

Brief Report of the Settlement of Accounts
(Consolidated, Japanese Standard) for March 2012

May 9, 2012

Listed company name: NEXT Co., Ltd.

Listed exchange market: Tokyo Stock Exchange

Code Number: 2120

URL: <http://www.next-group.jp/>

Representative: (Position) President and CEO

(Name) Takashi Inoue

Contact person: (Position) Executive officer and chief director of administration

(Name) Kokichi Hamaya TEL: (03) 5783-3603

Scheduled annual meeting of shareholders: June 26, 2012

Scheduled dividends payout date: June 27, 2012

Scheduled securities report submission date: June 27, 2012

Preparation of support documentation for the settlement of accounts: Yes

Meetings for the settlement of accounts: Yes (For institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the period ended March, 2012 (From April 1, 2011 to March 31, 2012)

(1) Consolidated results of operations

(Percentage indicates an increase or decrease in the ratio from the previous financial year)

	Sales		Operating profit		Current profit		Net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 03/2012	10,319	(3.9)	952	(45.6)	982	(43.6)	465	(57.9)
FY 03/2011	10,738	(0.4)	1,749	(11.6)	1,742	(10.6)	1,107	7.9

(Note) Comprehensive income: FY 03/2012 470 million yen ((57.6%)) FY 03/2011 1,111 million yen (8.5%)

	Net profit per share	Diluted net income per share	Return on equity	Return on assets	Operating margin
	Yen	Yen	%	%	%
FY 03/2012	24.83	24.78	5.6	9.9	9.2
FY 03/2011	59.08	58.83	14.5	17.8	16.3

(Reference) Equity in earnings of affiliates: FY 03/2012 __ million yen FY 03/2011 __ million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholder equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 03/2012	10,119	8,477	83.8	451.95
FY 03/2011	9,711	8,115	83.6	432.77

(Reference) Shareholders' equity: FY 03/2012 8,477 million yen FY 03/2011 8,115 million yen

(3) Consolidated cash flow status

	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Cash and cash equivalent at period end
	Million yen	Million yen	Million yen	Million yen
FY 03/2012	1,512	(2,698)	(108)	3,413
FY 03/2011	660	(2,317)	(124)	4,707

2. Dividends

	Annual dividends					Total dividends (Total)	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
	End of first quarter	End of second quarter	End of third quarter	End of quarter	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 03/2011	-	0.00	-	590.00	590.00	110	10.0	1.9
FY 03/2012	-	0.00	-	3.70	3.70	69	14.9	0.8
FY 03/2013 (Forecast)	-	0.00	-	1.70	1.70		14.8	

(Note) Change from the latest dividend forecast announced - No

The Company conducted a 1-to-100 stock split for its common shares effective October 1, 2011.

3. Forecast of consolidated performance for FY 03/2013 (from April 1, 2012 to 31 March, 2013)

(For the full year, the percentage indicates an increase or decrease in the ratio from the previous financial year and for the second quarter [accumulated total], from the second quarter of the previous year.)

	Sales		Operating profit		Current profit		Net profit		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second quarter (accumulated total)	4,951	2.7	347	38.1	296	11.1	154	106.9	8.22
Full-year	10,332	0.1	535	(43.8)	447	(54.4)	215	(53.8)	11.48

(Note)

(1) Change in material subsidiaries during the period (changes in specified subsidiaries accompanying a change in the scope of consolidation): No

(2) Change in the accounting policy, change in the accounting estimation or revision and restatement

1) Change in the accounting policy due to amendment to accounting standards: Yes

2) Change in the accounting policy other than "1)": No

3) Change in the accounting estimation: No

4) Revision and restatement: No

Note: For details, please refer to "Changes in Basic Significant Matters for Consolidated Statement Preparation" on Page 22 of the attachment.

(3) Number of shares outstanding (common shares)

1) Number of shares outstanding at the end of the period (including treasury stock)

2) Number of shares of treasury stock at the end of the period

3) Average number of shares during the period

FY 03/2012	18,770,000 shares	FY 03/2011	18,765,000 shares
FY 03/2012	12,000 shares	FY 03/2011	12,000 shares
FY 03/2012	18,756,867 shares	FY 03/2011	18,738,546 shares

The Company conducted a 1-to-100 stock split for its common shares effective October 1, 2011. The numbers of shares shown above were calculated assuming this stock split had taken place on April 1, 2011

(Note) For details, please refer to "Per Share Information" on Page 35 of the attachment.

(Reference) A brief summary of non-consolidated financial results

1. Non-consolidated financial results for FY 03/2012 (from April 1, 2011 to 31 March, 2012)

(1) Non-consolidated business performance

(Percentage indicates an increase or decrease in the ratio from the previous financial year.)

	Sales		Operating profit		Current profit		Net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 03/2012	9,920	(0.9)	833	(48.6)	881	(45.8)	415	(17.9)
FY 03/2011	10,005	7.9	1,622	(21.3)	1,626	(20.6)	506	(42.7)

	Net profit per share	Diluted net income per share
	Yen	Yen
FY 03/2012	22.16	22.11
FY 03/2011	27.03	26.92

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 03/2012	10,052	8,503	84.6	453.34
FY 03/2011	9,729	8,190	84.2	436.77

(Reference) Shareholders' equity:

FY 03/2012 8,503 million yen FY 03/2011 8,190 million yen

2. Forecast of non-consolidated financial results for FY 03/2013 (from April 1, 2012 to March 31, 2013)

(For the full year, the percentage indicates an increase or decrease in the ratio from the previous financial year. For the second quarter [accumulated total], the percentage indicates an increase or decrease from the second quarter of the previous year.)

	Sales		Current profit		Net profit		Net income per share
Second quarter (accumulated total)	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	4,721	1.9	293	31.4	173	236.7	9.27
	9,840	(0.8)	431	(51.1)	247	(40.5)	13.19

* Indication regarding the performance of audit procedures

- This "Brief Report of the Settlement of Accounts" is not subject to audit procedures in accordance with the Financial Instruments and Exchange Law, and as such, the audit procedures for the financial statements in accordance with the Financial Instruments and Exchange Law had not been completed when this "Brief Report of the Settlement of Accounts" was disclosed.

* Description of the appropriate usage of the business performance forecast and other special matters

- Any descriptions regarding future matters such as a business performance forecast, etc., as stated in this material, are based on the information we currently have and certain assumptions that are considered reasonable. However, the actual business performance may differ significantly for various causes. Please refer to "Analysis of Operation Results" on Page 2 of the attachment for precautions when considering the conditions that are assumed to comprise the business performance forecast and when reading the business performance forecast.
- Our company plans to hold a results briefing for institutional investors and analysts on May 11, 2012. This briefing and its descriptions (in sound recording format) will be listed on our website shortly after being held, together with the account settlement information used on the day.

1. Operation results

(1) Analysis of operation results

□ Operation results for FY 03/2012

During the FY 03/2012 consolidated fiscal year (hereinafter referred to as "FY 03/2012"), the Japanese economy temporarily suffered a significant downturn earlier in the year, affected by the Great East Japan Earthquake. Subsequently however, the nation's post-disaster restoration efforts began to gradually gain momentum, accompanied by signs of fairly steady economic recovery, including a fast-paced rebound in industrial production and firming consumer spending. Despite such developments, the future economic outlook continued to remain uncertain in the face of the European sovereign debt crisis, the persistently strong yen and poor stock market performance.

As for the real estate and construction industries, the NEXT Group's main customer sectors, new housing starts for calendar year 2011 stood at 834,117, an increase of 2.6% year on year, marking the second consecutive year of growth. Conversely, rental housing starts totaled 285,832, a decrease of 4.1% year on year, recording the third consecutive year of decline. (Data source: Ministry of Land, Infrastructure, Transport and Tourism) Meanwhile, according to the Annual Report on the Internal Migration in Japan Derived From the Basic Resident Registers released by the Ministry of Internal Affairs and Communications, the number of internal migrants in Japan stood at 5.04 million for calendar year 2011 (a decrease of 0.8% year on year), marking the eighth consecutive year of decline.

Amidst such operating conditions, in its medium-term management plan, the NEXT Group cites its aim to become a global company with a Database + Communication Concierge Service (DB + CCS), and toward this end, has been accumulating, sorting and integrating the flood of information circulating worldwide and providing optimal information to users through a wealth of devices.

In the real estate information services business, its main service line, the Company achieved significant growth in the number of objects posted on its website following a change implemented in the "HOME'S Rental & Real Estate Trade" business, under the above-mentioned strategy, from the pay-per-posting-based fee structure to the pay-per-inquiry-based fee structure in January 2011. However, sales for the real estate information services business continued to show a year-on-year decline for each month from January 2011 to January 2012. To attain income recovery as early as possible, in FY 03/2012 we continued to strive to achieve increased website user inquiries through efforts to further expand the number of objects posted on our website, enhance usability for our website, gain better consumer recognition and attain more users.

Moreover, to provide real estate information services in overseas markets, the NEXT Group took equity participation in different entities based in the Kingdom of Thailand ("Thailand"), People's Republic of China ("China"), Republic of China ("Taiwan") and Republic of Indonesia ("Indonesia"), and began to offer real estate information services in Thailand starting from January 2012 and China from April 2012.

During FY 03/2012, the Company continued to invest earnestly in "Lococom," the local information services business, based on its service business model renewal implemented in April 2011. However, despite such efforts, no increased income for this service line was achieved. Consequently, as announced in the "Notice concerning the posting of extraordinary loss and differences between the consolidated business forecast and actual results for the cumulative 2nd quarter" dated November 9, 2011, impairment losses were recognized for the entire amount of software relating to "Lococom" during the quarter ended September 30, 2011, and an impairment loss of 113,500 thousand yen was posted. In addition, the Company implemented a cost reduction program in the year under review.

As such, our consolidated business performance in FY 03/2012 resulted in the following: Sales of 10,319,668 thousand yen (a decrease of 3.9%, compared with the previous consolidated fiscal year (hereinafter, "FY 03/2011")); operating profit of 952,612 thousand yen (a decrease of 45.6%); current profit of 982,375 thousand yen (a decrease of 43.6%); and net profit of 465,810 thousand yen (a decrease of 57.9%).

The following is the sales and operating profit and loss per segment for FY 03/2012:

(Unit: thousand yen)

Segment name	Sales	Period over period (%)	Operating profit and loss	Period over period (%)
(1) Real estate information services	10,222,103	(1.8)	1,912,960	(12.0)
(2) Local information services	30,308	(16.5)	(633,602)	(Note 2) -
(3) Others	67,256	150.6	(326,745)	(Note 3) -

(Note)

1. Intersegment transactions have not been offset or eliminated.
2. An operating loss of 314,522 thousand yen was recorded for the same period the previous fiscal year.
3. An operating loss of 128,648 thousand yen was recorded for the same period the previous fiscal year.

4. The Guarantor Operating Business, which had been a reportable segment until the previous fiscal year, has been excluded following the sale of all shares of NFS Co., Ltd., which corresponded to said segment, on August 2, 2010, and the exclusion of said company from the scope of consolidation on July 1, 2010. The Guarantor Operating Business posted sales of 268,819 thousand yen and operating profit of 19,342 thousand yen in the same period the previous fiscal year.

- 1) Real estate information services

The real estate information services comprise real estate and housing portal site services, such as "Rental & Real Estate Trade," "New Condominiums," "New Houses," and "Custom Built House and Renovation," etc., branded with the name "HOME'S," along with CRM services for real estate companies provided by Renters Co., which is our consolidated subsidiary.

In the year under review, supported by moderate market recovery, sales for "New Condominiums" increased by 271,630 thousand yen, or 24.0%, compared with FY 03/2011 while sales for "New Houses" grew by 409,776 thousand yen, or 41.2%, compared with FY 03/2011, marking a year of significant sales gain.

In the "Rental & Real Estate Trade" business, the main service line of the real estate information services, following a change from the pay-per-posting-based fee structure to the pay-per-inquiry-based fee structure implemented in January 2011, sales continued to show a year-on-year decline for each month from January 2011 to January 2012. To attain income recovery as early as possible, in FY 03/2012, we continued to strive to increase website user inquiries through efforts to further expand the number of objects posted on our website, boost its usability, improve consumer recognition and attain increased users. Thanks to such endeavors, "HOME'S" the residential/real estate information portal site run by the Company, was ranked number one in Japan in terms of the number of properties posted among five major real estate information portal sites in Japan, exceeding the next most popular portal site by a margin of 2 million properties (Note). In terms of the number of site users, "HOME'S" ranked top in terms of visitor numbers, among real estate information portal sites, according to the Nielsen Net Ratings January 2012 data (access from PCs installed at the home and workplace). The NEXT Group also sought to improve consumer recognition by running TV commercials demonstrating the perception of "HOME'S" as a portal site enabling users to "find desirable property quickly" and as the "portal site listing the largest number of properties in Japan," coinciding with the January to March peak moving season for 2012. While these initiatives helped boost sales for the "Rental & Real Estate Trade" business rising year-on-year for February and March 2012, respectively, overall sales for the business in FY 03/2012 declined significantly by 1,139,776 thousand yen, a decrease of 16.1%.

As part of its overseas business development-related initiative, the Company, starting from April 2011, launched Japan's first, English- and Chinese-compatible, property information search services on "HOME'S," thereby enabling multilingual searches of the approximately 3.61 million properties (average number of property information items for March 2012) in Japan. In September 2011, the Company established the Group's first overseas subsidiary (99.9% equity ownership by NEXT) in Thailand, and took equity participation in China (39.0% equity ownership by NEXT), Taiwan (12.2% equity ownership by NEXT) in December 2011, respectively, and in Indonesia (50.0% equity ownership by NEXT) in April 2012.

In Thailand, the Company introduced the Thai real estate information website "HOME'S Thailand" in January 2012. In China, the Company launched the real estate information website "homescn.com" in April 2012.

As such, sales for the real estate information services stood at 10,222,103 thousand yen (a decrease of 1.8% compared with FY 03/2011), with operating profit at 1,912,960 thousand yen (a decrease of 12.0%).

(Note) As of December 6, 2011. Data from Shukan Jutaku Shinbun

- 2) Local information services

The local information services comprise services provided through "Lococom," the local information website. As mentioned earlier, during FY 03/2012, the Company continued to invest in the "Lococom" business in earnest in relation to its business model renewal, yet such endeavor failed to achieve increased income for this service line. Consequently, impairment losses were recognized for the entire amount of software relating to "Lococom" during the quarter ended September 30, 2011. In addition, starting from the quarter ended December 31, 2011, the Company implemented a cost reduction program.

As such, sales for the local information services stood at 30,308 thousand yen (a decrease of 16.5% compared with FY 03/2011), with operating loss at 633,602 thousand yen (compared with 314,522 thousand yen in operating loss for FY 03/2011).

- 3) Others

This business comprises the non-life insurance agency business and services provided through "MONEYMO," the lifestyle and money portal site, as well as "eQOL Skincare," the information services business line designed to serve the needs of atopic patients and career education support services for university students.

Sales for Others stood at 67,256 thousand yen (an increase of 150.6% compared with FY 03/2011), with operating loss at 326,745 thousand yen (compared with 128,648 thousand yen in operating loss for FY 03/2011).

Please refer to the “Account Settlement Explanatory Information for the Period Ended March 2012” announced on May 9, 2012 on our IR website, for the status per segment, the following matters, and for a more detailed account settlement.

Reference URL: <http://www.next-group.jp/en/ir/financial.html>

<Main matters regarding account settlement explanatory information>

- Historical operating profit (loss): Causes of increase and decrease in main expenses and historical ratios of main expenses to sales
- Historical sales by service category: Historical sales shown in more detail than on a segment basis and causes of increases and decreases
- Status of the business performance forecast: Progress of sales by service category and main expenses against business performance forecast
- Topics: Main approaches by segment
- Quarterly data: Income statement (simplified version), sales by service category, and profit & loss by segment
- Collection of external statistical data: Number of condominiums put on sale, their prices, number of new housing starts, number of inter-prefectural migrants, population and the number of households

Forecast for the Next Year

Below is the forecast consolidated business performance for FY 03/2013:

(Unit: million yen)

	Current performance (FY 03/2012)	Performance forecast for next year (FY 03/2013)	Increase or decrease in amount	Increase or decrease in ratio (%)
Sales	10,319	10,332	12	0.1
Real estate information services	10,222	10,175	(46)	(0.5)
Local information services	30	49	19	63.2
Others	67	107	40	60.6
Operating profit	952	535	(417)	(43.8)
Current profit	982	447	(534)	(54.4)
Net profit	465	215	(250)	(53.8)

(Note) Transactions between segments are allocated to offset.

In FY 03/2013, we will continue to accumulate, sort and integrate the flood of information circulating worldwide and provide optimal information through any and all kinds of devices to users, aiming to become a global company with a Database + Communication Concierge Service (DB + CCS), a goal set under our medium-term management plan.

As our top priority challenge, we target an absolute No. 1 for “HOME’S”— the housing and real estate information portal website of our real estate information services, while improving its media value. Moreover, we aim to provide real estate and housing information portal site services in various countries in Asia, including ASEAN nations, while integrating Asia’s property information. At the same time, we seek to build a platform for a comprehensive multilingual real estate and housing information portal site enabling any user to search and inquire about different countries’ property information on a one-stop basis, and deliver services via the same. In addition, we will continue efforts to grow new businesses that will potentially become the second or third new earnings drivers following that of real estate information services.

While in FY 03/2013 the Company’s overall sales are forecast to remain more or less flat compared with FY 03/2012, sales for the real estate information services business are anticipated to show a small year-on-year decline. This is mainly due to the significant sales volatility involved in the business model used by this business’s main service line “HOME’S Rental & Real Estate Trade,” a business model predicated on the pay-per-inquiry-based fee structure. The above-mentioned sales projection was based on conservative trial calculations performed by the Company and the fact that the high gross profit margin of this service line - almost 100% - means any variation in sales tends to have a big impact on profit. Although we will implement a branding promotion enhancement initiative as one of our priority measures in FY 03/2013, our conservative policy means we have not factored the potential sales gain from this initiative into the above-mentioned sales forecast. This is another reason for the projected year-on-year sales decline for the real estate information services business.

As for profit, advertising costs for FY 03/2013 are projected to grow by approximately 400 million yen compared with FY 03/2012 due to the implementation of the branding promotion enhancement initiative for the real estate information services business. Although costs associated with our new business development programs and overseas business

operations are expected to increase for FY 03/2013, those of other categories are anticipated to remain more or less flat compared with FY 03/2012 as the Company will continue with its cost-saving and productivity improvement efforts.

The NEXT Group's equity method affiliate, Next Property Media Holdings Limited, currently provides real estate information services in China with a local Chinese partner company. Launched as recently as April 2012, these services remain in an upfront investment stage, and are thus anticipated to incur approximately 200 million yen in net losses for FY 03/2013. As a result, the NEXT Group for FY 03/2013 is likely to recognize, under non-operating expenses, an investment loss on equity method; the extent of which will be determined by prorating the anticipated loss based on its equity share in the affiliate (40.2%).

Based on these, the consolidated business performance for the full year has been forecasted as follows: Sales at 10,332 million yen (an increase of 0.1%, compared with FY 03/2012), operating profit at 535 million yen (a decrease of 43.8%), current profit at 447 million yen (a decrease of 54.4%) and net profit at 215 million yen (a decrease of 53.8%). Please refer to the "Account Settlement Explanatory Information for the Period Ended March 2012," announced on May 9, 2012 on our IR website, for a detailed business performance forecast, including business performance forecast per service and a forecast for main sales management expenses.

Reference URL: <http://www.next-group.jp/en/ir/financial.html>

The above business performance forecasts are based on information currently available and assumptions for uncertainties that will impact on future business performance. Actual business performance may differ from the above forecasts due to various causes in future.

(2) Analysis of the Financial Position

1) Status of assets, liabilities, and net assets

(Assets)

The balance of current assets as of March 31, 2012 stood at 7,255,886 thousand yen, an increase of 414,143 thousand yen from the end of the previous consolidated fiscal year ("previous year-end"). This increase was primarily due to an increase of 2,217,076 thousand yen in cash and deposits and an increase of 128,668 thousand yen in accounts receivable-trade as well as to a decrease of 1,510,964 thousand yen in short-term investment securities and a decrease of 359,364 thousand yen in corporate taxes receivable.

The balance of noncurrent assets as of March 31, 2012 stood at 2,863,288 thousand yen, a decrease of 6,440 thousand yen from the previous year-end. This decrease was primarily due to a decrease of 201,713 thousand yen in property, plant and equipment owing to depreciation and a decrease of 109,626 thousand yen in intangible noncurrent assets as a result of the impairment of software and an increase of 333,090 thousand yen in investment securities resulting from an acquisition of shares.

As a result of the above, total assets as of March 31, 2012 amounted to 10,119,174 thousand yen, representing an increase of 407,703 thousand yen from the previous year-end.

Income before income taxes and minority interests

(Liabilities)

The balance of current liabilities as of March 31, 2012 stood at 1,399,874 thousand yen, an increase of 44,258 thousand yen from the previous year-end. This increase was primarily due to an increase of 291,921 thousand yen in accrued corporate taxes, an increase of 40,617 thousand yen in accrued consumption taxes and an increase of 29,795 thousand yen in deposits received and to a decrease of 145,908 thousand yen in accounts payable-other and a decrease of 183,345 thousand yen in provision for bonuses.

The balance of noncurrent liabilities as of March 31, 2012 stood at 241,552 thousand yen, an increase of 1,438 thousand yen from the previous year-end. This increase was due to an increase of 3,899 thousand yen in asset retirement obligations and a decrease of 2,461 thousand yen in deferred tax liabilities.

As a result of the above, total liabilities as of March 31, 2012 amounted to 1,641,427 thousand yen, representing an increase of 45,696 thousand yen from the previous year-end.

(Net assets)

The balance of net assets as of March 31, 2012 stood at 8,477,747 thousand yen, an increase of 362,006 thousand yen from the previous year-end. This increase was primarily due to an increase of 465,810 thousand yen in retained earnings owing to net income and a decrease of 110,642 thousand yen in retained earnings as a result of the payment of dividends.

2) Status of cash flow

(Unit: thousand yen)

Category	Previous consolidated fiscal year From: April 1, 2010 To: March 31, 2011	Current consolidated fiscal year From: April 1, 2011 To: March 31, 2012	Increase or decrease
Cash flow from operating activities	660,729	1,512,798	852,069
Cash flow from investment activities	(2,317,018)	(2,698,233)	(381,214)
Cash flow from financing activities	(124,438)	(108,656)	15,782
Increase in cash and cash equivalents	(1,780,728)	(1,294,485)	486,242

Cash and cash equivalents (hereinafter, "cash") as of March 31, 2012 stood at 3,413,078 thousand yen, a decrease of 1,294,485 thousand yen from March 31, 2011.

The following is the status of individual categories of cash flows for FY 03/2012:

(Cash flows from operating activities)

Cash generated from operating activities increased by 1,512,798 thousand yen for FY 03/2012, an increase of 852,069 thousand yen compared with an increase of 660,729 thousand yen for FY 03/2011. Although income before income taxes and minority interests declined to 868,874 thousand yen, a decrease of 496,271 thousand yen from FY 03/2011, cash generated from operating activities increased, mainly due to 534,554 thousand yen in depreciation, amortization and goodwill amortization, an increase of 157,024 thousand yen from FY 03/2011 (depreciation, amortization and goodwill amortization had amounted to 377,529 thousand yen for FY 03/2011), and to an increase of 140,053 thousand yen in accounts receivable-trade, an increase smaller than that for FY 03/2011 by 156,319 thousand yen (an increase in accounts receivable-trade had amounted to 296,372 thousand yen for FY 03/2011), as well as to a decrease of 113,500 thousand yen in impairment loss and to 107,339 thousand yen in accounts payable-other, an increase of 312,977 thousand yen from FY 03/2011 (an increase in accounts payable-other had stood at 205,637 thousand yen). Other main causes of the increase in cash generated from operating activities include the absence of the loss on sale of shares in NEXT Financial Services Co., Ltd. (229,956 thousand yen for FY 03/2011) and of the increase in the provision for loss on the headquarters relocation (125,137 thousand yen for FY 03/2011) as well as an income tax refund of 276,742 thousand yen, an increase of 1,416,428 thousand yen (for FY 03/2011, income tax payment had amounted to 1,139,686 thousand yen).

(Cash flows from investment activities)

The decrease in cash due to investment activities stood at 2,698,233 thousand yen for FY 03/2012, a decline smaller than that for FY 03/2011 by 381,215 thousand yen. For 03/2011, the decrease in cash due to investment activities amounted to 2,317,018 thousand yen. The figure for FY 03/2012 was mainly attributable to a cash outflow of 2,000,598 thousand yen due to making a time deposit and payment of 324,123 thousand yen for the acquisition of investment securities, an increase of 313,724 thousand yen (10,399 thousand yen for FY 03/2011) as well as to 54,234 thousand yen in payment for the acquisition of property, plant and equipment, a decrease of 455,487 thousand yen from FY 03/2011 (509,722 thousand yen for FY 03/2011). Other main causes of the decline in cash due to investment activities include the security deposit and money of 586 thousand yen, a decrease of 654,158 thousand yen compared with FY 03/2011 (654,745 thousand yen for FY03/2011) as well as the absence of the payment made due to the sale of shares in NEXT Financial Services Co., Ltd. (755,245 thousand yen for FY 03/2011) and of the payment made due to the acquisition of shares in Littel (227,461 thousand yen for FY 03/2011).

(Cash flow from financing activities)

The decrease in cash due to financing activities stood at 108,656 thousand yen, a decline smaller than that for FY 03/2011 by 15,782 thousand yen. For 03/2011, the decrease in cash due to financing activities amounted to 124,438 thousand yen. The 2012 figure was mainly attributable to a cash decline of 110,319 thousand yen caused by dividend payments, smaller than that for FY 03/2011 by 9,804 thousand yen (for FY 03/2011, the cash decline caused by dividend payments amounted to 120,123 thousand yen) and to the absence of the payment for the acquisition of treasury stock (7,848 thousand yen for FY 03/2011) and as well as to 1,662 thousand yen in income from share issuance, a decrease of 1,870 thousand yen from FY 03/2011 (3,533 thousand yen for FY 03/2011).

Reference: Shifts in the cash flow index

Category	FY 03/2008	FY 03/2009	FY 03/2010	FY 03/2011	FY 03/2012
Equity capital ratio (%)	76.8	74.9	72.3	83.6	83.8
Equity capital ratio on a market value basis (%)	142.6	153.7	133.7	111.2	70.8
Cash flow against interest-bearing debt ratio (%)	-	-	-	-	-
Interest coverage ratio (factor)	-	-	-	-	-

(Note)

Equity capital ratio: equity capital/net assets

Equity capital ratio on a market value basis: Market capitalization / net assets

(Note)

1. Each has been calculated based on consolidated financial figures.
2. "Cash flow from operating activities", as recorded in the consolidated cash flow statement, is used for the operating cash flow.
3. No cash flow against interest-bearing debt ratio is stated due to the absence of interest-bearing debt.
4. No interest coverage ratio is stated due to the absence of interest payments.

(3) Basic Policy for Profit Allocation and Dividends of FY 03/2012 and FY 03/2013

1) Basic policy for profit allocation

We strive to develop our business aggressively and grow profit continuously. At the same time, we identify the return of profits to shareholders as one of the key corporate management policies, while focusing on "retained earnings" and "investment for future growth," aiming to enhance and strengthen the company's financial structure.

With respect to dividends, our basic policy involves flexibly allocating the fruit of our endeavors according to the results of each accounting period and in consideration of our medium- to long-term business plan.

2) FY03/2012 profit allocation

While the Company previously deemed 10% of consolidated net income as its dividend payout ratio, we intend to raise the payout ratio by 5 percentage points, starting in FY03/2012, to 15% of consolidated net income in consideration of the increasing stability of our financial position. Accordingly, we plan to pay a dividend per share of 3.7 yen, and will thus submit the proposed resolution to the 17th annual meeting of shareholders to be held on June 26, 2012.

3) FY03/2013 profit allocation

We intend to maintain the dividend payout ratio of 15% for FY03/2013 and pay a dividend per share of 1.7 yen.

(4) Business risks

Stated below are the main matters identified as potential risk factors for the NEXT Group's business execution as well as those deemed to have a significant effect on investors' decision-making. The NEXT Group, aware of the potential for such risk to occur, will strive to prevent its occurrence and take steps to deal with it if it arises. However, we believe that investment decision-making regarding shares in the Company must be performed after careful consideration and with due regard to the content of this section of the document as well as others.

The following statements are not intended to list any and all risks involved in investment in the Company's shares. Of the statements presented below, those relating to future developments are, unless otherwise specified, those provided based on the NEXT Group's judgment made as of the date of submission of this document, and contain uncertainties. Therefore, actual results may differ from expectations.

1) Business risks

(a) The risk of inquiries decreasing in number

As part of its real estate information services offerings, the Company continues to provide its clients with "HOME'S" website services as ASP services. In the "HOME'S Rental & Real Estate Trade" business, our main service business line, we use a fee structure under which fee income varies according to the number of inquiries made by the website user to our customer real estate companies' outlets.

Since this fee structure means income fluctuates according to the number of website user inquiries, any decrease in the number of such inquiries, caused by the potential erosion of the customer drawing ability of "HOME's," may affect the NEXT Group's financial results.

(b) The fee structure for our real estate information services

The fee structure for our real estate information services may be subject to revision conducted as a result of a

comparison with the fee structure of similar services offered by competitors as well as improvement in the added value of the NEXT Group's services and cost fluctuations.

Any major change that has occurred in the status of service used by clients due to such fee structure revision and any failure of the Group to reflect such cost fluctuations in its services may affect the Group's financial results.

(c) The risk of our client base declining

In the real estate information services, any increase in the number of affiliated store membership withdrawals due to unpredictable circumstances such as forced withdrawal caused by a breach of the Company's user terms and conditions by our affiliated store, in particular due to a termination of a major contract with an organization with many branches, may result in our client base declining and affect the NEXT Group's financial results.

(d) Our reliance on the real estate information services

The NEXT Group's operations comprise (1) the real estate information services, (2) local information services and (3) others. For the year ended March 31, 2012, the real estate information services business accounted for 99.1% of our total consolidated sales and 200.8% of our total consolidated operating profit, reflecting our significant reliance on this business.

Consequently, any erosion of the real estate information services business's financial results due to increased competition or tightened legal regulations may affect the NEXT Group's financial results.

The Group's business is exposed to real estate market conditions. Although the NEXT Group continues to focus continually on market developments, any deterioration in real estate market conditions beyond (our) expectations may affect its financial results.

(e) The risk arising from our reliance on the real estate industry

The NEXT Group's sales are generated mainly by real estate business operators' advertising budget expenditure, including the running of advertisements by real estate developers and sales companies, as well as by advertisement agencies on their behalf. The users of our real estate information services, the main business of the NEXT Group, mainly comprise real estate brokers among different types of real estate business operators. Consequently, in particular, any decline in advertising budget among real estate brokers or any budget decline continuation for online-based advertising among them may affect the NEXT Group's financial results.

(f) The reliance of the NEXT Group's website on outside search engines to attract users

Most Internet users obtain the information they require by using a search engine. It is largely through such search engines that Internet users are drawn to the NEXT Group's website, meaning that attracting such Internet users depends on the listing results shown on individual operators' search engine pages. It is up to each search engine operator to decide on the conditions to use to determine what search results to present in the top section of the search engine page, and the NEXT Group is not in a position to influence such search engine operator's decision-making. Although the Group is now in the process of taking necessary steps such as an SEO initiative in an effort to have our real estate information shown in the top section of search engine pages, during information searches by Internet users, there is the possibility of unfavorable search results listing developments taking place in future, due to e.g. the change in the search engine operator's top section presentation policy. Under such circumstances, the ability of the website run by the NEXT Group to attract users may be impaired, which will likely affect the Group's financial results.

(g) Investment for addressing technological innovation

With its businesses based on IT (Information Technology), the NEXT Group continues to develop its services by having its business lines and research center actively adopt new technologies identified as effective in enhancing the value of individual types of services provided by the Group. However, with IT advancing rapidly in recent years, any failure of the NEXT Group to swiftly address new technologies highly useful to itself may render the Group's existing technologies obsolete, reducing user and client satisfaction levels concerning various services offered by the Group and potentially affecting its financial results. In addition, there is a possibility of the NEXT Group experiencing increased adoption costs for its new technology, due to the development of internal or outsourced technology, or the purchase or licensing, of network-related equipment and software to address new technologies, which may affect the Group's financial results.

(h) The status quo and potential future developments for Internet-related legal regulation and their likely effects

With progress being made in Japan in legal and regulatory systems concerning Internet-based information distribution, it is essential for the NEXT Group to provide services compliant with relevant laws and regulations. Given that some foreign countries are continuing to introduce rules governing Internet use, we must deliver our services with due regard to developments taking place abroad as well as in Japan. In particular, in the event of the NEXT Group becoming subject to a legal obligation concerning an incident not directly involving the Group that has occurred between our client and a website user, including such incidents having occurred across national borders, this may affect the Group's financial results.

(i) Handling of personal information

The NEXT Group continues to handle a range of important information such as various personal information (name, address, date of birth, gender, telephone number, e-mail address, property information, credit card information and other information required for using the Group's services) as well as the confidential information of its customers and vendors. The NEXT Group pays great attention to the handling of such information in the belief that the proper management of the same is a crucial obligation for the Group. At the same time, we strive to enhance our information management by developing our information handling-related internal rules, providing employee education on a regular basis, reinforcing our system security and performing internal audits of our information handling status. In the event of the Group becoming required to disclose personal information due to laws or other regulations, it determines the step to take based on discreet consultation with its advisory lawyer and the relevant supervisory authority.

Although, as stated above, the NEXT Group endeavors to protect confidential and personal information, any future occurrence of external leakage, loss, falsification or unauthorized use of such information, due to unauthorized external access and internal management system deficiency, may impair the Group's social reputation and cause its users and clients to decline, which may affect the Group's financial results. This is despite the fact that all or part of the costs to be incurred for taking appropriate action, as well as whole or part of the Group's damage compensation obligation, will be paid for by property and casualty insurance.

(j) Network security

Since the NEXT Group continues to provide its services such as real estate information mainly online, our network is connected to the Internet. This makes it difficult for the Group to take appropriate actions that take into account all kinds of potential developments, although we continue to implement various security measures designed to deal with computer virus intrusion and attacks from outside by hackers. Any occurrence of an unforeseen event such as a total or partial disruption of our services due to system failure not anticipated by the Group may affect its financial results.

(k) Trouble between our client posting its information on our website and the website user

The NEXT Group has in place an information review body, which is charged with checking, as required, information posted on its website. In the event of any trouble between our client posting its information on our website and the website user, with the latter informing us to that effect, we have our relevant officer contact the client in question to request an explanation to the website user and to remedy the problem. Depending on our judgment, we may resort to the step of terminating the website use contract with the client.

However, our remedy request to such client is non-binding, and the above-mentioned steps may not necessarily elicit the understanding and support of any website user who has experienced trouble. Therefore, such trouble may impair the reputation for the services provided by the NEXT Group, which may affect its financial results.

(l) Our consolidated subsidiary Renters Co.

Our consolidated subsidiary Renters Co., to maintain high cost competitiveness, continues to outsource development and maintenance services for its main product Renters Net to a Vietnam-based vendor that is competitively-priced and delivers superior performance. In the event of Renters Co. requiring a future shift to a Japan-based development and maintenance services vendor, this subsidiary may incur increased costs, which may affect its financial results.

(m) Intellectual property rights

In the event of the NEXT Group becoming liable for payment of a large sum of money or to suspend its services due to liability to a claim for compensatory damages concerning its use of such special technology, business model, trademark and copyrighted work as have a significant effect on the Group's financial results and business execution, this may significantly affect the Group's financial results and business execution.

We continue to search and examine patents using keywords highly relevant to the NEXT Group's operations; aiming to limit the potential for infringement of a third party's patent rights. Nevertheless, it is difficult to examine any and all patent rights existing globally, meaning that if the Group is given a warning concerning a patent right that has not been examined and is required to pay a large sum of money or suspend its services, this may have a significant effect on the Group's financial results and business execution.

Currently, the NEXT Group is continuing to use third party's intellectual properties with consent for use from the third party. Any cancellation of such consent in future may likely incur costs associated with the relevant procedure, which may affect the Group's financial results.

(n) Our overseas business development

We are now in the process of developing our overseas business operations, which entail a wide range of business risks and laws and regulations that are based on local characteristics. Although we intend to pursue our overseas business operations while taking appropriate measures to minimize such risks, any unpredictable business risk that has occurred or has arisen due to bylaws and regulations may affect the Company's financial results.

As for our overseas consolidated subsidiaries, their consolidated financial statements are prepared based on the Japanese yen conversion of their sales, costs, assets and liabilities accounted for in local currency. Consequently, foreign exchange fluctuations may affect the Company's business performance and financial conditions.

2) Business area risks

(a) Competitors in the same industry

Currently, "HOME'S," the real estate and housing information portal site run by the NEXT Group, has multiple competitors.

The Group will continue striving to promote service differentiation from such competitors' services by attaining increased property postings on the "HOME'S" website as well as improving its reliability and convenience while preserving and reinforcing its brand appeal. However, given the low barrier to entry into the Internet industry for newcomers, and the fact that service differentiation is not easily achievable in this line of business, any intensification of competition in the industry will likely impair the Group's competitiveness, which may affect its financial results.

3) Risks associated with the NEXT Group's business platform

(a) Reliance on the top manager

Takashi Inoue, President/Representative Director/CEO of NEXT Co., Ltd. is the founder of the NEXT Group who has been serving as top manager since the founding of the company. Equipped with extensive experience and knowledge concerning the real estate industry and Internet services, Mr. Takashi Inoue continues to play a crucial role in determining and implementing the Company's business management policies and business strategies.

The NEXT Group is now continuing to develop its business platform not overly reliant on Mr. Takashi Inoue. Under this initiative, the Group is seeking to raise levels of information-sharing among its Directors and senior level employees at meetings of the Board of Directors and Executive Committee, and to reinforce its business organizational structure. Moreover, the Group has adopted an executive officer system, targeting a swifter decision-making framework, based on promoting the delegation of authority. Nevertheless, the potential inability of Mr. Takashi Inoue to continue his service for the Group for any reason may affect the Group's financial results.

(b) Risks associated with IT system failure and hardware breakdown

Since the NEXT Group's business operations are reliant on computer systems and telecommunication networks, we continue to use a datacenter immune to power supply disruption and earthquakes, which is equipped with an uninterruptible power supply-enabled system as well as an earthquake resistant structure. Moreover, we continuously back up all data stored in the server. Nevertheless, in the event of a telecommunication network disruption due to an unforeseen natural disaster or accident, or of the server of the Group or the Internet service provider going out of operation due to temporary overloading caused by increased access, this will likely impair the perceived reliability of the Group's IT system, which may affect the Company's financial results.

As for the main hardware required for the NEXT Group to implement its operations, their failure resistance levels have been improved through a parts and hardware duplication process. However, any unforeseen failure will likely result in a suspension of whole or part of our services, which may affect the Group's financial results.

(c) Business expansion through acquisition

The NEXT Group identifies acquisitions (mergers and acquisitions) and joint venture development as its key business challenges. Such activities pursued by the Group are aimed at expanding into new businesses, enhancing its existing businesses and acquiring relevant technologies. Under its business strategy, the Group intends to consider undertaking corporate acquisition in the coming years.

In engaging in an acquisition process, the NEXT Group strives to avoid risks as far as possible by performing an elaborate due diligence procedure concerning the target company's financial position as well as its existing contracts with other parties. However, it is not always possible to fully ensure the completeness of such due diligence procedure. It is also not possible to rule out the possibility of an incidental liability occurring and a previously-undetected liability emerging following the acquisition. There is also the possibility of the acquired company's information system or internal control system not becoming smoothly integrated with the NEXT Group's equivalent systems. It is also possible that the company acquisition may result in the loss of the acquired company's directors/employees and customers.

(d) Commencement of new businesses

The Company continues to develop new businesses with the potential to become earnings drivers other than the real estate information services business. In launching a new business, we formulate a relevant business plan based on data obtained through prior investigation performed as elaborately as possible, and thus forecast the investment return. Nevertheless, it is difficult to forecast the potential impact of such new business on the Group's overall business operations and its business performance with complete accuracy. Therefore, the launch of such new business may result in the Group being unable to pursue its business operations as planned due to the changing business environment, which may affect the Group's financial results.

The NEXT Group commencing a new business not previously implemented, may be exposed to a risk factor

specific to the business as an additional risk for the Group, meaning possible exposure to a risk factor not stated in this section of this document for the Group in future.

(e) Compliance

The NEXT Group, in an effort to comply with laws and various other regulations, identifies the enhancement of its compliance and internal control systems as one of its key corporate management challenges. Accordingly, we continue to provide appropriate instruction and guidance to our group company employees and take the measures required to remain insulated from anti-social forces and to prevent and detect improper conduct. As a specific initiative for compliance system development, compliance education is provided to all employees with the Corporate Management Department serving as secretariat. Moreover, all newly-hired employees are provided with guidance on insider stock trading prevention, harassment prevention, the whistle-blowing system and public benefit whistle-blowing system as well as education on information leakage prevention. For existing employees, study meetings focused on some specific subject, as required, are held to promote compliance within the firm.

Despite such efforts, since the internal control system composed of compliance and other frameworks has certain limitations, it is not possible to fully ensure the achievement of the system goal. Consequently, any breach of laws or regulations in future may result in damage to the user's and client's trust in the Group or in litigation against the Group by the vendor and customer, which may affect the Group's financial results.

4) Other

(a) Dividend policy

We strive to develop our business aggressively and to grow profit continuously. At the same time, we identify the return of profits to shareholders as one of our important corporate management policies, while focusing on "retained earnings" and "investment for future growth," which are aimed at enhancing and strengthening the company's financial structure.

With respect to dividends, our basic policy is to flexibly allocate the fruit of our endeavors according to the results of each accounting period, in consideration of our medium- to long-term business plan.

Consequently, any loss for the NEXT Group in a given year may result in the Group not paying any dividend.

(b) The relationship with Rakuten Inc.

Rakuten Inc. is the major shareholder of NEXT Co., Ltd., holding 16.0% of shares in the Company as of March 31, 2012, and thus falls under the category of "other related company" for NEXT. A wide-ranging and amicable relationship exists between Rakuten and NEXT as seen in business dealings in which the latter posts its real estate information on a portal site run by the former. Mr. Hiroshi Mikitani, our External Director also serves as Founder and CEO of Rakuten.

Still, it is not entirely clear whether or not this relationship between Rakuten and NEXT will remain intact in the coming years. Any change in our relationship with Rakuten may affect our future business development and capital policy although the amount of our business dealings is relatively small.

(c) Potential dilution of share value due to the exercising of new share acquisition rights

The Company has in place a stock option system to incentivize its Directors and employees, and has distributed new share acquisition rights pursuant to the provisions of Articles 280-20, 280-21 and 280-27 of the former Commercial Code revised in 2001 as well as new share acquisition rights pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act (Act No. 86 of 2005) to its Directors and employees according to the special resolution by the Extraordinary General Meeting of Shareholders held on April 23, 2003 and to the special resolution by the Extraordinary General Meeting of Shareholders held on March 30, 2005 as well as to the special resolution by the Ordinary General Meeting of Shareholders held on June 26, 2006. The Company will continue to use this stock option system in the coming years.

Any exercising of the above-mentioned new share acquisition rights currently outstanding and of new share acquisition rights to be distributed in future may result in the per-share value of the Company's stock becoming diluted. As of March 31, 2012, the total number of latent shares due to such stock options stood at 200,000, representing 1.1% of the aggregate total number of shares of 18,970,000, which constituted the sum of the above-mentioned 200,000 latent shares and the total number of shares outstanding as of March 31, 2012.

2. Status of company group

As of March 31, 2012, the NEXT Group was composed of NEXT Co., Ltd., two consolidated subsidiaries (one in Japan and one abroad) and one equity method affiliate (abroad), continuing to provide real estate information services, as the main business line, as well as local information services and the “Other” business.

Rakuten, Inc., the operator of an e-commerce-centric comprehensive network services business, holds 16.0% of shares in NEXT Co., Ltd., which represents an equity method affiliate for Rakuten, Inc.

	Company name	Relationship with NEXT	Principal business activities
Japan	NEXT Co., Ltd.	-	Real estate information services / Local information services / Others
	Renters Co.	Consolidated subsidiary	Real estate information services
Abroad	HOME'S PROPERTY MEDIA (THAILAND) CO., LTD	Consolidated subsidiary	Real estate information services
	Next Property Media Holdings Limited	Equity method affiliate	Holding company for the real estate information services in China

3. Business Policy

(1) Company's Business Basic Policy

Our management principle is to “create a society where everyone can obtain ‘comfort’ and ‘happiness’ through continuing innovations.” We continue to provide housing and property information in Japan and abroad (Asia) mainly through the real estate information services business. Through providing not only housing information but also information closely related to life, such as local, financial and medical information, we intend to eliminate the world’s “negatives” such as “worry,” “dissatisfaction,” and “inconvenience” and help people achieve better lives.

(2) Target Corporate Management Metrics

We value our corporate management metrics such as “Sales” and “Operating margin.” The operating indicators used in the real estate information services business to facilitate our business operations comprise the number of properties listed, inquiries (inquiries from users to real estate companies by e-mail or telephone) and affiliated stores, as well as “Sales per affiliated store” (the value of affiliated store). We aim to achieve an operating margin of approximately 25% in the medium-term. Although we do not disclose other indicators, we intend to target further improvement.

(3) Company's Medium- to Long-term Business Strategies

Our group has been accumulating, organizing, and integrating mass information from all over the world while providing appropriate information to its users who require information through various devices with the slogan of “Aiming to Become a Global Company with DB + CCS (Database + Communication Concierge Service)” as an important base for our medium-term business strategies. As our top priority challenge, we target becoming the absolute No. 1 in Japan for “HOME'S” — the housing and real estate information portal website of our real estate information services, while improving its media value. Moreover, we aim to provide real estate and housing information portal site services in various countries in Asia, including ASEAN nations, while integrating Asia's property information. At the same time, we seek to build a platform for a comprehensive multilingual real estate and housing information portal site enabling any user to search and inquire about different countries' property information on a one-stop basis, and deliver services based on this platform. In addition, we will continue efforts to grow new businesses that will potentially become the second or third new earnings drivers after the real estate information services business.

(4) Challenges to be Dealt With

In implementing our mid-term business strategies, our group will strive to address the following challenges:

1) Real Estate Information Services

In the Real Estate Information Services' “HOME'S Rental & Real Estate Trade” business, consisting mainly of “HOME'S” real estate and housing information portal site operations, we shifted from the pay-per-posting-based fee structure to the pay-per-inquiry-based fee structure in January 2011, since which time sales for this business have been continuing to fall short of our expectations. Accordingly, we must achieve increased website user inquiries as early as possible. Specifically, we will seek to improve the comprehensiveness of the number of properties listed and increase the number of users by taking the following measures, thereby attaining increased website user inquiries and expanding our business. At the same time, through efforts to help customer real estate companies streamline their operations, we will contribute to the real estate industry.

(a) Improvement on property comprehensiveness

We will improve the comprehensiveness of property information by expanding our sales activities throughout Japan, focusing on Tokyo and large city areas from the four bases of the Tokyo Headquarters, the Osaka and Fukuoka Branches, and the Nagoya Office.

- (b) Improvement on attracting customers to the website
We will seek to increase the number of users and page view counts by improving our ability to attract customers. This will be done by enhancing our SEM ^{(*)1} and SEO, ^{(*)2} raising the profile of the “HOME’S” brand and implementing our brand promotion programs while utilizing social media and collaborating with other portal website and specialized website operators.
- (c) Compatibility with various devices
We will seek to increase the number of users and page view counts by providing services compatible with PCs, mobile phones and smartphones, such as the iPhone ^{(*)3} and Android, ^{(*)4} as well as with various information devices to be made available through future technical innovations, while continuing to deliver information to serve diverse user needs.
- (d) Improvement on website content
We will seek to further improve the content that we believe users require, including real estate related information.
- (e) Enhancement of website functions
We will seek to promote differentiation from other websites in the same industry by developing new functions and reinforcing the search function.
- (f) Provision of assistance for customers’ operational streamlining
We will seek to help our customers streamline their operations by providing them with real estate company CRM^{(*)5} functions, simplified property registration functions and consulting services.

*1 “SEM” is an abbreviation for “Search Engine Marketing.” It refers to a marketing method used to increase visitors to a given company’s website from a search engine.

*2 “SEO” is an abbreviation for “Search Engine Optimization.” It refers to the optimization of a web page to display a given company’s website on the top section of a search engine page.

*3 iPhone is a trademark of Apple Inc.

The iPhone trademark is used under license from Aiphone Co., Ltd.

*4 Android is a trademark or a registered trademark of Google Inc.

*5 CRM is an abbreviation for “Customer Relationship Management.” It is a method (function) by which a company and its customer apply a computer system to establish a relationship between them that will be mutually beneficial on a long-term basis.

2) Growth and enhancement of businesses other than the real estate portal

(a) Local information services

“Lococom,” the local information website, was totally renewed in April 2011 and its business model was changed. We aim to attain increased service levels by making available a platform for communication between the user and commercial establishments such as restaurants and food outlets in the town while continuing to downsize the costs involved.

(b) Other businesses

We aim to achieve profitability as early as possible for “MONEYMO,” the lifestyle and money portal site, and “eQOL Skincare,” the mobile phone website for atopic patients as well as career education assistance services for university students.

3) Overseas business

(a) Achieve profitability in geographical areas where operations have already been set up

To date, the NEXT Group has engaged in equity participation in entities in People’s Republic of China (equity method affiliate), Kingdom of Thailand (consolidated subsidiary), Republic of China (Taiwan; alliance partner) and Republic of Indonesia (consolidated subsidiary), providing real estate and housing information portal site services. We aim to achieve profitability as early as possible for these businesses by attaining enhanced real estate information comprehensiveness and delivering high-quality services in these countries.

(b) Consider prospective equity participation target countries

The NEXT Group will consider taking equity participation in entities based in various countries in an effort to gather real estate information available in Asia, including ASEAN nations, that is expected to show fast-paced economic growth in the coming years. We will take equity participation in different entities regardless of the equity participation format, such as the setting up of joint ventures with a local company, taking of equity interest in a local company and the forming of a business alliance, while adapting to the country’s local business customs and laws and regulations.

(c) Develop the business management framework for our overseas related companies

As for its overseas business operations, the NEXT Group has two subsidiaries and one equity method affiliate operating as its group companies.

We will implement the following measures to perform timely and appropriate business decision-making, based on the development of the business management framework for our related companies that have

rapidly proliferated:

- Have a NEXT Director or employee serve as Director of our related company and perform business management duties
 - Dispatch a NEXT employee to our related company as a management supervisor to promote the related company's business
 - Have our business supervision unit identify our related company's financial results and business performance status
- 4) Enhancement of information management
We set up a Confidential Information Control Committee after obtaining ISO27001 certification, the international information security standard, in March, 2007, and have been operating it ever since. We will further enhance our information control by improving our security system, performing regular security checks and educating our employees thoroughly and continuously.
- 5) Maintaining and training human resources
We will recruit mainly new graduates and focus on recruiting and training of human resources who can drive our potential business expansion and growth. We will not only train them in professional skills but also educate candidates for managerial positions by improving our in-house and external training programs for each job type and grade, thereby enhancing and educating our human assets that are continuing to grow in size.
- 6) Intellectual property control
Our group believes that, due to the nature of our operations, it is important to develop our businesses while paying attention to our intellectual properties, such as trademarks, copyrighted works and patented inventions. To achieve such business development, we have in place a professional section covering intellectual property, which strives to prevent an intellectual property-related issue from occurring and preserve our own intellectual property while obtaining cooperation from external professionals such as lawyers and patent attorneys.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(unit: thousand yen)

	As of March 31, 2011	As of March 31, 2012
Assets		
Current assets		
Cash and deposits	3,196,600	5,413,676
Accounts receivable-trade	1,123,340	1,252,009
Short-term investment securities	1,510,964	
Inventories	4,191	4,057
Deferred tax assets	155,367	113,386
Accounts receivable-other	276,771	291,287
Income taxes receivable	359,364	
Other	259,945	189,441
Allowance for doubtful accounts	△44,802	△7,973
Total current assets	6,841,742	7,255,886
Noncurrent assets		
Property, plant and equipment		
Buildings	647,016	649,556
Accumulated depreciation	△35,391	△139,675
Buildings, net	611,624	509,880
Tools, furniture and fixtures	657,061	680,143
Accumulated depreciation	△371,613	△494,664
Tools, furniture and fixtures, net	285,448	185,478
Total property, plant and equipment	897,072	695,359
Intangible assets		
Goodwill	226,738	173,390
Software	620,473	501,567
Software in progress	108,687	172,185
Other	8,608	7,737
Total intangible assets	964,507	854,881
Investments and other assets		
Investment securities	29,485	362,575
Bad debts	49,333	43,513
Deferred tax assets	95,829	81,211
Lease and guarantee deposits	854,704	852,899
Other	18,244	8,016
Allowance for doubtful accounts	△39,448	△35,168
Total investments and other assets	1,008,148	1,313,047
Total noncurrent assets	2,869,728	2,863,288
Total assets	9,711,471	10,119,174

(unit: thousand yen)

	As of March 31, 2011	As of March 31, 2012
Liabilities		
Current liabilities		
Accounts payable-trade	40,940	40,994
Accounts payable-other	816,607	672,619
Income taxes payable	18,870	310,792
Provision for bonuses	361,489	178,144
Provision for directors' bonuses		10,000
Other	117,708	187,324
Total current liabilities	1,355,616	1,399,874
Noncurrent liabilities		
Deferred tax liabilities	3,762	1,300
Asset retirement obligations	236,352	240,252
Total noncurrent liabilities	240,114	241,552
Total liabilities	1,595,730	1,641,427
Net assets		
Shareholders' equity		
Capital stock	1,992,372	1,993,203
Capital surplus	2,535,572	2,536,403
Retained earnings	3,598,678	3,953,845
Treasury stock	Δ7,848	Δ7,848
Total shareholders' equity	8,118,774	8,475,604
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	Δ3,034	2,497
Foreign currency translation adjustment		Δ355
Total accumulated other comprehensive income	Δ3,034	2,141
Minority interests		0
Total net assets	8,115,740	8,477,747
Total liabilities and net assets	9,711,471	10,119,174

(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement

(unit: thousand yen)

	Year Ended March. 31, 2011	Year Ended March. 31, 2012
Consolidated statements of (comprehensive) income		
Net sales	10,738,452	10,319,668
Cost of sales	229,055	291,458
Gross profit	10,509,397	10,028,209
Selling, general and administrative expenses		
Advertising expenses	2,460,926	2,735,699
Provision of allowance for doubtful accounts	67,484	
Salaries and allowances	2,152,928	2,196,701
Provision for bonuses	357,507	164,892
Provision for directors' bonuses		10,000
Allowance for loss on guarantees for rent	14,251	
Rents	395,862	943,747
Commission fee	925,741	843,384
Depreciation	367,364	479,900
Amortization of goodwill	10,000	53,347
Other	2,007,431	1,647,924
Total selling, general and administrative expenses	8,759,499	9,075,597
Operating income	1,749,898	952,612
Non-operating income		
Interest income	1,818	4,597
Dividends income	967	1,092
Reversal of allowance for doubtful accounts		8,410
Subsidy income	2,640	
Consumption tax difference	1,220	
Gain on negative goodwill	3,032	
Interest on refund		10,204
Other	1,738	6,925
Total non-operating income	11,417	31,230
Non-operating expenses		
Amortization of business commencement expenses		673
Loss on abandonment of inventories	1,271	
Loss on retirement of noncurrent assets	15,521	514
Other	1,942	280
Total non-operating expenses	18,735	1,467
Ordinary income	1,742,580	982,375

(unit: thousand yen)

	Year Ended March. 31, 2011	Year Ended March. 31, 2012
Extraordinary loss		
Loss on sales of noncurrent assets	117	
Impairment loss		113,500
Loss on sales of stocks of subsidiaries and affiliates	229,956	
Head office transfer cost	125,137	
Loss on adjustment for changes of accounting standard for asset retirement obligations	22,223	
Total extraordinary losses	377,434	113,500
Income before income taxes and minority interests	1,365,146	868,874
Income taxes-current	187,289	352,363
Income taxes-deferred	66,894	50,701
Total income taxes	254,183	403,064
Income before minority interests	1,110,962	465,810
Minority interests in income (loss)	3,866	0
Net income	1,107,095	465,810

(unit: thousand yen)

	Year Ended March. 31, 2011	Year Ended March. 31, 2012
Consolidated statements of comprehensive income		
Income before minority interests	1,110,962	465,810
Other comprehensive income		
Valuation difference on available-for-sale securities	435	5,531
Foreign currency translation adjustment		△355
Total other comprehensive income	435	5,175
Comprehensive income	1,111,397	470,986
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,107,531	470,986
Comprehensive income attributable to minority interests	3,866	0

(3) Consolidated Statement of Changes in Net Assets, etc.

(unit: thousand yen)

	Year Ended March. 31, 2011	Year Ended March. 31, 2012
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	1,990,605	1,992,372
Changes of items during the period		
Issuance of new shares	1,766	831
Total changes of items during the period	1,766	831
Balance at the end of current period	1,992,372	1,993,203
Capital surplus		
Balance at the beginning of current period	2,533,806	2,535,572
Changes of items during the period		
Issuance of new shares	1,766	831
Total changes of items during the period	1,766	831
Balance at the end of current period	2,535,572	2,536,403
Retained earnings		
Balance at the beginning of current period	2,613,051	3,598,678
Changes of items during the period		
Dividends from surplus	△121,468	△110,642
Net income	1,107,095	465,810
Total changes of items during the period	985,626	355,167
Balance at the end of current period	3,598,678	3,953,845
Treasury stock		
Balance at the beginning of current period		△7,848
Changes of items during the period		
Purchase of treasury stock	△7,848	
Total changes of items during the period	△7,848	
Balance at the end of current period	△7,848	△7,848
Total shareholders' equity		
Balance at the beginning of current period	7,137,462	8,118,774
Changes of items during the period		
Issuance of new shares	3,533	1,662
Dividends from surplus	△121,468	△110,642
Net income	1,107,095	465,810
Purchase of treasury stock	△7,848	
Total changes of items during the period	981,311	356,830
Balance at the end of current period	8,118,774	8,475,604

(unit: thousand yen)

	Year Ended March. 31, 2011	Year Ended March. 31, 2012
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	Δ3,469	Δ3,034
Changes of items during the period		
Net changes of items other than shareholders' equity	435	5,531
Total changes of items during the period	435	5,531
Balance at the end of current period	Δ3,034	2,497
Foreign currency translation adjustment		
Balance at the beginning of current period		
Changes of items during the period		
Net changes of items other than shareholders' equity		Δ355
Total changes of items during the period		Δ355
Balance at the end of current period		Δ355
Total accumulated other comprehensive income		
Balance at the beginning of current period	Δ3,469	Δ3,034
Changes of items during the period		
Net changes of items other than shareholders' equity	435	5,176
Total changes of items during the period	435	5,176
Balance at the end of current period	Δ3,034	2,141
Minority interests		
Balance at the beginning of current period	69,325	
Changes of items during the period		
Net changes of items other than shareholders' equity	Δ69,325	0
Total changes of items during the period	Δ69,325	0
Balance at the end of current period		0
Total net assets		
Balance at the beginning of current period	7,203,319	8,115,740
Changes of items during the period		
Issuance of new shares	3,533	1,662
Dividends from surplus	Δ121,468	Δ110,642
Net income	1,107,095	465,810
Purchase of treasury stock	Δ7,848	
Net changes of items other than shareholders' equity	Δ68,890	5,176
Total changes of items during the period	912,421	362,006
Balance at the end of current period	8,115,740	8,477,747

(4) Consolidated Cash Flow Statement

(unit: thousand yen)

	Year Ended March. 31, 2011	Year Ended March. 31, 2012
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,365,146	868,874
Depreciation and amortization	367,529	481,206
Amortization of goodwill	10,000	53,347
Gain on negative goodwill	Δ3,032	
Impairment loss		113,500
Increase (decrease) in provision for bonuses	Δ36,125	Δ183,345
Increase (decrease) in provision for directors' bonuses	Δ3,600	10,000
Increase (decrease) in allowance for doubtful accounts	41,564	Δ41,109
Increase or decrease in allowance for loss on guarantees for rent	14,251	
Interest and dividends income	Δ1,299	Δ3,537
Interest income on securities	Δ1,486	Δ2,152
Loss (gain) on sales of noncurrent assets	117	
Loss on retirement of noncurrent assets	15,521	514
Loss (gain) on sales of stocks of subsidiaries and affiliates	229,956	
Head office transfer cost	125,137	
Loss on adjustment for changes of accounting standard for asset retirement obligations	22,223	
Decrease (increase) in notes and accounts receivable-trade	Δ296,372	Δ140,053
Decrease (increase) in inventories	93	133
Decrease (increase) in advances paid	Δ52,576	
Increase (decrease) in notes and accounts payable-trade	16,728	53
Increase (decrease) in accounts payable-other	205,637	Δ107,339
Other, net	Δ221,813	180,559
Subtotal	1,797,600	1,230,652
Interest and dividends income received	2,815	5,403
Income taxes (paid) refund	Δ1,139,686	276,742
Net cash provided by (used in) operating activities	660,729	1,512,798

(unit: thousand yen)

	Year Ended March. 31, 2011	Year Ended March. 31, 2012
Net cash provided by (used in) investing activities		
Payments into time deposits		Δ2,000,598
Purchase of investment securities	Δ10,399	Δ324,123
Purchase of property, plant and equipment	Δ509,722	Δ54,234
Payments for retirement of property, plant and equipment	Δ49,955	
Proceeds from sales of property, plant and equipment	10	
Purchase of intangible assets	Δ280,788	Δ321,080
Purchase of investments in subsidiaries		
resulting in change in scope of consolidation	Δ227,461	
Payments for sales of investments in subsidiaries		
resulting in change in scope of consolidation	Δ755,245	
Purchase of investments in subsidiaries	Δ70,160	
Payments for lease and guarantee deposits	Δ654,745	Δ586
Proceeds from collection of lease and guarantee deposits	241,450	2,390
Net cash provided by (used in) investing activities	Δ2,317,018	Δ2,698,233
Net cash provided by (used in) financing activities		
Proceeds from issuance of common stock	3,533	1,662
Proceeds from stock issuance to minority shareholders		0
Purchase of treasury stock	Δ7,848	
Cash dividends paid	Δ120,123	Δ110,319
Net cash provided by (used in) financing activities	Δ124,438	Δ108,656
Effect of exchange rate change on cash and cash equivalents		Δ394
Net increase (decrease) in cash and cash equivalents	Δ1,780,728	Δ1,294,485
Cash and cash equivalents at beginning of period	6,488,292	4,707,564
Cash and cash equivalents at end of period	4,707,564	3,413,078

(5) Notes Regarding Ongoing Concern

No relevant matters exist.

(6) Significant matters that constitute the basis for the preparation of the consolidated financial statements

1. Scope of consolidation

All subsidiaries of NEXT are consolidated.

Consolidated subsidiaries of NEXT:

Two subsidiaries

Names of consolidated subsidiaries

Renters Co.

HOME'S PROPERTY MEDIA (THAILAND) CO.,LTD.

Change in the scope of consolidation

- 1) Littel Co., Ltd., which had been NEXT's consolidated subsidiary until FY 03/2011, was merged into the Company through absorption on April 1, 2011, and thus was excluded from the consolidated accounts of NEXT starting from FY 03/2012.
- 2) In FY 03/2012, HOME'S PROPERTY MEDIA (THAILAND) CO.,LTD. was newly established, and was included in the scope of consolidation as a consolidated subsidiary, starting from the year under review.

2. Application of the equity method

Affiliate accounted for by the equity method

One affiliate

Affiliate name

Next Property Media Holdings Limited

In FY 03/2012, NEXT acquired shares in Next Property Media Holdings Limited, making it the Company's affiliate. Thus, Next Property Media Holdings Limited was accounted for by the equity method, starting from the year under review.

Since the balance sheet date for the affiliate accounted for by the equity method differs from the consolidated balance sheet date, NEXT used the affiliate's financial statements for its latest accounting period in preparing the Company's consolidated financial statements for the year under review.

3. Accounting periods for consolidated subsidiaries

The balance sheet date for consolidated subsidiary HOME'S Property Media (Thailand) Co., Ltd. is December 31 of each year, which is within three months of NEXT's consolidated balance sheet date. Therefore, NEXT used this consolidated subsidiary's financial statements on its balance sheet date for preparing the Company's consolidated financial statements.

The balance sheet date for Renters Co. is the same as NEXT's consolidated balance sheet date.

4. Accounting standards

(1) Valuation standards and method for significant assets

1) Securities

Available-for-sale securities

Securities with market quotation

Securities with market quotation are valued at market value as of the balance sheet date (any unrealized gains and losses are accounted for as a component of net assets, and cost of sale of such securities is computed using the moving-average method).

Securities without market quotation

Securities without market quotation are valued at cost using the moving-average method.

2) Inventories

Material and supplies

Materials and supplies are valued using the last cost method.

(2) Method of depreciation and amortization for significant depreciable and amortizable assets

1) Property, plant and equipment

Property, plant and equipment are depreciated using the declining-balance method. Buildings are depreciated using the straight-line method (with the exception of building fixtures).

Useful lives for principal assets are as follows:

Building: 15 years to 18 years

Property, plant and equipment: 4 years to 6 years

2) Intangible noncurrent assets

Intangible noncurrent assets are valued using the straight-line method. Trademark rights are valued using the straight-line method over a period of 10 years. Software (for internal use) is valued using the straight-line method over the internal use period (five years).

(3) Standards for accounting for significant allowances and provisions

1) Allowance for doubtful accounts

To prepare for a loss arising from default on receivables, estimated unrecoverable amounts for ordinary receivables are accounted for as allowance for doubtful accounts using the actual historical default rate, and estimated unrecoverable amounts for specific receivables with high default risk are accounted for as allowance for doubtful accounts considering the recoverability on a case-by-case basis.

2) Provision for bonuses

To prepare for the payment of bonuses to employees, estimated amounts of future payments attributable to services rendered by employees during the year under review are accounted for as provision of bonuses.

3) Provision for directors' bonuses

To prepare for the payment of bonuses to directors, estimated amounts of future payments are accounted for as provision of bonuses.

(4) Standards for translation into the Japanese yen of significant assets and liabilities denominated in foreign currencies

Foreign currency-denominated assets and liabilities held by NEXT's overseas-based subsidiaries are translated into Japanese yen at a spot foreign exchange rate prevailing on the respective balance sheet dates of such overseas-based subsidiaries. Their revenues and costs are translated into Japanese yen at an average exchange rate during their respective accounting periods with any translation differences accounted for as a component of foreign currency translation adjustment and minority interests under net assets.

(5) Method of accounting for significant deferred assets

Business commencement expenses

Business commencement expenses are entirely accounted for as cost.

(6) Amortization method and period for goodwill

Goodwill is amortized using the straight-line method over a period of five years.

(7) Scope of cash in the consolidated cash flow statements

Cash on hand and demand deposits as well as highly liquid and easily cashable short-term investments maturing within a period of three months from acquisition date that assume only small risks of value fluctuations.

(8) Other significant matters pertaining to the preparation of the consolidated financial statements

Accounting procedure for consumption taxes

Consumption taxes and local consumption taxes are accounted for using the tax-exclusion method.