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Consolidated Financial Report for the Nine-month Period Ended December 31, 2016 (IFRS)

February 13, 2017

Company name: NEXT Co., Ltd.	Listed exchange:	Tokyo Stock Exchange
Stock code: 2120	URL:	http://www.next-group.jp/en/
Representative: (Position) President and CEO	(Name) Takashi Inoue	
Contact: (Position) Managing Officer, Head of Group Company Business Development Department	(Name) Kazuhiko Abe	(TEL) 03-5783-3603
Scheduled quarterly securities report Submission date:	February 13, 2017	
Scheduled date of start of dividend payments:	-	
Preparation of supporting documentation for earnings:	Yes	
Earnings presentations:	Yes (For institutional investors and analysts)	

(Millions of yen; amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine-month Period Ended December 31, 2016 (April 1, 2016 to December 31, 2016)

(1) Consolidated Operating Results

(Percentages indicate year-on-year change)

	Revenue		Operating income		Profit before income taxes		Net profit		Profit attributable to owners of the parent		Total comprehensive income	
	¥	%	¥	%	¥	%	¥	%	¥	%	¥	%
Nine-month ended December 31, 2016	¥20,864	14.8	¥3,043	3.6	¥3,065	3.6	¥2,043	4.0	¥2,008	4.2	¥1,604	(22.2)
Nine-month ended December 31, 2015	¥18,180	50.6	¥2,937	45.5	¥2,958	46.5	¥1,965	54.1	¥1,928	51.5	¥2,060	29.0

	Basic earnings per share (yen)	Diluted net income per share (yen)
Nine-month ended December 31, 2016	16.92	-
Nine-month ended December 31, 2015	16.60	-

(Reference) EBITDA

Nine months ended December 31, 2015: ¥3,596 million

Nine months ended December 31, 2016: ¥3,821 million (up 6.3% year on year)

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Equity attributable to owners of the parent ratio (%)
As of December 31, 2016	¥24,625	¥18,228	¥17,957	72.9
As of March 31, 2016	¥25,265	¥17,142	¥16,922	67.0

2. Dividends

	Annual dividend				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	(yen)	(yen)	(yen)	(yen)	(yen)
Fiscal year ended March 31, 2016	-	0.00	-	4.50	4.50
Fiscal year ending March 31, 2017	-	0.00	-		
Fiscal year ending March 31, 2017 (forecast)			-	5.30	5.30

Note: There have been no changes in dividend forecast.

3. Forecasts on the Consolidated Results for the Fiscal Year Ending March 2017 (April 1, 2016 to March 31, 2017)

(Percentages indicate year-on-year change)

	Revenue		Operating income		Profit attributable to owners of the parent		Net profit per share
	¥	%	¥	%	¥	%	(Yen)
Fiscal Year ending March 31, 2017	¥31,653	23.1	¥4,803	20.2	¥3,144	17.7	26.49

*Note: Revision to the most recently announced consolidated forecasts: No

(Reference) EBITDA

Fiscal year ending March 31, 2017 (forecast): ¥5,803 million (up19.4%)

*** Notes**

- (1) There have been no changes in material subsidiaries during the term.
- (2) Changes in accounting policies, changes in accounting estimates, restatement
 - [1] There have been no changes in accounting policies required by IFRS.
 - [2] There have been no changes in accounting policies not falling within the scope of [1] above.
 - [3] There have been changes in accounting estimates, for this term.
- (3) Number of shares issued (common stock)
 - [1] Number of shares issued at the end of the period (including treasury stock)

As of December 31, 2016	118,789,100 shares
As of March 31, 2016	118,789,100 shares
 - [2] Treasury shares at the end of the period

As of December 31, 2016	73,636 shares
As of March 31, 2016	73,636 shares
 - [3] Average shares during term

As of December 31, 2016	118,715,464 shares
As of December 31, 2015	116,153,163 shares

*** Notes on the implementation status of quarterly review procedures**

This consolidated financial report is not subject to audit procedures based on the Financial Instruments and Exchange Act. As of the time of its release, audit procedures for financial statements based on the Act had to be completed.

*** Regarding appropriate use of results forecasts and other notes**

- Results forecasts and other forward-looking statements found in this document are based on information available to the Company at the time and on assumptions deemed reasonable. Actual results and outcomes may vary significantly due to various factors. For information on terms related to the assumptions used for results forecasts, reminders regarding use of results forecasts, and other related information, please refer to “Description of Consolidated Financial Results Forecast and Other Forward-Looking Information” on page 7.
- NEXT will hold an earnings results briefing for the institutional investors and financial Institutions. This Earnings Presentation, streaming video, and transcript will be posted on the Company’s website.
- February 14, 2017 (Tuesday): Earnings Results Analyst Meeting
- NEXT holds briefings for individual investors on regular basis. Please refer to the NEXT’s IR website for more details.

(Appendix)

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1. Qualitative Information on the Financial Results

(1) Description of Operating Results

Following our corporate mission of “Designing Delightful Encounters,” NEXT Co., Ltd. (the “Company”) develops a variety of businesses that closely relate to people’s lives, focusing on its real estate information service business.

The Company has adopted “Become a Global Company with DB+CCS (Database and Communication & Concierge Services)” as its corporate slogan, making it the centerpiece of the Company’s medium-term management strategy. The Company endeavors to provide the optimal information needed by users through a variety of channels by gathering, organizing, and integrating the massive amount of information in the world and making new information transparent. The Company is thereby striving to develop services that help people to take their first steps toward the future.

Notably, in Japan, besides providing services that have a close affinity with both users and real estate companies, the Company is also working to energize and expand the real estate market as a whole. The goal is to create a world where the real-estate information listing site, HOME’S, is indispensable.

Based on this strategy, the Company is focusing on the following priorities: Further increase information coverage and transparency in the Domestic Real Estate Information Services segment; Develop and expand sales of services in the Domestic Services for Realtors segment; Strengthen service development and marketing capabilities in the Overseas segment and explore new countries to enter; and Generate profits from new business fields outside the real estate field and develop new business.

As a result, the Company’s consolidated financial results for the nine-month period ended December 31, 2016 were as follows. Revenue was ¥20,864,246 thousand, up 14.8% year on year. Operating income was ¥3,043,639 thousand, up 3.6% year on year. Profit before taxes was ¥3,065,174 thousand, up 3.6% year on year. Profit for the period attributable to owners of the parent rose 4.2% year on year to ¥2,008,600 thousand.

NEXT Co., Ltd. focuses on EBITDA as an important economic indicator to measure its cash generating ability. This reflected the voluntary adoption of International Financial Reporting Standards (IFRS), the growing impact of overseas subsidiaries on consolidated revenue, and the need for comparison of earnings with overseas peers. In the nine-month period, EBITDA was ¥3,821,031 thousand, up 6.3% year on year.

Moreover, segment revenue and segment profit (loss) in the nine-month period were as follows.

(Thousands of yen; percentages indicate year-on-year change)

Segment	Revenue		Segment profit and loss	
	Amount	Change %	Amount	Change %
(1) Domestic Real Estate Information Services	14,602,246	13.2	2,868,266	15.9
(2) Domestic Services for Realtors ^{Note 2}	4,913,074	85.3	(108,882)	^{Note 3}
(3) Overseas	2,325,424	(12.0)	276,150	(42.7)
(4) Others	562,106	26.2	(16,097)	^{Note 4}

Notes:

1. Intersegment transactions have not been eliminated.
2. Lifull Marketing Partners Co., Ltd. became subsidiary in the three-month period ended June 30, 2015.
3. Segment profit in the previous term was ¥51,808 thousand.
4. Segment loss in the previous term was ¥40,124 thousand.

For further details on financial results, including the following items, please refer to the NEXT’s IR website, specifically the “Earnings Presentation for the Third Quarter of the Fiscal Year Ending March 31, 2017,” which was announced on February 13, 2017.

URL: <http://www.next-group.jp/en/ir/ir-data/ird-result/>

<Major items in the earnings presentation materials>

Condensed statements of profit and loss:	Condensed statements of profit and loss (IFRS).
Sales by segment:	Sales by segment (IFRS).
Progress against financial results forecasts:	Condensed statements of profit and loss and sales by segment.
Business strategies:	Main activities by segment.
Quarterly data:	Condensed statements of profit and loss and segment income and loss.
Collection of external statistical data:	Number of condominiums on sale, condominium sales prices, number of new housing starts, number of inter-prefectural migrants, and population.

(2) Description of Financial Position**(Current assets)**

Current assets stood at ¥10,818,639 thousand as of December 31, 2016, a decrease of ¥152,255 thousand from March 31, 2016 (the "previous fiscal year-end"). The main contributing factors were a decrease of ¥361,582 thousand in cash and cash equivalents, a decrease of ¥383,458 thousand in accounts receivable-trade and other current receivables, and an increase of ¥466,578 thousand in other short-term financial assets.

(Non-current assets)

Non-current assets stood at ¥13,806,952 thousand as of December 31, 2016, a decrease of ¥487,714 thousand from the previous fiscal year-end. The main components of this change were a decrease of ¥345,063 thousand in goodwill, a decrease of ¥279,264 thousand in intangible assets, a decrease of ¥158,338 thousand in deferred tax assets, and an increase of ¥332,198 thousand in other long-term financial assets.

As a result, total assets were ¥24,625,591 thousand as of December 31, 2016, a decrease of ¥639,969 thousand from the previous fiscal year-end.

(Current liabilities)

Current liabilities stood at ¥5,102,676 thousand as of December 31, 2016, a decrease of ¥888,757 thousand from the previous fiscal year-end. The main reasons for this change were an increase of ¥209,920 thousand in provisions, and a decrease of ¥1,022,037 thousand in accrued corporate income taxes.

(Non-current liabilities)

Non-current liabilities stood at ¥1,294,026 thousand as of December 31, 2016, a decrease of ¥837,973 thousand from the previous fiscal year-end. This was due to a decrease of ¥476,320 thousand in long-term loans, and a decrease of ¥209,997 thousand in provisions.

As a result, total liabilities were ¥6,396,703 thousand, a decrease of ¥1,726,731 thousand from the previous fiscal year-end.

(Equity)

Total equity stood at ¥18,228,888 thousand, an increase of ¥1,086,761 thousand from the previous fiscal year-end. The main component was an increase of ¥2,008,600 thousand in retained earnings due to the recording of profit for the period attributable to owners of the parent, which was offset by a decrease of ¥534,219 thousand in retained earnings due to the payment of dividends, along with a decrease of ¥432,921 thousand in other

components of equity.

(3) Description of Consolidated Financial Results Forecast and Other Forward-Looking Information

The Company's consolidated financial results forecasts are unchanged from those announced on May 11, 2016.

2. Matters Concerning Summary Information (Notes)

(1) Changes in accounting policies, changes in accounting estimates

(Changes in the accounting estimates)

At a meeting of the Board of Directors held in November 2016, the Company passed a resolution concerning the relocation of its headquarters.

Accordingly, the Company has shortened the depreciation over useful lives of the non-current assets that will become unavailable due to the headquarters relocation, and has changed the depreciation over useful lives from the nine-month period ended December 31, 2016 so that the depreciation will be completed during the period up to the planned date of relocation. Moreover, regarding the asset retirement obligation to restore the headquarters to its original state before the relocation under the real estate lease contract, the estimated useful life associated with amortization has been shortened, and the future estimate has been changed.

As a result of this change, for the nine month period ended December 31, 2016, both operating income and profit before taxes decreased by ¥107,044 thousand compared to the method used hitherto.

3. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statements of Financial Position

(Thousands of yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	6,625,268	6,263,685
Accounts receivable-trade and other current receivables	3,901,156	3,517,697
Other short-term financial assets	26,400	492,978
Other current assets	418,070	544,277
Total current assets	10,970,894	10,818,639
Non-current assets		
Property, plant and equipment	624,679	585,272
Goodwill	9,150,806	8,805,742
Intangible assets	3,076,939	2,797,674
Investments accounted for using the equity method	42,101	42,205
Other long-term financial assets	808,763	1,140,962
Deferred tax assets	587,529	429,191
Other non-current assets	3,847	5,903
Total non-current assets	14,294,666	13,806,952
Total assets	25,265,561	24,625,591

(Thousands of yen)

	As of March 31, 2016	As of December 31, 2016
Liabilities and equity		
Liabilities		
Current liabilities		
Accounts payable and other current payables	2,267,417	2,350,264
Short-term loans	970,797	981,071
Accrued corporate income taxes	1,063,209	41,171
Provisions	-	209,920
Other current liabilities	1,690,009	1,520,248
Total current liabilities	5,991,433	5,102,676
Non-current liabilities		
Long-term loans	1,468,608	992,288
Provisions	209,997	-
Other long-term financial liabilities	76,115	37,024
Deferred tax liabilities	240,157	264,714
Other non-current liabilities	137,121	-
Total non-current liabilities	2,132,000	1,294,026
Total liabilities	8,123,434	6,396,703
Equity		
Attributable to the owners of the parent		
Capital stock	3,999,578	3,999,578
Capital surplus	4,530,520	4,524,259
Retained earnings	9,584,163	11,058,543
Treasury shares	(8,619)	(8,619)
Other components of equity	(1,183,496)	(1,616,418)
Attributable to the owners of the parent	16,922,145	17,957,344
Attributable to non-controlling interests	219,980	271,544
Total equity	17,142,126	18,228,888
Total liabilities and equity	25,265,561	24,625,591

(2) Condensed Consolidated Statements of Profit or Loss and Condensed Consolidated Statements of Comprehensive Income

Consolidated Statements of Profit or Loss

For the Nine-month period ended December 31, 2016

(Thousands of yen)

	Nine-month period ended December 31, 2015	Nine-month period ended December 31, 2016
Revenue	18,180,213	20,864,246
Cost of revenue	1,476,293	2,183,074
Gross profit	16,703,920	18,681,171
Selling, general and administrative expenses	13,678,424	15,558,431
Other income (expense)—net	(88,133)	(79,100)
Operating income	2,937,362	3,043,639
Financial revenue	27,984	52,363
Financial expenses	9,114	30,932
Share of profit (loss) of investments accounted for using the equity method	1,816	104
Profit before taxes	2,958,048	3,065,174
Income tax expenses	992,334	1,021,759
Profit for the period	1,965,714	2,043,415
Profit for the period attributable to:		
Owners of the parent	1,928,221	2,008,600
Non-controlling interests	37,492	34,814
Total	1,965,714	2,043,415
		(yen)
Profit for the period per share attributable to owners of the parent		
Basic profit for the period per share	16.60	16.92
Diluted profit for the period per share	-	-

For the three-month period ended December 31, 2016

(Thousands of yen)

	Three-month period ended December 31, 2015	Three-month period ended December 31, 2016
Revenue	6,280,908	7,107,016
Cost of revenue	597,522	774,511
Gross profit	5,683,386	6,332,505
Selling, general and administrative expenses	4,573,418	5,761,597
Other income (expense)—net	(33,540)	(30,468)
Operating income	1,076,426	540,439
Financial revenue	1,012	801
Financial expenses	1,663	248
Share of profit (loss) of investments accounted for using the equity method	1,472	902
Profit before taxes	1,077,248	541,894
Income tax expenses	382,232	193,579
Profit for the period	695,015	348,315
Profit for the period attributable to:		
Owners of the parent	693,612	331,656
Non-controlling interests	1,403	16,658
Total	695,015	348,315
		(yen)
Profit for the period per share attributable to owners of the parent		
Basic profit for the period per share	5.84	2.79
Diluted profit for the period per share	-	-

Condensed Consolidated Statements of Comprehensive Income
For the nine-month period ended December 31, 2016

(Thousands of yen)

	Nine-month period ended December 31, 2015	Nine-month period ended December 31, 2016
Profit for the period	1,965,714	2,043,415
Other comprehensive income		
Items that may be reclassified to profit or loss, net of tax:		
Available-for-sale financial assets	-	6,225
Exchange differences on translation of foreign operations	95,600	(447,909)
Other	(327)	2,700
Other comprehensive income, after tax	95,273	(438,983)
Total comprehensive income for the period	2,060,988	1,604,431
Comprehensive income for the period attributable to:		
Owners of the parent	2,029,025	1,575,678
Non-controlling interests	31,962	28,752
Total	2,060,988	1,604,431

For the three-month period ended December 31, 2016

(Thousands of yen)

	Three-month period ended December 31, 2015	Three-month period ended December 31, 2016
Profit for the period	695,015	348,315
Other comprehensive income		
Items that may be reclassified to profit or loss, net of tax:		
Available-for-sale financial assets	-	13,883
Exchange differences on translation of foreign operations	(277,336)	784,170
Other	1,038	1,404
Other comprehensive income, after tax	(276,297)	799,458
Total comprehensive income for the period	418,717	1,147,773
Comprehensive income for the period attributable to:		
Owners of the parent	421,764	1,131,240
Non-controlling interests	(3,046)	16,532
Total	418,717	1,147,773

(3) Condensed Consolidated Statements of Changes in Equity

For the nine-month period ended December 31, 2015 (April 1, 2015 to December 31, 2015)

(Thousands of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Balance as of April 1, 2015	1,999,578	2,542,779	7,238,407	(8,142)	(948,014)	10,824,608	28,789	10,853,398
Profit for the period	-	-	1,928,221	-	-	1,928,221	37,492	1,965,714
Other comprehensive income	-	-	-	-	100,804	100,804	(5,530)	95,273
Total comprehensive income for the period	-	-	1,928,221	-	100,804	2,029,025	31,962	2,060,988
Dividends of surplus	-	-	(324,641)	-	-	(324,641)	-	(324,641)
Increase (decrease) through treasury shares transactions	-	-	-	(476)	-	(476)	-	(476)
Issuance of new shares	1,999,999	1,987,741	-	-	-	3,987,740	-	3,987,740
Increase due to business combinations	-	-	-	-	-	-	152,541	152,541
Total transactions with owners	1,999,999	1,987,741	(324,641)	(476)	-	3,662,622	152,541	3,815,163
Balance as of December 31, 2015	3,999,578	4,530,520	8,841,987	(8,619)	(847,210)	16,516,256	213,292	16,729,549

For the nine-month period ended December 31, 2016 (April 1, 2016 to December 31, 2016)

(Thousands of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Balance as of April 1, 2016	3,999,578	4,530,520	9,584,163	(8,619)	(1,183,496)	16,922,145	219,980	17,142,126
Profit for the period	-	-	2,008,600	-	-	2,008,600	34,814	2,043,415
Other comprehensive income	-	-	-	-	(432,921)	(432,921)	(6,062)	(438,983)
Total comprehensive income for the period	-	-	2,008,600	-	(432,921)	1,575,678	28,752	1,604,431
Dividends of surplus	-	-	(534,219)	-	-	(534,219)	(16,640)	(550,859)
Capital transaction with owners of non-controlling interests	-	(6,260)	-	-	-	(6,260)	39,450	33,189
Total transactions with owners	-	(6,260)	(534,219)	-	-	(540,480)	22,810	(517,670)
Balance as of December 31, 2016	3,999,578	4,524,259	11,058,543	(8,619)	(1,616,418)	17,957,344	271,544	18,228,888

(4) Condensed Consolidated Statements of Cash Flows

(Thousands of yen)

	Nine-month period ended December 31, 2015	Nine-month period ended December 31, 2016
Cash flow from operating activities		
Profit for the period before tax	2,958,048	3,065,174
Depreciation and amortization	660,737	778,495
Financial revenue	(27,984)	(11,838)
Financial expenses	9,114	30,932
Decrease (increase) in accounts receivable-trade and other current receivables	289,605	366,743
Increase (decrease) in accounts payable-trade and other current payables	(1,104,093)	(90,086)
Others	57,138	(252,708)
Subtotal	2,842,566	3,886,713
Interest and dividends received	3,680	2,620
Interest paid	(6,945)	(1,022)
Income taxes paid	(1,121,459)	(1,831,303)
Net cash from operating activities	1,717,841	2,057,008
Cash flow from investing activities		
Purchase of available-for-sale financial assets	-	(229,999)
Proceeds from sale of available-for-sale financial assets	16,625	13,007
Purchase of property, plant and equipment	(46,148)	(164,065)
Proceeds from sale of property, plant and equipment	1,973	1,453
Purchase of intangible assets	(458,042)	(356,714)
Payments into time deposits	(27,300)	-
Proceeds from refunds of time deposits	1,001,000	-
Purchase of subsidiaries	(132,551)	-
Payments for lease and guarantee deposits	(43,264)	(603,232)
Others	8,260	5,118
Net cash from investing activities	320,552	(1,334,433)
Cash flow from financing activities		
Repayment of short-term loans	(7,000,000)	-
Proceeds from long-term loans	3,000,000	-
Repayment of long-term loans	-	(499,995)
Dividends paid	(347,183)	(535,419)
Dividends paid to non-controlling interests	-	(16,640)
Proceeds from issuance of shares	3,982,103	-
Contribution from non-controlling interests	-	33,189
Purchase of treasury shares	(476)	-
Net cash from financing activities	(365,556)	(1,018,866)
Effect of exchange rate changes on cash and cash equivalents	(12,086)	(65,291)
Net increase (decrease) in cash and cash equivalents	1,660,751	(361,582)
Cash and cash equivalents at beginning of period	4,268,072	6,625,268
Cash and cash equivalents at end of period	5,928,823	6,263,685

(5) Notes to the Condensed Consolidated Financial Statements

(Note Regarding Going Concern Assumption)

Not applicable.