

## LIFULL | 2120

TSE Prime

Japan's Only Listed Real-Estate Focused Portal  
Harvesting the Rewards of a Sharpened Strategy

Initiation



## Summary

■ **Company Profile:** LIFULL runs the LIFULL Home's real estate website. Compared to its main rival, whose strategy is focused mainly on the quantity of listings, LIFULL's aim is to achieve greater quality, as measured by the percentage of inquiries that lead to sales for professional real estate clients. While others primarily charge a fixed fee for listings, LIFULL charges a combination of fixed fees and incentive fees based on the number of inquiries received for a listing. Compared to its main rival LIFULL tends to invest more heavily in software development and considerably less on advertising. As a result, LIFULL tends to take the lead in introducing new software enhancements, such as the use of artificial intelligence to provide personalized recommendations of properties that match chosen criteria. LIFULL also has enhanced features that help real estate agents manage their listings and leads, and provides richer information about users so that the agents can make better suggestions that can lead to higher sales.

■ **Most recent earnings:** LIFULL's 3Q ended June 30, 2023, and results were announced on Aug 7, 2023. Revenue and operating profits continued to improve throughout the period, and cumulative revenue from continuing operations rose significantly to ¥28bn, up 18.8% YoY, excluding gains from one-time asset sales in the previous year, while operating profit rose 297% to ¥2.5bn. The company discontinued several core businesses during the quarter, so the following presentation analyzes the results of continuing businesses excluding one-off gains and losses on both a cumulative and a year-on-year basis for each quarter.

■ **FY forecast:** LIFULL left its full-year forecasts for the fiscal year ending September 30, 2023 unchanged. The company expects operating profit to rise 96% YoY, to ¥3.3bn, on a 3.6% YoY rise in revenue. Through the third quarter, the company had reached 75.5% of its full-year target operating profit, and 75.7% of its full-year revenue targets. This was in line with the company's plan.

## Focus Point

Japan's Only Listed Company focused exclusively on its Real-estate related Portal business.  
Dedicates higher resources to IT and less to advertising than rivals.  
Sold off non-core businesses to focus resources on areas of strength.  
Active in more than 60 countries and rapidly expanding the profitability of its global business.

## Key Indicators

Share price (10/11)	227
YH (23/6/19)	319
YL (23/2/20)	188
10YH (15/12/22)	1,598
10YL (22/6/20)	148
Shrs out. (mn shrs)	13.424
Mkt cap (¥ bn)	30.472
EV (¥ bn)	16.11
Equity ratio	63.64%
FY22/9 ROE (act)	4.00%
FY22/9 P/B (act)	0.68x
FY23/9 P/E (CE)	11.8x
FY23/9 DY (CE)	1.0%

## Stock Price Chart 52 Weeks



Source: Trading view

Y mn, %	Revenue	YoY	Operating income	YoY	Pre-tax profit	YoY	Net profit	YoY	EPS	DPS
2019/9	39,297	13.7	4,184	(3.0)	3,626	(12.8)	2,360	(15.7)	18.52	4.40
2020/9	35,402	(9.9)	2,497	(40.3)	2,148	(40.7)	1,175	(50.2)	8.77	5.29
2021/9	35,857	1.3	(6,644)	TR	(6,857)	TR	(5,895)	TR	(44.78)	3.62
2022/9	35,730	(0.4)	1,681	TB	1,396	TB	1,192	TB	9.01	2.25
2023/9 CE	37,000	3.6	3,300	96.2	NA		2,500	110.5	18.97	NA

Source: Compiled by SIR from the company's financial statements.

Note: Figures may slightly differ from those published by the company due to rounding to the nearest million.

Michael Allen, Analyst

research@sessapartners.co.jp



## Business model

### Business model & strategy

LIFULL's main source of revenue is from real estate companies who can choose between fixed fees based on listing packages and success fees based on the number of inquiries generated from their listings. LIFULL has a global vision and strategy, with its overseas business operating in over 60 countries. LIFULL also acquires and invests in other overseas platforms that have growth potential and synergies with its business.

LIFULL faces intense competition from other online platform providers, especially in the domestic market.

LIFULL is the only listed company that relies primarily on its real-estate related portal for its revenue and profit. In recent years, the domestic portal business accounted for more than 70% of LIFULL's net sales and most of its attributable segment profits.

Segments	Main services
<b>HOME'S Services</b>	LIFULL HOME'S AD Master (former Renter's Net) NabiSTAR Advertising & Consulting Agency (LIFULL Marketing Partners Co., Ltd.) Kenbiya (Kenbiya Co., Ltd.)
<b>Overseas</b>	LIFULL CONNECT S.L.U. Aggregation Services: Trovit, Mitula, Nestoria, Nuroa Real Estate Portals: Dot Property, Properati, Lamudi, iCasas Transactional Services: FazWaz, Dot Property Support Services: Proppit, Thribee, Wasi Offshore Development (LIFULL Tech Vietnam, LIFULL Tech Malaysia) Other subsidiary services of LIFULL CONNECT
<b>Other Businesses</b>	LIFULL <i>Kaigo</i> (Nursing Care) (LIFULL senior Co., Ltd.) LIFULL Trunk Room (LIFULL SPACE Co., Ltd.) Regional Revitalization Business Financing Business (LIFULL Investment Co., Ltd.) Regional Revitalization Fund (LIFULL Investment Co., Ltd.) Other LIFULL subsidiaries and new services

Source: Compiled by SIR from the company's 3Q FY2023/9 presentation material.

## Segment Details

### Home's Services

LIFULL's core business is the HOME's Services segment, which operates the main LIFULL HOME'S Real Estate Portal. This site allows real estate companies to post their property listings and attract potential customers. Depending on the type of property, the types of fees can differ, but in general LIFULL charges real estate companies listing on the site either for fixed packages of listings or a fixed monthly fee with additional fees for each inquiry they receive from users.

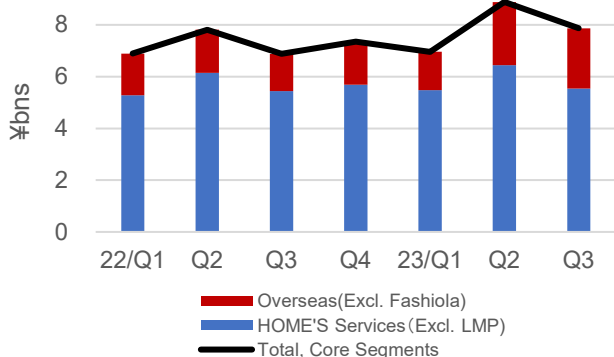
### Overseas Business

LIFULL's second business segment is the Overseas Business, which has traditionally operated aggregation sites for different domains, such as real estate, used cars, and jobs. These sites collect and display information from various sources and generate advertising revenue primarily from portals. In addition to the aggregation sites, LIFULL is also expanding its network into real estate portals and a real estate transaction-based business in strategic regions. LIFULL's primary overseas subsidiary, LIFULL Connect, has a presence in over 60 countries and regions and claims to have the largest audience in the world for the real estate domain.

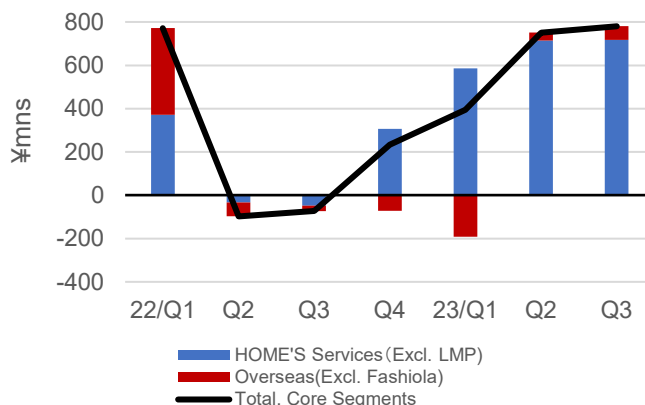
**Other Businesses**

LIFULL's Other Businesses segment includes various niche services, such as a search site for elderly homes and care facilities, a search site for rental storage spaces, and businesses related to regional revitalization. These services aim to create new value and solve social issues by using LIFULL's expertise and technology.

**Quarterly Revenue Trendy by Segment**



**Quarterly OP Trendy by Segment**



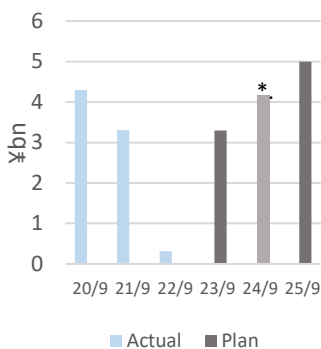
Source: Compiled by SIR from the company's IR material.

**Mid-term business plan**

LIFULL revised its mid-term plan on November 10, 2022, after deciding to exit several non-core businesses and shifting its pricing strategy to enhance competitiveness in high-turnover segments of the core residential property portal business. The new plan calls for sales growth to accelerate about 2 percentage points annually and reaching an operating profit of ¥5bn by September 2025, which would be the highest profit in the company's history and indicates a 16-fold increase from trough operating profit in 9/22.

Management is focused on achieving the profit target regardless of sales or assets, but the company's targets translate roughly to about a 12% operating margin and about 10% return on equity, which are both in-line with the company's average achievements in years prior to the pandemic. Management is pleased with the response from both consumers and real-estate agents to the changes it has executed under the new plan thus far, and believes they are on-track to meet their stated goals.

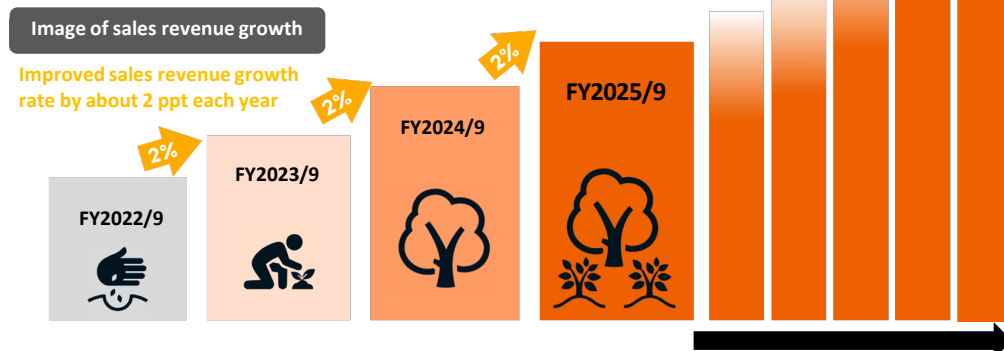
**Mid-Term Plan for Operating Profit**



Note: \* SIR's assumption

**Growth image through FY2025/9**

Aggressive investment for growth in core businesses  
Steadily expand sales revenue and aim for record-high profits in FY2025/9



Source: Compiled by SIR from the company's IR material.

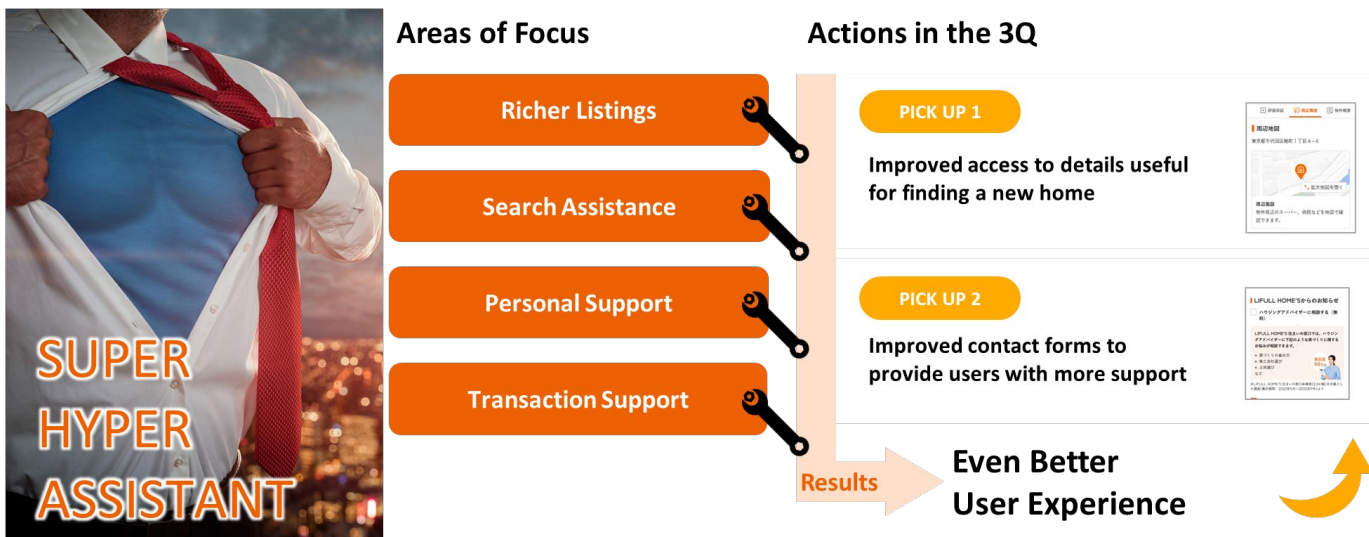
**Strengthening HOME'S**

LIFULL’s plan to expand its market share of its housing information site LIFULL HOME’S is focused on enhancing the user experience for both consumers and real-estate agents. Chief among these upgrades are numerous enhancements to create richer listings which include features that increase the amount of information available to both the consumer and the real-estate agents who post the listings. For example, in October of 2021, the company introduced a software feature that adds 3-D floor plans.

Another core component of the upgrade involves introducing advanced search functions. The company added fuzzy-logic enhancements to their search engine, enabling homebuyers or renters to search for “would-like-to-have” and “nice-to-have” features, as well as an ability to search based on characteristics of one’s current home. More recently, the company added functions to mark favorites, to save search criteria, view a list of recently searched items.

The third pillar of these enhancements include a portfolio of personal support systems, including live and AI-supported consulting services that help users complete refine and customize their search, as well as tools to help complete paperwork.

These enhancements are also helping real-estate agents increase productivity by increasing both the quantity and quality of inquiries. Since making the changes, the company has seen an 10% increase in inquiries accompanied by phone numbers, a 23% increase in requests for property viewings, and increases in conversion rates, i.e., the percentage of inquiries that turn into sales, by as much as 18% for a given agent’s entire set of listings on the site. Agents report that they are able to ask better questions and provide better suggestions to their clients while spending less time researching because LIFULL HOME’S is doing a lot of the work for them.



Source: Compiled by SIR from the company’s 3Q FY2023/9 presentation material.

## Accelerating the overseas business

LIFULL is active in more than 60 different countries and management believes it is essential to expand these operations given the limitations imposed on domestic growth by an expected shrinkage of the Japanese population. Currently, about 70% of the overseas revenues come from aggregation sites, but the real estate portals and transactional businesses are growing rapidly.

In mature markets, the company focuses on aggregation sites where the company uses its search engine know-how to increase traffic to client portal sites. In developing countries where the population is growing and established portals are typically less entrenched, LIFULL sees opportunities in acquiring second- or third-tier portals at discounted prices and improving their traffic with little time or additional investment.

As revenue from the transaction and portal streams continues to grow, the percentage of revenue generated by aggregation should continue to shrink. During the next five years, the company expects the highest growth from transactions to grow rapidly, supplemented by steady growth in revenues from portals, and stable revenues from aggregation sites.

### Countries where LIFULL Does Business

Developed Asia	Emerging Asia	Europe	Americas
Japan	Thailand	Spain	U.S.A.
Australia	Indonesia	Italy	Mexico
Singapore	Vietnam	France	
Taiwan	Philippines	Germany	
Hong Kong	Malaysia	United Kingdom	
South Korea	Cambodia		
	Myanmar		
	Laos		
	India		

Source: Compiled by SIR from the company's IR material.

## New Business

LIFULL plans to capitalize on its expertise in real-estate information and software development to create new niche services. Some of the ideas that have already been implemented include a search site for retirement homes and elderly care facilities, a search site for rental storage spaces. Also included in this segment is the Regional Revitalization business. This business is a collection of services focused on creating opportunities in rural areas of Japan – such as share living and working facilities LivingAnywhere Commons as well as job matching services, Local Match, and LIFULL FaM is a support network providing jobs to single mothers to hone their professional skills while offering childcare services.

## Enhancing the corporate foundation

LIFULL plans to transform itself into a lean and agile organization that can respond quickly and flexibly to changes in the business environment. To do so, the company believes it is important to foster a culture of innovation, diversity, and collaboration among its employees.

Currently, the chairperson of the Board of Directors is also the Representative Director and an executive director, but LIFULL intends to separate decision-making from supervision in the future.

## Earnings Results

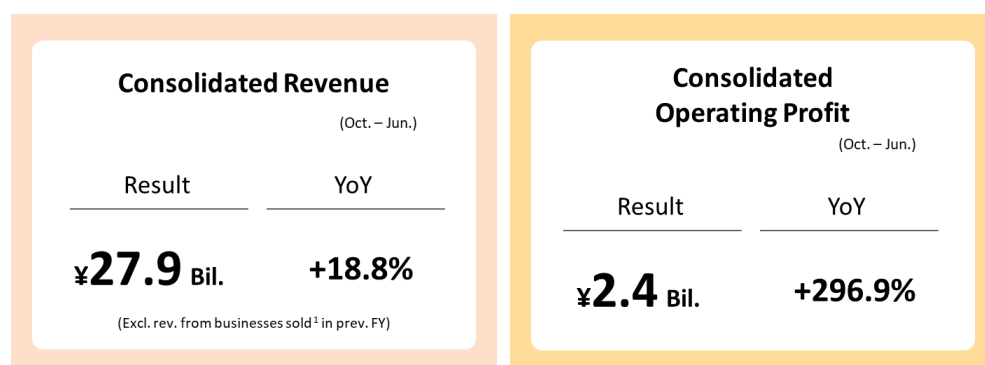
### 3Q FY2023/9 Cumulative Results

Cumulative revenue from continuing operations rose significantly to ¥28bn, up 18.8% YoY, excluding gains from one-time asset sales in the previous year, while operating profit rose 297% to ¥2.5bn.

In the HOME'S Services segment, cumulative sales rose 3.6%, excluding LIFULL Marketing Partners, which was sold to a third-party last year. Segment profits were up 599% to ¥2.0bn. Results were in-line with company targets despite weaker than expected market conditions. Listings were up, while inquiries were flat. The company enhanced the functionality of its site by simplifying the process for users to find the information for which they are searching, thereby increasing the number of transactions of its client real estate companies—a process LIFULL has called "Super Hyper Assistant." At the same time the company reduced its advertising expenses by focusing on web-based advertising and reducing less cost-effective banding efforts.

In the Overseas segment, cumulative sales from continuing businesses rose 32.1%. Post merger integration of newly consolidated Mexican and Thai subsidiaries went according to plan. Demand continued to recover from COVID-19, combined with an increased conversion rate, which the company believes was a result of internal efforts to improve the usefulness of its services by increasing the information content of its listings. Operating loss from continuing operations in the overseas segment, excluding the one-time gain from the sale of non-core assets was ¥90mn, compared to a ¥600mn profit in the same period a year ago. The transaction and portal site businesses were ahead of target, but the overall segment was behind target because of a larger than expected decline in premium advertising from aggregation portal sites.

In the Other Businesses segment, cumulative losses were narrowed to just ¥10mn, from a ¥400mn loss the previous quarter, on a 115.4% rise in revenues from continuing operations, to ¥4.2bn. The company continued to divest from investment (hotel) projects of the Regional Revitalization Fund and strengthened the branding efforts of its LIFULL Senior business.



Source: Compiled by SIR from the company's IR material.

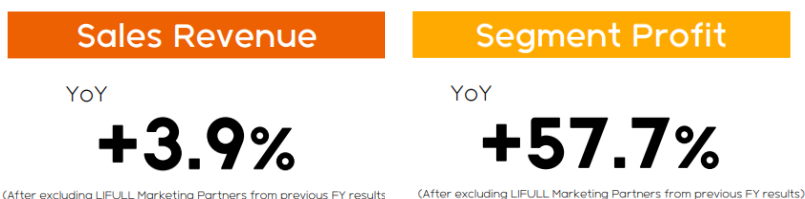


### ■ 1Q FY2023/9 Segment Results

Segment profit from continuing businesses in the HOME'S Services segment was up 58%, on a 3.9% increase in sales. This excludes the contribution to sales and profits from LIFULL Marketing Partners, a digital marketing agency that LIFULL sold in the previous year. Segment revenues increased due to the recovery in organic traffic on LIFULL HOME'S. Profitability improved significantly, primarily because of the decline in advertising costs. Management considers the current level of advertising costs to be a return to normal, from exceptionally high levels in the year before, and should therefore be sustainable.

The Overseas segment lost ¥185mn from continuing businesses, compared to a ¥401mn profit in the same quarter a previous year, excluding the contribution from Fashiola, a fashion comparison platform operating in several countries that was sold in the previous year. Sales from continuing operations were down 7.5%, to ¥1,478mn, primarily because of the impact of COVID-19 pandemic on the global economy and the resulting decline in advertising revenue. At the same time, personnel and marketing expenses increased as the company invested in building a foundation for future growth.

#### 1Q Results for HOME'S Services

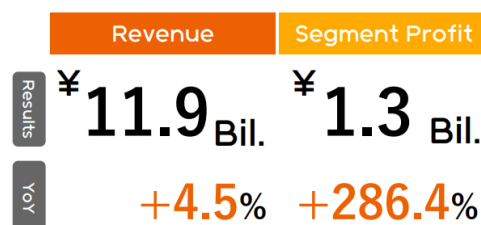


Source: Compiled by SIR from the company's IR material.

### ■ 2Q FY2023/9 Segment Results

2Q segment profit from continuing businesses in the HOME'S Services segment reached ¥715mn, compared to a ¥34mn loss in the same quarter a year earlier. Sales from continuing businesses rose 4.9%. This excludes the contribution to sales and profits from LIFULL Marketing Partners, a digital marketing agency that LIFULL sold in the previous year and excludes ¥2bn in revenues and ¥500mn in profit from the sale assets in the company's revitalization fund. Organic traffic on the LIFULL HOME'S site continued to recover from the impact of the COVID-19 pandemic, while the number of paying clients began to increase due to the expansion of sales channels and enhancements to client support services. The reduction in advertising expenses also contributed to profitability.

The Overseas segment made a profit from continuing businesses of ¥83mn in the second quarter, compared to a ¥63mn loss in the previous year. This excludes the contribution from Fashiola, a fashion comparison platform operating in several countries that was sold in the previous year. Sales from continuing operations in this segment were up 44.2%, to ¥2.5bn. However, it still includes the contribution of two new acquisitions in Thailand in January and Mexico in March of 2023. The cost of revenue decline as a percent of sales because of the reduction in advertising and other operating expenses.



#### 2Q Results for HOME'S Services

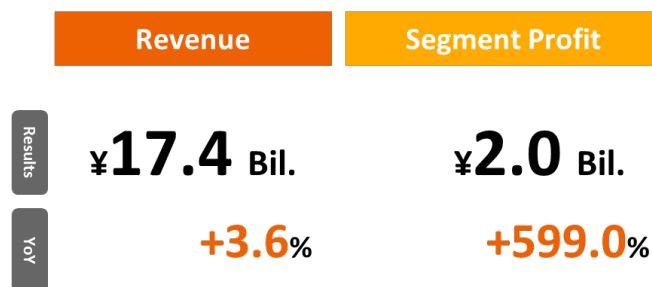
Source: Compiled by SIR from the company's IR material.

### ■ 3Q FY2023/9 Segment Results

Segment profit from continuing businesses in the HOME'S Services Segment reached ¥717mn, compared to a ¥48mn loss in the same quarter a year earlier. Sales from continuing businesses in this segment rose 1.9% during the quarter, to ¥5.5bn. This excludes the contribution to sales and profits from LIFULL Marketing Partners, a digital marketing agency that LIFULL sold in the previous year, and excludes a ¥300mn contribution to revenue from the sale of land by the company's regional revitalization fund. Although organic traffic to the site was unchanged, the average number of paying clients rose 3.0% year-on-year. An improvement in product mix and the introduction of new pricing plans also contributed to a 2.0% rise in average revenue per paying client. The cost of revenue declined due to the reduction in advertising and other operating expenses.

The Overseas segment made a profit from continuing businesses of ¥11mn, compared to a ¥25mn loss in the same quarter of the previous year. Sales from continuing operations were up 59.5%, excluding the contribution from Fashiola, a fashion comparison platform operating in several countries that was sold in the previous year. Acquisitions in Thailand and Mexico continued to contribute to sales growth, while a reduction in advertising costs led to improved profitability.

#### 3Q Results for HOME'S Services



YoY comparison does not include results from LMP which was sold during FY2022/9.

Source: Compiled by SIR from the company's IR material.

Segment Revenue	2022				2023		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Home' Services (Reported)	6,139	7,085	6,263	6,579	5,482	6,448	5,543
HOME'S Services (Excl. LMP)	5,276	6,143	5,436	5,689	-	-	-
Overseas (Reported)	1,787	1,762	1,660	1,727	1,478	2,432	2,326
Overseas(Excl. Fashiola)	1,612	1,667	1,442	1,667	-	-	-
Segment Profit							
HOME'S Services (Reported)	1,024	1,038	1,108	1,149	586	715	718
HOME'S Services (Excl. LMP)	371	-34	-48	306	-	-	-
Overseas (Reported)	-988	-978	-969	-961	-192	36	64
Overseas (Excl. Fashiola)	401	-63	-25	-72	-	-	-

Source: Compiled by SIR from the company's financial statement and IR materials.



## Valuation

### Valuation analysis (Peers)

LIFULL's has no direct competitors that are publicly traded. The stock has sometimes been compared to other companies in the internet data services, consumer data & services, and internet software and services industries. The table below shows that LIFULL's current valuations, based on the closing price as of October 5, 2023 and the most recent full-year results, LIFULL trades at a discount to most of these companies on most measures, but none of these companies are tied to the residential property sector, and few have similar risk or return characteristics. It may be more appropriate to compare LIFULL to the much broader Topix index. Recently, LIFULL was trading at 0.9x book, which is a discount to the TOPIX.

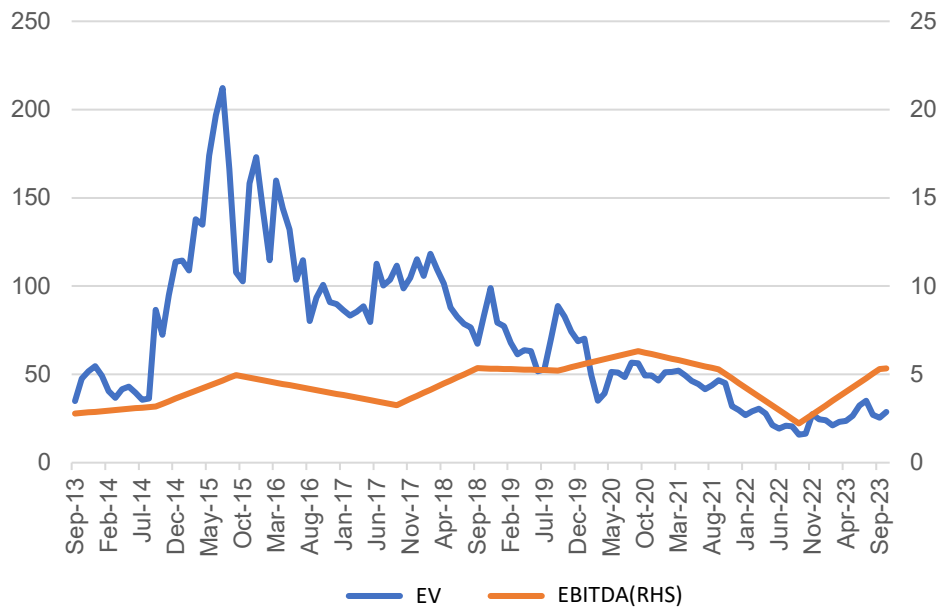
Ticker	Name	Industry	EV/ EBITDA	P/ B	P/S	P/E	ROE	Beta
3661-JP	m-up holdings	Internet Data Services	13.5	6.6	2.6	34.7	19.3	1.1
3778-JP	SAKURA Internet	Internet Data Services	7.0	2.6	1.1	69.8	8.0	1.0
3788-JP	GMO GlobalSign	Internet Data Services	20.3	6.0	3.0	53.4	11.2	1.1
3901-JP	MarkLines Co.Ltd.	Internet Data Services	17.6	7.6	8.2	28.7	28.4	1.0
3371-JP	Softcreate Holdings Corp.	Internet Data Services	8.0	3.1	2.0	14.1	19.2	1.1
3491-JP	GA technologies Co., Ltd.	Consumer Data & Services	12.1	2.7	0.5	45.0		1.6
6184-JP	Kamakura Shinsho, Ltd.	Consumer Data & Services	46.9	11.9	8.1	45.9	12.9	0.8
2148-JP	ITmedia Inc.	Consumer Data & Services	6.1	2.9	3.2	12.2	22.8	0.8
6194-JP	Atrae, Inc.	Consumer Data & Services	35.3	7.4	6.6	48.4	11.8	1.4
3679-JP	ZIGExN Co., Ltd.	Consumer Data & Services	9.0	3.1	2.7	16.8	18.9	1.0
3660-JP	istyle Inc.	Internet Software & Services	14.8	4.0	1.0	131.1	2.9	1.0
2150-JP	CareNet, Inc.	Internet Software & Services	14.1	4.9	5.3	23.0	20.4	0.9
2998-JP	CREAL Inc.	Internet Software & Services	33.4	7.6	1.4	40.2	16.2	1.3
4449-JP	giftee, Inc.	Internet Software & Services	73.0	6.2	10.7	236.7	0.1	0.8
9438-JP	MTI Ltd.	Internet Software & Services	8.8	1.9	1.0		-5.9	0.8
180460	Topix	Index		1.3		16.9	5.4	1.0
<b>2120-JP</b>	<b>LIFULL Co.Ltd.</b>		<b>4.5</b>	<b>0.7</b>	<b>0.6</b>	<b>11.9</b>	<b>4.0</b>	<b>0.8</b>
	Internet Data Services	Median	13.5	4.0	2.6	37.4	12.3	1.0
	Consumer Data & Services	Median	12.1	3.1	3.2	45.0	15.9	1.0
	Internet Software & Services	Median	14.8	4.9	1.4	85.6	2.9	0.9

Source: Compiled by SIR from SPEEDA data.

■ Valuation analysis (Historical)

In the past three years, LIFULL’s valuation has averaged about 1.2x book value per share, with a standard deviation of 0.4, and about 7.6x EV/EBITDA, with a standard deviation of 1.5. These valuations are roughly consistent with the average company in the Topix benchmark.

Historical Valuation Chart (¥ bn)



Source: Compiled by SIR from SPEEDA data.

Risk factors

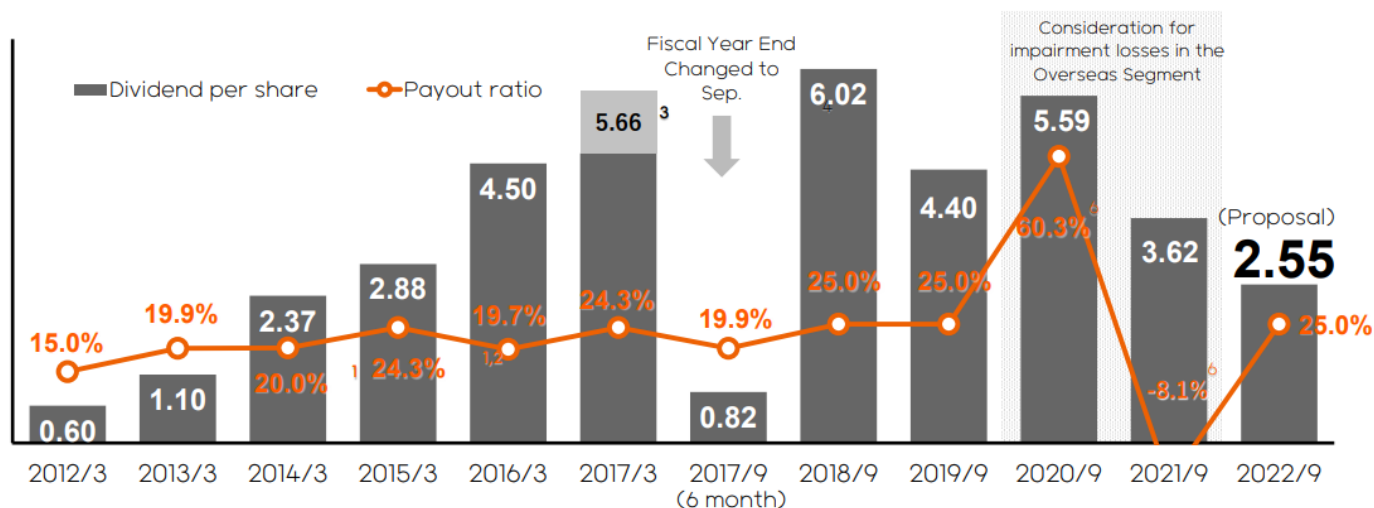
LIFULL competes directly with a subsidiary of a much larger company and may struggle to match the other company in terms of resources, especially when it comes to branding and advertising, which can have a limiting effect on revenues. LIFULL’s core users are people seeking information about a new living space, and therefore, tend to be infrequent users and have very low levels of customer loyalty. If customers are unfamiliar with LIFULL’s services or if they are otherwise directed to rival sites through search engines that favor other sites, it can have a detrimental effect on LIFULL’s business.

LIFULL tends to focus its resources on technology and service levels, and the company’s accumulation of know-how and data create a very high barrier to new entrants, but since the web-site is public, innovations introduced by LIFULL can easily be reverse engineered by established rivals.

Like any company relying on internet traffic, LIFULL may face cyberattacks or system failures that could compromise its data security or service quality. For example, LIFULL may suffer from data breaches or service disruptions that could damage its customer trust or brand image.

## Shareholder return policy

LIFULL strives to provide stable and continuous dividends to its shareholders, while retaining sufficient internal reserves for future growth and investment. The company targets a consolidated dividend payout ratio of 25% or more.



- The Company implemented a stock split at a ratio of three shares per share of common stock as the effective on January 1, 2014 and a stock split at a ratio of two shares per share of common stock effective on June 1, 2015.
- Due to the transition period to IFRS, the dividend payout ratio for the FY 2015/3 was computed on the basis of net profit that excluded the "effects of LIFULL's acquisition of Trovit." Thus, the resultant payout ratio was 24.3%.
- To commemorate the twentieth year since the founding of the Company, 1.00 yen was added to the regular dividend of 4.66 resulting in a payout rate of 24.3%.
- The Company changed the end of the fiscal year as of the fiscal year ended September 3, 2017. The fiscal year ended September 3, 2017 was an irregular six-month financial period which began on April 1, 2017 and ended on September 30, 2017.
- Dividends for the FY 2019/9 have been calculated based on the number of issued shares as of the end of the period.
- Dividends for FY 2020/9 and FY 2021/9 have been calculated in consideration of the impact from the impairment loss for overseas subsidiaries.

Source: excerpt from the company's FY2022/9 presentation material.

## Major Shareholders

As of Sep. 30, 2022

Name	No. of shares held	Ratio of shareholding* (%)
Takashi Inoue	27,941,000	21.20
Rakuten Group, Inc.	23,797,100	18.06
Custody Bank of Japan, Ltd. (trust account)	16,965,800	12.87
The Master Trust Bank of Japan, Ltd. (trust account)	12,715,200	9.65
The Bank of New York Mellon 140040	5,042,800	3.83
CEP LUX-ORBIS SICAV	4,090,600	3.10
CBS/ DCV Clients	3,609,896	2.74
The Nomura Trust and Banking Co., Ltd. (Shareholder trust account)	2,756,400	2.09
Daisuke Gomi	2,500,000	1.90
The Bank of New York Mellon 140051	1,322,000	1.00

Source: Compiled by SIR from the company's securities report Note: \*Calculation excludes treasury stock.

## Financial Statements

### Consolidated Statements of Income

¥ mn, % [IFRS]	FY2019/09 act	FY2020/09 act	FY2021/09 act	FY2022/09 act	FY2023/09 CE
<b>Total Revenue</b>	<b>39,297</b>	<b>35,403</b>	<b>35,857</b>	<b>35,731</b>	<b>37,000</b>
Total Cost of Sales	4,560	4,097	3,951	4,056	
Cost of Sales	4,560	4,097	3,951	4,056	
Gross Profit	34,737	31,306	31,906	31,675	
Gross Margin	88	88	89	89	
Selling, General and Administrative Expenses	30,626	28,808	38,550	29,993	
<b>Operating Profit</b>	<b>4,111</b>	<b>2,498</b>	<b>(6,644)</b>	<b>1,682</b>	<b>3,300</b>
Operating Profit Margin	10	7	(19)	5	9
Non-Operating Income	5	4	24	6	
Interest and Dividends Income	2	4	9	6	
Non-Operating Expenses	563	353	237	291	
Interest Expenses	23	103	108	89	
Income from Equity Method - Non-Operating	(528)	(250)	(129)	(202)	
<b>Ordinary Profit</b>	<b>3,552</b>	<b>2,149</b>	<b>(6,857)</b>	<b>1,396</b>	
Ordinary Profit Margin	9	6	(19)	4	
Pretax Profit	3,552	2,149	(6,857)	1,396	
Pretax Profit Margin	9	6	(19)	4	
Income Taxes	1,239	973	(962)	204	
Income Taxes - Current	1,598	1,569	662	249	
Income Taxes - Deferred	(358)	(596)	(1,624)	(45)	
<b>Net Profit Attribute to parent company shareholders</b>	<b>2,360</b>	<b>1,171</b>	<b>(5,901)</b>	<b>1,188</b>	<b>2,500</b>
Net Profit	2,313	1,176	(5,896)	1,193	
Net Profit Attribute to non-controlling shareholders	(46)	5	5	5	
Net Profit Margin (Attribute to parent company shareholders)	6	3	(16)	3	7
Other Comprehensive Income	(2,401)	1,363	1,405	1,824	
Net Gain on Revaluation of Available-for-sale Financial Assets(CI)	(15)	224	28	38	
Foreign Currency Translation Adjustments (CI)	(2,378)	1,156	1,343	1,611	
Share of Other Comprehensive Income of Associates	(7)	(16)	34	175	
Comprehensive Income	(87)	2,539	(4,491)	3,016	
Comprehensive Income Attributable to Owners of the Parent	(41)	2,534	(4,497)	3,012	
(Others)					
EBIT	3,573	2,248	(6,758)	1,479	
EBITDA	5,385	4,523	(4,666)	3,593	5,271
EBITDA Margin	14	13	(13)	10	14
(Detail of Expenses)					
Total Payroll	8,636	8,896	8,935	9,721	
Payroll	8,636	8,896	8,935	9,721	
Labor Cost					
Rent Expenses (inc. Lease)	904	45	76	102	
Advertising Expenses	13,273	10,488	11,852	12,824	
Packing, Transportation and Warehousing					
Travel and Communication					
R&D Expenses	131	90	222	182	
Enterprise Taxes, Taxes and Dues					
Depreciation	1,250	2,007	1,962	1,894	
(Detail of Sales)					
Overseas Sales	7,676	6,375	7,017	6,934	
Overseas Sales / Consolidated Sales	20	18	20	19	
Income Statement (SEC)					
Adjusted Net Profit	2,359	1,171	(5,901)	1,187	

Source: Compiled by SIR from SPEEDA data. Note: Figures may vary slightly due to rounding.

## ■ Balance Sheet

¥ mn, %	FY2019/09	FY2020/09	FY2021/09	FY2022/09
[IFRS]	act	act	act	act
Total Assets	43,484	55,320	45,888	48,707
Current Assets	16,155	23,083	21,545	25,011
Cash Equivalents And Short-term Investments	9,239	15,963	13,145	16,521
Cash & Cash Equivalents	9,239	15,963	13,145	16,521
Accounts Receivables	5,584	4,833	5,070	4,538
Accounts Receivable - Other and Accrued Income	846	831	786	864
Allowance for Doubtful Accounts - Assets	(89)	(110)	(70)	(77)
Non-Current Assets	27,329	32,236	24,343	23,696
Property, Plant & Equipment (PPE)	1,707	6,234	4,871	3,848
Construction In Progress	0	1	16	
Intangible Assets	22,133	22,163	14,111	14,441
Goodwill	20,244	19,913	11,027	11,591
Investments and Other Assets	3,489	3,839	5,361	5,407
Deferred Tax Assets - Non-Current	963	1,308	2,849	2,716
Total Liabilities	10,900	21,672	17,349	17,576
Current Liabilities	9,486	16,016	12,139	13,390
Trade Payables	3,630	2,665	3,178	3,037
Accounts Payable - Other and Accrued Expenses	2,782	2,094	1,963	2,303
Short-Term Debt	3,300	9,464	7,367	8,786
Short-Term Borrowings	3,300	8,632	6,629	8,092
Current Portion of Long-term Debt		833	738	693
Current Portion of Long-Term Borrowings		833	738	693
Non-Current Liabilities	1,415	5,656	5,210	4,186
Long-Term Debt	258	4,487	3,762	2,500
Long-Term Borrowings	258	4,487	3,762	2,500
Deferred Tax Liabilities - Non-Current	505	302	483	451
Total Net Assets	32,584	33,647	28,538	31,131
Total Shareholders' Equity	32,508	33,496	28,413	30,999
Shareholders' Equity	32,508	33,496	28,414	30,999
Capital Stock	9,716	9,716	9,716	9,716
Capital Surplus	9,922	9,923	9,982	10,033
Retained Earnings	16,040	16,843	10,297	11,025
Treasury Stock	(9)	(1,009)	(1,009)	(1,009)
Accumulated Other Comprehensive Income	(3,162)	(1,977)	(572)	1,234
Valuation Difference On Available-for-sale Securities	45	94	122	141
Foreign Currency Translation Adjustments	(3,207)	(2,071)	(694)	1,092
Non-controlling interest	76	151	125	132
(Supplemental data)				
Shareholders' Equity Ratio	75	61	62	64
ROE	9	4	(19)	4
ROA	6	2	(12)	3
ROIC (Business Assets)	10	4	(13)	4
ROIC (Invested Capital)	13	5	(22)	7
Interest-bearing Debt	3,558	13,952	11,128	11,285
D/E Ratio	0	0	0	0
Net D/E Ratio	(0)	(0)	(0)	(0)
Total Interest Bearing Debt/EBITDA	1	3		3
Accumulated Depreciation	1,009	1,148	1,241	1,477
Investments in Affiliates and Loans	671	447	339	1,113
Investments in Affiliates	671	447	339	1,113

Source: Compiled by SIR from SPEEDA data. Note: Figures may vary slightly due to rounding.

## ■ Statements of Cash Flows

¥ mn, % [IFRS]	FY2019/09 act	FY2020/09 act	FY2021/09 act	FY2022/09 act
Cash Flows from Operating Activities	2,166	4,884	1,288	2,697
Depreciation and Amortization - CF	1,274	2,025	1,978	1,911
Depreciation - CF	1,274	2,025	1,978	1,911
Interest and Dividends Received - Operating CF	2	20	1	5
Interest Paid - Operating CF	(23)	(106)	(112)	(172)
Cash Flows from Investing Activities	(2,837)	(1,730)	(1,068)	389
Payments for Purchases of Stocks of Subsidiaries and Affiliates	(422)	(7)		(800)
Proceeds from Sales of Stocks of Subsidiaries and Affiliates	473			2,440
Purchases/Sales of PPE	(174)	(496)	(97)	(86)
Payments for Purchases of PPE	(175)	(497)	(99)	(93)
Proceeds from Sales of PPE	1	1	2	7
Purchases/Sales of Intangible Assets	(380)	(560)	(679)	(587)
Payments for Purchases of Intangible Assets	(380)	(560)	(679)	(587)
Cash Flows from Financial Activities	2,783	3,392	(3,292)	(54)
Proceeds from Short-Term Borrowings		10,710		503
Repayments of Short-Term Borrowings	(300)	(6,430)	(1,101)	(251)
Increase in Long-Term Debt		2,393	410	1,320
Proceeds from Long-Term Borrowings		2,393	410	1,320
Repayments of Long-Term Debt		(833)	(1,055)	(404)
Repayments of Long-Term Borrowings		(833)	(1,055)	(404)
Proceeds from Issuance of Stock		40	21	
Redemption/Retirement of Stock	(9)	(1,000)	(20)	0
Cash Dividends Paid	(720)	(592)	(717)	(483)
Foreign exchange adjustment	(444)	178	255	344
Changes in Cash Flow	1,668	6,724	(2,817)	3,376
Cash & Cash Equivalent - Beginning	7,571	9,239	15,963	13,145
Cash & Cash Equivalent - Ending	9,239	15,963	13,145	16,521
Free Cash Flow (FCF)	(671)	3,154	220	3,086

Source: Compiled by SIR from SPEEDA data. Note: Figures may vary slightly due to rounding.



## 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. The copyright of this report belongs to Sessa Partners. Modification, manipulation, distribution or transmission of this report constitutes copyright infringement and is strictly prohibited.



### **Sessa Partners Inc.**

---

#5a i-o Azabu, 2-8-14  
Azabujyuban, Minato-ku, Tokyo  
[info@sessapartners.co.jp](mailto:info@sessapartners.co.jp)