

NEXT Co., LTD.

TSE Mothers: 2120

Explanation of financial results

Full-year financial results for fiscal year ended March 2009
(April 2008 through March 2009)

The opinions and projections contained in this document were formulated based on assessments by NEXT CO. LTD at the time the document was created. We cannot guarantee the accuracy of the information contained herein. Please note that actual company performance and results may vary significantly based on changes in a variety of factors.

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NEXT Co., LTD.

TSE Mothers: 2120

Full-year results

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Quarterly

Consolidated fiscal period: 4thQ
— For financial year ended March 2009
Financial results

Point

Increase in revenue

Fall in profits

Sales increased **21.1%** on a year-to-year basis, while Operating Income fell by **17.1%** due to prior investment

Item	Year-to-year change (comparison in Jan-Mar period)	Contributing factors
<p>Sales</p> <p>2,518 million yen</p>	<p>21.1% UP</p> <p>+438 million yen </p>	<ul style="list-style-type: none"> : Launched warranty affairs business last September : Increase in almost all services due to accumulated sales boosted by increased number of net customers <p>*For detailed sales data by service sector, see Page 7</p>
<p>Operating Income</p> <p>325 million yen</p>	<p>17.1% DOWN</p> <p>-67 million yen </p>	<ul style="list-style-type: none"> : Placed prior investment to materialize Mid-term Corporate Vision "Dominantly No. 1" → Labor cost and advertisement expenses increased : Profitability of warranty affairs business improved <p>*For detailed SG&A data, see Page 4. For profit and loss data by segment, see Page 6</p>
<p>No. of affiliated stores</p> <p>10,120 stores</p>	<p>1,359 stores UP </p>	<ul style="list-style-type: none"> : Increased throughout Japan except Shikoku area, marking a record-high number of affiliated stores. <p>*For a distribution map of affiliated stores, see Page 25</p>
<p>Average sales at affiliated stores</p> <p>55,564 yen</p>	<p>46 yen DOWN </p>	<ul style="list-style-type: none"> : Sales of special seasonal goods stopped in the 4th quarter. : Thanks to year-round option sales, NEXT achieved a record-high option ratio → "Sales personnel search", "Condominium evaluation/sellout", etc

*Increase from end of Mar 2008

*Increase from Mar 2008



Achieved **record-high quarterly sales**. Moderate increase in expenses other than labor costs and advertisement expenses required for prior investment

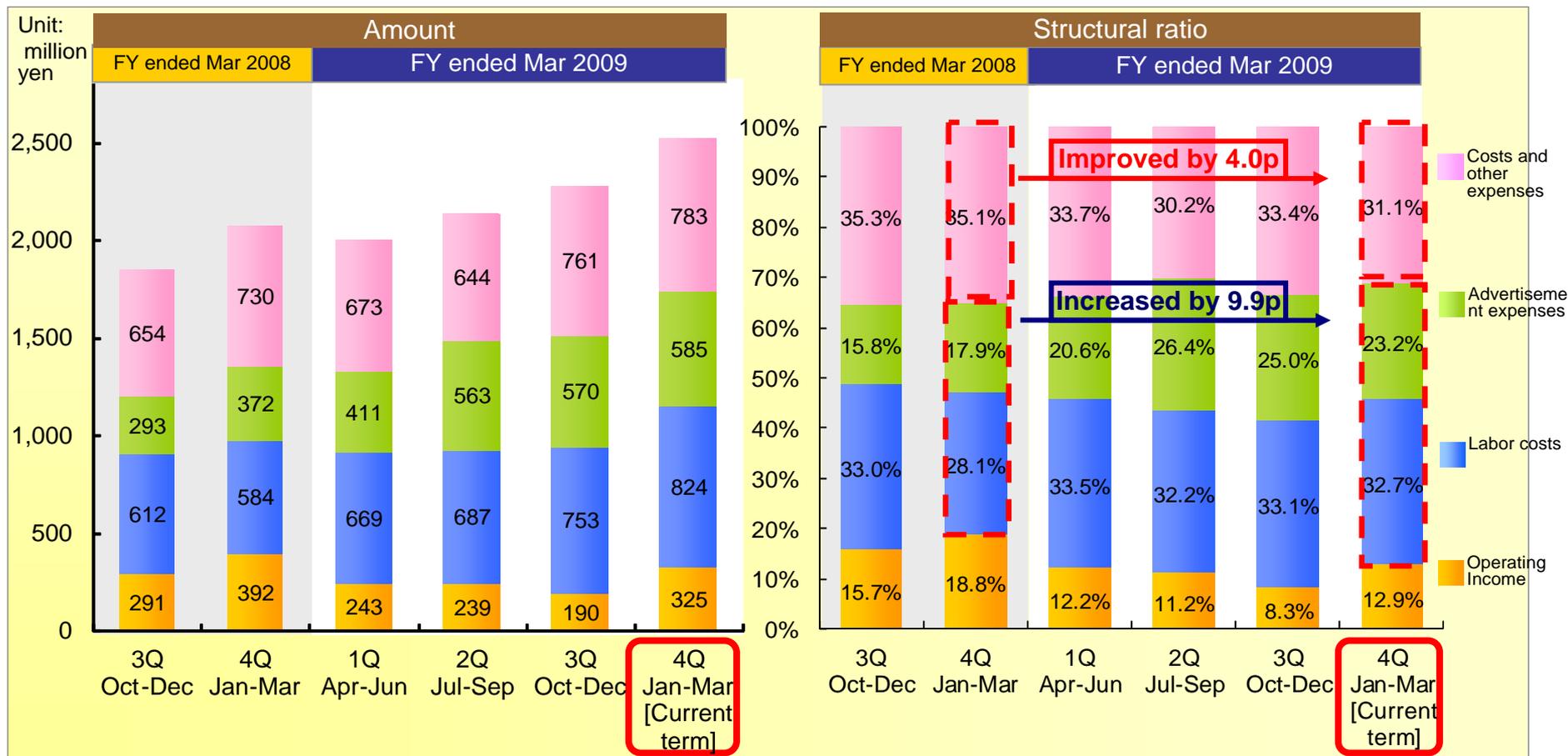
Unit: million yen	FY ended Mar 2008		FY ended Mar 2009			4Q (Jan-Mar)
	3Q (Oct-Dec)	4Q (Jan-Mar)	1Q (Apr-Jun)	2Q (Jul-Sep)	3Q (Oct-Dec)	
Sales	1,852	2,080	1,997	2,135	2,276	2,518
Cost of goods sold	84	90	60	61	60	75
SG & A	1,476	1,597	1,693	1,834	2,025	2,117
Labor costs	612	584	669	687	753	824
Advertisement expenses	293	372	411	563	570	585
Operational costs	70	68	87	83	91	99
Depreciation costs	63	69	67	73	97	94
Allowance for bad debt loan/guarantee obligation	22	99	25	44	54	42
Other SG&A	414	402	432	381	457	471
Operating income	291	392	243	239	190	325
Current net earnings	139	*1 -29	104	105	*2 5	159
Operating Income ratio	15.7%	18.8%	12.2%	11.2%	8.3%	12.9%

*3

- *1 The current net earnings fell into the red due to an extraordinary loss of 171 million yen caused by goodwill amortization. Major factors: (1) Goodwill amortization for NEXT F. S. Co., Ltd. (consolidated subsidiary) : 96 million yen, (2) Goodwill amortization for Renters Co., Ltd. (consolidated subsidiary): 51 million yen → For details of goodwill, see [Page 19](#)
- *2 Extraordinary loss of 60 million yen recorded as a result of termination of HOME'S Auction service.
- *3 During this quarterly period, labor costs increased due to 19 newly hired permanent employees. At the same time, the number of temporary and part-time workers decreased by 27.



Drastic increase in labor costs and advertisement expenses required for **prior investment**, structural ratio of **fixed costs** decreased

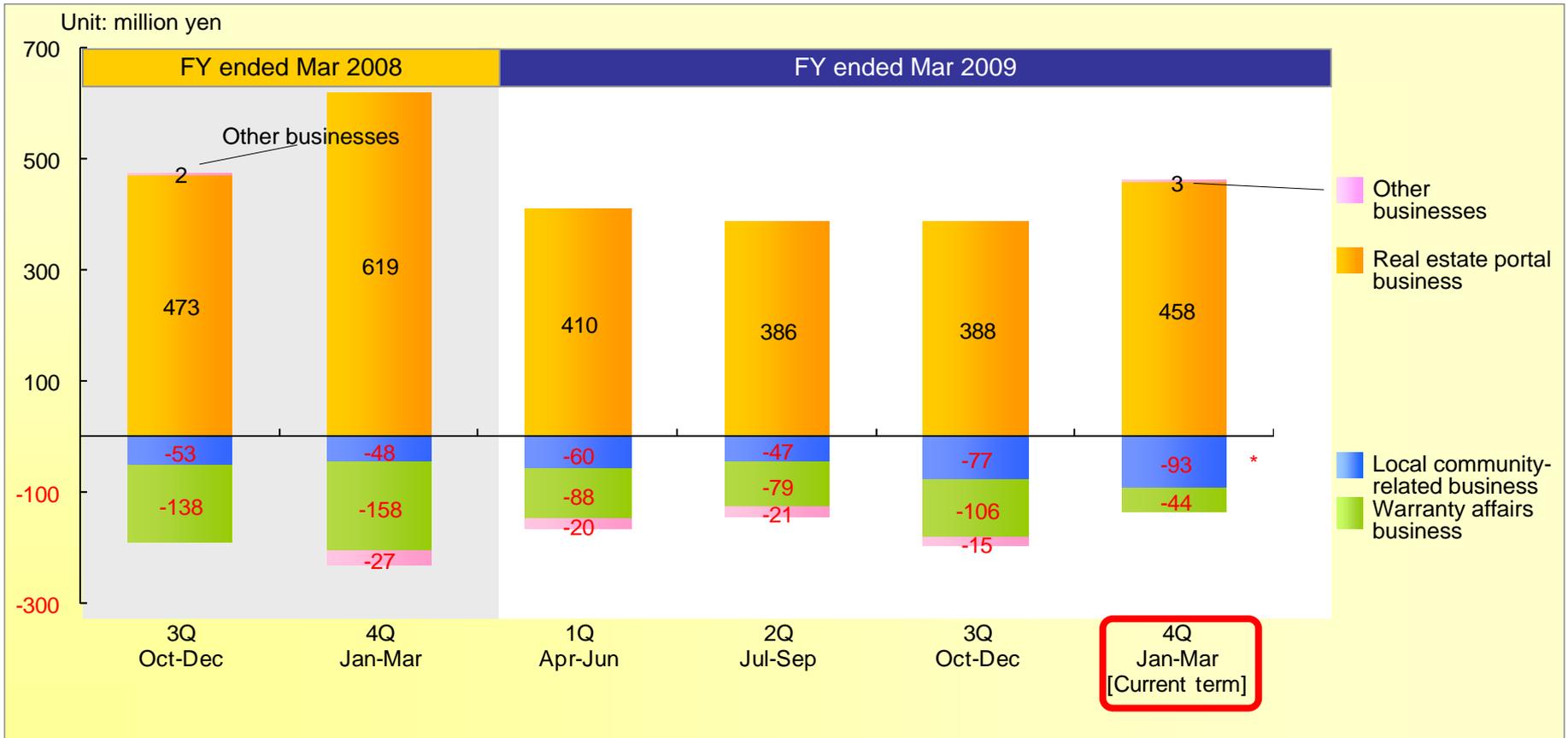


- ↓ : FY ended Mar 2009 was established as an “investment phase”, as the first term of “FY ending Mar 2011: Mid-term Corporate Vision”.
- ↓ : The sales-Labor cost ratio (blue) and Sales-Advertisement expenses ratio (green) remained at a high level.
- ↑ : On the other hand, the Cost price-Other expenses ratio (pink) decreased → Fundamental **profitability is in the process of improving**.

*Basic criteria for upper limit: Sales-Labor cost: 30%, Sales-Advertisement expenses: 20%



Operational deficit for warranty affairs business reduced, while the financial status of other businesses showed quarterly profit for the first time



- ↓ : Profit growth in real estate portal business was low, due to concentrated investment in labor costs and advertisement expenses to implement "HOME'S Dominantly No.1" strategy inaugurated in the current term.
- ↑ : Degree of deficit for warranty affairs business was improved due to a better Ratio of allowance for Guarantee Obligation brought by improved collection rate of advance money
- ↓ *Factor contributing to increase in deficit: Introduction of store database



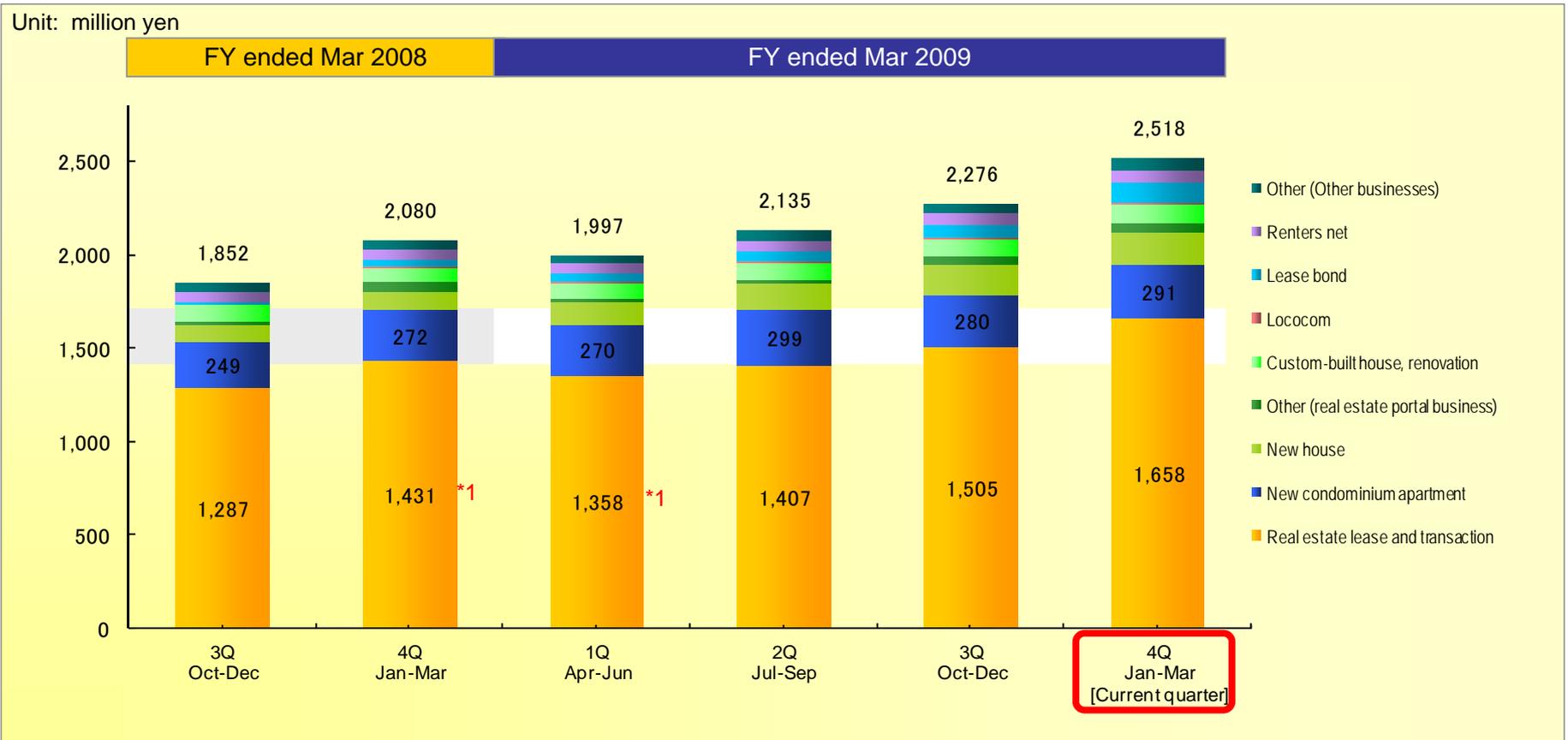
Sales growth marked for **almost all services** on a year-to-year, quarter-to-quarter basis

Unit: million yen	Service	FY ended Mar 2008		FY ended Mar 2009			
		3Q (Oct-Dec)	4Q (Jan-Mar)	1Q (Apr-Jun)	2Q (Jul-Sep)	3Q (Oct-Dec)	4Q of FY ended Mar 2009 (Jan-Mar)
Real estate portal business	Real estate lease and transaction	1,287	1,431	1,358	1,407	1,505	1,658
	New condominium	249	272	270	299	280	291
	New house	85	102	124	141	160	174
	Other	*1 24	49	20	21	44	48
	Custom-built house, renovation	84	85	87	90	95	101
	Subtotal	1,731	1,943	1,862	1,961	2,087	2,274
Local community-related business	"Lococom"	0	4	3	8	7	6
Warranty affairs business	Warranty affairs	*2 18	32	41	53	74	108
Other businesses	Renters net	*3 56	52	54	58	61	71
	Renters entrusted development	*4 46	48	36	53	45	57
	Other						
Grand total		1,852	2,080	1,997	2,135	2,276	2,518

- *1 This includes real estate portal businesses (e.g. HOME'S property investment, HOME'S Auction, HOME'S nursing care).
- *2 Consolidated subsidiary NEXT F. S. Co., Ltd. newly established in July 2007. Launched business in Sep of the same year after taking over business rights through a merger & acquisition.
- *3 This includes advertisement agency business sales, and "Other businesses" includes equivalents.
- *4 Starting this term, "advertisement agency business sales" is included under "Other businesses", due to lowered priority of these sales.

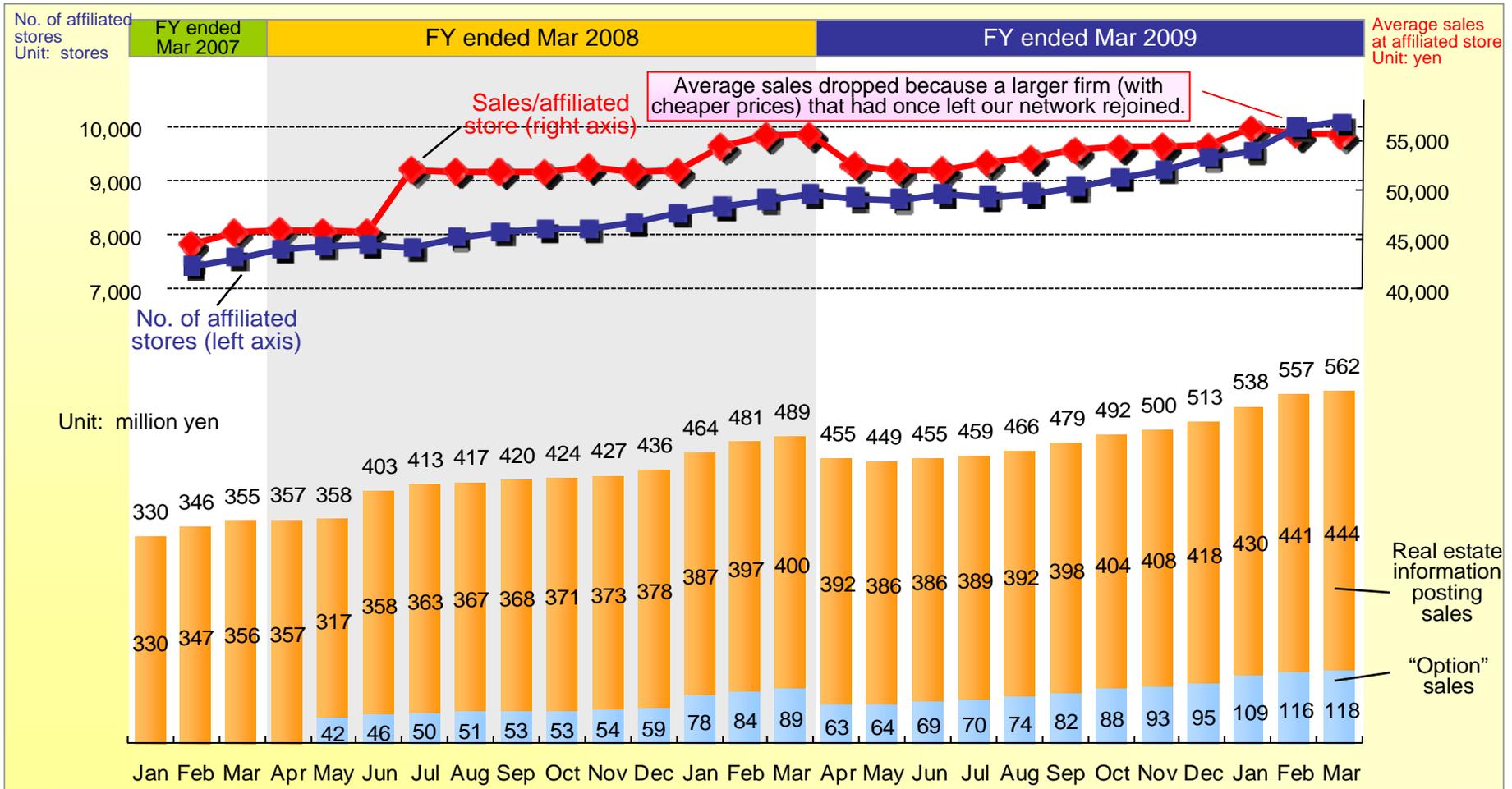


Continuing record-high-level quarterly sales thanks to **steady development** despite severe economic depression



*1 Major contributing factor: Sale of seasonal goods stopped in April 2008.
 (Sold seasonal goods in the 4thQ of fiscal year ended Mar 2008 for the first time, boosted sales by approx. 100 million yen.)

Point Sales growing at a steady pace due to an increased No. of affiliated stores and strong option sales



Major indicators for HOME'S Real estate lease and transactions (As of Mar 2009)

No. of affiliated stores: **10,120 stores** (Record high) Sales/ affiliated store: **55,564 yen** Monthly sales: **562 million yen** (Record high) Option ratio: **21.1%** (Record high)

Point New Service: Sales personnel search newly ranked at No. 5

Previous term	Rank	Option name
1	➡	1 HOME'S special advertising box (ad points)
2	➡	2 Search engine information
3	➡	3 HOME'S panorama postings
4	➡	4 "Station Navigator" company promotion box
New		5 Sales personnel search information
10	↑	6 Account inquiry information
5	↓	7 Detailed screen ranking information

Check

Still in 1st place HOME'S special advertising box (ad points)

Displayed at the top of the search results page for high exposure
5,000yen and up/10pt

Check

Newly ranked! 5th place Sales personnel search information

Units explained by sales personnel for increased customer peace of mind
3,000 yen/month up to 10 cases/customer

Check

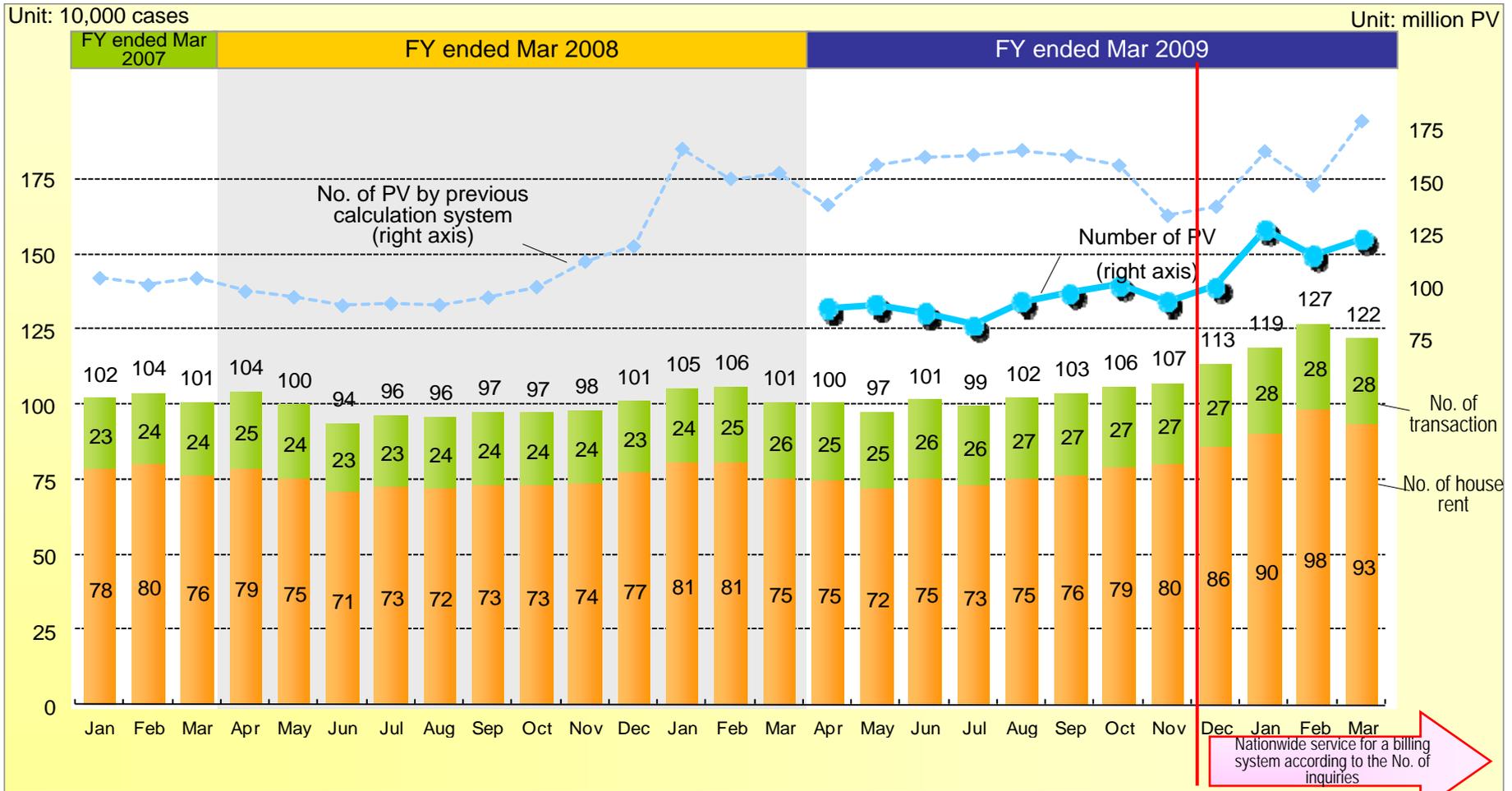
3rd place HOME'S panorama postings
7th place Detailed screen ranking information

More realistic information presented through video stills
10 case sets 5,000 yen

Ranked information on floor plans based on match with search results
10 case sets 5,000 yen



Sharp increase in number of articles posted due to launch of a billing system according to the number of PVs



Number of posted articles and page views (PVs) for "HOME'S Real estate lease and transactions" (as of Mar 2009)
 No. of posted articles: Rental houses: **930,000** Transactions (existing homes): **280,000** No. of PVs: **122,785,000**

Point

Contribution from booming **mobile-phone** viewing of “Real Estate Portal”, improved **collection rate** for “warranty affairs”

Real estate portal business

- ↑ Larger firm that had left our network in Jun 2008 rejoined in Feb 2009.
- ➡ No. of affiliated stores came to 10,120 stores (end of Mar 2009), maintaining record high growth but still not reaching the initial target.
- Strong option sales started in Jan
- ↑ ➡ Record-high option-sales ratio: 21.1% (Mar 2009)
- ↑ Booming mobile PVs boosted acquisition of customers unable to access the website via PC

Local community-related business

- ↓ Delay in profitability improvement for Lococom
- ↑ Enhance HOME’S function useful (linking HOME’S Real Estate Search and local information, word-of-mouth marketing for local community)
- ↑ Number of Individual members exceeded 500,000 (as of May 14, 2009)

Warranty affairs business

- ↑ Improved allowance ratio due to improved collection ratio and ratio of allowance for guarantee obligation (allowance for contingency liability)
- ↑ No. of warranty affairs exceeded 39,000 (increased by 6,668 compared to previous term-end figure) due to drastic increase in contractors
- ↑ Eliminated duplicated costs during 3rdQ (Increased in-house operation ratio)

Point

Organizing on-site events led to advertising effectiveness and stimulated demand for changing residences

- (1) Jan 24-25, 2009
"HOME's Fukuoka Living Fair@Tenjin"
- (2) Mar 14, 2009
"HOME'S Property Investment Fair"

Check

(1) Jan 24-25, 2009: "HOME's Fukuoka Living Fair @Tenjin"



Booth cost: 600,000 yen/company

<http://realestate.homes.co.jp/contents/fukuoka>

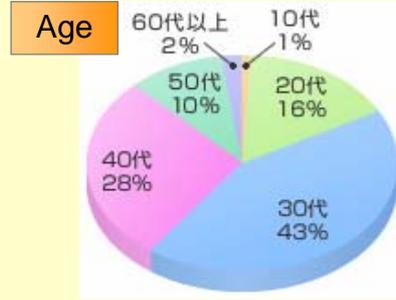
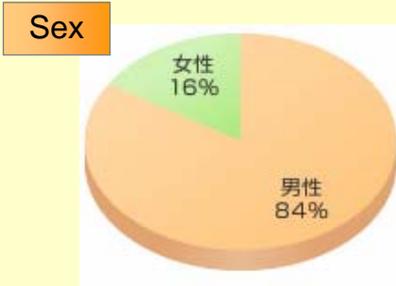
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(2) Mar 14, 2009: HOME'S Property Investment Fair

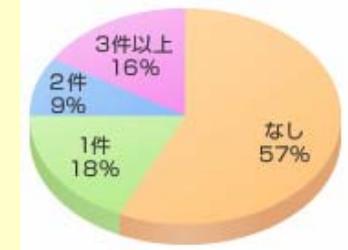


<http://toushi.homes.co.jp/fair/>

Seminar participants



Experience in real estate investment



- Booth exhibition: 15 companies
Real estate companies: 13
Financial institutions: 3
Booth cost: 500,000 yen/company
- Visitors: 550

Point

Implemented a new style of information distribution for HOME'S and took measures to prevent membership withdrawals, targeting in April

- (1) Feb 3, 2009
Started "HOME'S Market Report"
- (2) Apr 1–Jun 30, 2009
Implementing promotion campaign (Total cash award: 20 million yen)
- (3) Apr 2, 2009
Launched a mobile website "HOME'S New house"

Check

(1) Feb 3, 2009: Started "HOME'S Market Report"

Updated on the 25th of each month (next business day for Sat, Sun, holidays)
<http://www.next-group.jp/csr/report/>

Check

(2) Apr 1 to Jun 30, 2009: Implementing promotion campaign (Total cash award: 20 million yen)

<http://www.homes.co.jp/contents/2000/>

Check

(3) Apr 2, 2009: Launched a mobile website "HOME'S New house"

<http://k.homes.co.jp/>

Point → Enhanced service for individual affiliates

- (1) Feb 3, 2009 (Local community-related business)
Commissioned: METI's "Survey for Local Business and Industry Revitalization Measure"
- (2) Mar 23, 2009 (Local community-related business)
Alliance: leading welfare outsourcee, BenefitOne Partners Inc.
→ Provide BenefitOne's benefit program at monthly fee of 525 yen (tax included)

Check

- (2) Mar 23, 2009 (Local community-related business)
Alliance: leading welfare outsourcee, BenefitOne Partners Inc.

Lococom website interface showing various services and offers. The page features a navigation menu, search bar, and several promotional banners for services like car rentals, travel packages, and local products. A prominent offer for a 1-day trip is highlighted with a price of 9,987 yen.

<http://www.lococom.jp/pr/>

Check

- (1) Feb 3, 2009: (Local community-related business)
Commissioned: METI's "Survey for Local Business and Industry Revitalization Measure"

Lococom website interface featuring a section titled "Story about inheritance and word-of-mouth information". The page displays a grid of images representing various local heritage sites and products. A red box highlights this section, and a red arrow points to a detailed article below. The article includes text about local heritage and a map of Japan.

<http://www.lococom.jp/features/ht/>

Cumulative

Full-year results for term ended March 2009

Financial results



Increase in revenue
Fall in profits

Sales increased by **20.1%** on a year-to-year basis, while Operating Income fell by **20.1%** due to prior investment

Item	Year-to-year change (comparison in Apr-Mar period)	Contributing factors
<p>Sales 8,927 million yen</p>	<p>20.1% UP <u>+1,494 million yen</u> </p>	<p> : Services demonstrated high rates of growth both in amount and rate: "Real estate lease and transactions", "New house", and "Warranty affairs" : However, almost all services showed high growth. *For detailed sales data by Service Sector, see Page 23</p>
<p>Operating Income 998 million yen</p>	<p>20.1% DOWN <u>-252 million yen</u> </p>	<p> : This is prior investment to achieve the Mid-term Corporate Vision "Dominantly No.1" : Achieved 97.1% gross margin rate (improved by 2.3p in comparison with previous fiscal year), due to enhancement of NEXT's own media. : Profitability of warranty affairs business improved *For detailed data on itemized SG&A, see Page 18. For profit and loss data by segment, see Page 22</p>
<p>Labor costs 2,934 million yen</p>	<p>30.9% UP <u>+692 million yen</u> </p>	<p> : Consolidated number of employees increased to 525 (increased by 91 vs. previous term end). This includes 76 employees for the Real Estate Rentals & Sales Division (increased by 31 in comparison with previous term end) : Sales expanded in Warranty affairs business. Number of employees increased drastically to 52 (up 28 vs. previous term end), due to enhanced in-house organization</p>
<p>Advertisement expenses 2,130 million yen</p>	<p>51.6% UP <u>+725 million yen</u> </p>	<p> : Branding campaign practiced via various media (e.g. TV commercials, transportation advertisements, magazine advertisements, Internet advertisements) : Enhanced measures encouraging mobile phone users to browse NEXT's website</p>

*Arrows show impact against profit

Point While sales increased by 20.1%, labor costs also rose by 30.9% and advertisement expenses soared 51.6%

	(Reference only) FY ended Mar 2007	[Previous term] FY ended Mar 2008	[Current term] FY ended Mar 2009	Increment value over the previous year	Increase over the previous year
Sales	4,459	7,433	8,927	+ 1,494	+ 20.1 %
Costs of goods sold	269	384	257	- 127	- 33.1 %
SG&A	3,443	5,797	7,670	+ 1,873	+ 32.3 %
Labor costs	1,165	2,242	2,934	+ 692	+ 30.9 % *1
Advertisement expenses	1,055	1,405	2,130	+ 725	+ 51.6 % *1
Operational costs	147	242	361	+ 119	+ 49.2 % *2
Depreciation costs	120	242	332	+ 90	+ 37.2 %
Allowance for bad debt loan/guarantee obligation	12	140	167	+ 27	+ 19.3 % *3
Other SG&A	942	1,523	1,743	+ 220	+ 14.4 %
Operating income	746	1,250	998	- 252	- 20.1 %
Current net earnings	409	406	375	- 31	- 7.6 % *4
Operating Income ratio	16.7 %	16.8 %	11.2 %	- 5.6p	—

*1 Current term: this shows a substantial increase (vs. the previous fiscal year) due to concentrated investment in labor costs and advertisement expenses to implement "HOME's Dominantly No. 1" strategy.

*2 Caused by an increase in sales promotion costs, travel costs to improve sales performance in rural areas, and sales commissions required to expand the business range of NEXT F. S. Co., Ltd..

*3 Increase in allowance for bad debt loan/guarantee obligation caused by increased customer bankruptcies due to the aggravated real estate market as well as increased warranty affairs business sales (in terms of the number of guarantee obligations).

*4 Fiscal year ended Mar 2008: Extraordinary loss of 171 million yen recorded for goodwill amortization (NEXT F. S. Co., Ltd. and Renters Co., Ltd.) .

Fiscal year ended Mar 2009: Extraordinary loss of 58 million yen recorded due to the termination of HOME'S Auction service.

Point Fixed assets increased by 15.3% due to various capital expenditures

Unit: million yen	[Term-end results for previous term] End of Mar 2008	[Term-end results for current term] End of Mar 2009	Increase over the previous year	Contributing factors
Assets	7,153	7,496	+ 4.8%	"Condominium 100%" development cost: 64 million yen/ (increased fixed assets)
Current assets	5,650	5,764	+ 2.0%	Development cost for Lococom's RTM version: 128 million yen/ (increased fixed assets)
Fixed assets	1,502	1,732	+ 15.3%	Development cost for backbone system: 220 million yen/ (increased fixed assets) Payment of rental deposit, etc/ 191 million yen (increased fixed assets) Asset retirement for HOME'S Auction: 58 million yen/ (decreased fixed assets)
Debt	1,599	1,810	+ 13.2%	Increased accrued liability due to business expansion: 102 million yen/ (increased current debt)
Current debt	1,590	1,804	+ 13.5%	Increased advance receipt due to booming warranty affairs business: 237 million yen (increased current debt)
Fixed debt	8	6	- 25.0%	No debt with interest
Net assets	5,553	5,685	+ 2.4%	
Net asset worth	29,671.40 yen	31,554.16 yen	+ 6.3%	During current term, 7,800 common stocks (240 million yen) were repurchased

Unit: 1000 yen

Goodwill amortization data	Total goodwill	Initial balance	Amortization value between Apr 2008-Mar 2009	Residual balance	Residual period	Amortization completes on
Willnic Co., Ltd.	50,000	40,000	10,000	30,000	36 months	Mar, 2012
Renters Co., Ltd.	199,235	81,364	40,682	40,682	12 months	Mar, 2010

Goodwill amortization for Next F.S. Co., Ltd. was fully completed by Mar 2008.

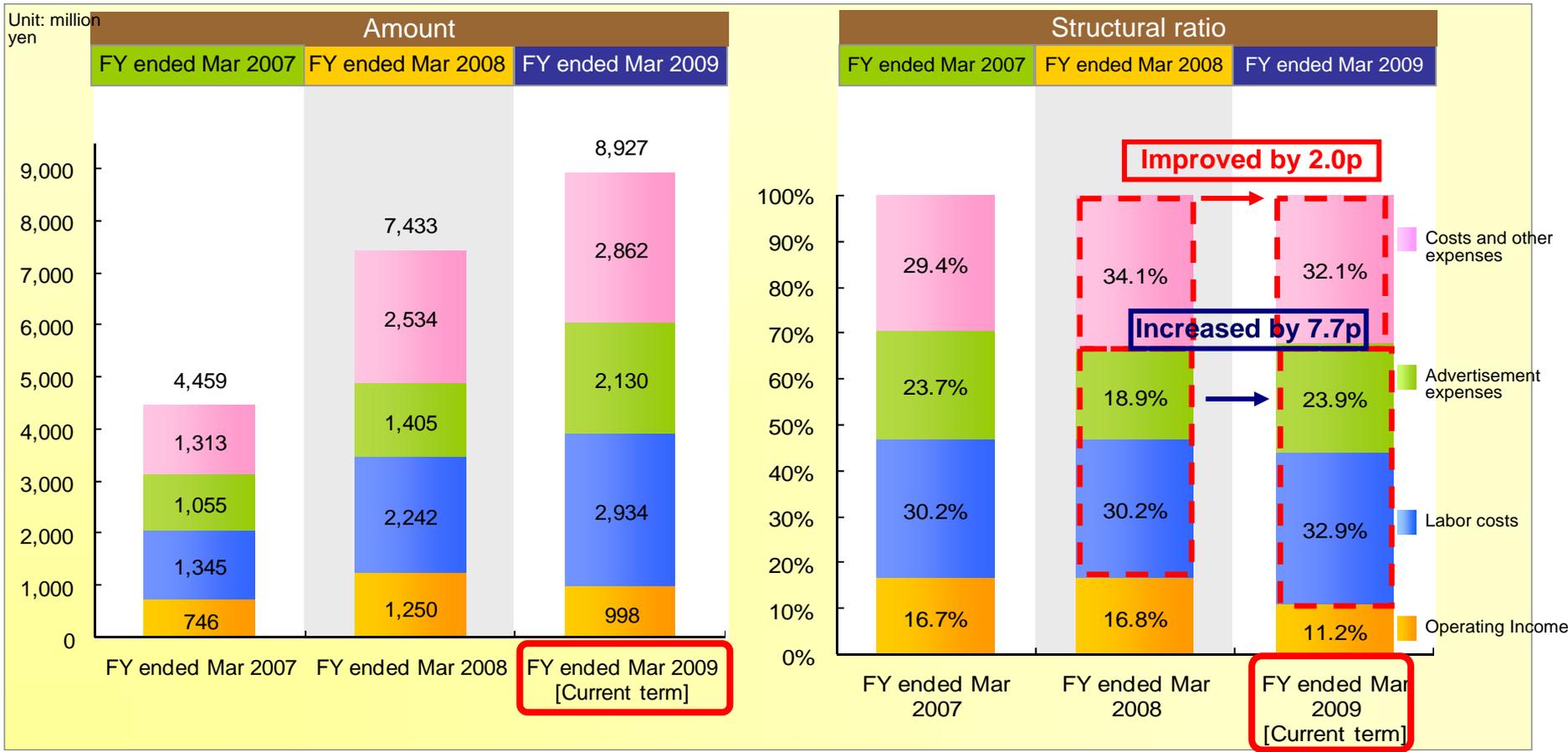


Operating cashflow remains stable, consolidated cashflow suffering losses due to repurchased common stock (240 million yen)

Unit: million yen	[Previous term] FY ended Mar 2008	[Current term] FY ended Mar 2009	Major factors
Operating cashflow	+1,363	+847	Current term: decreased income before tax: 172 million yen Increase in income taxes paid during the previous term due to increased taxable earnings: 387 million yen
Investment cashflow	-921	-770	Previous term: Expenditure due to assignment of business for NEXT F. S. Co., Ltd.: 193 million yen Current term: invested in "Condominium 100%", a backbone computer system, Lococom, etc. Payment of rental deposit, etc: 240 million yen Future terms: capital expenditure for business expansion and additional investment for software requires 400 to 600 million yen
Financial cashflow	+5	-237	Current term: During current term, common stocks of 240 million yen equivalent were repurchased
Increment value in cash/cash equivalents	+447	-160	
Balance of cash/cash equivalents	4,580	4,420	



Despite a drastic increase in labor costs and advertisement expenses due to prior investment, the fixed cost structural ratio decreased

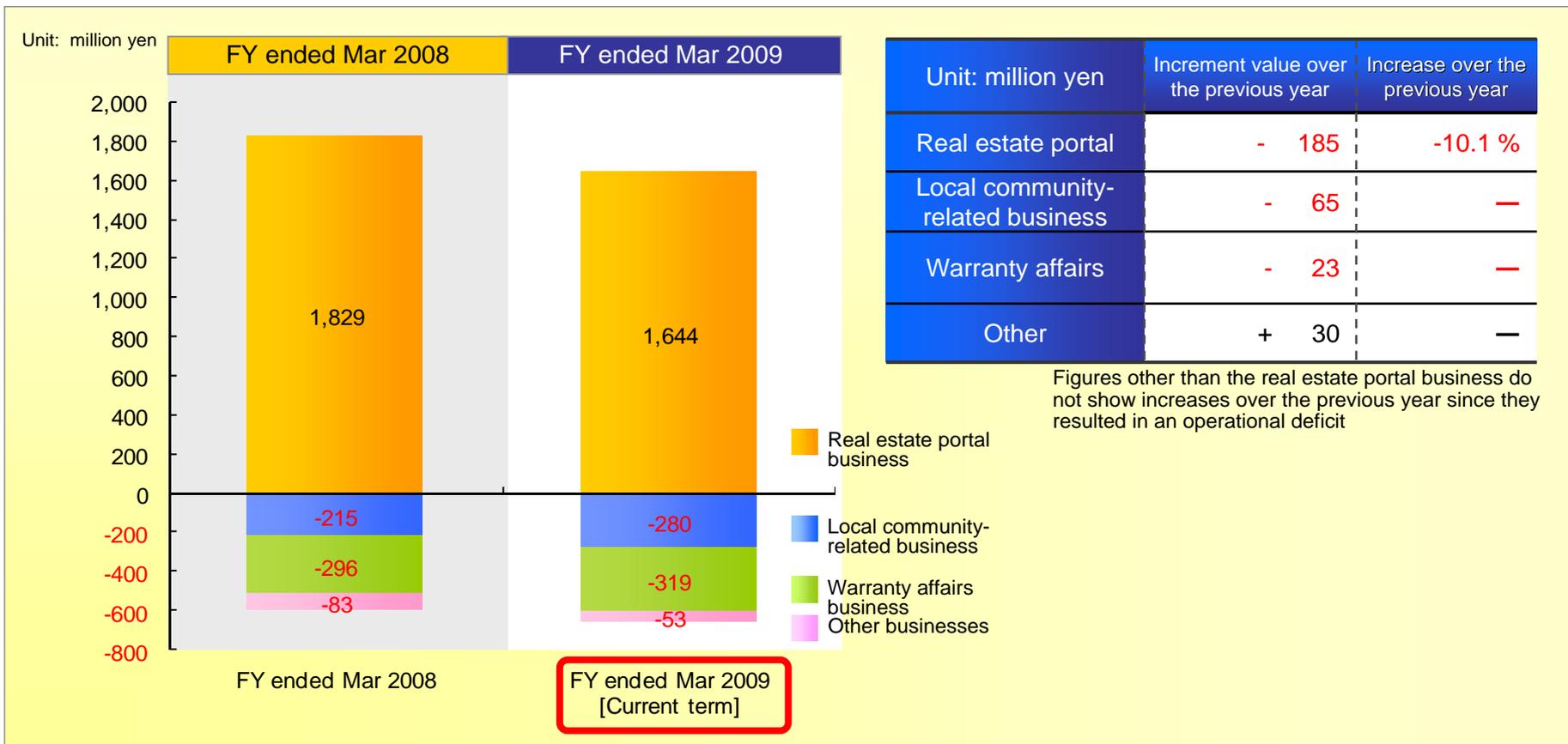


- ↓: FY ended Mar 2009 was established as an "investment phase", as the first term of "FY ending Mar 2011: Mid-term Corporate Vision".
- ↓: The sales-Labor cost ratio (blue) and Sales-Advertisement expenses ratio (green) remained at a high level.
- ↑: On the other hand, the Cost price-Other expenses ratio (pink) decreased → Fundamental profitability is in the process of improving.

*Basic criteria for upper limit: Sales-Labor cost: 30%, Sales-Advertisement expenses: 20%

Point

Almost all sectors recorded profit decline due to prior investment



↓ : Major contributing factors to the operational deficit of the local community-related business are as follows (year-to-year comparison):

- Increased sales force due to reorganization
- Increased depreciation costs for renewed "Lococom" website
- Costs required to introduce store database

Point Real Estate Lease and Transaction core sector remains healthy, while **New house, warranty affairs** showed large increases

Unit: million yen	Service sector	FY ended Mar 2007	FY ended Mar 2008	FY ended Mar 2009	Increment value over the previous year	Increase over the previous year
Real estate portal business	Real estate lease and transactions	3,139	5,090	5,930	+ 840	+ 16.5 %
	New condominium	798	1,049	1,142	+ 93	+ 8.9 %
	New house	134	317	600	+ 283	+ 89.3 %
	Other	*1 110	148	134	- 14	- 9.5 %
	Custom-built house, renovation	66	308	374	+ 66	+ 21.4 %
	Subtotal	4,250	6,914	8,183	+ 1,269	+ 18.4 %
Local community-related business	Lococom	0	4	26	+ 22	+550.0 %
Warranty affairs business	Warranty affairs	*2 —	54	278	+ 224	+414.8 %
Other businesses	Renters net	—	264	*3 246	- 18	- 6.8 %
	Renters entrusted development	—	264	*3 246	- 18	- 6.8 %
	Other	*4 209	195	192	- 3	- 1.5 %
Grand total		4,459	7,433	8,927	+ 1,494	+ 20.1 %

*1 This includes real estate portal businesses (e.g. HOME'S property investment, HOME'S Auction, HOME'S nursing care).

*2 Consolidated subsidiary NEXT F. S. Co., Ltd. newly established in July 2007. Launched business in Sep of the same year after taking over business rights through a merger & acquisition.

*3 1H includes a one-time sale for entrusted development of 70 million yen; however, the current term had no such large jobs. Sales for Renters net increased by 42 million yen vs. the previous fiscal year.

*4 Beginning this term, "advertisement agency business sales" are included under "Other businesses", due to lowered priority of these sales.



The first term of "HOME'S Dominantly No. 1" results were almost as planned

Net increase in number of affiliate stores boosted due to enhanced new affiliate store development efforts

		FY ended Mar 2008	FY ended Mar 2009	Increment value over the previous year	Increase over the previous year
Advertisement expenses	Advertisement expenses	1,405	2,130	+725	+51.6%
	Sales-Advertisement expenses ratio	18.9%	23.9%	+5.0p	—
Labor costs	Labor costs	2,242	2,934	+692	+30.9%
	Sales-Labor cost ratio	30.2%	32.9%	+2.7p	—
	Term-end number in sales force (Real Estate Rentals & Sales Division)	45	76	+31	+68.9%
	Net increase in number of affiliate stores (full-year total)	1,028	1,359	+331	+32.2%

Point

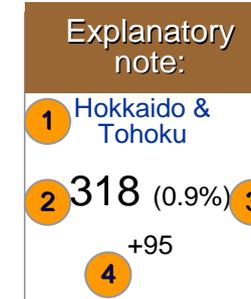
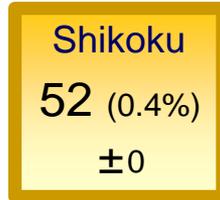
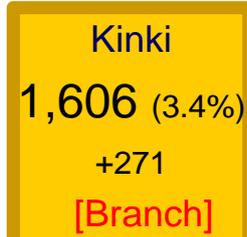
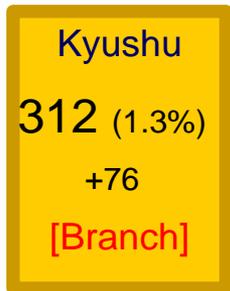
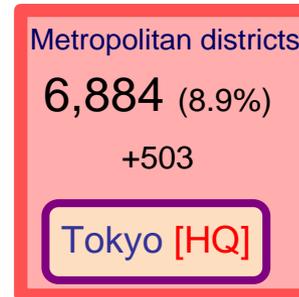
A market exploration ratio of 4.0% (our estimate) means there is profound potential for increasing the number of affiliated stores

NEXT's sales activities are implemented in the four areas shown below:



Hokkaido & Tohoku

318 (0.9%)
+95



- Area
- Number of affiliates as of end of Mar 2009
- Market exploration ratio*
- Increase from end of Ma, 2008

* Market exploration ratio=Number of affiliates/potential market size



*Source: Potential market size is extracted from a report issued by Ichiyoshi Research Institute Inc.

- The Tokai (Nagoya) branch was established during the current term (May 2008) to expand our sales activities. Sales activities in this area have been successfully launched by adopting **community-based sales techniques**.
- The number of affiliate stores surged in **larger cities, including metropolitan districts**.

Full-year business performance predictions for FY ending Mar 2010

Estimate

Mid-term Corporate Vision: 2nd term



Increase in revenue Increase in profit

Sales are predicted to increase by **26.2%** (year-to-year comparison), with a predicted **71.8%** increase in Operating Income

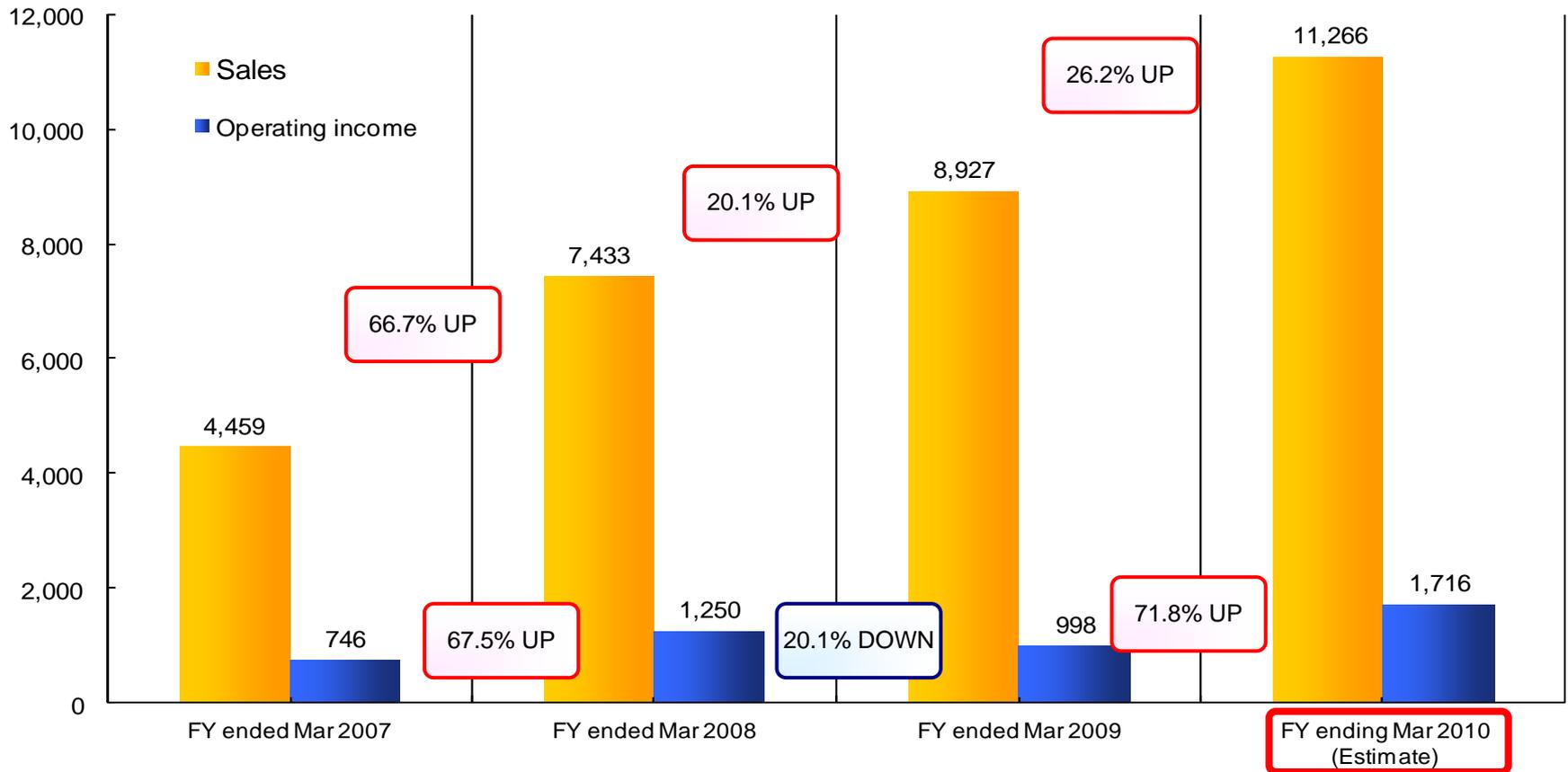
Sales exceeded **10 billion yen** for the first time.
Aim for **profit increase** by achieving record-high profit, taking advantage of prior investments

Item	Year-to-year change (comparison in Apr-Mar period)	Contributing factors
<p>Sales 11,266 million yen</p>	<p>26.2 % UP ↑ +2,339 million yen</p>	<ul style="list-style-type: none"> End of March 2010: Target number of affiliate stores: 12,300 Increased by 2,180 stores (vs. previous fiscal year) March 2010: Target average sales for affiliated stores: 59,840 yen Increased by 4,276 yen (year-to-year comparison) *For detailed data on sales estimates by service sector, see Page 33.
<p>Operating Income 1,716 million yen</p>	<p>71.8 % UP ↑ +718 million yen</p>	<ul style="list-style-type: none"> Labor cost: 3,709 million yen: Increased by 26.4% (year-to-year comparison) → End of Mar 2010: Consolidated number of employees (estimate): 576, increased by 51 (vs. previous fiscal year) *Includes 38 new graduates, an increase of 10 (vs. previous fiscal year) Number in sales force for Real estate lease and transactions: 79 (planned), an increase of 5 (vs. previous fiscal year)
<p>Current net earnings 1,093 million yen</p>	<p>190.9 % UP ↑ +718 million yen</p>	<ul style="list-style-type: none"> Advertisement expenses: 2,142 million yen. 0.5% increase (year-to-year comparison) Lease bond business: 10 million yen surplus (planned) * 319 million yen deficit in the previous fiscal year → Current profit was boosted by another 210 million yen due to tax effect accounting
<p>EPS 6,139.31 yen</p>	<p>198.9 % UP ↑ +4,085.20 yen</p>	<ul style="list-style-type: none"> *For detailed data on itemized SG&A (consolidated), see Page 29. *For detailed data on itemized SG&A (non-consolidated), see Page 31. Aim for record-high business performance in Sales, Operating Income, and Current net earnings.

Point

Target **increases in revenue and profit**, aim to achieve record-high business performance by taking advantage of completion of prior investments

Unit: million yen



Point Advertisement expenses remain flat, profit showed huge expansion

	(reference only) FY ended Mar 2008	Previous term FY ended Mar 2009	Current term FY ending Mar 2010	Increment value over the previous year	Increase over the previous year
Sales	7,433	8,927	11,266	+ 2,339	+ 26.2 %
Costs of goods sold	384	257	304	+ 47	+ 18.3 %
SG&A	5,797	7,670	9,244	+ 1,574	+ 20.5 %
Labor costs	2,242	2,934	3,709	+ 775	+ 26.4 %
Advertisement expenses	1,405	2,130	2,142	+ 12	+ 0.6 %
Operational costs	242	361	478	+ 117	+ 32.4 %
Depreciation costs	242	332	411	+ 79	+ 23.8 %
Allowance for bad debt loan/guarantee obligation	140	167	163	- 4	- 2.4 %
Other SG&A	1,523	1,743	2,339	+ 596	+ 34.2 % *1
Operating income	1,250	998	1,716	+ 718	+ 71.8 %
Current net earnings	406	375	1,093	+ 718	+ 190.9 % *2
Operating Income ratio	16.8 %	11.2 %	15.2 %	+ 4.0p	—

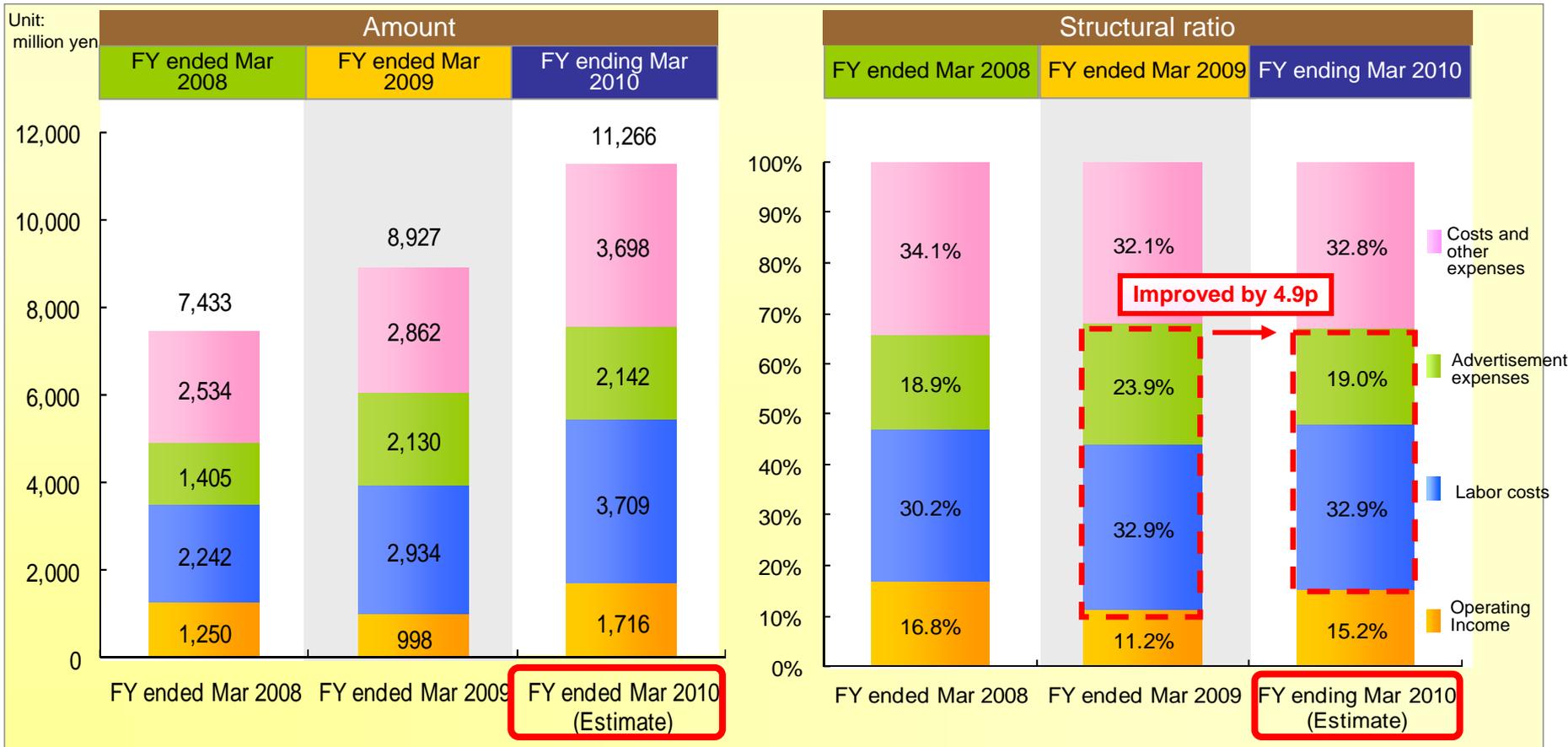
*1 Major contributing factors are: system usage fee (up by 217 million yen), subcontracting costs (up by 89 million yen), R&D expenses (up by 74 million yen), office and other rent (up by 76 million yen)

*2 Current net earnings were boosted by 210 million yen due to NEXT F. S. Co., Ltd.'s tax effect accounting.

➔ During the fiscal year ending Mar 2010, losses carried forward are expected to be eliminated on the basis of taxable earnings (cash base).



Total share of labor costs and advertisement expenses **drastically decreased** after completing prior investment



↑ : Profitability improved due to significant improvement in the Sales-Advertisement expenses ratio (green).
 → : Sales-Labor cost is predicted to remain on the same level, considering the cost of J-SOX countermeasures and expansion of NEXT F. S. Co., Ltd's business span.

*Basic criteria for upper limit: Sales-Labor cost: 30%, Sales-Advertisement expenses: 20%

Point

For non-consolidated performance too, advertisement expenses remain at about the same level and profitability improved

	(Reference only) FY ended Mar 2008	Previous term FY ended Mar 2009	Current term FY ending Mar 2010	Increment value over the previous year	Increase over the previous year
Sales	6,770	8,000	9,623	+ 1,623	+ 20.3 %
Costs of goods sold	300	198	213	+ 15	+ 7.6 %
SG & A	4,927	6,535	7,764	+ 1,229	+ 18.8 %
Labor costs	1,925	2,460	3,071	+ 611	+ 24.8 %
Advertisement expenses	1,344	2,047	2,023	- 24	- 1.2 %
Operational costs	171	228	279	+ 51	+ 22.4 %
Depreciation costs	210	301	363	+ 62	+ 20.6 %
Allowance for bad debt	32	72	45	- 27	- 37.5 %
Other SG&A	1,243	1,424	1,980	+ 556	+ 39.0 %
Operating income	1,542	1,266	1,645	+ 379	+ 29.9 %
Current net earnings	683	915	970	+ 55	+ 6.0 % *
Operating Income ratio	22.8 %	15.8 %	17.1 %	+ 1.3p	-

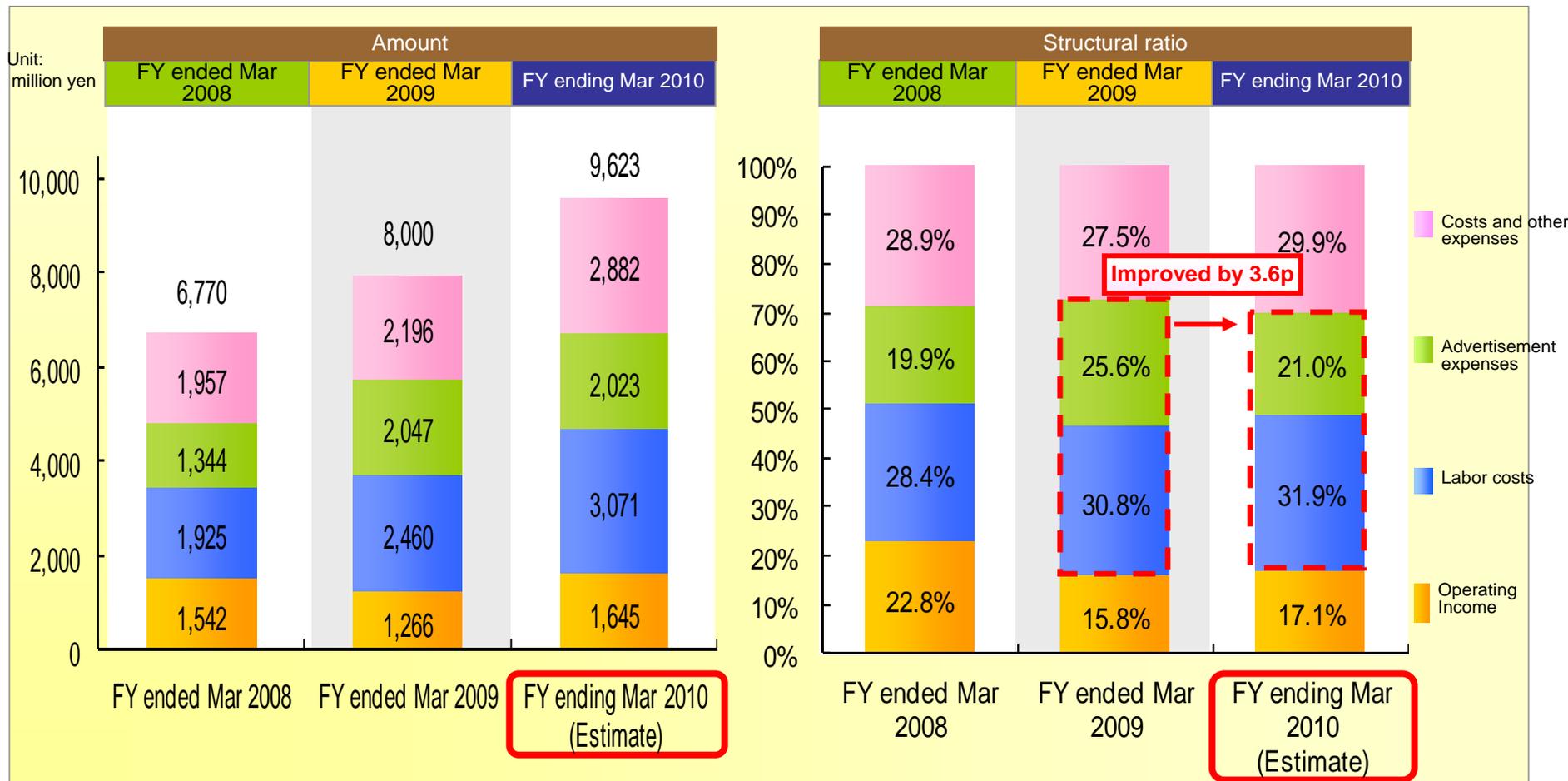
* For the fiscal year ended Mar 2009, extraordinary profit was recorded as caused by returned Provision of allowance for loss on an assistant grant and allowance for bad loan debt for NEXT F. S. Co., Ltd..

→Offset for consolidated business results

Factors causing discrepancy are almost same as for consolidated financial results ([Page 29](#))



For non-consolidated performance, profitability will improve despite increased labor cost due to a drastic decrease in the advertisement expenses ratio



Factors causing discrepancy are almost same as for consolidated financial results ([Page 30](#))

Point An overall sales increase can be expected, avoiding the full impact of the market situation

Unit: million yen	Service sector	FY ended Mar 2008	FY ended Mar 2009	FY ending Mar 2010	Increment value over the previous year	Increase over the previous year
Real estate portal business	Real estate lease and transactions	5,090	5,930	7,203	+ 1,273	+ 21.5%
	New condominium	1,049	1,142	1,219	+ 77	+ 6.7%
	New house	317	600	870	+ 270	+ 45.0%
	Other *1	148	134	207	+ 73	+ 54.5%
	Custom-built house, renovation	308	374	533	+ 159	+ 42.5%
	Subtotal		6,914	8,183	10,034	+ 1,851
Local community-related business	Lococom	4	26	51	+ 25	+ 96.2%
Warranty affairs business	Warranty affairs	54	278	810	+ 532	+ 191.4%
Other businesses	Renters net					
	Renters entrusted development *2	264	246	278	+ 32	+ 13.0%
	Other *3	195	192	90	- 102	- 53.1%
Grand total		7,433	8,927	11,266	+ 2,339	+ 26.2%

*1 This includes real estate portal businesses (e.g. HOME'S property investment, HOME'S Auction, HOME'S nursing care).
 →HOME's Auction terminated its operations at the end of March 2009.

*2 Fiscal year ended March 2008 includes one-time sale of a entrusted development of 70 million yen

*3 For the fiscal year ending March 2010, "advertisement agency business sales" are not expected.

Point Second-half performance is expected to be superior, due to the adopted stock business model and seasonal influences

Summary of Profit and loss statement

Unit: million yen	FY ended Mar 2009 (1H, actual)	FY ended Mar 2009 (2H, actual)	FY ending Mar 2010 (1H, Estimate)	FY ending Mar 2010 (2H, estimate)
Sales	4,132	4,795	4,945	6,321
Cost of goods sold	122	135	149	155
SG&A	3,527	4,143	4,593	4,651
Labor costs	1,356	1,578	1,793	1,916
Advertisement expenses	975	1,155	1,127	1,015
Operational costs	170	191	222	256
Depreciation costs	140	192	189	222
Allowance for bad debt loan/guarantee obligation	70	97	68	95
Other SG&A	814	929	1,191	1,148
Operating income	482	516	202	1,514
Current net earnings	210	* 165	74	1,019
Operating Income ratio	11.7%	10.8%	4.1%	24.0%

Sales by service sector

Unit: million yen	Service sector	FY ended Mar 2009 (1H, actual)	FY ended Mar 2009 (2H, actual)	FY ending Mar 2010 (1H, estimate)	FY ending Mar 2010 (2H, estimate)
Real estate portal business	Real estate lease and transaction	2,765	3,165	3,154	4,049
	New condominium	569	573	581	638
	New house	265	335	384	486
	Other	41	93	82	125
	Custom-built house, renovation	177	197	242	291
	Subtotal	3,823	4,360	4,451	5,583
Local community	Lococom	11	15	15	36
Warranty affairs	Warranty affairs	94	184	324	486
Other	Renters net	112	134	136	142
	Renters entrusted development				
	Other	89	103	18	72
	Grand total	4,132	4,795	4,945	6,321

* For 2H in the fiscal year ended Mar 2009, an extraordinary loss of 58 million yen was recorded due to the termination of "HOME's Auction operation."

Point → Focus the portal business while further expanding peripheral businesses to boost the real estate portal business

Check

Real estate portal

Promotion of "HOME'S Dominantly No. 1" strategy

1. Accelerate acquisition of member shops
2. Increase PVs (boost media value)
3. Offer value beyond PVs
4. Focus on the rental market, which is particularly resistant to the economic slump

- Expand business particularly in Tokyo and other major metropolitan areas
- Strengthen business framework with organizational changes
 - Bring even more customers to the mobile site
- Establish a new customer follow-up division
 - Minimize membership cancellations through increased customers satisfaction and increase per-member revenue through option sales

Check

Local community-related business

1. Support for HOME'S functionality and ability to attract customers
2. Wrap up Lococom investment phase (Previous term: PC, Current term: Mobile)
3. Increase media value by being a local site

- Aim for 1 million affiliates (critical mass)
- Strengthen database by enhancing town information
- Offer word-of-mouth information and information on areas surrounding HOME'S properties
- Offer Lococom's "MACHICOM" service to all HOME'S members
- Update the mobile site (planned)

Check

Warranty affairs

1. Move towards full-year profitability

- Keep basic expansion of no. of underwriters (no. of contracts) unchanged
- Expect to come to a break-even point with profit and loss (monthly) during the second half of the year
- Improve collection of receivables through strengthened business framework

Point Internet market size: 40 billion yen

Real estate advertising market for lease and transactions: 95 billion yen/year (our estimate)

Above figure includes Approx. 40 billion yen/year of internet market (our estimate)
-NEXT's share calculated on the assumption of stable market size

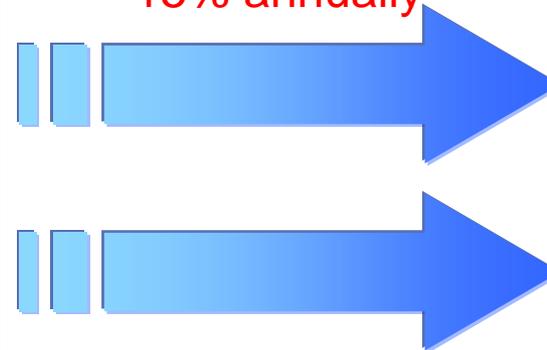
Target: FY ending Mar 2011
Sales: 11.4 billion yen
[Share: 28.5%]

Target: FY ending Mar 2010
Sales: 7.2 billion yen
[Share: 18.0%]

Actual: FY ended Mar 2009
Sales: 5.93 billion yen
[Share: 14.8%]

Market size expands as online business develops

Internet advertising for the real estate business is expected to expand by **15% annually***



*Source: Survey issued by Ichiyoshi Research Institute Inc.

Point A dividend payout ratio of 10% and annual dividend of 610 yen (a 400 yen increase) are expected

FY ended Mar 2009

Annual dividend
(plan)

210 yen

Repurchase of
common stock

240 million yen
(7,800 shares)

FY ending Mar 2010

Dividend payout ratio
(Planned)

10 %

Current net earnings (estimate) 610 yen



Check

Basic profit distribution policy

As we work towards actively expanding our businesses and steadily increasing profit, we will turn our attention to internal reserve and investment in future growth as a way to enhance and fortify our financial strength. At the same time, we are making returning profits to our stakeholders a key part of our management policy.

In terms of dividends, our basic policy is to maintain resilient levels of performance with results to be distributed each term while considering our mid-range business plans.

*The above figures are subject to change due to future performance results and external factors.

NEXT management principles

Create a social structure that brings true peace of mind and joy to the greatest number of people through constant innovation.

Corporate motto

Altruism

Always consider everyone's happiness,
everyone around us



NEXT CO.,LTD.

Reference

- Mid-term Corporate Vision ...Page 40-46
- Consolidated subsidiary ...Page 47-49
- Our business model ...Page 50-51
- Issues in IR activities ...Page 52
- Corporate profile ...Page 53-54

*No change has been made from the previous term

FY ending Mar 2011 Mid-term Corporate Vision

NEXT GROUP targets:

- Achieve “**Dominantly No. 1**” for **HOME’S** Real estate lease and transactions

Consolidated business performance for FY ending Mar 2011

Sales: 17 billion yen Operating Income: 4 billion yen

- “**Lococom**” local community website as **infrastructure**

By the end of March 2011

Number of Lococom affiliates: 250,000

Lococom will provide lifestyle information on “living”, “health”, “working”, “medical care”, etc.

Point

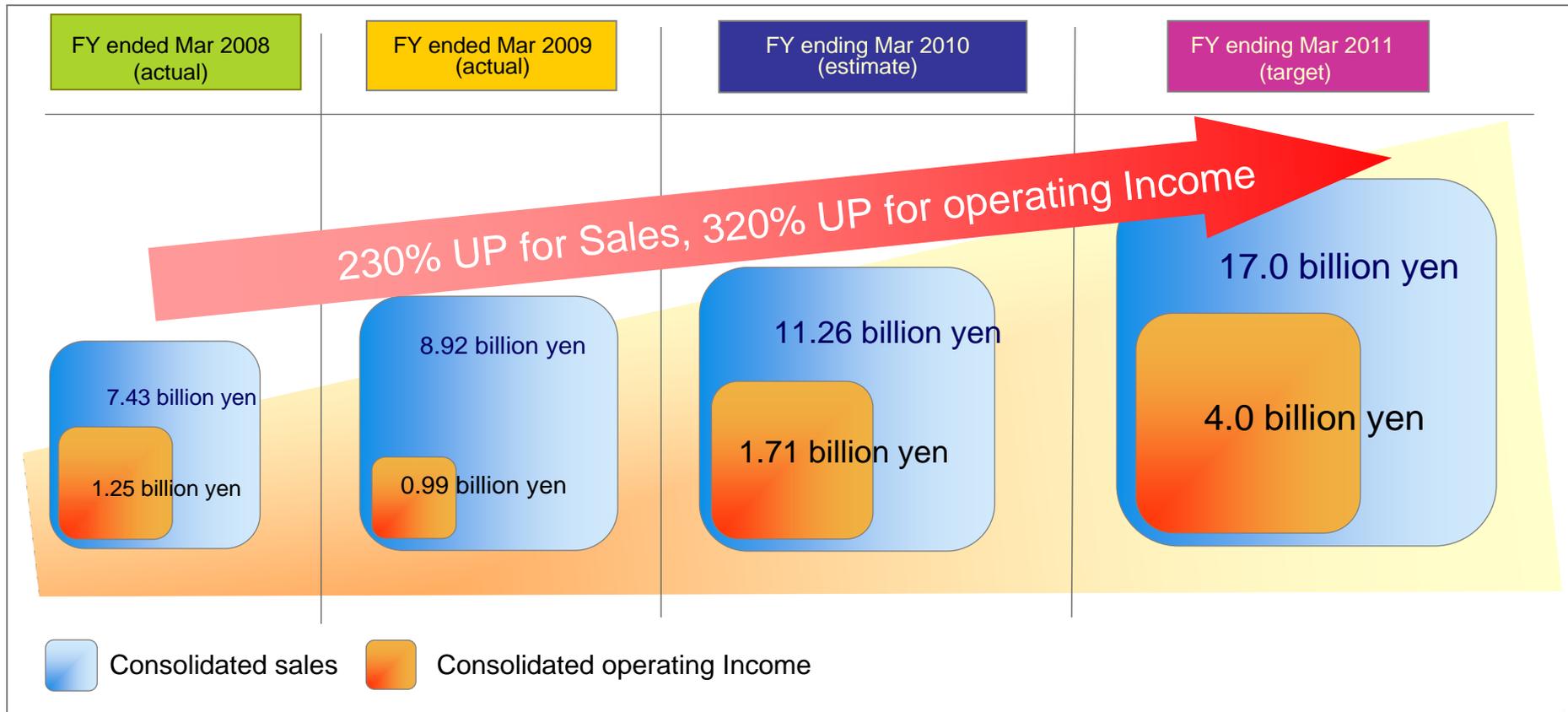
Enter a growth-oriented phase from the fiscal year ending March 2010 after completing an investment-oriented phase

© FY ended Mar 2009

Investment phase to achieve HOME'S **Dominantly No. 1**

© FY ending Mar 2011

Target consolidated business performance: **230% UP for Sales, 320% UP for operating Income**



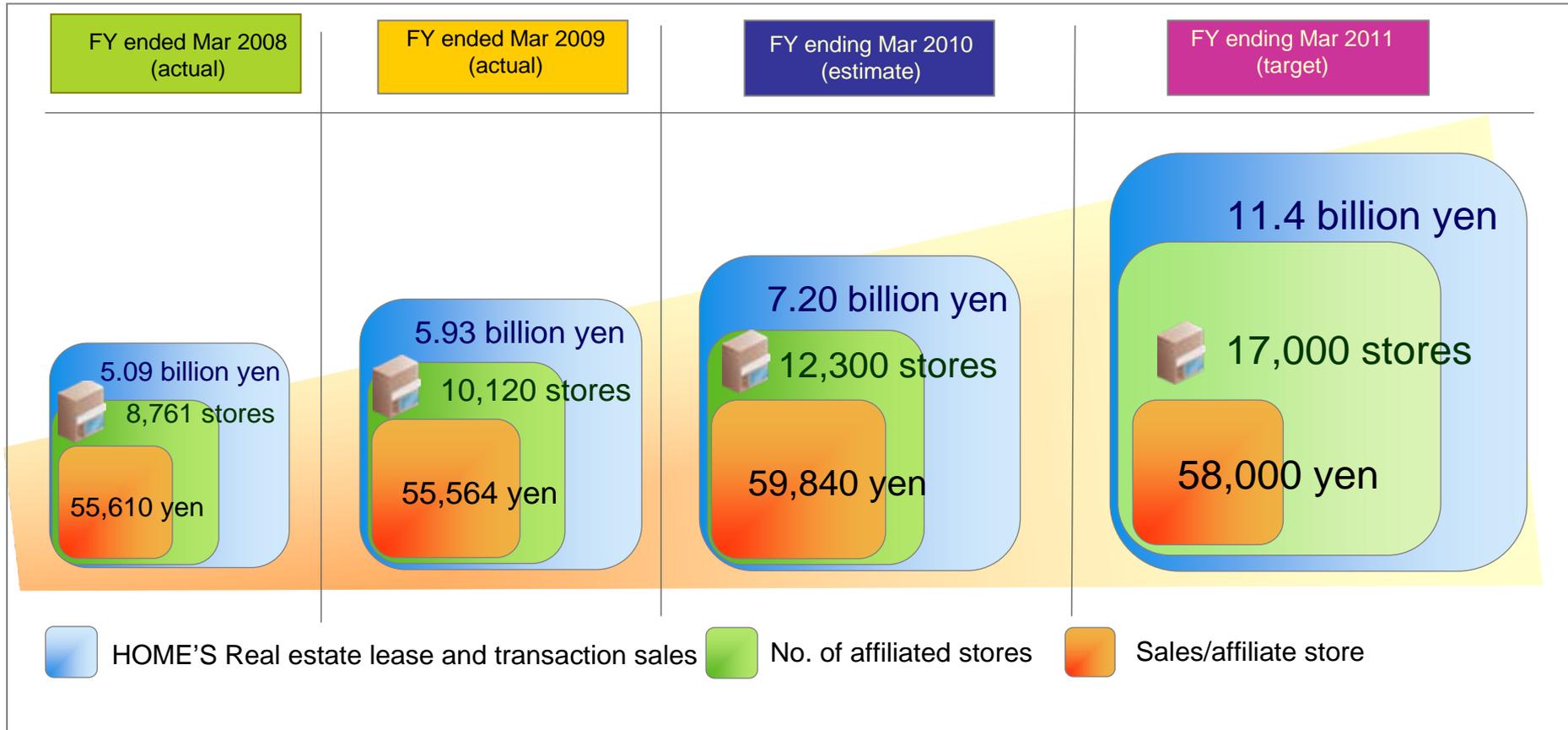
• No change has been made in the Mid-term Corporate Vision or targets for the fiscal year ending Mar 2011

Point

Accelerate growth of main service—**HOME'S real estate lease and transactions**

© FY ending Mar 2011

Achieve **17,000 affiliate stores** for HOME'S real estate lease and transactions by **doubling this number** (in comparison with the end of Mar 2008)



• No change has been made in the Mid-term Corporate Vision or targets for the fiscal year ending Mar 2011

Point 1.16 million monthly visitors to the local community-related business site



<<http://www.lococom.jp>>

[Outline of Lococom]

- URL: <http://www.lococom.jp/>
- Launch date: Oct 16, 2006
- Posting target: Separated by the 1,850 cities, towns, and villages in Japan
- Registered members: 480,000
- Number of users: 1,160,000/month (According to NetRatings Japan Inc.)
- Monthly page views: 12,190,000

(As of Mar 2009)

[Features of Lococom]

- In addition to SNS function (blog, etc.) Lococom enables **locally-based word-of-mouth entries and information gathering**
- Also includes **lifestyle functions** such as **home finances and health management support**

Plentiful tie-up content with other companies

- INTELLIGENCE LTD. (work)
- Interworks, Inc. (work)
- SYSTEM FORWARD, INC.
(GOTO-CHI.com=Farm-fresh produce information)
- AIIDA, Inc. (CHIKITABI=Local tourism information)

Point Number of monthly viewers exceeds the number of individual affiliates

© FY ending Mar 2011 Lococom aims to increase number of affiliates to **2.5 million yen**

Comparison with leading SNS service provider, mixi

Number of users/month



Lococom
Registered member: 480,000
No. of users/month: **1,160,000**

Lococom
Mar 2011 Target
Registered member: **2,500,000**

mixi
Registered member: 16,830,000
No. of users/month 7,040,000

Characteristics of Lococom Registered member < Number of users/month

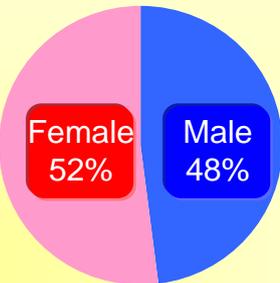
*This is because Lococom allows to unregistered members to browse word-of-mouth information

* Registered members are officially disclosed figures (as of end of Mar 2009), figure of number of users/month is released by NetRatings Japan Inc. (Mar 2009)

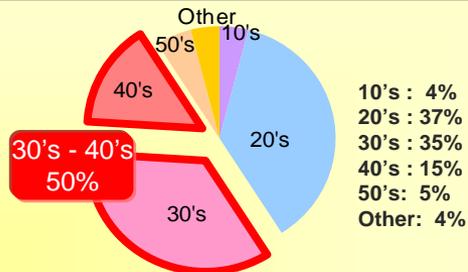
Number of registered members

User profile

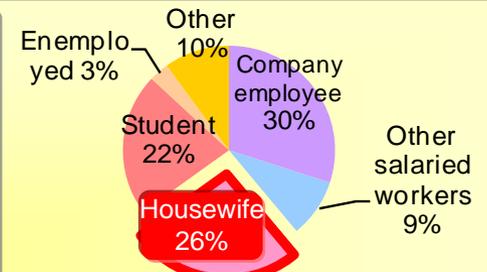
Male-female ratio



Age distribution

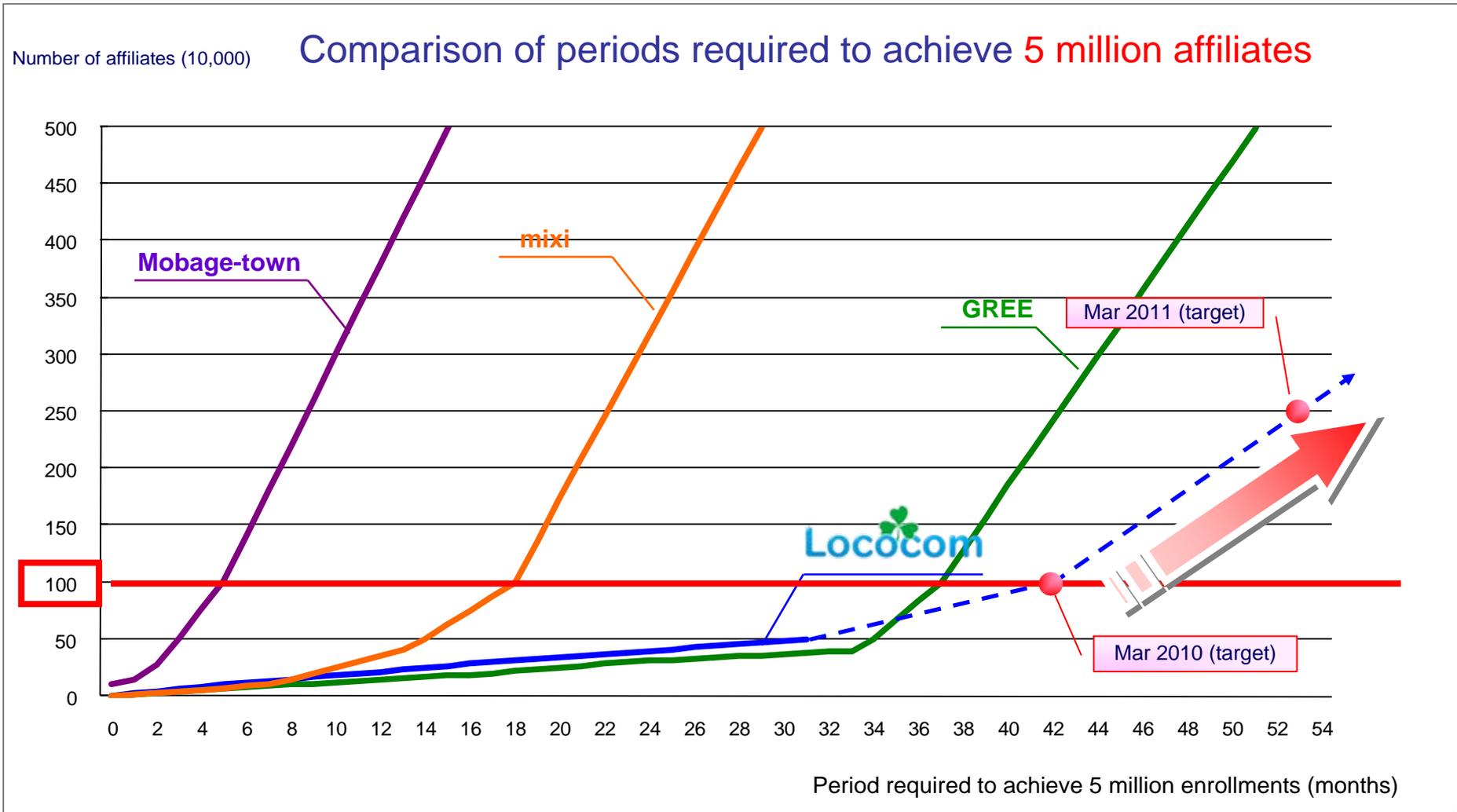


Profession distribution





Leading SNS website shows accelerated growth after achieving **one million affiliates**

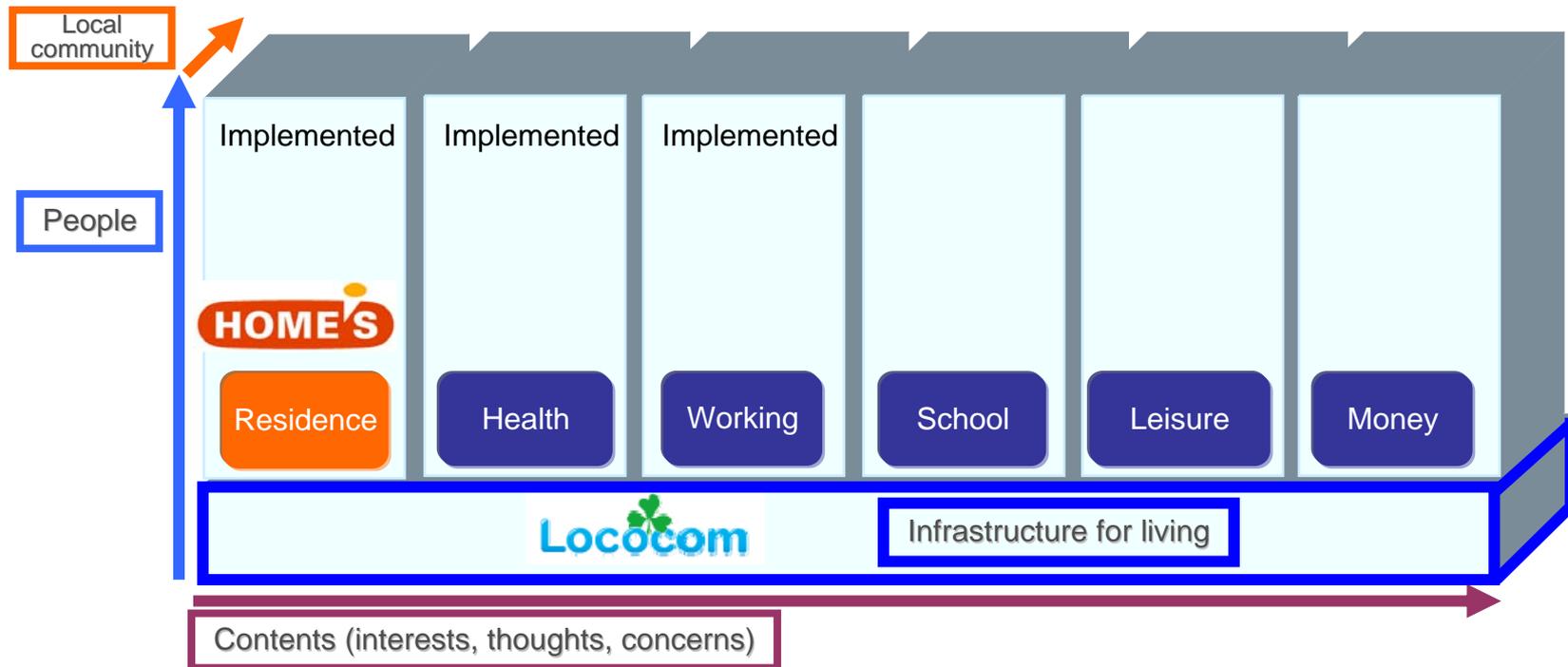


Point Moving towards "Lococom," infrastructure for living

Future vision

Create a **real community space** where three-dimensional expansion can be seen and that includes the local community

Local community-related business, or "Lococom" is a community site that adds "local community" as a core part of the former SNS by linking **people, the local community, and web content** in three dimensions. Locom provides a space for communication to take place organically, using real people, the local community, and content via website (including mobile-access site).



■ ITOCHU Corporation's joint business ventures

Willnic Co., Ltd.

Willnic Co., Ltd. main page
 <<http://www.willnic.co.jp/>>



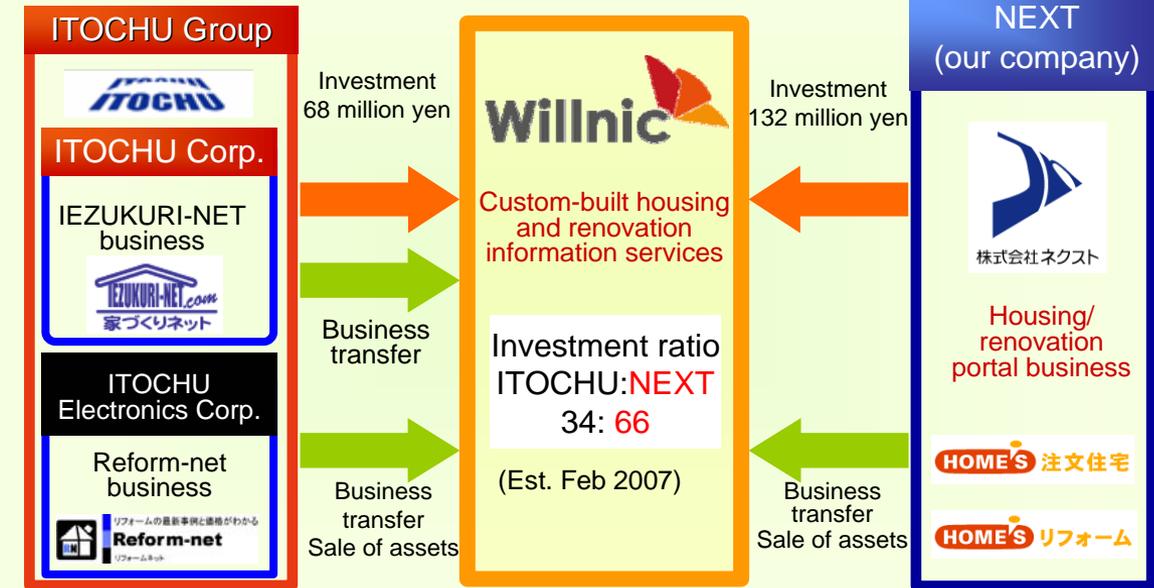
About Willnic Co., Ltd.

Willnic began its business in custom-built housing and renovation information services in April, 2007. The company runs a total of four types of information sites, two specializing in custom-built housing (HOME'S Custom Homes and IEZUKURI-NET), and two specializing in renovation (HOME'S Renovation and Reform-net). The Willnic site provides corporate information, sample construction projects, customer feedback, renovation quotes and other information for comparison and research, providing a simple way for customers to request documents from or ask questions to custom-built housing or renovation companies.

Renters, Co., Ltd.

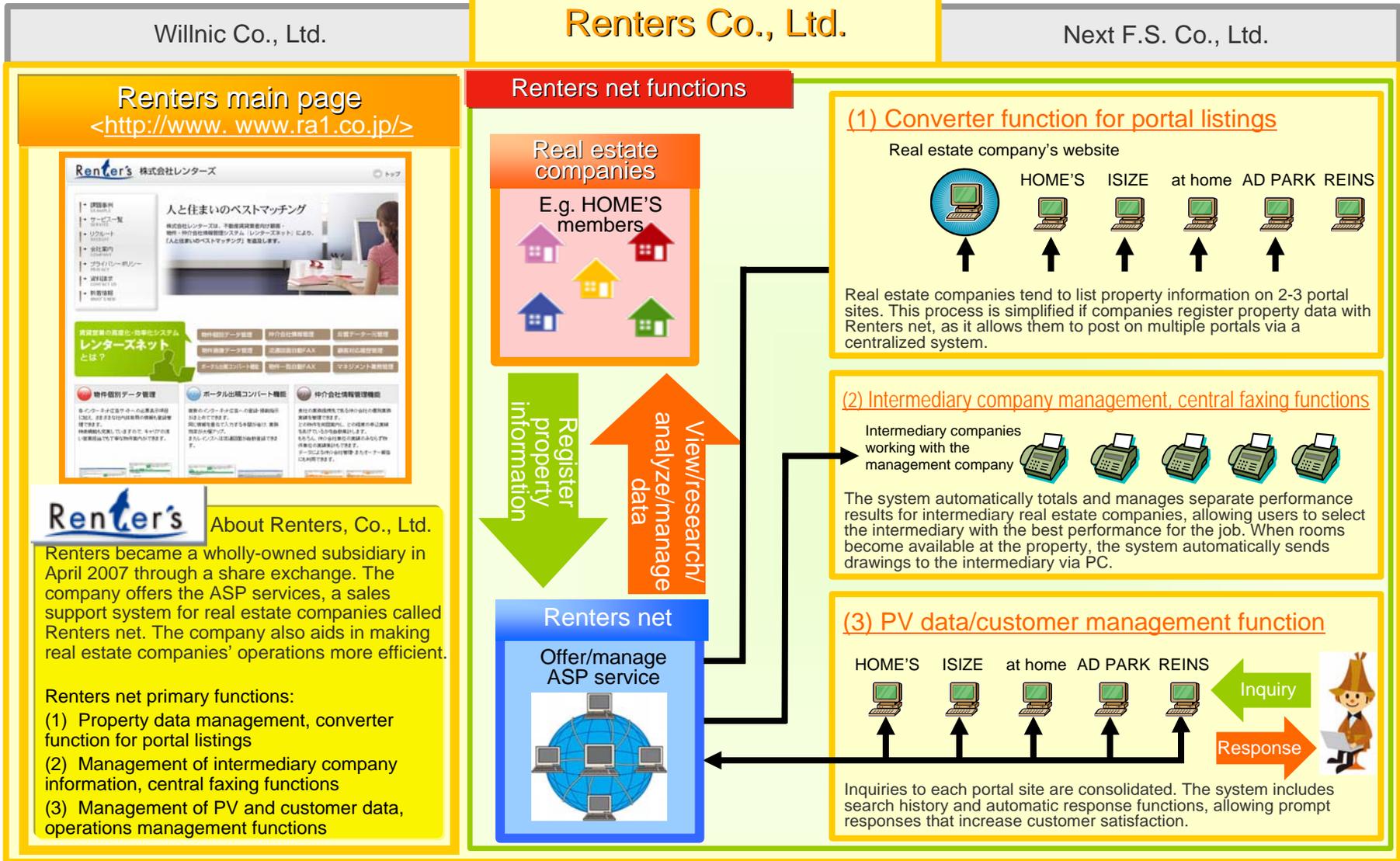
Next F.S. Co., Ltd.

Established through joint financing with ITOCHU Corp.



(1) Example of a completed custom-built house (2) Renovation quotes (3) IEZUKURI-NET

ASP offers sales support services to real estate companies



Expansion of warranty affairs business

Willnic Co., Ltd.

Renters Co., Ltd.

Next F.S. Co., Ltd.

NEXT FS CO. LTD. main page
<http://financial.homes.co.jp/>



About NEXT FS CO., LTD.

The company began its rental warranty business under the HOME'S Warranty Affairs brand in September 2007, having acquired this business through merger and acquisition of a major rental warranty corporation.

The company serves as guarantor when rental agreements are signed, enabling those without guarantors to live in the rental properties they want. The real estate management firm does not have to worry about unpaid rent, allowing them to lease with confidence.

Offering HOME'S Warranty Affairs

Issues

Tenant

- Cannot rent without a joint guarantor
- Initial payments are expensive (security deposits, gratuities)

Lessor (owner)

- Income from monthly rent is unstable
- Trouble with rental fees
- No peace of mind regarding tenants

Lessor (management company)

- Unpaid rent notices are time-consuming work
- Uncertainty as to whether rent money will be paid

Merits of engaging in M&A business

Introduce warranty affairs

- Compatible with the infrastructure of HOME'S members, boasting the most affiliated stores in Japan
- Acquire screening and collection expertise
- Ability to provide the peace of mind and joy outlined in our management principles

NFS solutions



Joy of living where you want

- Joint guarantor becomes unnecessary with the use of warranty affairs
- Since the security deposit is insurance against default of payment, it can hopefully be reduced with the use of warranty affairs

➔ Less switching costs

Joy of leasing with confidence

- NFS reimburses unpaid rent
- NFS also handles screening, reducing workload

Less work allows focus on other business operations

- Reimbursement makes unpaid rent notices and collections management work unnecessary

Point → Ensure steady income as monthly billing is not dependent on commission



HOME'S Real estate lease and transactions billing system

■ **Initial cost**
35,000 yen

■ **Monthly fee**
15,000 yen~
Fees increase depending on number of size of **posting area** used
Sales per member shop 55,564 yen
(Mar 2009)

- **Services included in monthly fee**
- 20 rental property postings
 - 20 sale property postings
 - 2 investment property postings
 - Panorama pictures for 5 properties
 - Special advertisement 5pt
 - Company promotion box (by area) 5pt

Up to 40 properties can be posted

最寄駅所在地	徒歩バス	面積 間取り	築年数 方位	賃料 管理費等	敷金(保証金) 礼金(敷引)	種別 構造	画像	詳細表示	物件にチェック
勝どき駅 中央区勝どき2丁目	3分	24.99m ² 1K	12年 南東	10万円 7,000円	無料 1ヶ月	マンション SRC		詳細表示	<input type="checkbox"/>
ランキング公開中 営業スタッフコメント クリップに追加									
勝どき駅 中央区勝どき4丁目	5分	41.37m ² 1LDK	1年 南東	15.9万円 10,000円	1ヶ月 無料	マンション RC		詳細表示	<input type="checkbox"/>
ランキング公開中 営業スタッフコメント クリップに追加									
勝どき駅 中央区月島1丁目	8分	17.25m ² ワンルーム	9年	8.2万円 4,000円	2ヶ月 1ヶ月	マンション SRC		詳細表示	<input type="checkbox"/>
ランキング公開中 営業スタッフコメント クリップに追加									
勝どき駅	5分	20.37m ²	2年	8.4万円	1.5ヶ月	マンション		詳細表示	<input type="checkbox"/>

- Offer a **property posting area** on the website that works just like foldout inserts in home information magazines or newspapers—**no commission**
- Billing model **uses automatic renewal** to collect monthly usage fees

Point NEXT will continue to provide investor-friendly information



Check

Number of shareholders increased

1,734 → 3,000



- Enhance web content for individual investors
- Organize presentation meeting for individual investors (three sessions planned)
- Implement contentious profit return to shareholders



Check

Enforced information volume and quantity

Post necessary information for making investment decisions on **website**



- Post financial data (EXCEL format) to website
- Improve Q&A and terminology
- Post additional information as needed



Check

Secure appropriate market share price

1. Improve liquidity
2. Increase trading volume



- Increase number of visits per corporate investor (Previous term: 114 total investors)
- Ultimate target to be listed in the first section of the Tokyo Stock Exchange

Company Name	NEXT Co., Ltd. (TSE Mothers:2120)
President	Takashi Inoue
Date of establishment	Mar 12, 1997 (month of settlement: March)
Capital Stock	1,984 million yen Shares issued: 185,803 (including 7,800 outstanding stocks)
Number of employees (consolidated)	525 (including 72 temporary workers and part timers) Increased by 91 in comparison of previous term-end (end of Mar, 2008)
Description of business	Real estate portal business (primarily business, over 90% of net sales) Local community-related business Warranty affairs business Other businesses
Number of shareholders	1,734 (as of end Mar 2009)
Number of Stock Holders	NEXT's board of directors, Rakuten, Inc. (Next is an equity-method affiliate of Rakuten, Inc.)
Head office	Office Tower, Harumi Island Triton Square, Harumi 1-8-12, Chuo-ku, TOKYO, Japan
Consolidated subsidiaries	Willnic Co., Ltd. (66.0%)
*Number in bracket shows shareholding ratio	Renters Co., Ltd. (100%) NEXT F.S. Co., Ltd. (hereinafter called "NFS") (100%)

*As of Mar 2009



President of NEXT Co., Ltd. Takashi Inoue

Born on: November 23, 1968 (age 39)
Raised in: Yokohama, Kanagawa

Education: Graduated from Aoyama Gakuin University (Economics) in 1991. In April of the same year, joined Recruit COSMOS Co., Ltd. (now COSMOS INITIA Co., Ltd.).

After three months with the company, Inoue was transferred to Recruit, Co., Ltd. to work in the job placement magazine business.

Taking cues from the personnel matching business, Inoue conceived of the business model for HOME'S.

Convinced that he would like to change the way the real estate industry was set up, Inoue left his job in July 1995 and went on his own. He established NEXT, Co., Ltd. in March 1997 after implementing the verification test for beginning business operations.

Launched the home and real estate information portal site HOME'S with the aim of establishing an information infrastructure that made use of the internet and resulted in mutual profit for both end users and those in real estate industry.

HOME'S grew to the largest home and real estate information portal site in Japan, reaching over one million property postings and spanning all 47 prefectures.

Increased convenience through the development of multiple group sites that not only handle a large volume of information, but allow users to search for homes based on their individual lifestyles.

Launched the Local community-related business site (Lococom Beta Version) in October 2006.

Continues to innovate, focusing on residential life by offering the Living One-stop Service.

Oct 31 2006: Listed on the TSE Mothers

NEXT's Award History

October 2004

First place in the 2004 Fall Real Estate Leasing Site Ranking from Gomez Consulting Co., Ltd. ("Gomez")

October 2005

Awarded the 3rd Technology Fast 50 Japan for the first time for our technology business growth rate ranking

March 2006

Received double first-place overall awards in the "rental" and "used property" categories in the March 2006 Real Estate Information Site Ranking from Gomez

April 2006

Received the 2005 New Business Award for outstanding performance from the incorporated company The Japan New Business Conference New Business Award

October 2006

Received the 4th Technology Fast 50 Japan for our technology business growth rate ranking

February 2007

HOME'S received the 2nd JWDA Web Design Award for outstanding performance from the Japan Web Designers Association

October 2007

Received the 5th Technology Fast 50 Japan for our technology business growth rate ranking for the third straight year

Awarded first place overall for the Oct 2007 Mobile Real Estate Lease Information Site Ranking from Gomez

March 2008

Received the 2nd IPO Award in the newcomer category from the incorporated company The Kanto New Business Conference

October 2008 Received the 6th Technology Fast 50 Japan for our technology business growth rate ranking for the fourth straight year

April 2009 Received 3rd place in the emerging market category as an outstanding IR site company under the Gomez IR Site Ranking 2009 from Gomez