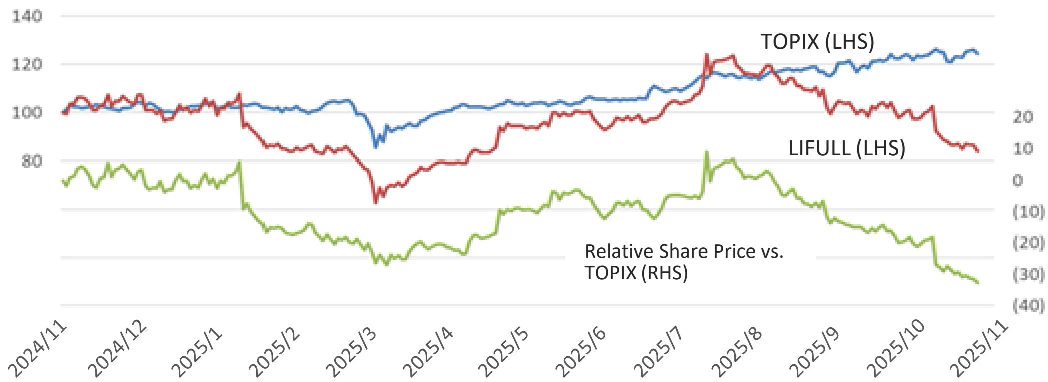


Source: Excerpt from the Company IR material.

Share Price Insights

The Company's share price fell 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 took a downturn 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 over the Past Year



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 historical periods during which ROE remained at double-digit levels, a P/E ratio of 10–30x appears reasonable, and using the average of 20x as a benchmark suggests that the current level of 12.9x is undervalued. However, SIR believes that for the share price to bottom out and for market valuation to improve, the following are required:

- clearly demonstrating the growth potential of the HOME’S Services segment
- disclosing policies related to capital efficiency

Trend of P/E and P/B

Source: Compiled by SIR from SPEEDA

LEGAL DISCLAIMER

This report is intended to provide information about the subject company, and it is not intended to solicit or recommend investment. Although the data and information contained in this report have been determined to be reliable, we do not guarantee their authenticity or accuracy.

This report has been prepared by Sessa Partners on behalf of the concerned company for which it has received compensation. Officers and employees of Sessa Partners may be engaged in transactions such as trading in securities issued by the company, or they may have the possibility of doing so in the future. For this reason, the forecasts and information contained in this report may lack objectivity. Sessa Partners assumes no liability for any commercial loss based on use of this report.

Sessa Partners Inc.

#5a i-o Azabu, 2-8-14
Azabujyuban, Minato-ku, Tokyo
info@sessapartners.co.jp