LIFULL | 2120

TSE Prime

Q3 Follow-up

AI-Driven Efficiency and Upward Revision Show Strong Confidence in the Mid-term Management Plan

Summary

■Q3 FY2026/9 results review:

In cumulative Q3 FY2026/9, LIFULL Co., Ltd. (hereinafter, the Company) reported higher revenue and profits, with revenue of JPY 21,983 mn (+4.4% YoY) and operating profit of JPY 3,239 mn (+7.9% YoY). Profit attributable to owners of the parent (net profit) came in at JPY 2,126 mn, representing a solid 41.8% YoY increase on an underlying basis (adjusting for prior-year one-off factors). The core HOME'S Services segment drove overall performance, with revenue of JPY 20,041 mn (+4.5% YoY). Client network increased to 34,089 (+2.9% YoY), while ARPA rose to JPY 65,325 (+1.5% YoY), maintaining a virtuous cycle of growth in both client numbers and revenue per client. Other Businesses recorded revenue of JPY 1,941 mn (+3.1% YoY), but posted a segment loss of JPY 409 mn due to expenses incurred to bolster Group synergies, including personnel transfers to subsidiaries.

■FY2026/9 forecast:

For FY2026/9, the Company trimmed its revenue forecast to JPY 29,300 mn due to delays in the regional revitalization business while raising its forecast for operating profit to JPY 3,900 mn and net profit to JPY 2,500 mn. In addition to strong performance in the HOME'S Services segment, cost reductions progressed ahead of schedule, including the optimization of personnel and outsourcing costs through AI and a JPY 170 mn reversal of provisions for office restoration costs following head office relocation negotiations. The Company intends to further accelerate its earnings power while sustaining ongoing growth investments.

■Share price insights:

The Company's share price has recently rebounded following a period of fluctuations, supported by the significant upward revision announced with Q3 FY2026/9 results. Going forward, the key question for investors is shifting toward the sustainability of strong growth, with full utilization of AI significantly increasing the likelihood of sustaining the long-term growth trajectory. A return to double-digit ROE is also entirely possible through successful execution of the mid-term management plan. Further improvement in market valuation will require clear disclosure of the Company's policy on capital efficiency, but the shares are currently attractively valued relative to the Company's strong competitive position.

JPY mn, %, JPY	Revenue	YoY	Operating profit	YoY	Pre-tax profit	YoY	Net profit	YoY	EPS	DPS
FY2023/9	36,405	*1.9*	1,842	*10.2*	1,518	*9.5*	939	*(20.4)*	7.31	4.26
FY2024/9	34,466	*(5.3)*	(6,443)	-	(7,076)	-	(8,463)	-	(66.12)	0.73
FY2024/9 C*	26,312	-	3,027	-	2,549	-	(8,463)	-	(66.12)	0.73
FY2025/9 C*	28,127	*6.9*	3,815	*26.1*	3,805	*49.3*	5,317	-	41.51	10.41
FY2026/9 CE	**29,300**	*4.2*	**3,900**	*2.2*	-	-	**2,500**	*(53.0)*	**19.50**	**6.72**
FY2025/9 Q3*	21,059	*7.1*	3,001	*23.3*	2,971	*44.8*	4,408	-	34.42	-
FY2026/9 Q3	21,983	*4.4*	3,239	*7.9*	3,312	*11.5*	2,126	*(51.8)*	16.59	-

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

Focus Points

Following the restructuring of the Overseas segment, the Company has concentrated management resources on the HOME'S Services segment, and its core domestic real estate portal business continues to grow strongly.

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 (9/2)	231
52WH (25/8/24)	249
52WL (25/12/2)	157
10YH (18/2/26)	1,135
10YL (24/8/5)	100
Shrs out. (mn shrs)	134.59
Mkt cap (JPY bn)	31.09
EV (JPY bn)	27.63
25/9 Equity ratio	63.6%
25/9 ROE	21.2%
26/9 P/E (CE)	11.8x
25/9 P/B (act)	1.1x
26/3 EV/EBITDA	5.3x
26/9 DY (CE)	2.9%

1 Year Share Price Chart

Source: TradingView

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Q3 FY2026/9 Results Review

In cumulative Q3 FY2026/9, the Company reported higher revenue and profits, with revenue of JPY 21,983 mn (+4.4% YoY) and operating profit of JPY 3,239 mn (+7.9% YoY). Net profit fell 51.8% YoY to JPY 2,126 mn. However, excluding the approximately JPY 2,910 mn one-off factor associated with the withdrawal from the Overseas segment a year earlier, underlying net profit increased sharply by 41.8% YoY.

Condensed statements of income and loss (IFRS)

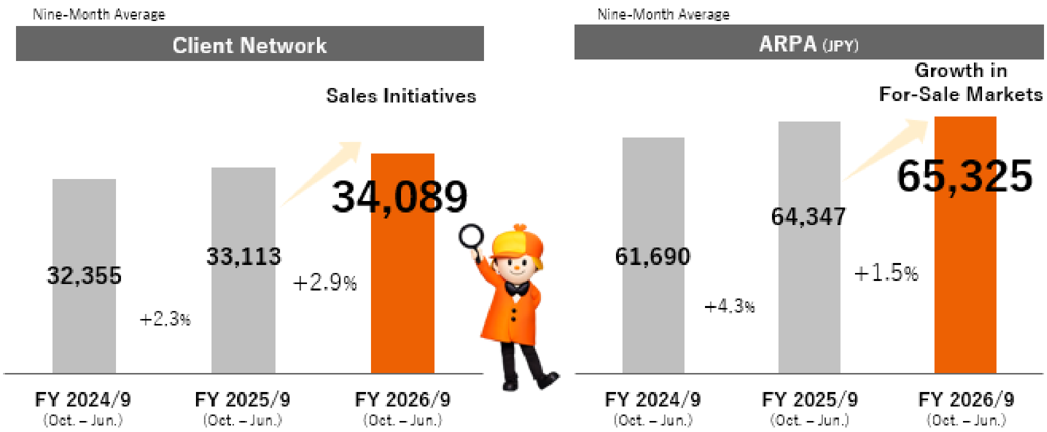
Continuing Operations
Continuing Operations & Discontinued Operations

Unit: JPY mil.	FY2025 Q3 (Oct.-Jun.)	FY2026 Q3 (Oct.-Jun.)	Change	Change %
Revenue	21,059	21,983	+923	+4.4%
Cost of revenue	1,049	1,177	+128	+12.2%
SG&A	16,842	17,570	+728	+4.3%
Personnel-Related	7,033	7,112	+78	+1.1%
Sales & Advertising	6,486	6,965	+478	+7.4%
Depreciation and Amortization	873	1,036	+163	+18.7%
Other	2,448	2,455	+7	+0.3%
Other income and expenses	-166	4	+170	-
Operating income	3,001	3,239	+237	+7.9%
Operating income margin	14.3%	14.7%	+0.5pt	-
Net profit*	4,408	2,126	-2,281	-51.8%

Source: Excerpt from the Company's IR materials.
Note: Net profit attributable to owners of the parent.
: The overseas business in Q3 FY2025/9 has been excluded as discontinued operations.

By segment, the core HOME'S Services segment recorded revenue of JPY 20,041 mn (+4.5% YoY) and segment profit of JPY 3,626 mn (+5.8% YoY), achieving growth for the 11th consecutive quarter and driving overall performance. The Company continues to advance its utilization of AI to transform service value, such as its system for detecting bait listings and automated AI generation of property videos. At the same time, increases in the sales teams and solid performance in the for-sale property markets have supported growth in key indicators. The nine-month average client network reached a record high of 34,089 (+2.9% YoY), while average monthly revenue per account (ARPA) rose to JPY 65,325 (+1.5% YoY), maintaining a virtuous cycle of growth in both client network and ARPA.

HOME'S Services key performance indicators (Client network and ARPA)



Source: Compiled by SIR from the Company's IR materials.
Note: From Q1 FY2025/9, 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.

Meanwhile, Other Businesses recorded revenue of JPY 1,941 mn (+3.1% YoY), supported by growth in regional revitalization-related businesses. However, segment loss widened by JPY 138 mn YoY to JPY 409 mn due to expenses incurred to bolster Group synergies, including personnel transfers to subsidiaries.

Revenue/Income and loss by segment (IFRS)

Unit: JPY mil.	FY2025 Q3 (Oct.-Jun.)	FY2026 Q3 (Oct.-Jun.)	Change	Change %	Main items
Segment Revenue	**21,059**	**21,983**	**+923**	**+4.4%**	
HOME'S Services	19,176	**20,041**	+865	+4.5%	Driven by continued momentum from prev. FY with increases in both clients and inquiries
Other	1,883	**1,941**	+58	+3.1%	Primarily due to growing revenue in Regional Revitalization-related services

Unit: JPY mil.	FY2025 Q3 (Oct.-Jun.)	FY2026 Q3 (Oct.-Jun.)	Change	Change %	Main items
Segment Income & Loss	**3,167**	**3,234**	**+67**	**+2.1%**	
HOME'S Services	3,427	**3,626**	+198	+5.8%	Profit growth driven by higher revenue and improved profitability
Other	-270	**-409**	-138	-	Increased costs due to personnel transfers to strengthen Group synergies
Inter-segment transactions	9	**17**	+7	+77.9%	

Source: Excerpt from the Company's IR materials.
Note: Intersegment transactions have been eliminated.

FY2026/9 Full-Year Forecast

In Q3 FY2026/9, the Company revised its full-year FY2026/9 consolidated forecast. Revenue was reduced slightly to JPY 29,300 mn to reflect delays in some plans for regional revitalization-related businesses, while operating profit was sharply increased to JPY 3,900 mn and net profit attributable to owners of the parent to JPY 2,500 mn. These revisions reflect continued solid performance in the core HOME'S Services segment, as well as accelerated progress in containing SG&A expenses through stronger collaboration with Group subsidiaries and AI utilization. Specifically, AI-driven efficiency improvements reduced personnel and outsourcing costs, and a JPY 170 mn reversal of provisions for office restoration costs following head office relocation negotiations significantly boosted profit. The Company plans to further accelerate the cycle of improving earnings power while continuing growth investments toward achieving its mid-term management plan.

FY2026/9 Earnings forecast

Condensed Statements of Income and Loss

Unit: Millions of yen	FY2026 (Oct.-Sep.) [Initial Forecast]	FY2026 (Oct.-Sep.) [Current Forecast]	Change	Change %
Revenue	29,700	29,300	-400	-1.4%
Cost of revenue	2,016	1,671	-345	-17.1%
SG&A	24,737	23,793	-944	-3.8%
Personnel-Related	9,879	9,659	-220	-2.2%
Sales & Advertising	9,498	9,324	-174	-1.8%
Other	5,360	4,810	-550	-10.3%
Other Income and Expenses	53	65	+12	+22.6%
Operating Profit	3,000	3,900	+900	+30.0%
Operating Profit Margin	10.1%	13.3%	+3.2pt	-
Net profit*	1,900	2,500	+600	+31.6%
Unit: Yen				
Dividends	5.21	6.72	+1.51	+29.0%

Revenue by Segment

Unit: Millions of yen	FY2026 (Oct.-Sep.) [Initial Forecast]	FY2026 (Oct.-Sep.) [Current Forecast]	Change	Change %
Revenue	29,700	29,300	-400	-1.4%
HOME'S Services	26,450	26,500	+50	+0.2%
Other Businesses	3,250	2,800	-450	-13.9%

Source: Excerpt from the Company's IR materials.
Note*: Net profit attributable to owners of the parent.

Topics

■ Growth investment and AI-driven efficiency drive upward revision

The main focus for investors in the Q3 FY2026/9 results was the significant upward revision to the full-year consolidated operating profit forecast, from the initial JPY 3,000 mn to JPY 3,900 mn. In addition to solid performance in the core HOME'S Services segment, the earnings outperformance reflects the results of proactive cost control, with the full-year SG&A expense forecast lowered by JPY 944 mn from the initial plan to JPY 23,793 mn.

A closer look at the breakdown of the SG&A reduction, including JPY 220 mn in personnel-related expenses and JPY 174 mn in advertising, promotion, and sales expenses, could prompt skepticism among some investors that the Company merely manufactured reported profit gains by scaling back its original growth investments. Admittedly, the Company has to some extent flexibly optimized its investment approach in response to changes in the external environment, including proceeding more cautiously than initially expected with hiring higher-cost domestic engineers and AI specialists and maximizing returns on promotional spending as its own customer acquisition capabilities have strengthened.

However, the reduction in SG&A should not be viewed as a passive cutback simply resulting from deferred investment. Rather, as the growth investments implemented since the start of the fiscal year continue to progress steadily, improvements that are delivering the same or better results with greater investment efficiency have begun to bear fruit faster than expected.

The key drivers are the Company-wide utilization of AI and progress in bringing development in-house. The widespread adoption of internal AI tools and the development of citizen developers*[1] have dramatically improved productivity, enabling the Company to maintain operations without backfilling positions following employee departures and thereby helping optimize personnel costs. The Company had also previously outsourced part of its system development, with these external development costs included in personnel and related expenses. Accelerating in-house development through AI utilization has enabled a significant reduction in these costs. In addition, dramatic advances in generative AI-based automatic translation and summarization have strengthened collaboration with offshore development bases. AI now enables overseas developers to quickly understand the complex business practices unique to Japan's real estate industry, allowing development projects that previously required highly skilled domestic personnel to be flexibly assigned to overseas bases and reducing domestic outsourcing costs.

For advertising and promotion expenses as well, the Company is moving away from conventional large-scale mass-market campaigns such as heavy TV advertising and selectively allocating spending to agile campaigns across social media and other media based on rigorous assessment of cost effectiveness. This has enabled the Company to reduce spending while maintaining effective reach to users.

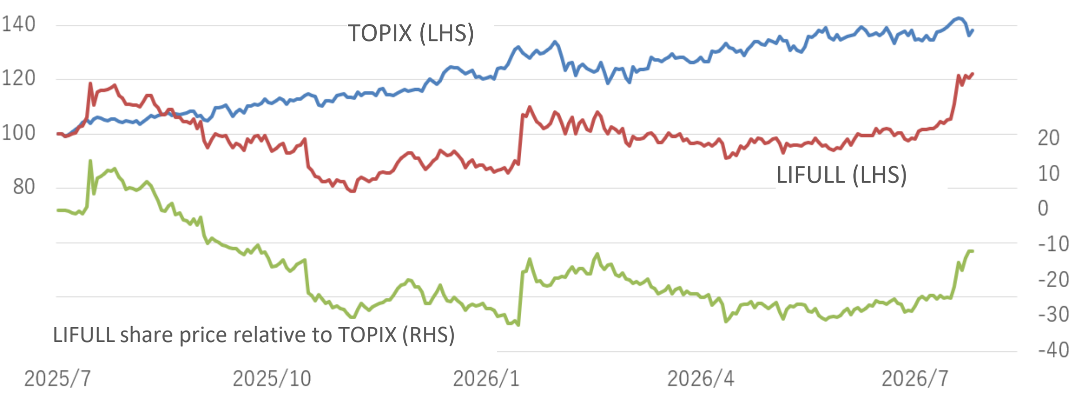
In other words, the upward revision to the profit forecast shows that the Company is continuing to make the investments needed to support medium- to long-term growth. At the same time, its transformation into a leaner, higher-margin business model powered by AI and greater in-house development is materializing earlier than initially planned. This is not a one-off cost optimization, but evidence of the Company's potential to deliver sustained productivity gains as it seeks to become the AI leader in the housing sector under its new mid-term management plan. It should therefore be viewed as a positive signal that further increases the likelihood of achieving the Company's mid-term operating profit target of JPY 5.5–6.0 bn in FY2028/9.

*1: Non-engineer employees certified through a training program designed to develop highly AI-proficient personnel who can expand AI utilization within their own departments and improve productivity and operational efficiency.

Share Price Insights

Over the past year, the Company's relative share price remained firm through August 2025, supported by strong growth in the core HOME'S Services segment. However, the share price turned weaker as investors shifted their focus to assessing FY2026/9 earnings and fell further after the Company announced in November that it expected lower profit in FY2026/9 due to strategic investments. The share price then surged temporarily following the Q1 FY2026/9 results, as the Company demonstrated a proactive stance on shareholder returns through measures such as the introduction of a shareholder benefit program and disclosure of its dividend forecast, while HOME'S continued to show strong growth. Following Q2 FY2026/9 results, however, the share price weakened again as investors adopted a wait-and-see stance after the Company refrained from revising up its forecast despite strong profit progress. More recently, the share price has turned firm again following the significant upward revisions to the full-year earnings and dividend forecasts announced with Q3 FY2026/9 results.

Share price performance (Last 12 months)

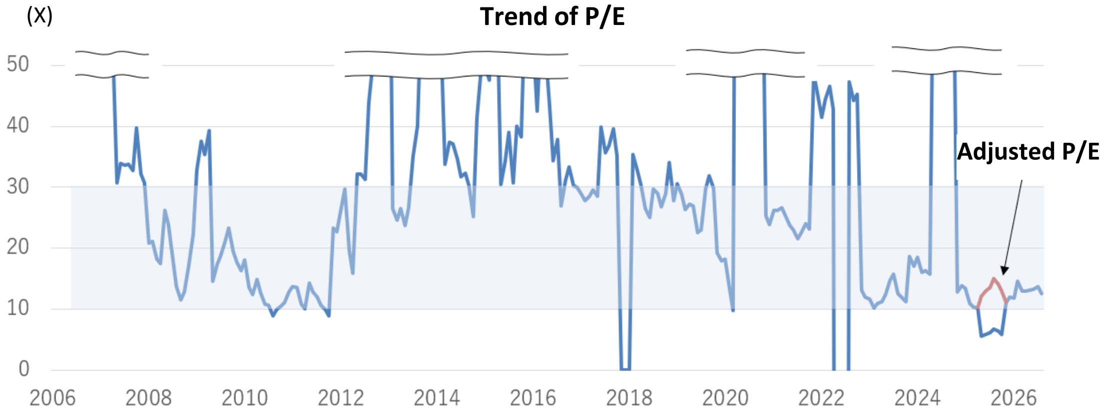


Source: Compiled by SIR from SPEEDA data.

With HOME'S already achieving a high level of penetration among its client real estate professionals, the next focus is shifting to the sustainability of its strong growth. In this respect, the Company's utilization of AI can be viewed as a key factor in significantly increasing the likelihood of sustaining its long-term growth trajectory. This includes transforming the home-search experience for users and supporting operational efficiency and DX for real estate professionals.

As company-wide AI adoption improves internal productivity, achieving the mid-term management plan targets for FY2028/9 of JPY 5.5–6.0 bn in operating profit and an operating margin above 15% would make a return to double-digit ROE well within reach. Further improvement in market valuation will require continued clear disclosure of the Company's policy on capital efficiency. Even so, SIR believes the shares are attractively valued relative to the strong competitiveness of the core HOME'S Services segment.

Trend of P/E



Source: Compiled by SIR from SPEEDA data.

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