

## Brief Report of the Settlement of Accounts (Consolidated, Japanese Standard) for the Year Ended March, 2013

May 14, 2013

Listed company name NEXT Co., Ltd. Listed exchange market: Tokyo Stock Exchange  
Code number 2120 URL <http://www.next-group.jp/>  
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Contact person (Position) Executive officer and chief director of administration (Name) Ryoma Morino TEL (03)5783-3603  
Scheduled annual meeting of shareholders : June 25, 2013 Scheduled dividends payout date June 26, 2013  
Scheduled securities report submission date : June 26, 2013  
Preparation of supporting 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, 2013 (From April 1, 2012 to March 31, 2013)

#### (1) Consolidated operating results (Percentages indicate 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 03/2013	11,962	15.9	1,591	67.0	1,549	57.7	614	31.8
FY 03/2012	10,319	-3.9	952	-45.6	982	-43.6	465	-57.9

(Note) Comprehensive income FY 03/2013 628 million yen (33.5%) FY 03/2012 470 million yen (-57.6%)

	Net Profit per Share	Diluted Net Income per Share	Return on Equity	Return on Assets	Operating Margin
	Yen	Yen	%	%	%
FY 03/2013	32.72	32.65	7.0	14.3	13.3
FY 03/2012	24.83	24.78	5.6	9.9	9.2

(Reference) Equity in earnings of affiliates FY 03/2013 27 Million Yen FY 03/2012 \_\_million yen

#### (2) Consolidated financial position

	Total Assets	Net Assets	Shareholder Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
FY 03/2013	11,553	9,064	78.4	482.21
FY 03/2012	10,119	8,477	83.8	451.95

(Reference) Shareholder's equity FY 03/2013 9,057 Million Yen FY 03/2012 8,477 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 Equivalents at Period End
	Million yen	Million yen	Million yen	Million yen
FY 03/2013	1,861	1,719	-63	6,940
FY 03/2012	1,512	-2,698	-108	3,413

### 2. Dividends

	Annual Dividends					Total Dividends (Total)	Payout Ratio (Consolidated)	Dividend on Equity (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of Quarter	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 03/2012	—	0.00	—	3.70	3.70	69	14.9	0.8
FY 03/2013	—	0.00	—	6.50	6.50	122	19.9	1.4
FY 03/2014 (Forecast)	—	0.00	—	7.90	7.90		20.0	

### 3. Forecast of consolidated performance for FY 03/2014 (from April 1, 2013 to March 31, 2014)

(Percentages indicate increase or decrease in the ratio from the previous financial year, in the case of full year figures, and from the same quarter the previous year, in the case of quarterly figures)

	Sales		Operating Profit		Current Profit		Net Profit		Net Profit per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q (Accumulated Total)	6,211	12.9	558	-40.7	553	-39.9	303	-42.2	16.15
Full Year	13,041	9.0	1,322	-16.9	1,314	-15.2	741	20.8	39.49

\* Notes

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

(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 : Yes  
accounting standards

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

③ Change in the accounting estimation : Yes

④ Revision / restatement : No

(Note) The depreciation and amortization method has been changed beginning with this consolidated financial reporting period, which qualifies as a "Change of accounting policy which is difficult to separate from a change of accounting estimation". For details, please refer to "4. Consolidated Financial Statements (5) Notes Regarding Consolidated Financial Statements (Accounting Policy Changes) on Page 24 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 03/2013	18,794,600 shares	FY 03/2012	18,770,000 shares
FY 03/2013	12,060 shares	FY 03/2012	12,000 shares
FY 03/2013	18,767,294 shares	FY 03/2012	18,756,867 shares

(Reference) Brief summary of non-consolidated financial results

1. Non-consolidated financial results for the period ended March, 2013 (From April 1, 2012 to March 31, 2013)

(1) Non-consolidated business performance (Percentages indicate 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 03/2013	11,467	15.6	1,546	85.5	1,539	74.8	666	60.3
FY 03/2012	9,920	-0.9	833	-48.6	881	-45.8	415	-17.9

	Net Profit per Share	Diluted Net Income per Share
	Yen	Yen
FY 03/2013	35. 51	35. 44
FY 03/2012	22. 16	22. 11

(2) Non-consolidated financial position

	Total Assets	Net Assets	Shareholder Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
FY 03/2013	11,467	9,104	79.4	484. 74
FY 03/2012	10,052	8,503	84.6	453. 34

(Reference) Shareholder's equity FY 03/2013 9,104 Million Yen FY 03/2012 8,503 Million Yen

2. Forecast of non-consolidated performance for FY 03/2014 (from April 1, 2013 to March 31, 2014)

The FY 03/2014 results forecast ratios of consolidated profit to parent company profit are, for sales, 1.05, for operating profit, 1.06, for current profit, 1.06, and for net profit, 1.02. The differences between consolidated and non-consolidated result forecasts are minor, so non-consolidated results forecasts will not be disclosed.

\* 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 15, 2013. 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.

○ Table of Contents

1. Analyses of Operation Results and Financial Position .....	P.2
(1) Analysis of Operation Results .....	P.2
(2) Analysis of Financial Position .....	P.6
(3) Basic Policy for Profit Allocation and Dividends of FY 03/2013 and FY 03/2014 .....	P.7
(4) Business Risks .....	P.8
2. Status of Company Group .....	P.13
3. Business Policy .....	P.14
(1). Company's Basic Business Policy .....	P.14
(2) Target Corporate Management Metrics .....	P.14
(3) Company's Medium- to Long-term Business Strategies .....	P.14
(4) Challenges to be Dealt With .....	P.14
4. Consolidated Financial Statements .....	P.16
(1) Consolidated Balance Sheet .....	P.16
(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement .....	P.18
(3) Consolidated Statement of Changes in Shareholders' Equity, etc. ....	P.20
(4) Consolidated Cash Flow Statement .....	P.22
(5). Notes Regarding Consolidated Financial Statements .....	P.23
(Notes Regarding Ongoing Concerns) .....	P.23
(Significant Matters that Constitute the Basis for the Preparation of the Consolidated Financial Statements)	
.....	P.23
(Changes in Accounting Policy) .....	P.24
(Changes in Presentation Method) .....	P.25
(Changes in Accounting Estimations) .....	P.25
(Consolidated Balance Sheet Related) .....	P.26
(Consolidated Income Statement Related) .....	P.26
(Consolidated Comprehensive Income Statement Related) .....	P.27
(Consolidated Statement of Changes in Shareholders' Equity, etc. Related) .....	P.28
(Consolidated Cash Flow Statement Related) .....	P.29
(Stock Option, etc. Related) .....	P.30
(Tax Effect Accounting Related) .....	P.32
(Business Combination Related) .....	P.33
(Segment Information Related) .....	P.35
(Information Regarding Related Parties) .....	P.38
(Per Share Information) .....	P.39
(Important Events After the Reporting Period) .....	P.39
5. Non-Consolidated Financial Statements .....	P.40
(1) Balance Sheet .....	P.40
(2) Income Statement .....	P.42
(3) Statement of Changes in Shareholders' Equity, etc. ....	P.44
(4) Notes Regarding Non-Consolidated Financial Statements .....	P.46
(Notes Regarding Ongoing Concerns) .....	P.46
(Important Accounting Policies) .....	P.46
(Changes in Accounting Policy) .....	P.46
(Changes in Presentation Method) .....	P.47
(Changes in Accounting Estimations) .....	P.47
(Balance Sheet Related) .....	P.48
(Income Statement Related) .....	P.48
(Statement of Changes in Shareholders' Equity, etc. Related) .....	P.49
(Tax Effect Accounting Related) .....	P.50
(Per Share Information) .....	P.51
(Important Events After the Reporting Period) .....	P.51

## 1. Analyses of Operation Results and Financial Position

### (1) Analysis of Operation Results

#### □ Operation results for FY 03/2013

During the FY 03/2013 consolidated fiscal year (hereinafter referred to as "FY 03/2013"), the Japanese economy began showing signs of a recovery, prompted by reconstruction demand from the Great East Japan Earthquake, and a drop in the yen exchange rate and stock market growth which began with the establishment of a new government in December, 2012. Despite such developments, the future economic outlook continued to remain uncertain in the face of the European sovereign debt crisis and the fiscal problems in the US.

As for the real estate and construction industries, the NEXT Group's main customer sectors, new housing starts for fiscal year 2013 (April to March) rose to 893,002, an increase of 6.3%% year on year, marking the third consecutive year of growth. This increase was prompted by housing loan tax reductions, ongoing low loan interest rates, and a governmental policy of special gift tax exemption measures, etc., as well as expectations of a spike in demand in advance of the increase in consumption tax. The number of rental properties (rental housing) rose by 10.7% year on year to 320,981, increasing for the first time in 4 years (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 5.01 million for calendar year 2012 (a decrease of 0.5% year on year), marking the ninth consecutive year of decline, but overall the number has stayed firm, and there is promise of an upturn within the industry.

Amidst such operating conditions, in its medium-term management plan, the NEXT Group cites as its aim becoming 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.

Based on this strategy, over the course of the year we focused on "enhancing domestic real estate information service business", "creating an overseas real estate information service business foundation and considering potential countries in which to do business", and "cultivating non-real estate information service businesses in order to monetize them."

As a result, our consolidated business performance in FY 03/2013 resulted in the following: Sales of 11,962,380 thousand yen (an increase of 15.9%, compared with the previous consolidated fiscal year (hereinafter, "FY 03/2012")); operating profit of 1,591,000 thousand yen (an increase of 67.0%); current profit of 1,549,581 thousand yen (an increase of 57.7%); and net profit of 614,051 thousand yen (an increase of 31.8%). Sales for the year reached a record high.

The following are the sales and operating profit and loss per segment for FY 03/2013:

Segment Name	Sales		Operating Profit	
	Amount	Vs. Previous Year (%)	Amount	Vs. Previous Year (%)
(1) Real Estate Information Services	11,851,465	+15.9	1,902,601	-0.5
(2) Local Information Services	20,748	-31.5	-145,493	(Note 1) -
(3) Other Businesses	90,165	+34.1	-166,108	(Note 2) -

(Note) 1. An operating loss of 633,602 thousand yen was recorded for the same period the previous fiscal year.

2. An operating loss of 326,745 thousand yen was recorded for 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 Houses and Renovations," etc., under the brand name "HOME'S" in Japan, along with real estate and housing information sites in Asian countries, and CRM services for real estate companies provided by Renters Co., which is our consolidated subsidiary.

Sales by service within this business segment were as below:

(Unit: million yen)

Real Estate Information Services	Previous Year (FY03/2012)	Current Year (FY03/2013)	Change	Percent Change (%)
Sales	10,222	11,851	+1,629	+15.9
Rental & Real Estate Trade	5,956	6,513	+556	+9.3
New Condominiums	1,403	1,664	+261	+18.6
New Houses	1,404	1,902	+497	+35.4
Custom-Built Houses and Renovations	596	810	+213	+35.8
Renter's Network	399	491	+92	+23.2
Others (Note)	461	469	+8	+1.7
Operating Profit	1,912	1,902	-10	-0.5

(Note) "Others" comprises "HOME'S Estimation for Relocation", "HOME'S Elderly Care Service", other HOME'S business, overseas business, etc.

As indicated above, led by our priority challenge of "enhancing domestic real estate information service business", we carried out major structural reforms from 2011 through the present year in order to maximize the revenue of HOME'S, our real estate and housing information site, boasting more properties than any other site. These structural reforms included "changing billing methods", "enhancing promotional efforts", "major website redesign", and "restructuring our sales organization."

Specifically, in order to boost the total number of properties on the HOME'S website, we changed our billing method from January, 2011, from billing based on the number of properties listed (post billing) to billing based on the number of inquiries (inquiry billing). This enabled us in December, 2011, to take the number one position in number of listed properties in a study by a third party organization (Note 1). From January, 2012, we emphasized the fact that the website was no. 1 in property listings through television commercials in order to raise consumer awareness and thereby increase the number of site visitors and inquiries.

During the year under review, in order to increase the number of site visitors and boost the number of inquiries by improving searchability, we carried out a major redesign of the HOME'S website real estate sales section in October, 2012, and of the HOME'S rental section in November, 2012. These were the first major redesigns in roughly a decade. In December, 2012, the website was ranked as number 1 in ease of use by a third party organization (Note 2). We ran television and train advertising emphasizing the site's position as number 1 in number of properties listed and number one in ease of use, while running a simultaneous online promotional campaign as part of our compound, proactive promotional activities.

As part of our sales strategy, in order to increase the number of properties listed on HOME'S, at the start of the year we reorganized our sales organization into separate sections focused on individual functions, and used third-party marketing as part of our efforts at acquiring new members and offering consulting sales for existing members.

These initiatives produced a major year on year boost to real estate information service business sales within Japan.

As part of our initiatives for "creating an overseas real estate information service business foundation and considering potential countries in which to do business", we invested in the Kingdom of Thailand (hereafter referred to as "Thailand"), the People's Republic of China (hereafter referred to as "China"), the Republic of China (hereafter referred to as "Taiwan"), and the Republic of Indonesia (hereafter referred to as "Indonesia"), launching real estate information services in Thailand in January, 2012, in China in April, 2012, and in Indonesia in June, 2012. We are concentrating on increasing the number of listings and site visitors in each country, and as we are still within the prior investment phase, operations in all countries remain in the red.

In order to provide operating funding for the future, we invested an additional 16,500 thousand baht (51,249 thousand yen) in HOME'S PROPERTY MEDIA (THAILAND) CO.,LTD (hereinafter referred to as "HPM"), our Thai operating company.

As stated in our announcement on April 3, 2013, with regards to Next Property Media Holdings Limited (hereinafter referred to as "NPM") Group, our consolidated subsidiary engaged in real estate information service business in China, we concluded a share transfer agreement with Real Estate Mobile Inc. (hereinafter referred to as "REM"), a stakeholder in NPM, on November 8, 2012, in order to accelerate decision-making in the Chinese market and maximize revenue by implementing business operations that leverage our Group's expertise. However, REM failed to abide by the contract, so the stock transfer was not completed, and we considered it to be of greater importance to rapidly terminate operations, which were resulting in business losses every month, rather than continue with stock transfer negotiations, so we have applied to the stakeholder to liquidate the NPM Group. As a result, we have posted an impairment loss of 163,525 thousand yen in goodwill for the NPM Group, and a loss on valuation of securities of 21,184 thousand yen for the stocks we own in REM. As part of the liquidation of

the NPM Group, we plan to issue a loan of 284 thousand US dollars (approximately 28,102 thousand yen) to Next Media China Limited, the Group's fully owned subsidiary, for expected future expenses.

Due to delayed business progress by Rakuya International Info. Co., Ltd., we have also posted 134,888 thousand yen in loss on valuation of investment securities. Rakuya International Info. Co., Ltd. operates the Taiwanese real estate and housing information site "Rakuya", and we are engaged in a capital alliance (stockholding ratio: 12.2%) with the company.

As a result of the above, sales for real estate information services stood at 11,851,465 thousand yen (an increase of 15.9% compared with FY 03/2012), with operating profit at 1,902,601 thousand yen (a decrease of 0.5%).

(Note) 1: According to August 25, 2012 issue of Weekly Toyo Keizai

2: Gomez real estate information (rental / sale) site ranking, announced December, 2012 [November, 2012]

## ②Local Information Services

The local information services segment comprise services provided through "Lococom," the local information website. "Lococom" is an informational site that individual users and stores can use to share information on local areas and stores.

During the first half of last fiscal year, in April, 2011, the site changed its business model, performed a site redesign, and the Company continued to invest in the promotional efforts and sales force expansion, but these efforts failed to achieve increased income for this service line. Costs were trimmed during the second half of the year, a low cost management approach was put in place, and the company focused on increasing the number of individual members and member stores, as well as the amount of information published on the site.

During this reporting period, as well, further low cost management measures were implemented, resulting in local information services sales of 20,748 thousand yen (down 31.5% from last year), and an operating loss of 145,493 thousand yen (488,109 thousand yen less than last year's 633,602 thousand yen).

## ③Other Businesses

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 "Event Cal", the event curation service, and others.

Ever since the launch of the "MONEYMO" site in February, 2011, the site has failed to meet initial business plan targets, so we posted a total of 22,803 thousand yen in impairment loss for the entire amount of intangible assets (software) for "MONEYMO". However, as a result of a site redesign, overhauling of web customer attraction method, and cost streamlining, the company has been profitable each month since December, 2012.

As a result, this segment had sales of 90,165 thousand yen (up 34.1% from last year), and an operating loss of 166,108 thousand yen (160,637 thousand yen less than last year's 326,745 thousand yen).

Please refer to the "Account Settlement Explanatory Information for the Period Ended March, 2013" announced on May 14, 2013 on our IR website, further details regarding account settlement, such as the items below.

Reference URL: <http://www.next-group.jp/ir/index.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 03/2014.

(Unit: million yen)

	Current Performance (FY03/2013)	Next Year's Performance Forecast (FY 03/2014)	Change	Percent Change (%)
Sales	11,962	13,041	+1,079	+9.0
Real Estate Information Services	11,851	12,908	+1,056	+8.9
Other Businesses (Note)	110	133	+22	+20.6
Operating Profit	1,591	1,322	-269	-16.9
Current Profit	1,549	1,314	-234	-15.2
Net Profit	614	741	+127	+20.8

(Note) The importance of the local information services in relation to all businesses has fallen, so from FY 03/2014 onwards this business segment is included within the Other Businesses segment.

In FY 03/2014, 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 with a need for information, aiming to become a global company with a Database + Communication Concierge Service (DB + CCS), one of the pillars of our medium-term management plan.

As our top priority challenge, we will continue on from last year's initiatives aimed at achieving an overwhelming lead over all competitors in Japan for the "HOME'S" housing and real estate information portal website, while improving its media value. Furthermore, we will expand our range of new real estate information services and services for real estate businesses.

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 from a single site, 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.

As indicated above, sales are forecast to increase by 9.0% to 1,079 million yen, reaching a new record for the second consecutive year. In the real estate information service segment, we will further strengthen our branding promotion of HOME'S, which boasts the most properties of any website, and increase revenue through customer cultivation. We are also planning a website redesign for our new condominium and new house site, and are taking a conservative approach in our sales forecasting.

With regards to profit, advertising costs for FY 03/2014 are projected to grow by approximately 500 million yen compared with FY 03/2013 due to the implementation of branding promotion enhancement initiatives for the real estate information services business. We expect there to be an increase in expenses related to investment prompted by diversification in the methods used to attract website customers, the cultivation of new businesses in order to achieve future growth, investment in new businesses, and expenses related to overseas operations, etc. Together with the increase in advertising costs, total sales, general, and administration expenses are expected to rise by approximately 1,200 million yen compared to FY 03/2013. Little increase in sales is forecast as a result of these investments.

Based on these, the consolidated business performance for the full year has been forecast as follows: Sales at 13,041 million yen (an increase of 9.0%, compared with FY 03/2013), operating profit at 1,322 million yen (an increase of 16.9%), and current profit at 1,314 million yen (an increase of 15.2%). On the other hand, extraordinary loss is forecast to be 357 million yen, resulting in net profit of 741 million yen (an increase of 20.8%).

Please refer to the "Account Settlement Explanatory Information for the Period Ended March 2013," announced on May 14, 2013 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/ir/data/presentation.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 Financial Position

### ① Status of assets, liabilities, and net assets

#### (Assets)

The balance of current assets as of March 31, 2013 stood at 9,210,152 thousand yen, an increase of 1,954,265 thousand yen from the end of the previous consolidated fiscal year (hereafter referred to as "previous year-end"). This increase was primarily due to an increase of 1,526,642 thousand yen in cash and deposits and an increase of 218,042 thousand yen in accounts receivable-trade as well as to an increase of 154,072 thousand yen in deferred tax assets.

The balance of fixed assets as of March 31, 2013 stood at 2,343,374 thousand yen, an increase of 519,913 thousand yen from the previous year-end. This decrease was primarily due to a decrease of 164,429 thousand yen in property, plant and equipment owing to depreciation, a decrease of 317,762 thousand yen in investment account securities, and a decrease of 108,196 thousand yen in lease and guarantee deposits.

As a result of the above, total assets as of March 31, 2013 amounted to 11,553,526 thousand yen, representing an increase of 1,434,352 thousand yen from the previous year-end.

#### (Liabilities)

The balance of current liabilities as of March 31, 2013 stood at 2,336,039 thousand yen, an increase of 936,164 thousand yen from the previous year-end. This increase was primarily due to an increase of 332,555 thousand yen in accrued corporate taxes, an increase of 215,922 thousand yen in accounts payable-other, an increase of 185,044 thousand yen in provision for bonuses, and an increase of 100,538 thousand yen in asset retirement obligations.

The balance of fixed liabilities as of March 31, 2013 stood at 153,137 thousand yen, a decrease of 88,414 thousand yen from the previous year-end. This decrease was due to a decrease of 87,114 thousand yen in asset retirement obligations and a decrease of 1,300 thousand yen in deferred tax liabilities.

As a result of the above, total liabilities as of March 31, 2013 amounted to 2,489,177 thousand yen, representing an increase of 847,749 thousand yen from the previous year-end.

#### (Net assets)

The balance of net assets as of March 31, 2013 stood at 9,064,349 thousand yen, an increase of 586,602 thousand yen from the previous year-end. This increase was primarily due to an increase of 614,051 thousand yen in retained earnings owing to net income and a decrease of 69,404 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, 2011 To: March 31, 2012	Current Consolidated Fiscal Year From: April 1, 2012 To: March 31, 2013	Increase / Decrease
Cash Flow from Operating Activities	1,512,798	1,861,302	348,504
Cash Flow from Investment Activities	- 2,698,233	1,719,232	4,417,465
Cash Flow from Financing Activities	- 108,656	-63,773	44,883
Increase/Decrease in Cash and Cash Equivalents (- indicates decrease)	-1,294,485	3,527,240	4,821,726

Cash and cash equivalents (hereinafter, "cash") as of March 31, 2013 stood at 6,940,319 thousand yen, an increase of 3,527,240 thousand yen from March 31, 2012.

The following is the status of individual categories of cash flows for FY 03/2013:

#### (Cash flows from operating activities)

Cash generated from operating activities was 1,861,302 thousand yen for FY 03/2013, an increase of 348,504 thousand yen compared with an increase of 1,512,798 thousand yen for FY 03/2012. The main factors behind this were that income before income taxes and minority interests grew to 1,203,518 thousand yen, an increase of 334,643 thousand yen from FY 03/2012, provision for bonuses rose by 185,044 thousand yen, an increase of 368,389 thousand yen (last year provision for bonuses fell by 183,345 thousand yen), increase of accounts payable-other was 138,721 thousand yen, 246,060 thousand yen greater than FY 03/2012 (last year a decrease of accounts payable-other of 107,339 thousand yen was recorded), an evaluation loss on investment account securities of 156,073 thousand yen was posted, increase of trade accounts receivable was 264,172 thousand yen, 124,119 thousand yen less than FY 03/2012 (last year a decrease of trade accounts receivable of 140,053 thousand yen was recorded), and corporate tax payments were 484,945 thousand yen, a decrease of 761,688 thousand yen (last year a corporate tax refund of 276,742 thousand yen was posted).



(Cash flows from investment activities)

The increase in cash due to investment activities stood at 1,719,232 thousand yen for FY 03/2013, an increase of 4,417,465 thousand yen. For 03/2012, the decrease in cash due to investment activities amounted to 2,698,233 thousand yen. The figure for FY 03/2013 was mainly attributable to a cash inflow of 2,001,757 thousand yen due to redemption of time deposits and payment of 1,318 thousand yen for the acquisition of investment securities, a decrease of 322,804 thousand yen (324,123 thousand yen for FY 03/2012) as well as to 1,159 thousand yen in outflow due to payments into time deposits, a decrease of 1,999,439 thousand yen (2,000,598 thousand yen for FY 03/2012), and an inflow of 110,877 thousand yen due to redemption of lease and guarantee deposits, an increase of 108,487 thousand yen (2,390 thousand yen for FY 03/2012).

(Cash flows from financing activities)

The decrease in cash due to financing activities stood at 63,773 thousand yen for FY 03/2013, a decrease of 44,883 thousand yen. For 03/2012, the decrease in cash due to financing activities amounted to 108,656 thousand yen. The 2013 figure was mainly attributable to a cash decline of 69,461 thousand yen caused by dividend payments, smaller than that for FY 03/2012 by 40,858 thousand yen (for FY 03/2012, the cash decline caused by dividend payments amounted to 110,319 thousand yen) and to 5,715 thousand yen in income from share issuance, an increase of 4,052 thousand yen from FY 03/2012 (1,662 thousand yen for FY 03/2012).

(Reference) Shifts in cash flow indices

	FY 03/2009	FY 03/2010	FY 03/2011	FY 03/2012	FY 03/2013
Equity Capital Ratio (%)	74.9	72.3	83.6	83.8	78.4
Equity Capital Ratio on a Market Value Basis (%)	153.7	133.7	111.2	70.8	152.8
Cash Flow vs. 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 FY03/2013 and FY03/2014

#### ① Basic policy for profit allocation

Our basic policy for profit allocation is to develop our business aggressively in order to "invest in future growth" to produce continuous profit growth, as well as focusing on "retained earnings" to enhance and strengthen the company's financial structure. We have positioned returning profits to shareholders as one of our key corporate management policies.

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 FY 03/2013 profit allocation

While the Company previously deemed 15% of consolidated net income as its dividend payout ratio, in order to further enrich our divided returns, we intend to raise the payout ratio by 5 percentage points, starting in FY03/2013, to 20% of consolidated net income in consideration of the increasing stability of our financial position. Accordingly, we plan to pay a dividend per share of 6.5 yen, and will thus submit the proposed resolution to the 18th annual meeting of shareholders to be held on June 25, 2013.

#### ③ FY 03/2014 profit allocation

We intend to maintain the dividend payout ratio of 20% for FY03/2014 and pay a dividend per share of 7.9 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 real estate information services, and other businesses. For the year ended March 31, 2013, the real estate information services business accounted for 99.1% of our total consolidated sales and 119.6% 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 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 SEO measures 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. If that occurs, 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.

###### (f) 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.

(g) 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.

(h) Handling of personal information

The NEXT Group continues to handle a range of important information such as various personal information (names, addresses, dates of birth, genders, telephone numbers, e-mail addresses, 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 close 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.

(i) 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 possible 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.

(j) Trouble between clients posting their information on our website and website users

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 one of our clients posting its information on our website and one of our website users, 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 the client is non-binding, and the above-mentioned steps may not necessarily gain the understanding and support of any website user who has experienced trouble. Such trouble may impair the reputation for the services provided by the NEXT Group, which may affect its financial results.

(k) 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.

Currently, the NEXT Group is continuing to use third party intellectual properties with the consent of 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.

(l) 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 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, and 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 a 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. These activities, pursued by the Group, are aimed at expanding into new businesses, enhancing 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 in-depth due diligence procedures 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 these due diligence procedures. 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 in as much depth 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 new business in a new field, or consisting of new services, may be exposed to risk factors specific to the business, 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.

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.

#### ④Others

##### (a) Dividend policy

Our basic policy for profit allocation is to develop our business aggressively in order to "invest in future growth" to produce continuous profit growth, as well as focusing on "retained earnings" to enhance and strengthen the company's financial structure. We have positioned returning profits to shareholders as one of our key corporate management policies.

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.

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, 2013, 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 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, 2013, the total number of latent shares due to such stock options stood at 48,600, representing 0.3% of the aggregate total number of shares of 18,843,200, which constituted the sum of the above-mentioned 48,600 latent shares and the total number of shares outstanding as of March 31, 2013.

## 2. Status of Company Group

As of March 31, 2013, the NEXT Group was composed of NEXT Co., Ltd., eight consolidated subsidiaries (one in Japan and seven abroad), continuing to provide real estate information services, as the main business line, as well as online information services.

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
Overseas	HOME'S PROPERTY MEDIA (THAILAND) CO., LTD.	Consolidated subsidiary	Real estate information services
	PT. Rumah Media	Consolidated subsidiary	Real estate information services
	Next Property Media Holdings Limited	Consolidated subsidiary	Holding company for real estate information services business in China
	Next Media China Limited	Consolidated subsidiary	Holding company for real estate information services business in China
	北京未来家园信息技术有限公司	Consolidated subsidiary	Holding company for real estate information services business in China
	北京月银久鼎信息技术有限公司	Consolidated subsidiary	Real estate information services
	上海房华信息科技发展有限公司	Consolidated subsidiary	Real estate information services

### **3. Business Policy**

#### **(1) Company's Basic Business 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," and we aim to achieve an operating profit margin of approximately 25% in the medium-term. The operating indicators used in the real estate information services business comprise the number of properties listed, inquiries (inquiries from users to real estate companies by e-mail or telephone), affiliated stores, and "sales per affiliated store" (the value of affiliated store). Although we do not disclose indicators other than operating profit margin, 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 from a single site, 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.

#### **(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 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) Improvements in 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 in 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 iPhones (\*3) and Android phones (\*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) Improvements in website content**

We will seek to further improve the content that we believe users need, 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 enhancing search functionality.



(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 the number of visitors sent 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.

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

In order to establish a revenue structure which is not reliant on real estate information service business, we will continue to create, develop, and strengthen business segments outside the real estate sector.

③Overseas business

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

The NEXT Group has engaged in equity participation in entities in the 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 enhance real estate information comprehensiveness and deliver 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 engage in equity participation in different entities regardless of the equity participation format, such as by setting up joint ventures with a local company, taking equity interest in local companies, and the forming of business alliances, while adapting to the country's local business customs and laws and regulations.

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

With regards to overseas business operations, the NEXT Group has seven subsidiaries operating as its group companies.

Our overseas subsidiaries are performing at a level below that of our initial business plans. In February, 2013, approximately one year after the start of its business activities, we provided approximately 51,249 thousand yen in additional funding to HOME'S PROPERTY MEDIA (THAILAND) CO., LTD, our consolidated subsidiary in Thailand. Next Property Media Holdings Limited (hereinafter referred to as "NPM") Group, our Chinese consolidated subsidiary, remains unprofitable, and there are no forecasts for when it will become profitable, so we have applied to the stakeholder to liquidate the NPM Group. As a result, during FY 03/2013, we have posted an impairment loss of 224,244 thousand yen on NPM stocks owned by the Group, and an impairment loss of 163,525 thousand yen in goodwill for the NPM Group.

We are aiming to rapidly achieve profitability for each subsidiary, and, when starting new business ventures in the future, will perform as much preparatory investigation as possible, and establish business progress management and governance monitoring systems. We will also make appropriate management decisions at appropriate times after business operations have begun.

④Enhancement of information management

We set up a Confidential Information Control Committee after obtaining ISO27001 international information security certification 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.

## 4. Consolidated Financial Statements

## (1) Consolidated balance sheets

(unit:thousand yen)

	As of March 31,2012	As of March 31,2013
<b>Assets</b>		
Current assets		
Cash and deposits	5,413,676	6,940,319
Accounts receivable–trade	1,252,009	1,470,051
Inventories ※1	4,057 ※1	6,969
Deferred tax assets	113,386	267,459
Accounts receivable–other	291,287	356,646
Other	189,441	174,417
Allowance for doubtful accounts	-7,973	-5,712
Total current assets	<u>7,255,886</u>	<u>9,210,152</u>
Noncurrent assets		
Property, plant and equipment		
Buildings	649,556	650,463
Accumulated depreciation	-139,675	-269,934
Buildings, net	<u>509,880</u>	<u>380,529</u>
Tools, furniture and fixtures	680,143	718,177
Accumulated depreciation	-494,664	-567,777
Tools, furniture and fixtures, net	<u>185,478</u>	<u>150,400</u>
Total property, plant and equipment	<u>695,359</u>	<u>530,929</u>
Intangible assets		
Goodwill	173,390	130,042
Software	501,567	655,863
Software in progress	172,185	70,114
Other	7,737	31,899
Total intangible assets	<u>854,881</u>	<u>887,920</u>
Investments and other assets		
Investment securities ※2	362,575	44,812
Bad debts ※3	43,513 ※3	31,997
Deferred tax assets	81,211	123,039
Lease and guarantee deposits	852,899	744,702
Other	8,016	4,677
Allowance for doubtful accounts	-35,168	-24,705
Total investments and other assets	<u>1,313,047</u>	<u>924,524</u>
Total noncurrent assets	<u>2,863,288</u>	<u>2,343,374</u>
Total assets	<u>10,119,174</u>	<u>11,553,526</u>

(unit:thousand yen)

	As of March 31,2012	As of March 31,2013
<b>Liabilities</b>		
Current liabilities		
Accounts payable–trade	40994	75228
Accounts payable–other	672619	888541
Income taxes payable	310792	643347
Provision for bonuses	178144	363189
Provision for directors' bonuses	10000	16000
Asset retirement obligations		100538
Other	187324	249193
Total current liabilities	<u>1399874</u>	<u>2336039</u>
Noncurrent liabilities		
Deferred tax liabilities	1300	
Asset retirement obligations	240252	153137
Total noncurrent liabilities	<u>241552</u>	<u>153137</u>
Total liabilities	<u>1641427</u>	<u>2489177</u>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1993203	1996060
Capital surplus	2536403	2539261
Retained earnings	3953845	4498492
Treasury stock	-7848	-7875
Total shareholders' equity	<u>8475604</u>	<u>9025939</u>
Accumulated other comprehensive income		
Valuation difference on available–for–sale securities	2497	1232
Foreign currency translation adjustment	-355	30023
Total accumulated other comprehensive income	<u>2141</u>	<u>31255</u>
Minority interests	0	7154
Total net assets	<u>8477747</u>	<u>9064349</u>
<b>Total liabilities and net assets</b>	<u>10119174</u>	<u>11553526</u>

## (2) Consolidated statements of comprehensive income

Consolidated statements of income		(unit:thousand yen)	
	Year Ended March. 31 2012	Year Ended March. 31 2013	
Net sales	10,319,668	11,962,380	
Cost of sales	291,458	376,271	
Gross profit	10,028,209	11,586,108	
Selling, general and administrative expenses			
Advertising expenses	2,735,699	3,454,236	
Provision of allowance for doubtful accounts		16,876	
Salaries and allowances	2,196,701	2,101,793	
Provision for bonuses	164,892	351,882	
Provision for directors' bonuses	10,000	16,000	
Rents	943,747	907,085	
Commission fee	843,384	902,570	
Depreciation	479,900	468,550	
Amortization of goodwill	53,347	53,866	
Other	※1 1,647,924	※1 1,722,246	
Total selling, general and administrative expenses	9,075,597	9,995,108	
Operating income	952,612	1,591,000	
Non-operating income			
Interest income	4,597	5,213	
Dividends income	1,092	1,654	
Reversal of allowance for doubtful accounts	8,410		
Gain on bad debts recovered	371	1,956	
Interest on refund	10,204		
Other	6,554	3,034	
Total non-operating income	31,230	11,859	
Non-operating expenses			
Equity in losses of affiliates		27,617	
Amortization of business commencement expenses	673		
Loss on retirement of noncurrent assets	※2 514	※2 18,086	
Foreign exchange losses	17	7,409	
Other	262	164	
Total non-operating expenses	1,467	53,278	
Ordinary income	982,375	1,549,581	
Extraordinary income			
Gain on step acquisitions		11,724	
Total extraordinary income		11,724	
Extraordinary loss			
Loss on valuation of investment securities		156,073	
Loss on sales of investment securities		10,036	
Impairment loss	※3 113,500	※3 191,676	
Total extraordinary losses	113,500	357,786	
Income before income taxes and minority interests	868,874	1,203,518	
Income taxes-current	352,363	801,512	
Income taxes-deferred	50,701	-196,446	
Total income taxes	403,064	605,065	
Income before minority interests	465,810	598,452	
Minority interests in loss	0	-15,598	
Net income	465,810	614,051	

## Consolidated statements of comprehensive income

(unit:thousand yen)

	Year Ended March. 31 2012	Year Ended March. 31 2013
Income before minority interests	465,810	598,452
Other comprehensive income		
Valuation difference on available-for -sale securities	5,531	-1,264
Foreign currency translation adjustment	-355	31,529
Total other comprehensive income	※1 5,175	※1 30,264
Comprehensive income	470,986	628,717
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	470,986	643,165
Comprehensive income attributable to minority interests	0	-14,447

## (3) Consolidated statements of changes in net assets

(unit:thousand yen)

	Year Ended March. 31 2012	Year Ended March. 31 2013
Consolidated statements of changes in net assets		
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	1,992,372	1,993,203
Changes of items during the period		
Issuance of new shares	831	2,857
Total changes of items during the period	831	2,857
Balance at the end of current period	1,993,203	1,996,060
Capital surplus		
Balance at the beginning of current period	2,535,572	2,536,403
Changes of items during the period		
Issuance of new shares	831	2,857
Total changes of items during the period	831	2,857
Balance at the end of current period	2,536,403	2,539,261
Retained earnings		
Balance at the beginning of current period	3,598,678	3,953,845
Changes of items during the period		
Dividends from surplus	-110,642	-69,404
Net income	465,810	614,051
Total changes of items during the period	355,167	544,646
Balance at the end of current period	3,953,845	4,498,492
Treasury stock		
Balance at the beginning of current period	-7,848	-7,848
Changes of items during the period		
Purchase of treasury stock		-27
Total changes of items during the period		-27
Balance at the end of current period	-7,848	-7,875
Total shareholders' equity		
Balance at the beginning of current period	8,118,774	8,475,604
Changes of items during the period		
Issuance of new shares	1,662	5,715
Dividends from surplus	-110,642	-69,404
Net income	465,810	614,051
Purchase of treasury stock		-27
Total changes of items during the period	356,830	550,334
Balance at the end of current period	8,475,604	9,025,939

(unit:thousand yen)

	Year Ended March. 31 2012	Year Ended March. 31 2013
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	-3,034	2,497
Changes of items during the period		
Net changes of items other than shareholders' equity	5,531	-1,264
Total changes of items during the period	5,531	-1,264
Balance at the end of current period	2,497	1,232
Foreign currency translation adjustment		
Balance at the beginning of current period		-355
Changes of items during the period		
Net changes of items other than shareholders' equity	-355	30,378
Total changes of items during the period	-355	30,378
Balance at the end of current period	-355	30,023
Total accumulated other comprehensive income		
Balance at the beginning of current period	-3,034	2,141
Changes of items during the period		
Net changes of items other than shareholders' equity	5,175	29,114
Total changes of items during the period	5,175	29,114
Balance at the end of current period	2,141	31,255
Minority interests		
Balance at the beginning of current period		0
Changes of items during the period		
Net changes of items other than shareholders' equity	0	7,153
Total changes of items during the period	0	7,153
Balance at the end of current period	0	7,154
Total net assets		
Balance at the beginning of current period	8,115,740	8,477,747
Changes of items during the period		
Issuance of new shares	1,662	5,715
Dividends from surplus	-110,642	-69,404
Net income	465,810	614,051
Purchase of treasury stock		-27
Net changes of items other than shareholders' equity	5,176	36,267
Total changes of items during the period	362,006	586,602
Balance at the end of current period	8,477,747	9,064,349

## (4) Consolidated statements of cash flows

(unit:thousand yen)

	Year Ended March. 31 2012	Year Ended March. 31 2013
Consolidated statements of cash flows		
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	868,874	1,203,518
Depreciation and amortization	481,206	471,122
Amortization of goodwill	53,347	53,866
Impairment loss	113,500	191,676
Increase (decrease) in provision for bonuses	-183,345	185,044
Increase (decrease) in provision for directors' bonuses	10,000	6,000
Increase (decrease) in allowance for doubtful accounts	-41,109	-12,724
Interest and dividends income	-3,537	-5,549
Loss (gain) on step acquisitions		-11,724
Equity in (earnings) losses of affiliates		27,617
Interest income on securities	-2,152	-1,318
Loss (gain) on sales of investment securities		10,036
Loss (gain) on valuation of investment securities		156,073
Loss on retirement of noncurrent assets	514	18,086
Decrease (increase) in notes and accounts receivable-trade	-140,053	-264,172
Decrease (increase) in inventories	133	-2,911
Increase (decrease) in notes and accounts payable-trade	53	34,234
Increase (decrease) in accounts payable-other	-107,339	138,721
Other, net	180,559	141,474
Subtotal	<u>1,230,652</u>	<u>2,339,071</u>
Interest and dividends income received	5,403	7,177
Income taxes (paid) refund	276,742	-484,945
Net cash provided by (used in) operating activities	<u>1,512,798</u>	<u>1,861,302</u>
Net cash provided by (used in) investing activities		
Payments into time deposits	-2,000,598	-1,159
Proceeds from withdrawal of time deposits		2,001,757
Purchase of investment securities	-324,123	-1,318
Proceeds from sales of investment securities		22,854
Purchase of property, plant and equipment	-54,234	-51,511
Purchase of intangible assets	-321,080	-354,276
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	※2	4,723
Purchase of investments in subsidiaries resulting in change in scope of consolidation	※2	-10,269
Payments for lease and guarantee deposits	-586	-2,445
Proceeds from collection of lease and guarantee deposits	2,390	110,877
Net cash provided by (used in) investing activities	<u>-2,698,233</u>	<u>1,719,232</u>
Net cash provided by (used in) financing activities		
Proceeds from issuance of common stock	1,662	5,715
Proceeds from stock issuance to minority shareholders	0	
Purchase of treasury stock		-27
Cash dividends paid	-110,319	-69,461
Net cash provided by (used in) financing activities	<u>-108,656</u>	<u>-63,773</u>
Effect of exchange rate change on cash and cash equivalents	-394	10,478
Net increase (decrease) in cash and cash equivalents	<u>-1,294,485</u>	<u>3,527,240</u>
Cash and cash equivalents at beginning of period	4,707,564 ※1	3,413,078
Cash and cash equivalents at end of period	※1 <u>3,413,078</u> ※1	<u>6,940,319</u>



(5). Notes Regarding Consolidated Financial Statements

(Notes Regarding Ongoing Concerns)

No relevant matters exist.

(Significant Matters that Constitute the Basis for the Preparation of the Consolidated Financial Statements)

1. Scope of consolidation

All subsidiaries of NEXT are consolidated.

Number of consolidated subsidiaries:

8 subsidiaries

Names of consolidated subsidiaries:

Renters Co.

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

PT. Rumah Media

Next Property Media Holdings Limited

Next Media China Limited

北京未来家园信息技术有限公司

北京月银久鼎信息技术有限公司

上海房华信息科技发展有限公司

Changes in scope of consolidation

① From the consolidated year under review PT. Rumah Media has been included in the scope of consolidation due to the new acquisition of shares in the company.

② During the consolidated year under review the company has entered a share transfer agreement with Real Estate Mobile Inc., the shareholder of the equity method affiliate Next Property Media Holdings Limited (hereinafter referred to as "NPM"). As a result, the company now has effective control over it, so the NPM Group companies of Next Media China Limited, 北京未来家园信息技术有限公司, 北京月银久鼎信息技术有限公司, and 上海房华信息科技发展有限公司 have been included within the consolidation scope.

2. Accounting periods for consolidated subsidiaries

The balance sheet date for subsidiaries in Japan is March 31, and for overseas subsidiaries is December 31.

Because this December 31 balance sheet date is within three months of NEXT's consolidated balance sheet date, NEXT used these consolidated subsidiaries' financial statements on its balance sheet date for preparing the Company's consolidated financial statements. Consolidated figures have been adjusted for important transactions occurring during this period.

3. 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:

Buildings	15 to 18 years
Property, plant and equipment	4 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 for the consolidated year under review 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) Amortization method and period for goodwill

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

(6) 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.

(7) 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.

(Changes in Accounting Policy)

(Changes in Accounting Policy that Are Difficult to Distinguish from Accounting Estimation Changes)

From the consolidated year under review onwards, the Company has changed the depreciation and amortization methods used for property, plants and equipment obtained on or after April 1, 2012, for both the Company and its domestic consolidated subsidiaries, in accordance with the revisions made to the Corporation Tax Act.

This has had only a minimal effect on the consolidated financial statement.

(Changes in Presentation Method)

(Consolidated Income Statement Related)

"Income from recovery of bad debts", which was included in "Non-Operating Income - Other" during the previous consolidated fiscal year, accounted for over 10% of non-operating income during the consolidated year under review, so from the present year it has been posted as a separate category. In order to reflect this change of presentation method, the previous consolidated fiscal year's consolidated financial statement has been rearranged.

The 6,925 thousand yen posted for "Non-Operating Income - Other" during the previous consolidated fiscal year has been separated into 371 thousand yen in "Income from Recovery of Bad Debts", and 6,554 thousand yen in "Other".

"Foreign exchange loss", which was included in "Non-Operating Expenses - Other" during the previous consolidated fiscal year, accounted for over 10% of non-operating expenses during the consolidated year under review, so from the present year it has been posted as a separate category. In order to reflect this change of presentation method, the previous consolidated fiscal year's consolidated financial statement has been rearranged.

The 280 thousand yen posted for "Non-Operating Expenses - Other" during the previous consolidated fiscal year has been separated into 17 thousand yen in "Foreign Exchange Loss", and 262 thousand yen in "Other".

(Changes in Accounting Estimations)

During the consolidated year under review, the Company decided to change the area leased within the head office. Because of this, the useful lives of fixed assets which cannot be used have been shortened, for the present and in the future.

Also, with regards to the asset retirement obligations posted to satisfy the Company's obligation to return the real estate for which the Company has entered a lease agreement to its original condition, the estimated time until payment has been shortened, for the present and the future.

As a result, the operating profit, current profit, and Income before income taxes and minority interests for the consolidated year under review have all been reduced by 58,573 thousand yen versus the previous accounting method.

(Consolidated Balance Sheet Related)

\*1 The inventory breakdown is as shown below:

	Previous Consolidated Fiscal Year (March 31, 2012)	Current Consolidated Fiscal Year (March 31, 2013)
Material and supplies	4,057 thousand yen	6,969 thousand yen

\*2 The affiliate company breakdown is as shown below:

	Previous Consolidated Fiscal Year (March 31, 2012)	Current Consolidated Fiscal Year (March 31, 2013)
Investment account securities (stocks)	116,063 thousand yen	— thousand yen

\*3 Past-due operating receivables are receivables whose normal collection period has passed, and which have become receivables (accounts receivable-trade) which will require a long period of time to collect.

(Consolidated Income Statement Related)

\*1 Research and development expenses included in selling, general and administrative expenses are as indicated below.

	Previous Consolidated Fiscal Year (From: April 1, 2011 To March 31, 2012)	Current Consolidated Fiscal Year (From: April 1, 2012 To March 31, 2013)
General administrative expenses	55,285 thousand yen	75,406 thousand yen

\*2 The breakdown of loss on retirement of noncurrent assets is as shown below.

	Previous Consolidated Fiscal Year (From: April 1, 2011 To March 31, 2012)	Current Consolidated Fiscal Year (From: April 1, 2012 To March 31, 2013)
Buildings	— thousand yen	1,369 thousand yen
Property, plant and equipment	514 thousand yen	882 thousand yen
Software	— thousand yen	15,835 thousand yen
Total	514 thousand yen	18,086 thousand yen

\* The breakdown of impairment loss is as shown below:

The Group performs grouping based on segments.

Previous consolidated fiscal year (April 1, 2011, to March 31, 2012)

The Group posted 113,500 thousand yen in extraordinary loss as impairment loss. Impairment loss was recognized for the following assets:

Location	Use	Type
NEXT Co., Ltd.	Business asset	Software

\* Reason for recognition as an impairment loss

The utility values of "local information services" are considered to be recoverable values. A conservative estimate of future recoverable value determined that the future utility value has dropped by a large amount, so it was decided to post the entire book value of the software as an impairment loss.

Consolidated year under review (April 1, 2012 to March 31, 2013)

The Group posted 191,676 thousand yen in extraordinary loss as impairment loss. Impairment loss was recognized for the following assets:

Location	Use	Type	Amount
NEXT Co., Ltd.	Business asset	Software	22,803 thousand yen
Next Property Media Holdings Limited	—	Goodwill	163,525 thousand yen
北京未来家园信息技术有限公司	Business asset	Property, plant and equipment	1,835 thousand yen
北京月银久鼎信息技术有限公司	Business asset	Property, plant and equipment	531 thousand yen
上海房华信息科技发展有限公司	Business asset	Property, plant and equipment	2,979 thousand yen

\* Reason for recognition as an impairment loss

The Company considers the utility values of "financial information services", included within the "Other" segment, to be recoverable values. A conservative estimate of future recoverable value determined that the future utility value has dropped by a large amount, so it was decided to post the entire book value of the software as an impairment loss.

Furthermore, under the current management environment, there is no outlook for business result improvements for the Next Property Media Holdings Limited (hereinafter referred to as "NPM") Group, a consolidated subsidiary. The Company has therefore indicated its intent to shareholders to promptly cease business activities, and liquidate the company and the other companies within the group.

As a result, the Company has posted the full amount of goodwill for the NPM group, and the full amount of the property, plants, and equipment of 北京未来家园信息技术有限公司, 北京月银久鼎信息技术有限公司, and 上海房华信息科技发展有限公司, as extraordinary losses in the form of impairment losses.

(Consolidated Comprehensive Income Statement Related)

\*1 Other comprehensive income related organization adjustment amounts and tax effect amounts.

	(thousand yen)	
	Previous Consolidated Fiscal Year (From: April 1, 2011 To March 31, 2012)	Current Consolidated Fiscal Year (From: April 1, 2012 To March 31, 2013)
Net changes of items other than shareholders' equity		
Current year	8,966	-180,049
Reorganization adjustment	—	178,111
Before tax effects adjustment	8,966	-1,938
Tax effects adjustment	3,435	-673
Net changes of items other than shareholders' equity	5,531	-1,264
Exchange conversion adjustment	-355	31,529
Total accumulated other comprehensive income	5,175	30,264

## (Consolidated Statement of Changes in Shareholders' Equity, etc. Related)

Previous consolidated fiscal year (April 1, 2011, to March 31, 2012)

## 1 Items regarding outstanding and treasury shares

Share Type	Beginning of Current Consolidated Fiscal Year	Increase	Decrease	End of Current Consolidated Fiscal Year
Outstanding shares				
Common shares	187,650	18,582,350	—	18,770,000
Treasury stock				
Common shares	120	11,880	—	12,000

(Overview of reasons for changes)

The overall breakdown of the increase in outstanding shares is as shown below:

Increase due to exercising of new share acquisition rights 50 shares

Increase due to share splitting (1:100) 18,582,300 shares

The overall breakdown of the increase in treasury stocks is as shown below:

Increase due to share splitting (1:100) 11,880 shares

## 2 Items regarding dividends

## (1) Dividend payments

Resolution	Share Type	Total Dividend Amount (thousand yen)	Dividends per Share (yen)	Record Date	Effective Date
June 23, 2011 Annual Meeting of Shareholders	Common shares	110,642	590	March 31, 2011	June 24, 2011

(2) Dividends with record dates during the consolidated year under review whose effective dates fall within the following consolidated year

Resolution	Share Type	Dividend Capital	Total Dividend Amount (thousand yen)	Dividends per Share (yen)	Record Date	Effective Date
June 26, 2012 Annual Meeting of Shareholders	Common shares	Retained earnings	69,404	3.7	March 31, 2012	June 27, 2012

Consolidated year under review (April 1, 2012 to March 31, 2013)

## 1 Items regarding outstanding and treasury shares

Share Type	Beginning of Current Consolidated Fiscal Year	Increase	Decrease	End of Current Consolidated Fiscal Year
Outstanding shares				
Common shares	18,770,000	24,600	—	18,794,600
Treasury stock				
Common shares	12,000	60	—	12,060

(Overview of reasons for changes)

The overall breakdown of the increase in outstanding shares is as shown below:

Increase due to exercising of new share acquisition rights 24,600 shares

The overall breakdown of the increase in treasury stocks is as shown below:

Increase due to purchase request for fractional unit shares 60 shares

## 2 Items regarding dividends

## (1) Dividend payments

Resolution	Share Type	Total Dividend Amount (thousand yen)	Dividends per Share (yen)	Record Date	Effective Date
June 26, 2012 Annual Meeting of Shareholders	Common shares	69,404	3.7	March 31, 2012	June 27, 2012

(2) Dividends with record dates during the consolidated year under review whose effective dates fall within the following consolidated year

Resolution	Share Type	Dividend Capital	Total Dividend Amount (thousand yen)	Dividends per Share (yen)	Record Date	Effective Date
June 25, 2013 Annual Meeting of Shareholders	Common shares	Retained earnings	122,086	6.5	March 31, 2013	June 26, 2013

(Consolidated Cash Flow Statement Related)

\*1 The relationships between the balance of cash and cash equivalents at the end of the financial year and the amounts posted for each item on the consolidated balance sheet are as shown below:

	Previous Consolidated Fiscal Year (April 1, 2011, to March 31, 2012)	Current Consolidated Fiscal Year (April 1, 2012 to March 31, 2013)
Cash and cash equivalents	5,413,676 thousand yen	6,940,319 thousand yen
Time deposits with deposit periods of greater than 3 months	-2,000,598 thousand yen	— thousand yen
Cash and cash equivalents	3,413,078 thousand yen	6,940,319 thousand yen

\*2 Overall breakdown of assets and liabilities of companies which became consolidated subsidiaries as a result of stock acquisition

During the consolidated year under review, PT. Rumah Media (hereinafter referred to as "Rumah") became a consolidated company as a result of stock acquisition. A breakdown of the company's assets and liabilities at the point when it became a consolidated company, the acquisition value of Rumah's stocks, and their relationship with the revenue (net) produced by the acquisition of Rumah, are shown below.

Current assets	12,631 thousand yen
Fixed assets	13 thousand yen
Goodwill	2,289 thousand yen
Current liabilities	-1,408 thousand yen
Minority shareholders' interest	-5,618 thousand yen
Share acquisition value	7,908 thousand yen
Cash and cash equivalents	-12,631 thousand yen
Difference: Revenue produced by acquisition of subsidiary company shares as a result of consolidation scope change	-4,723 thousand yen

During the consolidated year under review, Next Property Media Holdings Limited (hereinafter referred to as "NPM") became a consolidated company as a result of stock acquisition. A breakdown of the company's assets and liabilities at the point when it became a consolidated company, the acquisition value of NPM's stocks, and their relationship with the revenue (net) produced by the acquisition of NPM, are shown below.

Current assets	78,951 thousand yen
Fixed assets	23,163 thousand yen
Goodwill	152,566 thousand yen
Current liabilities	-6,490 thousand yen
Minority shareholders' interest	-9,332 thousand yen
Equity method valuation up to point of acquisition	-88,445 thousand yen
Margin gain resulting from phased acquisition	-11,724 thousand yen
Share acquisition value	138,688 thousand yen
Accounts payable-other	-62,344 thousand yen
Cash and cash equivalents	-66,074 thousand yen
Difference: Expenses resulting from acquisition of subsidiary company shares as a result of consolidation scope change	10,269 thousand yen

(Stock Option, etc. Related)

1 Stock option contents, scale, and changes

(1) Stock option contents

Company Name	Filing Company		
Type	2003 stock acquisition rights	2005 stock acquisition rights	2006 stock acquisition rights
Resolution Date	April 23, 2003	March 30, 2005	June 26, 2006
Types and Numbers of Recipients	Company directors: 4 Company auditor: 1 Company employees: 21	Company auditors: 2 Company employees: 58	Company operating officers (other than those also serving as directors): 5 Company employees: 143
Stock Type and Number Granted (note)	Common shares: 284,000	Common shares: 100,800	Common shares: 225,600
Grant Date	May 31, 2003	March 30, 2005	June 30, 2006
Right Determination Conditions	Of those granted stock acquisition rights, the company's directors, auditors, and employees must hold positions as directors, auditors, or employees in the company at the point at which they exercise the rights. (except when otherwise permitted by the board of directors, such as when the person wishing to execute the rights has left the company due to having completed their term of office, reached retirement age, or been removed from that position at the convenience of the company)	Those granted stock acquisition rights must hold positions as directors, auditors, or employees in the company at the point at which they exercise the rights. (except when otherwise permitted by the board of directors, such as when the person wishing to execute the rights has left the company due to having completed their term of office, reached retirement age, or been removed from that position at the convenience of the company)	Those wishing to exercise the rights must hold positions as directors or employees in the company at the point at which they exercise the rights. (except those who have lost their positions as directors or employees as a result of reaching retirement age or for other valid reasons)
Scope of Term of Employment	Not specified.	Not specified.	Not specified.
Period of Exercise of Right	From July 1, 2005 To June 30, 2015	From March 31, 2007 To March 23, 2015	From July 1, 2008 To June 30, 2012

(Note 1) Indicated in terms of number of shares after share split.

(Note 2) Stock acquisition rights for 2006 expired on June 30, 2012.



(2) Stock option scale and changes

This section contains stock options existing during the consolidated year under review (the period ending March 31, 2013). Stock option numbers indicate the numbers of individual stocks.

① Number of stock options

Company Name	Filing Company			
	Type	2003 stock acquisition rights	2005 stock acquisition rights	2006 stock acquisition rights
Resolution Date	April 23, 2003	March 30, 2005	June 26, 2006	
Before Right Resolution (Number of Stocks)				
End of Previous Consolidated Fiscal Year	—	—	—	
Granted	—	—	—	
Expired	—	—	—	
Right Determination	—	—	—	
Undetermined Remaining	—	—	—	
After Right Determination (Number of Stocks)				
End of Previous Consolidated Fiscal Year	39,200	40,000	120,800	
Right Determination	—	—	—	
Rights Used	9,600	15,000	—	
Expired	4,600	1,400	120,800	
Unused	25,000	23,600	—	

(Note 1) Indicated in terms of number of shares after share split.

(Note 2) Stock acquisition rights for 2006 expired on June 30, 2012.

② Unit price information

	2003 stock acquisition rights	2005 stock acquisition rights	2006 stock acquisition rights
Exercise Price	75 Yen	333 Yen	1,100 Yen
Average Stock Price when Exercised	432 Yen	799 Yen	—
Primary Value per Unit (on Grant Date)	—	—	—

(Note) Indicated in terms of number and value of shares after share split.

(Tax Effect Accounting Related)

1. Breakdown of deferred tax assets and deferred tax liabilities by main cause  
(Deferred tax assets)

	Previous Consolidated Fiscal Year (March 31, 2012)	Current Consolidated Fiscal Year (March 31, 2013)
<b>(1) Current assets</b>		
Allowance for doubtful accounts	39 <sup>thousand</sup> yen	4 <sup>thousand</sup> yen
Provision for bonuses	67,935 <sup>thousand</sup> yen	138,406 <sup>thousand</sup> yen
Accrued business tax	26,907 <sup>thousand</sup> yen	52,426 <sup>thousand</sup> yen
Asset retirement obligations	— <sup>thousand</sup> yen	38,214 <sup>thousand</sup> yen
Others	18,504 <sup>thousand</sup> yen	38,407 <sup>thousand</sup> yen
Total	113,386 <sup>thousand</sup> yen	267,459 <sup>thousand</sup> yen
<b>(2) Fixed assets</b>		
Allowance for doubtful accounts	1,663 <sup>thousand</sup> yen	1,416 <sup>thousand</sup> yen
Impairment loss	38,170 <sup>thousand</sup> yen	34,427 <sup>thousand</sup> yen
Depreciation and amortization costs	24,520 <sup>thousand</sup> yen	20,385 <sup>thousand</sup> yen
Asset retirement obligations	85,625 <sup>thousand</sup> yen	54,578 <sup>thousand</sup> yen
Loss on valuation of investment securities	— <sup>thousand</sup> yen	59,901 <sup>thousand</sup> yen
Others	441 <sup>thousand</sup> yen	— <sup>thousand</sup> yen
Subtotal	150,421 <sup>thousand</sup> yen	170,709 <sup>thousand</sup> yen
Deferred (fixed) tax liability offset	-69,210 <sup>thousand</sup> yen	-47,670 <sup>thousand</sup> yen
Total	81,211 <sup>thousand</sup> yen	123,039 <sup>thousand</sup> yen
Total deferred tax assets	194,598 <sup>thousand</sup> yen	390,498 <sup>thousand</sup> yen

(Deferred tax liabilities)

	Previous Consolidated Fiscal Year (March 31, 2012)	Current Consolidated Fiscal Year (March 31, 2013)
<b>(1) Fixed Liabilities</b>		
Special depreciation reserve	-1,751 <sup>thousand</sup> yen	— <sup>thousand</sup> yen
Asset retirement obligation abatement costs	-66,962 <sup>thousand</sup> yen	-46,987 <sup>thousand</sup> yen
Others	-1,797 <sup>thousand</sup> yen	-682 <sup>thousand</sup> yen
Deferred (fixed) tax asset offset	69,210 <sup>thousand</sup> yen	47,670 <sup>thousand</sup> yen
Total	-1,300 <sup>thousand</sup> yen	— <sup>thousand</sup> yen
Total deferred tax liabilities	-1,300 <sup>thousand</sup> yen	— <sup>thousand</sup> yen
Difference: Net deferred tax assets	193,297 <sup>thousand</sup> yen	390,498 <sup>thousand</sup> yen

2. Breakdown of differences between effective statutory tax rates and corporate tax, etc., contributions after application of tax effect accounting, by main cause

	Previous Consolidated Fiscal Year (March 31, 2012)	Current Consolidated Fiscal Year (March 31, 2013)
Effective statutory tax rate	40.7%	38.0%
(Adjustment)		
Entertainment and other expenses not deductible for income tax purposes	0.6%	0.8%
Non-deductible directors' bonuses	0.5%	0.5%
Inhabitant tax on per capita basis, etc.	0.8%	0.6%
Non-deductible goodwill amortization	2.0%	1.8%
Corrected reduction in end of year deferred tax assets resulting from change in tax rate	1.9%	-
Equity in loss of affiliates	-	0.9%
Margin gain resulting from phased acquisition	-	-0.4%
Goodwill impairment	-	5.2%
Impact of overseas subsidiaries with unconfirmed tax effects	-	3.2%
Corporate tax special deductions		-0.5%
Others	-0.1%	0.2%
Corporate tax, etc. contributions after application of tax effect accounting	46.4%	50.3%

(Business Combination Related)

Business combinations through acquisitions

(1) Transaction overview

① Name and business activities of acquired company

Name of acquired company	PT. Rumah Media
Business activities	Real estate information services

② Date of business combination

April 25, 2012

③ Legal form of business combination

Issued shares were acquired for cash

④ Name of business after combination

No name change

⑤ Ratio of voting rights acquired

50%

⑥ Main reasons for business combination

Through the acquisition of the company, we can operate a real estate information site for the Indonesian market, offer real estate concierge services for Japanese living in Indonesia, and create the number 1 real estate information site in Indonesia.

(2). Period of operating results included in the consolidated financial statements

July 1, 2012 to December 31, 2012

(3) Detailed acquisition costs

Value of the acquisition	5,858 thousand yen
Expenses directly related to acquisition	2,050 thousand yen
Acquisition cost	7,908 thousand yen

(4) Amount of goodwill recognized, basis for recognition, and method and period for amortization of goodwill

① Amount of goodwill recognized

2,289 thousand yen

② Basis for recognition

Goodwill was recognized because the acquisition cost of the company exceeded the value of shares owned in the company.

③ Method and period for amortization of goodwill

One-time amortization

(5) Overall breakdown of assets received and liabilities assumed on the day of the business combination

Current assets	12,631 thousand yen
Fixed assets	13 thousand yen
Total assets	12,645 thousand yen
Current liabilities	1,408 thousand yen
Total liabilities	1,408 thousand yen

Business combinations through acquisitions

The Group has acquired additional shares of its equity method affiliate Next Property Media Holdings Limited, converting it into a consolidated subsidiary.

(1) Transaction overview

① Name and business activities of acquired company

Name of acquired company	Next Property Media Holdings Limited
Business activities	Business management of Group companies

② Date of business combination

November 8, 2012

③ Legal form of business combination

Issued shares were acquired for cash

④ Name of business after combination

No name change

⑤ Ratio of voting rights acquired

Ratio of voting rights immediately before business combination:	39.00%
Ratio of voting rights acquired on date of business combination:	51.24%
Ratio of voting rights after acquisition:	90.24%

⑥ Main reasons for business combination

Through the acquisition of the company, the company can accelerate decision-making in the Chinese market, taking full advantage of the company's knowledge regarding real estate information site operation in its business management activities, and increasing revenue.

(2) Period of operating results included in the consolidated financial statements

January 1, 2012 to December 31, 2012

The acquisition date is considered to be at the end of the third consolidated accounting period, so profits and losses for the acquired company arising between January 1, 2012 and September 30, 2012, are posted as investment losses using the equity method.

(3) Detailed acquisition costs

Value of the acquisition	219,592 thousand yen
Expenses directly related to acquisition	19,266 thousand yen
Acquisition cost	238,858 thousand yen

(4) Difference between company acquisition cost and total amount of acquisition costs per transaction culminating in the acquisition

11,724 thousand yen

(5) Amount of goodwill recognized, basis for recognition, and method and period for amortization of goodwill

① Amount of goodwill recognized

152,566 thousand yen

② Basis for recognition

Goodwill was recognized because China is one of the highest priority strategic areas for the creation of Asia's number one real estate information site, due to it having Asia's largest real estate market and Internet population, and therefore accelerating decision-making in China can be expected to produce future revenue creation strength.

③ Method and period for amortization of goodwill

Straight-line method over the course of 5 years

(6) Overall breakdown of assets received and liabilities assumed on the day of the business combination

Current assets	78,951 thousand yen
Fixed assets	23,163 thousand yen
Total assets	102,115 thousand yen
Current liabilities	6,490 thousand yen
Total liabilities	6,490 thousand yen

(Segment Information Related)

(Segment Information)

#### 1 Overview of reportable segments

The reportable segments of the Company are constituent units of the Company for which separate financial information can be obtained, and the Board of Directors examines such information on a regular basis to determine the allocation of management resources and evaluate the business performance.

The Company and its subsidiaries possess business divisions for individual services, based primarily on the service contents they offer, and their financial characteristics. The Company's business divisions and subsidiaries establish strategies for the services they handle, and use them to engage in business activities.

As a result, the Group consists of three reportable segments composed of the individual segments in which services are offered, led by the Group's business divisions. These reportable segments are the Real Estate Information Service segment, the Local Information Service segment, and the Other segment.

The following types of services are included within these reportable segments.

- |                                      |   |
|--------------------------------------|---|
| (1) Real estate information services | Operation of the HOME'S real estate and housing information site, synergistic services, and business offshoots of these services (advertising agency business, system development and website creation business, Renter's Net business support CRM service for real estate companies, moving estimates, etc.) |
| (2) Local information services       | Operation of the Lococom local information site   |
| (3) Other                            | Casualty insurance agency business, "MONEYMO" lifestyle and money portal site, "eQOL Skincare" portal site for atopic patients, "Event Cal" the event curation site, new businesses, etc.   |

#### 2 Information on methods used to calculate net sales, profit and loss, assets, liabilities, and other items by reported segment

The accounting processes and methods used for reported segments are roughly identical to the content contained in the "Significant Matters that Constitute the Basis for the Preparation of the Consolidated Financial Statements" section.

Profit figures for individual reported segments are based on operating profit figures.

3 Information on amounts of net sales, profit and loss, assets, liabilities, and other items by reported segment  
Previous Consolidated Fiscal Year (April 1, 2011, to March 31, 2012)

(Unit: thousand yen)

	Real estate information services	Local information services	Other	Total
Sales				
Sales to outside customers	10,222,103	30,308	67,256	10,319,668
Internal sales and transfers between segments	—	—	—	—
Total	10,222,103	30,308	67,256	10,319,668
Segment profit or loss (-)	1,912,960	-633,602	-326,745	952,612
Segment assets	4,604,902	21,345	60,892	4,687,141

(Notes)

- The "lease guarantee" segment category has been eliminated beginning with the consolidated year under review. This is because on August 2, 2010, the Company transferred all stocks of the NEXT Financial Service Company, which was responsible for lease guarantee business, and on July 1, 2010 the NEXT Financial Service Company was removed from the consolidation scope, and the Company ceased all lease guarantee business. As a result, from the consolidated year under review the Company's business activities are divided into three segments: "Real Estate Information Service", "Local Information Service", and "Other".
- From the consolidated year under review the name of the "Local Community" segment has been changed to "Local Information Service". This segment name change has no impact on segment data.

Current Consolidated Fiscal Year (April 1, 2012 to March 31, 2013)

(Unit: thousand yen)

	Real estate information services	Local information services	Other	Total
Sales				
Sales to outside customers	11,851,465	20,748	90,165	11,962,380
Internal sales and transfers between segments	—	—	—	—
Total	11,851,465	20,748	90,165	11,962,380
Segment profit or loss (-)	1,902,601	-145,493	-166,108	1,591,000
Segment assets	4,989,136	11,202	29,438	5,029,777

4 Difference between total reported segment figures and amounts stated in consolidated financial statements, and main reasons for differences (items related to difference adjustments)

(Unit: thousand yen)

Sales	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year
Reported segment total	10,319,668	11,962,380
Elimination between segments	—	—
Consolidated financial statement sales	10,319,668	11,962,380

(Unit: thousand yen)

Income	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year
Reported segment total	952,612	1,591,000
Elimination between segments	—	—
Consolidated financial statement operating profit	952,612	1,591,000

(Unit: thousand yen)

Assets	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year
Reported segment total	4,687,141	5,029,777
Company assets (note)	5,432,033	6,523,749
Consolidated financial statement total assets	10,119,174	11,553,526

(Note) Company assets consist primarily of parent company surplus operating funds (cash and savings) and long-term investment funds (investment account securities).

(Unit: thousand yen)

Others	Reported segment total		Adjustment		Carried on consolidated financial statement	
	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year
Depreciation and amortization costs	481,206	471,122	-1,305	-2,572	479,900	468,550

(Note) Depreciation and amortization expense adjustments consist of transfers to internal development assets.

(Information Regarding Fixed Assets Impairment Losses for Each Reported Segment)

(Major Impairment Losses Involving Fixed Assets)

An impairment loss of 168,872 thousand yen was posted in the "Real Estate Information Service" segment.

An impairment loss of 22,803 thousand yen was posted in the "Financial Information Service" segment contained in the "Other" segment.

(Important Goodwill Amount Changes)

On November 8, 2012, the Group acquired additional shares of its equity method affiliate Next Property Media Holdings Limited, converting it into a consolidated subsidiary.

This caused a goodwill increase of 152,566 thousand yen during the consolidated year under review.

(Information Regarding Changes in Reported Segments)

As indicated in the "Changes in Accounting Policy that Are Difficult to Distinguish from Accounting Estimation Changes" section, the Company has changed the depreciation and amortization methods used from the first consolidated quarter onwards for property, plants and equipment obtained on or after April 1, 2012, in accordance with the revisions made to the Corporation Tax Act. The reported segment depreciation and amortization method was changed to the method specified in the revised Corporation Tax Act.

This has had only a minimal effect on the consolidated financial statement.

(Information Regarding Goodwill Amortization and Unamortized Balances for Each Reported Segment)

Previous Consolidated Fiscal Year (April 1, 2011, to March 31, 2012)

(Unit: thousand yen)

	Real estate information services	Local information services	Other	Company-wide / Eliminated	Total
Amortization for current reporting period	52,878	163	306	—	53,347
Balance at end of reporting period	171,640	543	1,206	—	173,390

Current Consolidated Fiscal Year (April 1, 2012 to March 31, 2013)

(Unit: thousand yen)

	Real estate information services	Local information services	Other	Company-wide / Eliminated	Total
Amortization for current reporting period	53,474	80	312	—	53,866
Balance at end of reporting period	128,784	242	1,015	—	130,042

(Information Regarding Related Parties)

1. Transactions with related parties

(1) Transactions between companies issuing consolidated financial statements and related parties

(A) Executives and major stockholders (individual investors only) in companies issuing consolidated financial statements, etc.

Previous Consolidated Fiscal Year (April 1, 2011, to March 31, 2012)

Type	Name of Company, etc.	Location	Capital or Funding (million yen)	Business Activities or Business Field	Ratio of Voting Rights, etc. Owned (%)	Relationship with Related Party		Transaction Contents	Transaction Amount (thousand yen)	Accounting Item	Balance at End of Reporting Period (thousand yen)
						Interlocking Officers, etc.	Business Relationship				
Company, etc., in which over half of the voting rights are held by officers or close relatives (including subsidiary companies)	Crimson Football Club, Inc. (Note 2)	Hyogo-ku, Kobe City	98	Sport promotion planning and execution	None	1 interlocking officer	Advertising requests, other miscellaneous expense payments	Advertising requests (Note 1)	68,606	—	—

Transaction conditions and transaction condition decision-making policy, etc.

(Notes)

1. Kobe City and the Crimson Football Club, Inc. used open bidding for naming rights to "Kobe Wing Stadium", included within "advertising request". Other advertising requests and other expenses were decided using standard transaction conditions based on market prices.
2. Hiroshi Mikitani, the Company's external director, indirectly holds 100% of voting rights.

Consolidated year under review (April 1, 2012 to March 31, 2013)

Type	Name of Company, etc.	Location	Capital or Funding (million yen)	Business Activities or Business Field	Ratio of Voting Rights, etc. Owned (%)	Relationship with Related Party		Transaction Contents	Transaction Amount (thousand yen)	Accounting Item	Balance at End of Reporting Period (thousand yen)
						Interlocking Officers, etc.	Business Relationship				
Company, etc., in which over half of the voting rights are held by officers or close relatives (including subsidiary companies)	Crimson Football Club, Inc. (Note 2)	Hyogo-ku, Kobe City	98	Sport promotion planning and execution	None	1 interlocking officer	Advertising requests, other miscellaneous expense payments	Advertising requests (Note 1)	68,884	Accounts payable - other	4,503

Transaction conditions and transaction condition decision-making policy, etc.

(Notes)

1. Kobe City and the Crimson Football Club, Inc. used open bidding for naming rights to "Kobe Wing Stadium", included within "advertising request". Other advertising requests and other expenses were decided using standard transaction conditions based on market prices.
2. Hiroshi Mikitani, the Company's external director, indirectly holds 100% of voting rights.



## (Per Share Information)

	Previous Consolidated Fiscal Year (April 1, 2011, to March 31, 2012)	Current Consolidated Fiscal Year (April 1, 2012, to March 31, 2013)
Net assets per share	451.95 yen	482.21 yen
Net profit per share	24.83 yen	32.72 yen
Diluted net profit per share	24.78 yen	32.65 yen

(Note) The net profit per share and diluted net profit per share figures above were calculated based on the following.

Item	Previous Consolidated Fiscal Year (April 1, 2011, to March 31, 2012)	Current Consolidated Fiscal Year (April 1, 2012, to March 31, 2013)
Net profit per share		
Net profit (thousand yen)	465,810	614,051
Amount not attributed to common stockholders (thousand yen)	—	—
Net profit on common shares (thousand yen)	465,810	614,051
Average number of common shares during the reporting period (shares)	18,756,867	18,767,294
Diluted net profit per share		
Net profit adjustment (thousand yen)	—	—
Increase in number of common shares (shares)	41,848	40,612
(number of stock purchase rights therein) (shares)	(—)	(—)
(number of stock acquisition rights therein) (shares)	(41,848)	(40,612)
Summary of dilutive shares which were not included in calculations of net profit per share after dilution because they did not have dilutive effects	Stock options decided on by regular shareholder's meeting on June 26, 2006 (120,800 shares)	Stock acquisition rights decided on by regular shareholder's meeting on June 26, 2006, expired and became invalid on June 30, 2012.

## (Important Events After the Reporting Period)

No relevant matters exist.

## 5. Financial Statements

## (1) Balance sheets

(unit:thousand yen)

	As of March 31,2012	As of March 31,2013
<b>Assets</b>		
Current assets		
Cash and deposits	5,080,799	6,478,916
Accounts receivable—trade	1,223,073 ※1	1,436,698
Supplies	4,055	6,968
Advance payments—trade	223	165
Prepaid expenses	180,306	165,746
Deferred tax assets	102,052	250,456
Accounts receivable—other	※1 299,311 ※1	349,730
Other	5,520	1,301
Allowance for doubtful accounts	-7,480	-5,469
Total current assets	<u>6,887,863</u>	<u>8,684,515</u>
Noncurrent assets		
Property, plant and equipment		
Buildings	649,556	650,463
Accumulated depreciation	-139,675	-269,934
Buildings, net	<u>509,880</u>	<u>380,529</u>
Tools, furniture and fixtures	664,105	693,115
Accumulated depreciation	-483,477	-554,173
Tools, furniture and fixtures, net	<u>180,628</u>	<u>138,942</u>
Total property, plant and equipment	<u>690,509</u>	<u>519,471</u>
Intangible assets		
Goodwill	173,390	130,042
Right of trademark	1,272	25,484
Software	464,917	584,234
Software in progress	171,911	69,614
Other	6,415	6,365
Total intangible assets	<u>817,906</u>	<u>815,741</u>
Investments and other assets		
Investment securities	236,015	44,812
Stocks of subsidiaries and affiliates	473,477	447,078
Bad debts	※2 43,124 ※2	31,851
Long-term prepaid expenses	7,996	4,627
Deferred tax assets	77,191	199,836
Lease and guarantee deposits	852,831	744,399
Other	20	20
Allowance for doubtful accounts	-34,780	-24,559
Total investments and other assets	<u>1,655,878</u>	<u>1,448,067</u>
Total noncurrent assets	<u>3,164,294</u>	<u>2,783,280</u>
Total assets	<u>10,052,157</u>	<u>11,467,796</u>

## 5. Financial Statements

## (1) Balance sheets

(unit:thousand yen)

	As of March 31,2012		As of March 31,2013	
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable–trade	※1	37,685	※1	72,248
Accounts payable–other	※1	667,076	※1	877,794
Accrued expenses		80,952		102,473
Income taxes payable		265,880		603,468
Accrued consumption taxes		37,821		69,982
Advances received		5,296		3,518
Deposits received		50,281		41,662
Unearned revenue	※1	602	※1	452
Provision for bonuses		162,496		337,943
Asset retirement obligations				100,538
Total current liabilities		<u>1,308,093</u>		<u>2,210,081</u>
<b>Noncurrent liabilities</b>				
Asset retirement obligations		240,252		153,137
Total noncurrent liabilities		<u>240,252</u>		<u>153,137</u>
Total liabilities		<u>1,548,345</u>		<u>2,363,219</u>
<b>Net assets</b>				
<b>Shareholders' equity</b>				
Capital stock		1,993,203		1,996,060
Capital surplus				
Legal capital surplus		2,258,876		2,261,734
Other capital surplus		277,527		277,527
Total capital surpluses		<u>2,536,403</u>		<u>2,539,261</u>
Retained earnings				
Other retained earnings				
Retained earnings brought forward		3,978,807		4,575,897
Total retained earnings		<u>3,978,807</u>		<u>4,575,897</u>
Treasury stock		-7,848		-7,875
Total shareholders' equity		<u>8,500,566</u>		<u>9,103,344</u>
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		3,245		1,232
Total valuation and translation adjustments		<u>3,245</u>		<u>1,232</u>
Total net assets		<u>8,503,811</u>		<u>9,104,576</u>
Total liabilities and net assets		<u>10,052,157</u>		<u>11,467,796</u>

## (2) Statements of income

(unit:thousand yen)

	Year Ended March. 31 2012	Year Ended March. 31 2013
Net sales		
Service sales	9,837,166	11,387,220
Net sales of goods	48,129	52,776
Net sales of finished goods	35,362	27,013
Total net sales	<u>9,920,658</u>	<u>11,467,010</u>
Cost of sales		
Cost of service sales ※1	202,278 ※1	285,007
Cost of goods sold		
Cost of purchased goods	44,362	44,832
Cost of goods sold	<u>44,362</u>	<u>44,832</u>
Cost of finished goods sold		
Cost of products manufactured	7,872	8,821
Cost of finished goods sold	<u>7,872</u>	<u>8,821</u>
Total cost of sales	<u>254,512</u>	<u>338,661</u>
Gross profit	<u>9,666,146</u>	<u>11,128,349</u>
Selling, general and administrative expenses		
Advertising expenses	2,735,356	3,440,944
Provision of allowance for doubtful accounts		10,256
Directors' compensations	106,501	67,670
Salaries and allowances	2,136,346	1,973,188
Provision for bonuses	149,332	326,636
Rents	943,470	901,472
Commission fee	836,370	885,356
Amortization of goodwill	53,347	43,347
Depreciation	456,953	446,480
Other ※2	1,414,894 ※2	1,486,573
Total selling, general and administrative expenses	<u>8,832,573</u>	<u>9,581,927</u>
Operating income	<u>833,572</u>	<u>1,546,421</u>
Non-operating income		
Interest income	2,361	3,859
Interest on securities	545	
Dividends income	1,092	1,654
Reversal of allowance for doubtful accounts	8,818	
Business advisory fee ※3	16,367 ※3	8,937
Gain on bad debts recovered	371	1,956
Interest on refund	10,204	
Other	8,464	2,555
Total non-operating income	<u>48,226</u>	<u>18,964</u>

(unit:thousand yen)

	Year Ended March. 31 2012	Year Ended March. 31 2013
Non-operating expenses		
Foreign exchange losses	17	7,540
Loss on retirement of noncurrent assets ※4	514 ※4	17,912
Other	262	8
Total non-operating expenses	794	25,460
Ordinary income	881,004	1,539,925
Extraordinary loss		
Impairment loss ※5	113,500 ※5	22,803
Loss on valuation of investment securities		156,073
Loss on valuation of stocks of subsidiaries and affiliates		224,244
Other		9,020
Total extraordinary losses	113,500	412,142
Income before income taxes	767,503	1,127,783
Income taxes-current	290,954	731,221
Income taxes-deferred	60,816	-269,933
Total income taxes	351,770	461,288
Net income	415,732	666,495

## (3) Statements of changes in net assets

(unit:thousand yen)

	Year Ended March. 31 2012	Year Ended March. 31 2013
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	1,992,372	1,993,203
Changes of items during the period		
Issuance of new shares	831	2,857
Total changes of items during the period	831	2,857
Balance at the end of current period	1,993,203	1,996,060
Capital surplus		
Legal capital surplus		
Balance at the beginning of current period	2,258,045	2,258,876
Changes of items during the period		
Issuance of new shares	831	2,857
Total changes of items during the period	831	2,857
Balance at the end of current period	2,258,876	2,261,734
Other capital surplus		
Balance at the beginning of current period	277,527	277,527
Changes of items during the period		
Total changes of items during the period		
Balance at the end of current period	277,527	277,527
Total capital surplus		
Balance at the beginning of current period	2,535,572	2,536,403
Changes of items during the period		
Issuance of new shares	831	2,857
Total changes of items during the period	831	2,857
Balance at the end of current period	2,536,403	2,539,261
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the beginning of current period	3,673,716	3,978,807
Changes of items during the period		
Dividends from surplus	-110,642	-69,404
Net income	415,732	666,495
Total changes of items during the period	305,090	597,090

(unit:thousand yen)

	Year Ended March. 31 2012	Year Ended March. 31 2013
Balance at the end of current period	3,978,807	4,575,897
Total retained earnings		
Balance at the beginning of current period	3,673,716	3,978,807
Changes of items during the period		
Dividends from surplus	-110,642	-69,404
Net income	415,732	666,495
Total changes of items during the period	305,090	597,090
Balance at the end of current period	3,978,807	4,575,897
Treasury stock		
Balance at the beginning of current period	-7,848	-7,848
Changes of items during the period		
Purchase of treasury stock		-27
Total changes of items during the period		-27
Balance at the end of current period	-7,848	-7,875
Total shareholders' equity		
Balance at the beginning of current period	8,193,813	8,500,566
Changes of items during the period		
Issuance of new shares	1,662	5,715
Dividends from surplus	-110,642	-69,404
Net income	415,732	666,495
Purchase of treasury stock		-27
Total changes of items during the period	306,752	602,778
Balance at the end of current period	8,500,566	9,103,344
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	-3,071	3,245
Changes of items during the period		
Net changes of items other than shareholders' equity	6,317	-2,013
Total changes of items during the period	6,317	-2,013
Balance at the end of current period	3,245	1,232
Total valuation and translation adjustments		
Balance at the beginning of current period	-3,071	3,245
Changes of items during the period		
Net changes of items other than shareholders' equity	6,317	-2,013
Total changes of items during the period	6,317	-2,013
Balance at the end of current period	3,245	1,232
Total net assets		
Balance at the beginning of current period	8,190,741	8,503,811
Changes of items during the period		
Issuance of new shares	1,662	5,715
Dividends from surplus	-110,642	-69,404
Net income	415,732	666,495
Purchase of treasury stock		-27
Net changes of items other than shareholders' equity	6,317	-2,013
Total changes of items during the period	313,069	600,765
Balance at the end of current period	8,503,811	9,104,576

(4) Notes Regarding Non-Consolidated Financial Statements  
(Notes Regarding Ongoing Concerns)  
No relevant matters exist.

(Important Accounting Policies)

1. Valuation standards and method for securities

(1) Shares of subsidiaries

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

(2) 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. Valuation standards and method for inventory

Material and supplies

Materials and supplies are valued using the last cost method.

3. Method of depreciation and amortization for fixed 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:

Buildings	15 to 18 years
Property, plant and equipment	4 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 (5 years). Goodwill is valued using the straight-line method over a period of 5 years.

4. Standards for accounting for 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.

5. Significant matters that constitute the basis for the preparation of the other financial statements

Accounting procedure for consumption taxes

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

(Changes in Accounting Policy)

(Changes in Accounting Policy that Are Difficult to Distinguish from Accounting Estimation Changes)

From the current year under review onwards, the Company has changed the depreciation and amortization methods used for property, plants and equipment obtained on or after April 1, 2012, in accordance with the revisions made to the Corporation Tax Act.

This has had only a minimal effect on financial statements.



(Changes in Presentation Method)

(Income Statement Related)

"Income from recovery of bad debts", which was included in "Non-Operating Income - Other" during the previous fiscal year, accounted for over 10% of non-operating income during the year under review, so from the present year it has been posted as a separate category. In order to reflect this change of presentation method, the previous fiscal year's financial statement has been rearranged.

The 6,611 thousand yen posted for "Non-Operating Income - Other" during the previous fiscal year has been separated into 371 thousand yen in "Income from Recovery of Bad Debts", and 6,240 thousand yen in "Other".

"Subsidy income", which was listed separately during the previous fiscal year, accounted for 10% or less of non-operating income during the year under review, so from the present year it has been included within "Non-operating income - Other". In order to reflect this change of presentation method, the previous fiscal year's financial statement has been rearranged.

The 2,224 thousand yen posted for "Subsidy income" during the previous fiscal year has been included in "Other".

"Foreign exchange loss", which was included in "Non-operating expenses - Other" during the previous fiscal year, accounted for over 10% of non-operating expenses during the year under review, so from the present year it has been posted as a separate category. In order to reflect this change of presentation method, the previous fiscal year's financial statement has been rearranged.

The 280 thousand yen posted for "Non-operating expenses - Other" during the previous fiscal year has been separated into 17 thousand yen in "Foreign exchange loss", and 262 thousand yen in "Other".

(Changes in Accounting Estimations)

During the year under review, the Company decided to change the area leased within the head office. Because of this, the useful lives of fixed assets which cannot be used have been shortened, for the present and in the future.

Also, with regards to the asset retirement obligations posted to satisfy the Company's obligation to return the real estate for which the Company has entered a lease agreement to its original condition, the estimated time until payment has been shortened, for the present and the future.

As a result, the operating profit, current profit, and Income before income taxes and minority interests for the consolidated year under review have all been reduced by 58,573 thousand yen versus the previous accounting method.

(Balance Sheet Related)

\*1 Assets and liabilities for related companies are indicated below.

The included items which are not listed as separate categories are as indicated below.

	Previous Fiscal Year (March 31, 2012)	Current Fiscal Year (March 31, 2013)
Accounts receivable-trade	— thousand yen	134 thousand yen
Accounts receivable-other	8,578 thousand yen	3,445 thousand yen
Accounts payable-trade	2,047 thousand yen	1,509 thousand yen
Accounts payable-other	40,589 thousand yen	44,819 thousand yen
Deferred income	602 thousand yen	452 thousand yen

\*2 Past-due operating receivables are receivables whose normal collection period has passed, and which have become receivables (accounts receivable-trade) which will require a long period of time to collect.

(Income Statement Related)

\*1 The breakdown of service cost of sales is as shown below:

	Previous Fiscal Year (From April 1, 2011, to March 31, 2012)	Current Fiscal Year (From April 1, 2012, to March 31, 2013)
Advertising media costs	147,164 thousand yen	219,491 thousand yen
ASP usage fees	50,876 thousand yen	54,161 thousand yen

\*2 Research and development expenses included in selling, general and administrative expenses are as indicated below.

	Previous Fiscal Year (From April 1, 2011, to March 31, 2012)	Current Fiscal Year (From April 1, 2012, to March 31, 2013)
General administrative expenses	55,285 thousand yen	75,406 thousand yen

\*3 Volume of business with related companies

	Previous Fiscal Year (From April 1, 2011, to March 31, 2012)	Current Fiscal Year (From April 1, 2012, to March 31, 2013)
Management guidance fees	16,367 thousand yen	8,937 thousand yen

\*4 The breakdown of loss on retirement of noncurrent assets is as shown below.

	Previous Fiscal Year (From April 1, 2011, to March 31, 2012)	Current Fiscal Year (From April 1, 2012, to March 31, 2013)
Buildings	— thousand yen	1,369 thousand yen
Property, plant and equipment	514 thousand yen	708 thousand yen
Software	— thousand yen	15,835 thousand yen
Total	514 thousand yen	17,912 thousand yen

\*5 The breakdown of impairment loss is as shown below:

The Group performs grouping based on segments.

Previous fiscal year (From April 1, 2011, to March 31, 2012)

The Company posted 113,500 thousand yen in extraordinary loss as impairment loss. Impairment loss was recognized for the following assets:

Location	Use	Type
NEXT Co., Ltd.	Business asset	Software

\* Reason for recognition as an impairment loss

The utility values of "local information services" are considered to be recoverable values. A conservative estimate of future recoverable value determined that the future utility value has dropped by a large amount, so it was decided to post the entire book value of the software as an impairment loss.

Current fiscal year (From April 1, 2012, to March 31, 2013)

The Company posted 22,803 thousand yen in extraordinary loss as impairment loss. Impairment loss was recognized for the following assets:

Location	Use	Type
NEXT Co., Ltd.	Business asset	Software

\* Reason for recognition as an impairment loss

The Company considers the utility values of "Financial information services", included within the "Other" segment, to be recoverable values. A conservative estimate of future recoverable value determined that the future utility value has dropped by a large amount, so it was decided to post the entire book value of the software as an impairment loss.

(Statement of Changes in Shareholders' Equity, etc. Related)

Previous fiscal year (From April 1, 2011, to March 31, 2012)

Treasury stock related items

Share Type	Start of Current Fiscal Year	Increase	Decrease	End of Current Fiscal Year
Common shares	120	11,880	—	12,000

(Overview of reasons for changes)

The breakdown of the increase is as shown below:

Increase due to share splitting (1:100) 11,880 shares

Current fiscal year (From April 1, 2012, to March 31, 2013)

Treasury stock related items

Share Type	Start of Current Fiscal Year	Increase	Decrease	End of Current Fiscal Year
Common shares	12,000	60	—	12,060

(Overview of reasons for changes)

The breakdown of the increase is as shown below:

Increase due to purchase request for fractional unit shares 60 shares

## (Tax Effect Accounting Related)

## 1. Breakdown of deferred tax assets and deferred tax liabilities by main cause

(Deferred tax assets)

	Previous Fiscal Year (March 31, 2012)	Current Fiscal Year (March 31, 2013)
<b>Current assets</b>		
Provision for bonuses	61,764thousand yen	128,452thousand yen
Accrued business tax	23,107thousand yen	48,686thousand yen
Asset retirement obligations	— thousand yen	38,214thousand yen
Other	17,179thousand yen	35,102thousand yen
<b>Total</b>	<b>102,052thousand yen</b>	<b>250,456thousand yen</b>
<b>Fixed assets</b>		
Allowance for doubtful accounts	1,655thousand yen	1,416thousand yen
Impairment loss	38,170thousand yen	34,427thousand yen
Depreciation and amortization costs	20,500thousand yen	17,261thousand yen
Asset retirement obligations	85,625thousand yen	54,578thousand yen
Related company share impairment	— thousand yen	79,920thousand yen
Loss on valuation of investment securities	— thousand yen	59,901thousand yen
Deferred (fixed) tax liability offset	-68,760thousand yen	-47,670thousand yen
<b>Total</b>	<b>77,191thousand yen</b>	<b>199,836thousand yen</b>
<b>Total deferred tax assets</b>	<b>179,243thousand yen</b>	<b>450,292thousand yen</b>

(Deferred tax liabilities)

	Previous Fiscal Year (March 31, 2012)	Current Fiscal Year (March 31, 2013)
<b>Fixed Liabilities</b>		
Asset retirement obligation abatement costs	-66,962thousand yen	-46,987thousand yen
Other	-1,797thousand yen	-682thousand yen
Deferred (fixed) tax asset offset	68,760thousand yen	47,670thousand yen
<b>Total</b>	<b>— thousand yen</b>	<b>— thousand yen</b>
<b>Total deferred tax liabilities</b>	<b>— thousand yen</b>	<b>— thousand yen</b>

Difference: Net deferred tax assets

179,243thousand yen

450,292thousand yen

## 2 Breakdown of differences between effective statutory tax rates and corporate tax, etc. contributions after application of tax effect accounting, by main cause

	Previous Fiscal Year (March 31, 2012)	Current Fiscal Year (March 31, 2013)
Effective statutory tax rate	40.7%	38.0%
<b>(Adjustment)</b>		
Entertainment and other expenses not deductible for income tax purposes	0.6%	0.8%
Inhabitant tax on per capita basis, etc.	0.9%	0.6%
Non-deductible goodwill amortization	2.3%	1.5%
Difference due to change of corporate and other tax rates	2.0%	—%
Corporate tax special deductions	-0.6%	-0.5%
Other	-0.1%	0.6%
<b>Corporate tax, etc. contributions after application of tax effect accounting</b>	<b>45.8%</b>	<b>40.9%</b>

## (Per Share Information)

	Previous Fiscal Year (From April 1, 2011, to March 31, 2012)	Current Fiscal Year (From April 1, 2012, to March 31, 2013)
Net assets per share	453.34 yen	484.74 yen
Net profit per share	22.16 yen	35.51 yen
Diluted net profit per share	22.11 yen	35.44 yen

(Note) The net profit per share and diluted net profit per share figures above were calculated based on the following.

Item	Previous Fiscal Year (From April 1, 2011, to March 31, 2012)	Current Fiscal Year (From April 1, 2012, to March 31, 2013)
Net profit per share		
Net profit (thousand yen)	415,732	666,495
Amount not attributed to common stockholders (thousand yen)	—	—
Net profit on common shares (thousand yen)	415,732	666,495
Average number of common shares during the reporting period (shares)	18,756,867	18,767,294
Diluted net profit per share		
Net profit adjustment (thousand yen)	—	—
Increase in number of common shares (shares)	41,848	40,612
(number of stock purchase rights therein) (shares)	(—)	(—)
(number of stock acquisition rights therein) (shares)	(41,848)	(40,612)
Summary of dilutive shares which were not included in calculations of net profit per share after dilution because they did not have dilutive effects	Stock options decided on by regular shareholder's meeting on June 26, 2006 (120,800 shares)	Stock acquisition rights decided on by regular shareholder's meeting on June 26, 2006, expired and became invalid on June 30, 2012.

## (Important Events After the Reporting Period)

No relevant matters exist.