NEXT Co., Ltd.

This English translation of financial report was prepared for reference purposes only. The financial information contained in this report is delivered from our unaudited financial statements.

Consolidated Financial Report for the Fiscal Year Ended March 31, 2016 (IFRS)

May 11, 2016

Company name:	NEXT Co., Ltd.	Listed exchange:	Tokyo Stock Exchange
Stock code:	2120	URL:	http://www.next-group.jp/
Representative:	(Position) President and CEO	(Name) Takashi Inoue	
Contact:	(Position) Manager, Business Control Division	(Name) Hidekazu Fukuzawa	(TEL) 03(5783)-3603

Scheduled date of Annual General Shareholders Meeting: June 28, 2016
Scheduled date of start of dividend payments: June 29, 2016
Scheduled filing date for the annual securities report: June 29, 2016
Preparation of supporting documentation for earnings: Yes
Earnings presentations: Yes (For institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2016

(1) Consolidated Operating Results

(Percentages indicate year-on-year change)

	Revenue		Operating income		Profit before income taxes		Net profit		Net income attributable to owners of the parent		Total comprehensive income	
		%		%		%		%		%		%
Fiscal year ended March 31, 2016	¥25,707	41.5	¥3,994	48.4	¥4,018	51.3	¥2,711	50.2	¥2,670	48.7	¥2,473	186.2
Fiscal year ended March 31, 2015	¥18,165	-	¥2,691	-	¥2,656	-	¥1,805	-	¥1,796	-	¥864	-

	Basic earnings per share (yen)	Diluted net income per share (yen)	Return on equity (%)	Return on assets (%)	Operating income ratio (%)
Fiscal year ended March 31, 2016	22.87	-	19.2	16.8	15.5
Fiscal year ended March 31, 2015	15.91	15.90	17.1	14.7	14.8

Reference:

Share of profit (loss) of investments accounted for using the equity method
Fiscal Year ended March 31, 2016: 4 million yen
Fiscal Year ended March 31, 2015: 2 million yen

Note: Effective June 1, 2015, NEXT Co., Ltd. conducted a two-to-one share split for its common shares. Accordingly, basic earnings per share and diluted net income per share for the fiscal year ended March 31, 205 were calculated based on the assumption that the share split had conducted at the beginning of the fiscal year.

Reference:

EBITDA
Fiscal Year ended March 31, 2016: 4,859 million yen
Fiscal Year ended March 31, 2015: 3,149 million yen

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Equity attributable to owners of the parent ratio (%)	Equity attributable to owners of the parent per share (yen)
As of March 31, 2016	¥25,265	¥17,142	¥16,922	67.0	142.54
As of March 31, 2015	¥22,592	¥10,853	¥10,824	47.9	95.86

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Cash and cash equivalents at end of period
Fiscal year ended March 31, 2016	¥3,175	¥93	(¥868)	¥6,625
Fiscal year ended March 31, 2015	¥2,193	(¥13,051)	¥6,734	¥4,268

2. Dividends

(Millions of yen)

	Annual dividend					Total dividend payout (total)	Payout ratio (consolidated)	Dividend on equity ratio (consolidated)
	First quarter	Second quarter	Third quarter	Forth quarter	Total			
	(yen)	(yen)	(yen)	(yen)	(yen)		%	%
Fiscal year ended March 31, 2015	-	0.00	-	5.75	5.75	¥324	18.1	3.1
Fiscal year ended March 31, 2016	-	0.00	-	4.50	4.50	¥534	19.7	3.8
Fiscal year ending March 31, 2017 (forecast)	-	0.00	-	5.30	5.30		20.0	

Note: There have been no changes in dividend forecast.

Effective June 1, 2015, NEXT Co., Ltd. conducted a two-to-one share split for its common shares. The dividends forecast for the fiscal year ending March 31, 2017 accounts for the impact of this share split. The dividend per share excludes the impact of this share split is ¥9.00.

3. Forecasts on the Consolidated Results for the Fiscal Year Ending March 2017

(Percentages indicate year-on-year change)

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

*** Notes**

(1) There have been no changes in material subsidiaries during the term (no changes in specified subsidiaries in connection with changes in the scope of consolidation).

(2) Changes in accounting policies, changes in accounting estimates, restatement

[1] There have been no changes in accounting policies in connection with revisions to accounting standards, etc.

[2] There have been no changes in accounting policies not falling within the scope of [1] above

[3] There have been no changes in accounting estimates

(3) Number of shares issued (common stock)

[1] Number of shares issued at the end of the period (including treasury stock)

As of March 31, 2016	118,789,100	shares
As of March 31, 2015	112,992,000	shares

[2] Treasury shares at the fiscal year-end

As of March 31, 2016	73,636	shares
As of March 31, 2015	73,072	shares

[3] Average shares during term

As of March 31, 2016	116,788,502	shares
As of March 31, 2015	112,873,498	shares

Note: Effective June 1, 2015, NEXT Co., Ltd. conducted a two-to-one share split for its common shares. Accordingly, basic quarter profit per share and per diluted share quarter profit were calculated as if the share split had been conducted at the beginning of the fiscal year ended March 31, 2015.

*** Implementation status of audit procedures**

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

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

- Results forecasts and other forward-looking statements found in this document are based on information available to the Company at the time and on assumptions deemed reasonable. Actual results and outcomes may vary significantly due to various factors. For information on terms related to the assumptions used for results forecasts, reminders regarding use of results forecasts, and other related information, please refer to “Analysis of Operating Results” on page 2 of the supplemental documentation.
- The Company plans to hold an earnings briefing for institutional investors and analysts on May 12, 2016. Scenes from the briefing and presentation content (audio recordings) will be made available on the Company’s website as soon as possible thereafter.

(Appendix)

Contents

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

Operating Results for the Year Ended March 31, 2016

In the fiscal year ended March 31, 2016 (the "fiscal year"), the environment surrounding the NEXT Group ("the Group") saw continuing weakness in the market for new housing starts. Indeed, the market has been slow to recover from a drop in demand following an increase in the consumption tax rate in 2014. Notably, the average condominium price in the Tokyo metropolitan area for the fiscal year (April 2015 to March 2016) rose 10.4% year on year to ¥56.17 million, while the number of condominiums supplied decreased 14.4% year on year to 38,139 units (source: Real Estate Economic Institute Co., Ltd.). These trends have reflected surging construction costs and materials prices, despite a continuation of policies such as monetary easing by the Bank of Japan.

Meanwhile, the Ministry of Internal Affairs and Communications has announced that over the past five years, Japan's population has decreased by 947,000, or 0.7% to 127.11 million. According to the Report on Internal Migration in Japan Derived from the Basic Resident Registration published by the Ministry of Internal Affairs and Communications, the number of inter-prefectural migrants rose 2.6% year on year to 5.38 million in the fiscal year in Japan as a whole. Demand for moving services has trended firmly overall, while continuing to follow a gradual recovery track.

In this business environment, following our corporate mission of "Designing Delightful Encounters," the Group develops a variety of information service businesses that closely relate to people's lives, focusing on its real estate information service business.

The Group has adopted "Become a Global Company with DB+CCS (Database and Communication & Concierge Services)" as its corporate slogan, making it the centerpiece of the Group's medium-term management strategy. The Group is working to provide the optimal information needed by users through a variety of devices by gathering, organizing and integrating the massive amount of information in the world.

Based on this strategy, and following on from the fiscal year ended March 31, 2015 (the "previous fiscal year"), in the fiscal year the Group continued to focus on the following priorities: Strengthen the Domestic Real Estate Information Services segment; Develop and expand sales of services in the Domestic Services for Realtors segment, Build a platform for the Overseas segment and explore new countries to enter; and Generate profits from new business fields outside the real estate field and develop new businesses.

As a result, the Group's consolidated financial results for the fiscal year saw both revenue and profit reach record highs. Revenue was ¥25,707,617 thousand, up 41.5% year on year. EBITDA was ¥4,859,062 thousand, up 62.6% year on year. Profit attributable to owners of parent rose 48.7% year on year to ¥2,670,397 thousand.

The Group focuses on EBITDA as an important indicator to measure its cash generating ability. This reflected the voluntarily adoption of International Financial Reporting Standards (IFRS), the growing impact of overseas subsidiaries on consolidated revenue, and the need for comparison with overseas peers.

Moreover, revenue and Operating income by segment in the fiscal were as follows.

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

Segment	Revenue		Segment profit	
	Amount	%	Amount	%
(1) Domestic Real Estate Information Services	18,345,498	+17.6	3,540,932	+29.7
(2) Domestic Services for Realtors	4,122,455	+344.3	(7,654)	-[3]
(3) Overseas	3,507,417	+191.4	550,433	+379.5
(4) Others	671,226	+48.3	(80,868)	-[4]

Notes:
1. Intersegment transactions have not been eliminated.
2. Except for a certain portion, revenue from new condominiums under New Houses & Condominiums in the Domestic Real Estate Information Services segment is now recorded under the Domestic Services for Realtors segment, following the completion of an exclusive agency contract with Lifull Marketing Partners, which became a subsidiary in October 2015.
3. Segment loss in the previous term was ¥22,320 thousand.
4. Segment loss in the previous term was ¥99,921 thousand.

a. Domestic Real Estate Information Services

Revenue by service category in the Domestic Real Estate Information Services segment was as follows:

(Thousands of yen)

Domestic Real Estate Information Services	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Change	Change %
Revenue	15,601,980	18,345,498	+2,743,518	+17.6
Rental & Real Estate	9,752,795	12,068,471	+2,314,684	+23.7
New Houses & Condominiums	4,537,949	4,713,451	+175,501	+3.9[1]
Custom-Built Homes & Renovations	817,809	889,888	+72,078	+8.8
Others[2]	493,425	673,687	+180,262	+36.5
Segment profit	2,729,051	3,540,932	+811,880	+29.7

Notes:
1. Except for a certain portion, revenue from new condominiums under New Houses & Condominiums is now recorded under the Domestic Services for Realtors segment, following the completion of an exclusive agency contract with Lifull Marketing Partners, which became a subsidiary in October 2015.
2. The Others comprises HOME'S Nursing Care, etc.

In the Domestic Real Estate Information Services segment, the Group's core business, the Group is targeting a user share of 40% for the long term, in order to create a world where HOME'S is a must-have service.

In Rental & Real Estate, the total number of properties listed on HOME'S rose 1,788 thousand, or 74.4 % from a year earlier, to 6.98 million as of March 31, 2016. HOME'S remains the No.1 player[1] in terms of the total number of properties listed. In addition, the number of affiliated stores increased by 4,236, or 29.3% to 18,680.

In the New Houses & Condominiums, revenue grew at a faster pace than the previous fiscal year due to marketing efforts, despite the negative impact of a sluggish market for new housing starts, reflecting surging building prices in line with rapidly increasing construction costs and materials prices, and a decline in the number of housing units sold. However, except for a certain portion, revenue from new condominiums was recorded under the Domestic Services for Realtors segment, following the completion of an exclusive agency contract with Lifull Marketing Partners, which became a subsidiary in October 2015. Consequently, the revenue from New Houses & Condominiums increased by 3.9% year on year.

In the Custom-Built Homes & Renovations, revenue increased by 8.8%, owing to a stronger ability to attract customers following the renewal of the website, along with growth in the number of contract completions in home renovations.

In Others, the number of nursing home information listed rose by contribution of the detailed customer support provided at the customer support center.

In addition, as part of BPR[2] efforts, the Group took steps to streamline back office operations, including establishing Lifull Bizas Co., Ltd. as a 100%-owned subsidiary, with a view to attaining further growth.

As a result of the foregoing, the segment's revenue increased by 17.6% year on year to 18,345,498 thousand and segment profit increased by 29.7% year on year to ¥3,540,932 thousand.

Notes:

1. According to a survey by Sankei Medix (January 23, 2016).
2. Business Process Reengineering

b. Domestic Services for Realtors

In Domestic Services for Realtors segment, the Group worked to expand revenue from its CRM[1] service for real estate leasing companies and a business support service for real estate developers (DMP[2] service). Moreover, along with the acquisition of AXELION Co., Ltd., a provider of online marketing services to realtors and currently Lifull Marketing Partners Co., Ltd., the Group enhanced the structure of the new condominium category by completing an exclusive agency contract with Lifull Marketing Partners in October 2015, in order to drive further revenue growth in this category.

Segment revenue increased by 344.3% year on year to ¥4,122,455 thousand. The segment loss was ¥7,654 thousand, improved of ¥14,666 thousand from a segment loss of ¥22,320 thousand in the previous fiscal year. These improvements reflected the start of consolidation of Lifull Marketing Partners.

Notes:

1. Customer relationship management
2. Data Management Platform

c. Overseas

The Overseas segment mainly comprises Trovit Searh, S.L. ("Trovit"), which became a consolidated subsidiary of NEXT Co., Ltd. ("the Company") on November 2014. Trovit operates an aggregation site for real estate/housing, used cars, and job information. The Group also operates informational real estate websites (portal sites) based on search engine optimization (SEO) technology developed in Japan. In the fiscal year, the Group launched aggregation sites in Japan, Thailand, and Taiwan, along with launching a portal site in Australia.

Segment revenue increased by 191.4% year on year to ¥3,507,417 thousand, and segment profit increased by 379.5% year on year to ¥550,433 thousand. This primarily reflected the full-year contribution of Trovit to operating results for the fiscal year.

d. Others

The Others segment comprises MONEYMO, a search and booking website for insurance shops; a property and casualty insurance agency; HOME'S Move, a website devoted to moving services ; HOME'S Style Market, an e-commerce website for interior goods; and HOME'S Storage, a search site for storage rooms, storage containers, and other such facilities.

Segment revenue increased by 48.3% year on year to ¥671,226 thousand. Segment loss was ¥80,868 thousand, improving by ¥19,053 thousand year on year from a segment loss of ¥99,921 thousand in the previous fiscal year.

For further details on financial results, including the following items, please refer to the NEXT's IR website, specifically the "Earnings Presentation for the Fiscal Year Ended March 31, 2016," which was announced on May 11, 2016.
URL: http://www.next-group.jp/en/ir/ir-data/ird-result/

<Major items in the earnings presentation materials>

Trends in operating income (loss):	Major factors that caused changes in expenses and the trend in expenses-to-sales ratios, etc.
Trends in revenue by service category:	Trends in revenue of more detailed categories than segments, and the causes of their changes.
Progress against business performance forecasts:	Achievement rates against forecasts of revenue by service category and by major expense items.
Topics:	Main activities by segment.
Quarterly data:	Income statement (simplified version), revenue by service category, and profit & loss by segment.
Collection of external statistical data:	Number of condominiums on sale, condominium sales prices, number of new housing starts, and number of inter-prefectural migrants.

Outlook for the Fiscal Year Ending March 31, 2017

Forecasts of consolidated financial results for the year ending March 31, 2017 are as follows.

(Millions of yen)

	Actual (Fiscal year ended March 31, 2016) [IFRS]	Forecast (Fiscal year ending March 31, 2017) [IFRS]	Change	Change %
Revenue	25,707	31,653	+5,945	+23.1
Domestic Real Estate Information Services	17,528	19,988	+2,460	+14.0
Domestic Services for Realtors	4,011	6,506	+4,055	+62.2
Overseas	3,507	4,115	+607	+17.3
Others	660	1,043	+382	+57.9
Operating income	4,859	5,803	+944	+19.4
Profit attributable to owners of the parent	2,670	3,144	+473	+17.7

Notes: Intersegment transactions have been eliminated.

For further details on forecasts of financial results, including forecasts by service category and forecasts of main SG&A expense items, please refer to the NEXT's IR website, specifically the "Earnings Presentation for the Fiscal Year Ended March 31, 2016," which was announced on May 11, 2016.
URL: http://www.next-group.jp/en/ir/ir-data/ird-result/

The above forecasts of financial results are based on information currently available to the Company and assumptions about uncertainties that could impact financial results in the future. Accordingly, actual results could differ from the above forecasts due to a variety of factors.

(2) Analysis of Financial Position

a. Assets, Liabilities and Equity

(Assets)

Current assets stood at ¥10,970,894 thousand as of March 31, 2016, an increase of ¥2,212,136 thousand from March 31, 2015 (the "previous fiscal year-end"). The main contributing factors were an increase of ¥2,357,195 thousand in cash and cash equivalents, and an increase of ¥764,455 thousand in accounts receivable-trade and other current receivables, which were partly offset by a decrease of ¥1,073,610 thousand in other short-term financial assets.

Non-current assets stood at ¥14,294,666 thousand as of March 31, 2016, an increase of ¥461,340 thousand from the previous fiscal year-end. The main contributing factors were an increase of ¥146,077 thousand in intangible assets and an increase of ¥237,449 thousand in other long-term financial assets.

As a result, total assets were ¥25,265,561 thousand as of March 31, 2016, an increase of ¥2,673,477 thousand from the previous fiscal year-end.

(Liabilities)

Current liabilities stood at ¥5,991,433 thousand as of March 31, 2016, a decrease of ¥5,177,621 thousand from the previous fiscal year-end. The main components of this change were a decline of ¥6,029,202 thousand in short-term loans and an increase of ¥533,452 thousand in accrued corporate income taxes.

Non-current liabilities stood at ¥2,132,000 thousand as of March 31, 2016, an increase of ¥1,562,369 thousand from the previous fiscal year-end. The main contributing factor was an increase of ¥1,455,243 thousand in long-term loans.

As a result, total liabilities were ¥8,123,434 thousand, a decrease of ¥3,615,251 thousand from the previous fiscal year-end.

(Equity)

Total equity stood at ¥17,142,126 thousand, an increase of ¥6,288,728 thousand from the previous fiscal year-end. The main component was an increase of ¥3,987,740 thousand from an issuance of shares, and an increase of ¥2,670,397 thousand in retained earnings due to the recording of profit for the period attributable to owners of the parent, which were partly offset by a decrease of ¥324,641 thousand in retained earnings due to the payment of dividends, along with a decrease of ¥243,400 thousand in exchange differences on translation of foreign operations.

b. Cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Change
Cash flow from operating activities	2,193,400	3,175,375	981,974
Cash flow from investing activities	(13,051,989)	93,075	13,145,064
Cash flow from financing activities	6,734,692	(868,874)	(7,603,567)
Net increase (decrease) in cash and cash equivalents	(4,175,222)	2,357,195	6,532,418

In the fiscal year, cash and cash equivalents ("cash") increased ¥2,357,195 thousand to ¥6,625,268 thousand. The main cash flows in the fiscal year were as follows.

(Cash flow from operating activities)

Net cash provided by operating activities was ¥3,175,375 thousand, ¥981,974 thousand more than net cash provided by operating activities of ¥2,193,400 thousand in the previous fiscal year. The main components were profit before taxes of ¥4,018,225 thousand, an increase of ¥1,361,662 thousand from the previous fiscal year, depreciation and amortization of ¥866,236 thousand, ¥406,894 thousand more than in the previous fiscal year, and a decrease in accounts payable-trade and other current payables of ¥480,790 thousand, ¥1,116,666 thousand less than in the previous fiscal year.

(Cash flow from investing activities)

Net cash provided by investing activities was ¥93,075 thousand, a change of ¥13,145,064 thousand from net cash used in investing activities of ¥13,051,989 thousand in the previous fiscal year. The improvement mainly reflected the recording of a cash outflow of ¥10,948,944 thousand for the purchase of equity in subsidiaries in the previous fiscal year.

(Cash flow from financing activities)

Net cash used in financing activities was ¥868,874 thousand, a change of ¥7,603,567 thousand compared with net cash provided by financing activities of ¥6,734,692 thousand in the previous fiscal year. The main factor was repayment of short-term loan of ¥7,000,000 thousand and repayment of long-term loans of ¥499,995 thousand, along with dividends paid of ¥350,506 thousand. These outflows were partly offset by inflow of ¥3,982,103 thousand through proceeds from issuance of shares and ¥3,000,000 thousand through proceeds from long-term loans.

(Reference) Trends in cash flow indicators

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Equity capital ratio (%)	47.9	67.0
Equity capital ratio on a market value basis (%)	299.1	648.9
Ratio of interest-bearing debt to cash flow (%)	319.7	76.8
Interest coverage ratio (times)	344.4	409.1

Equity capital ratio: equity capital / total assets
Equity capital ratio on a market value basis: Market capitalization / total assets
Ratio of interest-bearing debt to cash flow: Interest-bearing debt / cash flow
Interest coverage ratio: Cash flow / interest expenses

Notes:

1. Each indicator is calculated based on consolidated financial figures.
2. Market capitalization is calculated based on the number of shares issued.
3. Cash flow refers to operating cash flow.
4. Interest-bearing debt refers to all liabilities recorded on the consolidated balance sheet for which interest expenses are paid.

2. Management Policy

(1) Basic Corporate Management Policy

Guided by its corporate philosophy of “Create a society where everyone can attain ‘comfort’ and ‘happiness’ through continuing social innovations,” the Group provides housing information, primarily through real estate information services, in Japan and overseas. The Group supplies information services covering various aspects of people’s daily lives, including not just housing information, but also information about insurance shops, communities, furniture and interior goods and much more.

In keeping with its corporate message, “Designing Delightful Encounters,” the Group will provide the right information for every individual with integrity and compassion by focusing closely on people’s lives at all times, with a view to creating a society where everyone is able to confidently move forward into the future.

(2) Key Performance Indicators

The Group puts emphasis on the key performance indicators of revenue and EBITDA margin. It is targeting an EBITDA margin of around 28% for the medium term. Furthermore, in Real Estate Information Services, the Group emphasizes the following sales indicators: the number of properties listed, the number of site visitors, and the number of inquiries (e-mail and telephone inquiries placed by users to realtors and others), among others. Although indicators other than the EBITDA margin are not disclosed, the Group constantly seeks to make further improvements in various aspects of management.

(3) Medium- to Long-Term Corporate Management Strategy

The Group has adopted “Become a Global Company with DB+CCS (Database and Communication & Concierge Services)” as its corporate slogan, making it the centerpiece of the Group’s medium-term management strategy. The Group is working to provide the optimal information needed by users through a variety of devices by gathering, organizing and integrating the massive amount of information in the world.

Under this strategy, the Group is working intensively on the following priorities: Strengthen the Domestic Real Estate Information Services business; Develop and expand sales of services in the Domestic Services for Realtors business, Build a platform for the Overseas business and explore new countries to enter; and Generate profits from new business fields outside the real estate field and develop new businesses.

(4) Key Issues Ahead

In the course of executing its medium-term management strategy, the Group will work to address the following key issues:

a. Drive growth in the HOME'S real estate and housing information listing site

The Group will work to enhance its business performance by increasing the number of inquiries through efforts to improve the coverage of property listings, establish the HOME'S brand and increase the number of users.

b. Energize and expand the real estate market

The Group will also work to promote the effective use of vacant housing by renting private homes and rooms, in conjunction with creating frameworks to energize and expand the real estate market, such as crowdfunding.

c. Drive growth and enhance the governance of overseas businesses

The Group will drive the growth of existing businesses and pioneer new markets in tandem with working to strengthen internal management systems and enhance the corporate governance of Trovit Search, S.L., which became a consolidated subsidiary in November 2014, and Lifull Marketing Partners Co., Ltd., which became a consolidated subsidiary in May 2015.

d. Promote M&As and business alliances

The Group will promote M&As and business alliances to upgrade and expand existing businesses, obtain related technologies and enter new businesses.

e. Strengthen personnel recruitment and training, and organizational capabilities

With the Group now in an expansionary phase, the Group will work to strengthen its human resources and organizational capabilities in order to attain sustainable growth. This will be done by stepping up the recruitment of new graduates and mid-career professionals, and enhancing specialized skills mainly by providing educational and training programs within and outside the Company along with sharing the Company's values.

3. Basic Approach to Selection of Accounting Standard

From the first quarter of fiscal 2015, the Group has adopted International Financial Reporting Standards (IFRS) to replace the generally accepting accounting principles in Japan (JGAAP) it had adopted previously.

4. Consolidated Financial Statements

(1) Consolidated Statements of Financial Position (IFRS)

(Thousands of yen)

	As of April 1, 2014 (IFRS Transition Date)	As of March 31, 2015	As of March 31, 2016
Assets			
Current assets			
Cash and cash equivalents	8,443,295	4,268,072	6,625,268
Accounts receivable-trade and other current receivables	2,197,411	3,136,700	3,901,156
Other short-term financial assets	-	1,100,010	26,400
Other current assets	215,018	253,974	418,070
Total current assets	10,855,724	8,758,757	10,970,894
Non-current assets			
Property, plant and equipment	621,854	645,281	624,679
Goodwill	86,695	9,165,589	9,150,806
Intangible assets	971,552	2,930,861	3,076,939
Investments accounted for using the equity method	35,131	37,291	42,101
Other long-term financial assets	610,079	571,314	808,763
Deferred tax assets	429,387	479,594	587,529
Other non-current assets	2,473	3,392	3,847
Total non-current assets	2,757,175	13,833,326	14,294,666
Total assets	13,612,899	22,592,083	25,265,561

(Thousands of yen)

	As of April 1, 2014 (IFRS Transition Date)	As of March 31, 2015	As of March 31, 2016
Liabilities and equity			
Liabilities			
Current liabilities			
Accounts payable and other current payables	1,687,050	2,440,237	2,267,417
Short-term loans	-	7,000,000	970,797
Accrued corporate income taxes	600,499	529,756	1,063,209
Other current liabilities	938,245	1,199,061	1,690,009
Total current liabilities	3,225,795	11,169,054	5,991,433
Non-current liabilities			
Long-term loans	-	13,365	1,468,608
Provisions	172,440	175,285	209,997
Other long-term financial liabilities	-	-	76,115
Deferred tax liabilities	-	380,980	240,157
Other non-current liabilities	-	-	137,121
Total non-current liabilities	172,440	569,630	2,132,000
Total liabilities	3,398,235	11,738,685	8,123,434
Equity			
Attributable to the owners of the parent			
Capital stock	1,998,433	1,999,578	3,999,578
Capital surplus	2,541,634	2,542,779	4,530,520
Retained earnings	5,678,960	7,238,407	9,584,163
Treasury shares	(8,142)	(8,142)	(8,619)
Other components of equity	(3,797)	(948,014)	(1,183,496)
Attributable to the owners of the parent	10,207,088	10,824,608	16,922,145
Attributable to non-controlling interests	7,575	28,789	219,980
Total equity	10,214,663	10,853,398	17,142,126
Total liabilities and equity	13,612,899	22,592,083	25,265,561

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

Consolidated Statements of Profit or Loss

(Thousands of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Revenue	18,165,560	25,707,617
Cost of revenue	583,090	2,127,531
Gross profit	17,582,469	23,580,085
Selling, general and administrative expenses	14,849,721	19,489,797
Other income (expense)—net	(41,532)	(95,673)
Operating income	2,691,214	3,994,615
Financial revenue	6,436	29,453
Financial expenses	43,248	10,654
Share of profit (loss) of investments accounted for using the equity method	2,159	4,810
Profit before taxes	2,656,562	4,018,225
Income tax expenses	851,528	1,306,963
Profit for the period	1,805,034	2,711,261
Profit for the period attributable to:		
Owners of the parent	1,796,232	2,670,397
Non-controlling interests	8,802	40,864
Total	1,805,034	2,711,261
		(Yen)
Profit for the period per share attributable to owners of the parent		
Basic profit for the period per share	15.91	22.87
Diluted profit for the period per share	15.90	-

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Profit for the period	1,805,034	2,711,261
Other comprehensive income		
Items that may be reclassified to profit or loss, net of tax:		
Available-for-sale financial assets	10,337	10,683
Exchange differences on translation of foreign operations	(951,211)	(246,266)
Other	-	(2,113)
Other comprehensive income, after tax	(940,874)	(237,696)
Total comprehensive income for the period	864,159	2,473,564
Comprehensive income for the period attributable to:		
Owners of the parent	852,014	2,434,915
Non-controlling interests	12,145	38,649
Total	864,159	2,473,564

(3) Consolidated Statements of Changes in Equity

For the fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Thousands of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Balance as of April 1, 2014	1,998,433	2,541,634	5,678,960	(8,142)	(3,797)	10,207,088	7,575	10,214,663
Profit for the period			1,796,232			1,796,232	8,802	1,805,034
Other comprehensive income					(944,217)	(944,217)	3,342	(940,874)
Total comprehensive income for the period	-	-	1,796,232	-	(944,217)	852,014	12,145	864,159
Dividends of surplus			(267,398)			(267,398)		(267,398)
Share issuance cost	1,145	1,145				2,290		2,290
Acquisition or disposal of non-controlling interest and others							9,068	9,068
Increases due to transfers or other changes			30,614			30,614		30,614
Total transactions with owners	1,145	1,145	(236,784)	-	-	(234,494)	9,068	(225,425)
Balance as of March 31, 2015	1,999,578	2,542,779	7,238,407	(8,142)	(948,014)	10,824,608	28,789	10,853,398

For the fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Thousands of yen)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Balance as of April 1, 2015	1,999,578	2,542,779	7,238,407	(8,142)	(948,014)	10,824,608	28,789	10,853,398
Profit for the period			2,670,397			2,670,397	40,864	2,711,261
Other comprehensive income					(235,482)	(235,482)	(2,214)	(237,696)
Total comprehensive income for the period	-	-	2,670,397	-	(235,482)	2,434,915	38,649	2,473,564
Dividends of surplus			(324,641)			(324,641)		(324,641)
Increase (decrease) through treasury shares transactions				(476)		(476)		(476)
Share issuance cost	1,999,999	1,987,741				3,987,740		3,987,740
Increase due to business combinations							152,541	152,541
Total transactions with owners	1,999,999	1,987,741	(324,641)	(476)	-	3,662,622	152,541	3,815,163
Balance as of March 31, 2016	3,999,578	4,530,520	9,584,163	(8,619)	(1,183,496)	16,922,145	219,980	17,142,126

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flow from operating activities		
Profit for the period before tax	2,656,562	4,018,225
Depreciation and amortization	459,342	866,236
Impairment losses	21,895	-
Financial revenue	(6,436)	(29,453)
Financial expenses	43,248	10,654
Decrease (increase) in accounts receivable-trade and other current receivables	(466,635)	(466,999)
Increase (decrease) in accounts payable-trade and other current payables	635,875	(480,790)
Others	(82,822)	377,696
Subtotal	3,261,030	4,295,569
Interest and dividends received	3,686	5,219
Interest paid	(6,368)	(7,762)
Income taxes paid	(1,064,948)	(1,117,651)
Net cash from operating activities	2,193,400	3,175,375
Cash flow from investing activities		
Purchase of available-for-sale financial assets	(29,988)	(106,118)
Proceeds from sale of available-for-sale financial assets	-	132,525
Purchase of property, plant and equipment	(48,504)	(86,935)
Proceeds from sale of property, plant and equipment	-	1,973
Purchase of intangible assets	(1,022,157)	(661,054)
Payments into time deposits	(1,000,000)	(27,300)
Proceeds from refunds of time deposits	-	1,001,000
Purchase of equity in subsidiaries	(10,948,944)	-
Purchase of shares of subsidiaries	-	(132,551)
Others	(2,394)	(28,462)
Net cash from investing activities	(13,051,989)	93,075
Cash flow from financing activities		
Proceeds from short-term loans	7,000,000	-
Repayment of short-term loans	-	(7,000,000)
Proceeds from long-term loans	-	3,000,000
Repayment of long-term loans	-	(499,995)
Dividends paid	(267,597)	(350,506)
Proceeds from issuance of shares	2,290	3,982,103
Purchase of treasury shares	-	(476)
Net cash from financing activities	6,734,692	(868,874)
Effect of exchange rate changes on cash and cash equivalents	(51,326)	(42,380)
Net increase (decrease) in cash and cash equivalents	(4,175,222)	2,357,195
Cash and cash equivalents at beginning of period	8,443,295	4,268,072
Cash and cash equivalents at end of period	4,268,072	6,625,268

(5) Note Regarding Going Concern Assumption

Not applicable

(6) Notes to the Consolidated Financial Statements

a. Reporting entity

NEXT Co., Ltd. (the "Company") is a company domiciled in Japan. The registered headquarters of is disclosed at its corporate website (http://www.next-group.jp/en/). The Company and its subsidiaries (the "NEXT Group" or the "Group") are engaged in Internet-based information services, including the operation of real estate and housing information listing sites.

b. Basis of preparation

i. Statement of conformity of consolidated financial statements with IFRS

Statement of conformity of consolidated financial statements with IFRS

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), based on the stipulations of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976). The Group's consolidated financial statements satisfy all of the requirements for a "Specified Company" prescribed by Article 1-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

The Group has adopted IFRS from the fiscal year under review (from April 1, 2015 to March 31, 2016). The annual consolidated financial statements for the fiscal year under review are the Group's first to be prepared in accordance with IFRS. The Group's IFRS transition date is April 1, 2014. Upon transition to IFRS, the Group has adopted IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). The impact of the first-time adoption of IFRS on the Group's financial position, operating results, and cash flows is presented in Note 38 "First-time adoption of International Financial Reporting Standards (IFRS)."

ii. Basis of measurement

As presented in Note 3 "Significant accounting policies," the consolidated financial statements have been prepared on a historical cost basis, except for financial instruments and certain other items measured at fair value.

iii. Functional currency and presentation currency

The Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, with figures rounded down to the nearest one thousand yen.

iv. New standards and interpretations not yet adopted

New standards and interpretations that had been newly established or amended up to the approval date for the consolidated financial statements, and which the Group has not adopted early, are outlined below. Although the impact of the adoption of the abovementioned is currently under review, the Company has judged that the abovementioned will have no material impact on its operating results or financial position.

Standard	Interpretation	Mandatory adoption (From the year beginning)	Adoption by the Company	Summaries of new standards and interpretations, and amendments
IFRS 11	Joint arrangements	January 1, 2016	Fiscal year ending March 31, 2017	Clarification of accounting for acquisitions of interests in joint operations
IAS 16	Property, plant and equipment	January 1, 2016	Fiscal year ending March 31, 2017	Clarification of acceptable methods of depreciation and amortization
IAS 38	Intangible assets	January 1, 2016	Fiscal year ending March 31, 2017	Clarification of acceptable methods of depreciation and amortization
IFRS 15	Revenue from contracts with customers	January 1, 2018	Fiscal year ending March 31, 2019	Accounting treatment and disclosure requirements for revenue recognition
IFRS 9	Financial instruments	January 1, 2018	Fiscal year ending March 31, 2019	Classification and measurement of financial instruments, and accounting treatment and disclosure requirements for impairment loss accounting and hedge accounting
IAS 12	Income taxes	January 1, 2017	Fiscal year ending March 31, 2018	Clarification of recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Identification, accounting treatment and disclosure requirements of lease contracts

c. Significant accounting policies

i. Basis of consolidation

The accompanying consolidated financial statements include the accounts of NEXT Co., Ltd. (the “Company”) and its subsidiaries, as well as the Company’s equity interest in associates.

i-i. Subsidiaries

A subsidiary is an entity that is controlled by NEXT Co., Ltd. The Company controls an entity when the Company is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiaries’ financial statements are consolidated from the date when control is acquired until the date when the control is lost.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

All intergroup balances and transactions and unrealized gain or loss arising from intergroup transactions are eliminated on consolidation.

Total comprehensive income of subsidiaries is attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The consolidated financial statements include those financial statements of subsidiaries that have different reporting periods from the Company, as it is impracticable to align the reporting periods. The time lag shall not be longer than three months. Adjustments are made for significant transactions or events that occurred during the intervening period.

i-ii. Associates

An associate is an entity over which the Company has significant influence. The Company has significant influence over an entity when it has the power to influence the financial and operating policy decisions of the entity, but does not have control or joint control. In general terms, it is inferred that the

Company has significant influence when it owns more than 20% and less than 50% of the voting rights of an associate.

Investments in associates are accounted for using the equity method from the date of acquisition to the date of loss of significant influence.

The financial statements of some associates have time lag, as it is impracticable to align the reporting periods of some associates due to relationships with other shareholders, among other considerations. Adjustments are made for significant transactions or events that occurred during the intervening period.

ii. Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured as the sum of the assets transferred by the Company, liabilities assumed by the Company from the former owners of the acquiree, and the fair value at the acquisition date of the equity instruments issued by the Company.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Measurement is applied on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value, or, when applicable, on the basis specified in another IFRS. If the acquisition cost exceeds the fair values of identifiable assets and liabilities, it is recognized as goodwill on the consolidated statement of financial position. If the acquisition cost is below the fair values, it is recognized as a gain in the consolidated statement of profit or loss immediately.

If the initial accounting for a business combination is incomplete by the end of the fiscal year, the Company reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. The Company retrospectively adjusts the provisional amounts recognized at the acquisition date as an adjustment during the measurement period. The measurement period shall not exceed one year from the acquisition date. The acquisition costs are recognized as expenses. The additional acquisitions of non-controlling interest arising after the initial transaction are recognized as equity transaction.

The differences between the adjusted amount of non-controlling interest and the fair value of amount paid or received are recognized as retained earnings directly, and no recognition of goodwill occurs.

At the acquisition date, the identifiable assets acquired, the liabilities and contingency liabilities assumed based on IFRS 3 are recognized at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefits are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits," respectively. In addition, liabilities related to stock compensation are recognized and measured in accordance with IFRS 2 "Share-based Payment" or
- assets or businesses held for sale are measured in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations."

The Company has applied the exemption in IFRS 1. Accordingly, the Company has not applied IFRS 3 "Business Combination" retroactively for the business combinations that occurred before April 1, 2014 (IFRS transition date).

Goodwill arising in business combinations that occurred before the date of transition to IFRS is carried over at the carrying amount under the previous accounting principles (Japanese Generally Accepted

Accounting Principles “JGAAP”) as of the date of transition to IFRS, and recorded by that amount after an impairment test.

iii. Foreign currency translation

iii-i. Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the spot rates of exchange prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates prevailing at the end of the reporting period. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated into the functional currency at the rates prevailing at the date when the fair value was measured.

Exchange differences arising from translation of these transactions and exchange differences arising from translation of monetary assets and liabilities denominated in foreign currencies at the rates prevailing at the end of the reporting period are recognized in profit or loss, except for exchange differences arising from gains or losses associated with non-monetary items measured through other comprehensive income, which are recognized in other comprehensive income

iii-ii. Foreign operations

The assets and liabilities of the Company’s foreign operations (including goodwill arising from acquisitions and the adjustments of fair value) are translated into Japanese yen by using exchange rates prevailing at the end of the fiscal year. Income and expenses are translated into Japanese yen by using the average rates for the reporting period.

Exchange differences arising from translating the financial statements of foreign operations are recognized in other comprehensive income. The differences are included in other components of equity as exchange differences on translation of foreign operations.

These differences are reclassified from equity to profit or loss as part of disposal gains and losses, when the Company disposes of its entire equity interest in a foreign operation, or when the Company loses control or joint control, or significant influence over a foreign operation following the disposal of part of its equity interest in the foreign operation.

The Company has applied the exemption in IFRS 1 and transferred all the cumulative differences arising from translating the financial statements of foreign operations to retained earnings after the IFRS transition date.

iv. Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits and short-term investments with maturities of three months or less that are readily convertible to cash and subject to insignificant risk of change in value.

v. Financial instruments

v-i. Non-derivative financial assets

v-i-i. Initial recognition and measurement

The financial assets are recognized when the Company becomes a party to the contract provision of the instrument.

The classification of financial instruments is as follows:

(a) Financial assets measured at FVTPL

Financial assets are classified into "financial assets measured at FVTPL" when they are held for trading or measured at fair value through profit or loss.

(b) Hold-to-maturity investments
Financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent to hold to maturity.

(c) Loans and receivables
Financial assets with fixed or determinable payments that are not quoted in an active market.

(d) Available-for-sale financial assets
Financial assets designated as "available-for-sale financial asset", or not classified as the above (a),(b), or (c).

Financial assets, except for those assets measured at fair value through profit or loss, are measured at fair value at the time of initial recognition, plus the transaction cost relating to the acquisition.

v-i-ii. Subsequent measurement

(a) Financial assets measured at FVTPL
Financial assets measured at FVTPL are measured at fair value, and any gains or loss arising from remeasurement of fair value are recognized as profit or loss.

(b) Hold-to-maturity investments
Hold-to-maturity investments are measured at amortized cost using the effective interest method less any impairment. The effective interest method is that measures the amortized cost of financial assets or liabilities and allocates the interest income or expense over the relevant period. The effective interest rate is the discount rate used to accurately discounts the future amount of cash to be received or paid accurately over by the estimated residual period of financial instruments (shorter in some cases), from to the initially recognized net carrying value.

(c) Loans and receivables
Loans and receivables are measured at amortized cost using the effective interest method, less 貸付金 any impairment. Interest income, except any short loans and receivables with insignificant interest, are is recognized by using applying the effective interest rate.

(d) Available-for-sale financial assets
Available-for-sale financial assets are measured at fair value as of the end of the reporting period fiscal year-end and gains or losses arising from changes in fair value are recognized in other comprehensive income. Exchange differences arising from translation of on monetary financial assets classified are recognized in profit or loss.

Dividends for the available-for-sale equity interest instruments are recognized in profit or loss for the period corresponding to at the grant date.

v-i-iii. Impairment

Financial assets, other than those measured at FVTPL, are assessed for any objective evidence of impairment at the end of the fiscal year. Financial assets are impaired when there is objective evidence that loss events occurred subsequent to initial recognition of the financial assets and when these events are reasonably estimated to have a negative impact on the future cash flows of the financial assets from these events can be reasonably estimated. For available-for-sale equity instruments, as significant or prolonged decline in the fair value below the cost is considered to be objective evidence of impairment,

Certain categories of financial assets, such as trade receivables, are assessed for impairment by group basis even if there is no objective evidence of impairment. Financial assets carried at amortized cost, the amount of impairment loss is the difference between carrying amount of the asset and the present value of estimated future cash flow, discounted at the initial effective interest rate of the financial asset.

If there is objective evidence for an impairment loss recognized in prior years has decreased in a subsequent period, the impairment loss is reversed and recognized in profit or loss.

If there is an impairment loss in an available-for-sale financial asset, the cumulative profit or loss recognized in comprehensive income is reclassified to profit or loss for the period.

For available-for-sale financial assets, impairment loss previously recognized cannot be reversed. For available-for-sale financial liabilities, is there is any objective evidence of changes in fair value after an impairment loss is recognized, the loss is reversed and recognized in profit or loss.

v-i-iv. Derecognition of financial asset

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another company.

At the time of derecognition of financial assets, the differences between the book value of the assets and the amount paid or planned to be paid, and any cumulative gains or losses recognized in other comprehensive income, are recognized in profit or loss.

v-ii. Non-derivative financial liabilities

v-ii-i. Initial recognition and measurement

The financial liabilities are initially recognized when the Company becomes a party to the contract provision of the instrument.

The classification of financial liabilities is as follows:

(a) Financial liabilities measured at FVTPL

Financial liabilities are classified into “financial liabilities measured at FVTPL” when they are measured at fair value through profit or loss.

(b) Other financial liabilities (including bonds and loans)

Financial liabilities other than financial liabilities measured at FVTPL.

Financial liabilities, except for those liabilities measured at fair value through profit or loss, are measured at fair value at the time of initial recognition, less the transaction cost directly attributable to the issuance.

v-ii-ii. Subsequent measurement

(a) Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL are measured at fair value and any gains or losses arising from remeasurement of fair value are recognized as profit or loss.

(b) Other financial liabilities

Other financial liabilities are measured primarily at amortized cost using the effective interest method.

v-ii-iii. Derecognition of financial liabilities

The Company derecognizes financial liabilities only when the contractual obligations are extinguished, that is, they are either discharged, canceled, or expired.

At the time of derecognition of financial liabilities, the differences between the book value of the liabilities and the amount paid or planned to be paid are recognized as profit or loss.

v-iii. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amounts are presented in the statement of financial position when the Company currently has a legally enforceable right to set off the recognized amounts, and intends to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

v-iv. Derivative and hedge accounting

(a) Derivative

The Company is engaged in derivative transactions, including interest rate swaps, in order to manage its exposure to foreign exchange rate and interest risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently measured at their fair values at the end of the fiscal year. Changes in the fair value of derivatives are recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. Derivative financial assets are classified into “other financial assets” and derivative financial liabilities are classified into “other financial liabilities.”

(b) Hedge accounting

The Company designates certain derivative transactions as hedging instruments and accounts for them as cash flow hedges.

At the inception of the hedge, the Company formally designates and documents the hedge relationship qualifying for hedge accounting, along with its risk management objectives and its strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Company evaluates whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the relevant hedged item during the underlying period.

The effective portion of changes in the fair value of derivatives that are designated and qualifying as cash flow hedges is recognized in other comprehensive income and accumulated in other comprehensive income. Accumulated other comprehensive income is transferred to profit or loss through a line item relating to the hedged item in the consolidated statement of profit or loss, in the periods when the cash flow from the hedged item affect profit or loss. Any ineffective portion of changes in fair value of derivatives is recognized immediately in profit or loss.

When the hedged forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the Company removes the associated gains or losses previously recognized in accumulated other comprehensive income and includes them in the initial amount of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised or when the hedge no longer meets the criteria for hedge accounting.

When hedge accounting is discontinued, any gains or losses recognized in accumulated other comprehensive income remains in equity and is reclassified to profit or loss when the forecasted transactions is ultimately recognized in profit or loss. When a forecasted transaction is no longer expected to occur, the gain or losses recognized in accumulated other comprehensive income are reclassified immediately to profit or loss.

vi. Property, plant and equipment

Property, plant and equipment are measured on a historical cost basis, less accumulated depreciation and accumulated impairment losses. Historical cost includes costs directly attributable to the acquisition of the asset and the initial estimated costs related to disassembly, retirement and site restoration.

Property, plant and equipment are depreciated mainly using the straight-line method over the estimated useful lives of each component, except land and the other assets that are not depreciated.

The estimated useful lives of major components of property, plant and equipment are as follows:

- Buildings: 10-18 years
- Furniture, fittings and equipment: 4-15 years

The depreciation methods, estimated useful lives, and other aspects of assets are reviewed at the end of each reporting period, and any changes are applied prospectively as a change in an accounting estimate.

The Company derecognizes property, plant and equipment at the time of disposal, or when no future economic benefits are expected from their continuous use or disposal.

vii. Goodwill

Goodwill is presented at cost less accumulated impairment losses. Goodwill is not amortized, and is tested for impairment whenever there is an indication of impairment in cash generating units to which goodwill has been allocated, and annually regardless of any indication of impairment. Impairment loss on goodwill is recognized in the consolidated statement of profit or loss and is not reversed in subsequent periods.

viii. Intangible assets

Intangible assets with finite useful lives acquired separately are measured on a historical cost basis at cost, less accumulated amortization and accumulated impairment losses. Intangible assets with infinite useful lives acquired separately are measured at cost less accumulated impairment losses.

Intangible assets acquired in a business combination are recognized separately from goodwill at initial recognition and are measured at fair value at the acquisition date. Thereafter, the intangible assets acquired in a business combination are measured at cost, less accumulated amortization and accumulated impairment losses, as with the other intangible assets acquired separately.

Any internally generated research expenditure is recognized as an expense in the period in which it is incurred. The amount initially recognized for internally generated intangible assets in the development stage is the sum of the expenditure incurred from the date when the intangible asset first meets all of the capitalization criteria to the date the development is completed. After the initial recognition, the internally generated intangible assets are measured at cost less accumulated amortization and accumulated impairment losses as with the other intangible assets acquired separately.

The amortization cost of intangible assets is determined using the straight line method over the estimated useful life of the assets.

The estimated useful lives of major components of intangible assets are as follows:

- Software 5 years
- Trademarks 5 years
- Customer list 6-11years

The amortization methods and useful lives of assets are reviewed at the end of each reporting period, and any changes are applied prospectively as a change in an accounting estimate.

ix. Impairment of non-financial assets

Every fiscal year, the Group assesses whether there is any indication that an asset may be impaired. If there is an indication that an asset may be impaired, or annual impairment tests are required, the Group must calculate the recoverable amount of the asset. If it is not possible to determine the recoverable amount of an individual asset, then the Group determines the recoverable amount for the asset's cash generating unit (CGU). The recoverable amount is calculated as the higher of an asset's or a CGU's fair value less costs of disposal and its value in use. An impairment loss on an asset or CGU is recognized whenever the carrying amount of the asset or CGU is greater than the recoverable amount, with the asset or CGU written down to the recoverable amount. In addition, the estimated future cash flows used to calculate value in use are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less cost of disposal is calculated using an appropriate assessment model underpinned by usable fair value indicators.

Every fiscal year, the Group assesses whether there is any indication that goodwill may be impaired. Goodwill is allocated by beneficial CGU.

The Group assesses whether there is any sign that impairment losses recognized in prior years on assets other than goodwill may have decreased or may have been extinguished, due to changes in the assumptions used to calculate their recoverable amounts and so forth. If there is such an indication, the recoverable amount of the asset or CGU is estimated. If the recoverable amount is greater than the carrying amount of the asset or CGU, the impairment loss is reversed up to the lower of the calculated recoverable amount or what the amortized carrying amount would have been if the impairment had not been recognized in prior years.

x. Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed during the period when the related service is rendered. Accrued bonus is recognized as liabilities, when the Company has present legal or constructive obligation and when reliable estimates of the obligations can be made.

xi. Share-based payment

The Company has an equity-settled stock option scheme as an incentive plan. Stock options are measured at fair value of the equity instruments at the grant date. The fair value is expensed over the vesting period in the consolidated statement of profit or loss, based on the estimate of the number of stock options expected to be vested, with the same amount recognized in the consolidated statement of financial position as an increase in equity.

The Company has applied the exemption in IFRS 1. Accordingly, the Company has not applied IFRS 2 "Share-based Payment" to the shared–based payments settled before April 1, 2014 (IFRS transition date).

xii. Provisions

Provisions are recognized when the Company has a resent legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are discounted to their present value of expenditure, which is expected amount for repayment of obligation, by using a pretax discount rate that reflects the time value of money and the risks specific to the provision. The additional provisions due to passage of time is recognized as financial cost.

The Company measures asset retirement obligations for obligations to restore leased offices and building to their original conditions. The amount is measured and recognized based on the expected length of use, which is estimated by using the past record and the estimated useful life of the office inside works, along with a quotation of conditions of each office.

xiii. Equity

(a) Common Stock

When the Company issues common stock, the issuance costs are included in capital stock and capital surplus. The direct issuance costs (net of income taxes) are deducted from capital surplus.

(b) Treasury Stock

When the Company acquires its own equity share capital, the consideration paid, including any direct attributable incremental costs (net of income taxes), is deducted from equity. When the Company sells treasury stock, the difference between the carrying amount and the consideration on sale is recognized as capital surplus.

xiv. Revenue

The Company provides Internet-based information services including a real estate information listing website. Revenue is measured at the fair value of the consideration for services provided in the ordinary course of business. Revenue from service is recognized according to the progress of transactions at the end of the reporting period only when the transaction outcome can be measured reliably.

The transaction outcome can be recognized reliably when:

The transaction outcome can be recognized reliably when:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company;
- the progress of transaction can be measured reliably at the end of the reporting period; and
- the cost related to the transaction and the cost that is used for completing the transaction can be measured reliably.

xv. Leases

Leases are classified as finance leases whenever all the risks and rewards of ownership of assets are substantially transferred to the Group. All other leases are classified as operating leases.

The Company has no finance lease transactions. Operating lease payments are recognized as expenses on a straight-line basis over the relevant lease term. Variable lease costs are recognized as cost arising during the fiscal year.

The assessment of whether an arrangement is a lease or contains a lease, including arrangements not recognized as leases from a legal standpoint, is made based on the substance of the arrangement in accordance with IFRIC 4 “Determine Whether an Arrangement Contains a Lease.”

xvi. Income tax

Income tax expense in the consolidated financial statements is composed of current and deferred taxes. Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The current tax amount is recognized in profit or loss, except for taxes related to business combinations and taxes related to items that are recognized in other comprehensive income or directly in equity.

Deferred taxes are recognized for temporary differences between the carrying amounts of certain assets or liabilities in the financial statement as of the reporting date and the tax basis. Deferred tax assets are recognized for all the deductible temporary differences and all the carryforward of unused tax losses and unused tax credits, to the extent that it is probable that taxable income will be available against which they can be utilized in the future. Deferred tax liabilities are recognized for all the additional temporary differences.

Deferred tax assets and liabilities are not recognized for the following taxable temporary differences:

- temporary differences arising from the initial recognition of goodwill
- temporary differences arising from the initial recognition of assets and liabilities other than in a business combination, which, at the time of the transaction, does not affect either the accounting or the taxable profit (loss);
- deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, if it is probable that the temporary differences will not reverse in the foreseeable future, or it is not likely that the taxable profit will be available against which the temporary differences will be utilized; and
- taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or liability is settled, based on tax law that have been enacted or substantively enacted by the end of the fiscal year.

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and income taxes are levied by the same taxation authority on either the same taxable entity, or on different taxable entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

xvii. Earnings per share

The Company discloses basic and diluted profit for the period per share (profit attributable to owners of the parent). Basic profit for the period per share is computed by dividing profit attributable to owners of the parent by the weighted-average number of common shares outstanding for the reporting period, which is adjusted for treasury stock during the reporting period.

Diluted profit for the period per share assumes full conversion of the issued dilutive common shares having a dilutive effect, with adjustment for profit attributable to owners of the parent, and the weighted-average number of common shares outstanding for the reporting period, which is adjusted for treasury stock.

The Group's dilutive common shares are related to the stock option scheme.

d. Segment Information

i. Overview of Reportable Segments

The Group's reportable segments are components of the Group for which discrete financial information is available, and that are reviewed regularly by the Board of Directors to decide on the allocation of corporate resources and assess business performance.

The Company and its subsidiaries have set up business divisions classified by service, primarily based on the nature and economic characteristics of the services provided. The business divisions and subsidiaries formulate strategies for their respective services and undertake related business activities.

Therefore, the Group primarily comprises segments classified by service based on business divisions. There are four reportable segments: Domestic Real Estate Information Services, Domestic Services for Realtors, Overseas, and Others.

Effective from the first quarter of the fiscal year under review, the Group reclassified its segments to the four reportable segments above, namely Domestic Real Estate Information Services, Domestic Services for Realtors, Overseas, and Others. This change was made in consideration of the increasing importance of structuring segments around the Group's management strategy, along with the increasing significance of overseas businesses, among other factors.

In addition, segment information for the previous fiscal year has been prepared and presented based on the segmentation method in force after the change.

The service categories of each reportable segment are as follows:

Reportable segment	Service category
Domestic Real Estate Information Service	Operation of HOME'S real estate and housing information listing site and ancillary businesses related to this service (advertising agency business, systems development and website production business, among other businesses)
Domestic Services for Realtors	The renters.net business support CRM service for real estate companies, business support DMP service for real estate developers, and Internet marketing for realtors, among other services
Overseas	Operation of the Trovit aggregation site, along with overseas real estate and housing information listing sites, among other services
Others	MONEYMO insurance shop search and reservation site; HOME'S Moving Estimates, a comprehensive moving service fee estimate and online reservation site; a property and casualty insurance agency; HOME'S Style Market, an e-commerce website for furniture and interior goods; and other new businesses

ii. Revenue, profit or loss and other items by reportable segment

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3 "Significant accounting policies."

The amounts of inter-reportable segment revenue are based on market prices.

Revenue, profit or loss and other items by reportable segment are as follows:

For the fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Thousands of yen)

	Domestic Real Estate Information Service	Domestic Services for Realtors	Overseas	Others	Total
Revenue					
Customers	15,600,972	908,372	1,203,629	452,584	18,165,560
Intersegment	1,008	19,517	-	-	20,526
Total	15,601,980	927,890	1,203,629	452,584	18,186,086
Segment profit (loss)[1]	2,729,051	(22,320)	114,784	(99,921)	2,721,593
Other income (expense)					
Operating income					
Financial revenue and expenses (net)					
Share of profit (loss) of investments accounted for using the equity method					
Profit before taxes					
Other items					
Depreciation and amortization	289,054	49,198	97,585	23,504	459,342
Impairment losses	-	-	-	21,895	21,895

	Reconciliation[2]	Consolidated
Revenue		
Customers	-	18,165,560
Intersegment	(20,526)	-
Total	(20,526)	18,165,560
Segment profit (loss)[1]	11,154	2,732,747
Other income (expense)		(41,532)
Operating income		2,691,214
Financial revenue and expenses (net)		(36,811)
Share of profit (loss) of investments accounted for using the equity method		2,159
Profit before taxes		2,656,562
Other items		
Depreciation and amortization	-	459,342
Impairment losses	-	21,895

Notes:
1. Segment profit (loss) is revenue less cost of revenue and selling, general and administrative expenses.
2. Adjustments to segment profit include elimination of intersegment transactions.

For the fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Thousands of yen)

	Domestic Real Estate Information Service	Domestic Services for Realtors	Overseas	Others	Total
Revenue					
Customers	17,528,015	4,011,451	3,507,407	660,743	25,707,617
Intersegment	817,483	111,004	9	10,482	938,980
Total	18,345,498	4,122,455	3,507,417	671,226	26,646,597
Segment profit (loss)[1]	3,540,932	(7,654)	550,433	(80,868)	4,002,843
Other income (expense)					
Operating income					
Financial revenue and expenses (net)					
Share of profit (loss) of investments accounted for using the equity method					
Profit before taxes					
Other items					
Depreciation and amortization	470,308	100,454	277,108	18,366	866,236
Impairment losses	-	-	-	-	-

	Reconciliation[2]	Consolidated
Revenue		
Customers	-	25,707,617
Intersegment	(938,980)	-
Total	(938,980)	25,707,617
Segment profit (loss)[1]	87,445	4,090,288
Other income (expense)		(95,673)
Operating income		3,994,615
Financial revenue and expenses (net)		18,799
Share of profit (loss) of Investments accounted for using the equity method		4,810
Profit before taxes		4,018,225
Other items		
Depreciation and amortization	-	866,236
Impairment losses	-	-

Notes:
1. Segment profit (loss) is revenue less cost of revenue and selling, general and administrative expenses.
2. Adjustments to segment profit include elimination of intersegment transactions.

e. Per share information

The basis for calculating profit for the period per share attributable to owners of the parent is as follows:

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Profit attributable to owners of the parent	1,796,232	2,670,397
Average number of basic common shares during the period	112,873,368	116,788,502
Impact of dilutive common shares	104,546	-
Average number of common shares during the period after dilution	112,972,177	116,788,502
Profit for the period per share attributable to owners of the parent (yen)		
Basic profit for the period per share	15.91	22.87
Diluted profit for the period per share	15.90	-

Notes:

1. Effective June 1, 2015, NEXT Co., Ltd. conducted a two-to-one share split for its common shares. Accordingly, basic earnings per share and diluted net income per share for the fiscal year ended March 31, 205 were calculated based on the assumption that the share split had conducted at the beginning of the fiscal year.
2. Disclosure of diluted profit for the period per share for fiscal 2015 is omitted as there were no dilutive shares following the end of the exercise period for subscription rights to shares.

f. Important subsequent events

Not applicable

g. First-time adoption of International Financial Reporting Standards (IFRS)

i. Transition to reporting based on IFRS

The Group's consolidated financial statements are prepared based on IFRS. The Group's consolidated financial statements for the year ended March 31, 2016 are its first to be prepared on the basis of IFRS. The most recent consolidated financial statements to be prepared on the basis of generally accepted accounting principles in Japan (hereafter, "JGAAP") were the consolidated financial statements for the year ended March 31, 2015. The Group transitioned from JGAAP to IFRS on the transition date of April 1, 2014.

As a result of the transition to reporting based on IFRS, the consolidated financial statements and notes have been revised from the former presentation.

IFRS 1 stipulates that an entity adopting IFRS for the first time must apply IFRS retrospectively, in principle. However, IFRS 1 grants exemptions for certain procedures. The Group has applied exemptions to the following matters:

IFRS 2 has not been retrospectively applied to stock compensation for which rights were vested before the IFRS transition date.

The Group has elected to apply IFRS 3 prospectively from the IFRS transition date, and has not applied IFRS retrospectively to business combinations undertaken before the transition date.

The Group has deemed the cumulative exchange differences on translation pertaining to investment in foreign operations to be zero as of the IFRS transition date, ensuring that those exchange differences will not impact the gain or loss on subsequent disposal of foreign operations.

A summary of the impact of the adoption of IFRS is outlined in the adjustment tables below. In the adjustment tables, "Reconciliation" includes and presents items that will not have an impact on retained earnings and comprehensive income, while "Difference in recognition and measurement" includes and presents items that will have an impact on retained earnings and comprehensive income.

ii. Adjustments to Equity at the IFRS Transition Date (as of April 1, 2014)

(Thousands of yen)

JGAAP Line Items	JGAAP	Reconciliation	Difference in recognition and measurement	IFRS	Note	IFRS Line Items
Assets						Assets
Current assets						Current assets
Cash and deposits	8,343,295	100,000	-	8,443,295	A	Cash and cash equivalents
Accounts receivable - trade	1,767,769	429,642	-	2,197,411	B	Accounts receivable-trade and other current receivables
Securities	100,000	(100,000)	-			
Inventories	4,747	(2,849)	(1,897)			
Deferred tax assets	252,305	(252,305)	-			
Accounts receivable - other	437,842	(437,842)	-			
Other	212,168	2,849	-	215,018		Other current assets
Allowance for doubtful accounts	(8,200)	8,200	-			
Total current assets	11,109,928	(252,305)	(1,897)	10,855,724		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	425,898	-	195,956	621,854	D	Property, plant and equipment
Intangible assets						
Goodwill	86,695	-	-	86,695	E	Goodwill
Software	667,699	303,852	-	971,552	F	Intangible assets
Software in progress	274,824	(274,824)	-			
Other	29,028	(29,028)	-			
Investments and other assets						
		35,131	-	35,131	G	Investments accounted for using the equity method
Investment securities	177,934	442,612	(10,468)	610,079	H	Other long-term financial assets
Bad debts	32,691	(32,691)	-			
Lease and guarantee deposits	471,941	(471,941)	-			
Deferred tax assets	157,755	252,305	19,326	429,387	I	Deferred tax assets
Other	127,779	(125,305)	-	2,473	J	Other non-current assets
Allowance for doubtful accounts	(152,194)	152,194	-			
Total non-current assets	2,300,054	252,305	204,814	2,757,175		Total non-current assets
Total assets	13,409,982	-	202,917	13,612,899		Total assets

(Thousands of yen)

JGAAP Line Items	JGAAP	Reconciliation	Difference in recognition and measurement	IFRS	Note	IFRS Line Items
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Accounts payable - trade	77,777	1,603,872	5,401	1,687,050	K	Accounts payable and other current payables
Accounts payable - other	1,603,872	(1,603,872)	-			
Income taxes payable	600,499	-	-	600,499	L	Accrued corporate income taxes
Provision for bonuses	468,773	(468,773)	-			
Provision for directors' bonuses	18,605	(18,605)	-			
Other	218,449	487,378	232,417	938,245	M	Other current liabilities
Total current liabilities	2,987,977	-	237,818	3,225,795		Total current liabilities
Non-current liabilities						Non-current liabilities
Asset retirement obligations	172,440	-	-	172,440		Provisions
Total non-current liabilities	172,440	-	-	172,440		Total non-current liabilities
Total liabilities	3,160,417	-	237,818	3,398,235		Total liabilities
Net assets						Equity
						Attributable to the owners of the parent
Capital stock	1,998,433	-	-	1,998,433		Capital stock
Capital surplus	2,541,634	-	-	2,541,634		Capital surplus
Retained earnings	5,669,197	-	9,762	5,678,960	N	Retained earnings
Treasury shares	(8,142)	-	-	(8,142)		Treasury shares
Accumulated other comprehensive income	40,866	-	(44,664)	(3,797)	O	Other components of equity
	10,241,989	-	(34,901)	10,207,088		Attributable to the owners of the parent
Minority interests	7,575	-	-	7,575		Attributable to non-controlling interests
Total net assets	10,249,565	-	(34,901)	10,214,663		Total equity
Total liabilities and net assets	13,409,982	-	202,917	13,612,899		Total liabilities and equity

iii. Adjustments to Equity for the Fiscal Year Ended march 31, 2015 (as of March 31, 2015)

(Thousands of yen)

JGAAP Line Items	JGAAP	Reconciliation	Difference in recognition and measurement	IFRS	Notes	IFRS Line Items
Assets						Assets
Current assets						Current assets
Cash and deposits	5,268,072	(1,000,000)	-	4,268,072	A	Cash and cash equivalents
Accounts receivable - trade	2,563,415	573,284	-	3,136,700	B	Accounts receivable- trade and other current receivables
Securities	100,010	1,000,000	-	1,100,010	C	Other short-term financial assets
Inventories	2,045	(1,635)	(410)			
Deferred tax assets	233,886	(233,886)	-			
Accounts receivable - other	597,002	(597,002)	-			
Other	252,339	1,635	-	253,974		Other current assets
Allowance for doubtful accounts	(23,718)	23,718	-			
Total current assets	8,993,053	(233,886)	(410)	8,758,757		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	432,759	-	212,522	645,281	D	Property, plant and equipment
Intangible assets						
Goodwill	8,751,316	-	414,273	9,165,589	E,P	Goodwill
Software	947,148	2,001,679	(17,966)	2,930,861	F,P	Intangible assets
Software in progress	759,046	(759,046)	-			
Customer-related asset	1,100,280	(1,100,280)	-			
Other	142,352	(142,352)	-			
Investments and other assets						
		29,646	7,644	37,291	G	Investments accounted for using the equity method
Investment securities	89,898	471,264	10,151	571,314	H	Other long-term financial assets
Bad debts	33,527	(33,527)	-			
Lease and guarantee deposits	496,738	(496,738)	-			
Deferred tax assets	182,876	233,886	62,832	479,594	I	Deferred tax assets
Other	3,392	-	-	3,392	J	Other non-current assets
Allowance for doubtful accounts	(29,355)	29,355	-			
Total non-current assets	12,909,982	233,886	689,457	13,833,326		Total non-current assets
Total assets	21,903,035	-	689,047	22,592,083		Total assets

(Thousands of yen)

JGAAP Line Items	JGAAP	Reconciliation	Difference in recognition and measurement	IFRS	Notes	IFRS Line Items
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Accounts payable - trade	111,870	2,328,367	-	2,440,237	K	Accounts payable and other current payables
Short-term loans payable	7,000,000	-	-	7,000,000		Short-term loans
Accounts payable - other	2,328,367	(2,328,367)	-			
Income taxes payable	552,462	-	(22,706)	529,756	L,P	Accrued corporate income taxes
Provision for bonuses	487,082	(487,082)	-			
Provision for directors' bonuses	25,563	(25,563)	-			
Other	390,227	512,646	296,186	1,191,061	M,P	Other current liabilities
Total current liabilities	10,895,574	-	273,480	11,169,054		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	13,365	-	-	13,365		Long-term loans
Asset retirement obligations	175,285	-	-	175,285		Provisions
Deferred tax liabilities	386,919	-	(5,939)	380,980	P	Deferred tax liabilities
Total non-current liabilities	575,570	-	(5,939)	569,630		Total non-current liabilities
Total liabilities	11,471,145	-	267,540	11,738,685		Total liabilities
Net assets						Equity
						Attributable to the owners of the parent
Capital stock	1,999,578	-	-	1,999,578		Capital stock
Capital surplus	2,542,779	-	-	2,542,779		Capital surplus
Retained earnings	6,767,645	-	470,761	7,238,407	N,P	Retained earnings
Treasury shares	(8,142)	-	-	(8,142)		Treasury shares
Accumulated other comprehensive income	(898,760)	-	(49,254)	(948,014)	O,P	Other components of equity
	10,403,101	-	421,507	10,824,608		Attributable to owners of the parent
Minority interests	28,789	-	-	28,789		Attributable to non-controlling interests
Total net assets	10,431,890	-	421,507	10,853,398		Total shareholders' equity
Total liabilities and net assets	21,903,035	-	689,047	22,592,083		Total liabilities and equity

iv. Notes on adjustments to equity

The main components of adjustments to equity are as follows:

(A) Cash and cash equivalents

(Line item)

Under IFRS, short-term investments with a duration of three months from the acquisition date to the maturity date are presented as cash and cash equivalents. Under JGAAP, these investments are included in marketable securities.

(B) Accounts receivable-trade and other current receivables

(Line item)

Under JGAAP, accounts receivable-trade, other accounts receivable, and allowance for doubtful accounts are shown as separate line items. However, under IFRS these accounts are presented as accounts receivable-trade and other current receivables.

(C) Other short-term financial assets

(Line item)

Under IFRS, time deposits longer than three months are presented as other short-term financial assets. Under JGAAP, these time deposits are included in cash and deposits.

(D) Property, plant and equipment

(Recognition and measurement)

Property, plant and equipment increased due to the revision of depreciation methods upon the adoption of IFRS.

(E) Goodwill

(Recognition and measurement)

Under IFRS, goodwill is not amortized after the IFRS transition date. Accordingly, the Group has not amortized goodwill since the IFRS transition date. Under JGAAP, the Group previously amortized goodwill over an amortization period based on the estimated duration of the impact of goodwill. Moreover, under IFRS, acquisition-related costs related to business combinations are expensed, whereas under JGAAP, these acquisition-related costs were capitalized.

(F) Intangible assets

(Line item)

Under JGAAP, software, software in progress, and customer related assets and other intangible were shown as separate line items. Under IFRS, these accounts are presented as intangible assets.

(G) Investments accounted for using the equity method

(Line item)

Under JGAAP, investments accounted for using the equity method were included in and presented as investment securities. Under IFRS, these investments are shown separately as investments accounted for using the equity method.

(Recognition and measurement)

Under JGAAP, the Group previously amortized goodwill related to affiliated companies over an amortization period based on the estimated duration of the impact of goodwill. However, under IFRS, investments accounted for using the equity method increased due to the non-amortization of this goodwill after the IFRS transition date.

(H) Other long-term financial assets

(Line item)

Under JGAAP, there were certain investment securities, allowance for doubtful receivables and bad debts other than those shown separately as investments accounted for using the equity method under investment securities. Under IFRS, these investment securities, allowance for doubtful receivables and bad debts were included in and presented as other long-term financial assets.

(Recognition and measurement)

Under JGAAP, unlisted shares were valued based on historical acquisition cost, with any impairment losses recognized as necessary. Under IFRS, unlisted shares were transferred to other long-term financial assets as a result of undertaking a fair valuation of these shares.

(I) Deferred tax assets

(Line item)

Under IFRS, the full amount of deferred tax assets is shown as a component of non-current assets. Under JGAAP, deferred tax assets are shown separately as a component of current assets.

(Recognition and measurement)

Deferred tax assets changed due to temporary differences arising in the reconciliation process from JGAAP to IFRS, mainly reflecting changes in depreciation and amortization methods, recognition of unused paid leave, and business combinations.

(J) Other non-current assets

(Line item)

Under IFRS, lease and guarantee deposits are included in and presented as other current assets. Under JGAAP, lease and guarantee deposits were shown as separate line items. In addition, under IFRS, loans receivable are included in and presented as other long-term financial assets. Under JGAAP, loans receivable were included in and presented as investment and other assets.

(K) Accounts payable and other current payables

(Line item)

Under IFRS, accounts payable-trade and accounts payable-other are included in and presented as accounts payable and other current payables. Previously, these accounts were shown as separate line items under JGAAP.

(L) Accrued corporate income taxes

(Recognition and measurement)

Accrued corporate income taxes changed due to the recognition of liabilities for levies at the date of levy upon the adoption of IFRS.

(M) Other current liabilities

(Line item)

Under IFRS, provision for bonuses and provision for directors' bonuses are included in other current liabilities. Previously, these accounts were shown as separate line items under JGAAP.

(Recognition and measurement)

Other current liabilities changed due to the recognition of unused paid leave as a liability under IFRS. Unused paid leave is not recognized under JGAAP.

(N) Retained earnings

(Recognition and measurement)

The impacts on retained earnings upon the adoption of IFRS are as follows (reductions are shown in parentheses):

	IFRS Transition Date (As of April 1, 2014)	Fiscal year ended March 31, 2015
Changes in depreciation method[1]	126,117	145,428
Recognition of unused paid leave[2]	(149,583)	(185,656)
Non-amortization of goodwill[3]	-	529,330
Exchange differences on foreign operations[4]	37,926	37,926
Recognition of business combination date[5]	-	27,226
Acquisition-related costs for business combinations[6]	-	(83,632)
Others	(4,697)	138
Total	9,762	470,761

Notes:

1. Retained earnings changed due to a change in depreciation and amortization methods upon the adoption of IFRS (see D)
2. Retained earnings changed due to the recognition of unused paid leave (see M) as a liability under IFRS. Unused paid leave is not recognized under JGAAP.
3. Retained earnings changed due to the non-amortization of goodwill (including goodwill related to affiliated companies) after the IFRS transition date under IFRS (see E and G). Previously, under JGAAP, goodwill (including goodwill related to affiliated companies) was amortized over an amortization period based on the estimated duration of the impact of the goodwill.
4. Retained earnings changed due to the transfer of cumulative foreign currency translation adjustments (gains) of overseas subsidiaries to retained earnings as of the IFRS transition date (see O).
5. Retained earnings changed because, under IFRS, the acquisition date for business combinations is set as the date of acquisition of control (see P). Previously, under JGAAP, the effective acquisition date for business combinations was set as the fiscal period-end.
6. Retained earnings changed due to the expensing of acquisition-related costs for business combinations under IFRS (see E). Previously, acquisition-related costs for business combinations were capitalized under JGAAP.

(O) Other components of equity

(Recognition and measurement)

Other components of equity changed because the Group deemed cumulative foreign currency translation adjustments (gains) of overseas subsidiaries to be zero as of the IFRS transition date.

Other components of equity changed due to the measurement of unlisted shares at fair value upon the adoption of IFRS. Previously, unlisted shares were recorded at historical acquisition cost under JGAAP.

(P) Business combinations

(Recognition and measurement)

On November 28, 2014, the Group acquired Trovit Search, S.L. and made it a consolidated subsidiary. Under IFRS, the acquisition date for this business combination was set as the date of acquisition of control. Previously, under JGAAP, the acquisition date for this business combination was set as the close of the three-month period ended December 31, 2014.

As a result, goodwill, intangible assets, deferred tax liabilities and accrued corporate income taxes changed. Exchange differences on translation of foreign operations included in other comprehensive income also changed.

v. Adjustment to Comprehensive Income for the Nine Months Ended December 31, 2014

(Thousands of yen)

JGAAP Line Items	JGAAP	Reconciliation	Difference in recognition and measurement	IFRS	Notes	IFRS Line Items
Revenue	17,926,796	-	238,763	18,165,560	F	Revenue
Cost of revenue	583,090	-	-	583,090		Cost of revenue
Gross profit	17,343,705	-	238,763	17,582,469		Gross profit
Selling, general and administrative expenses	15,030,921	(2,845)	(178,355)	14,849,721	A,F	Selling, general and administrative expenses
		(36,764)	(4,768)	(41,532)	B,F	Other income (expense)—net
Operating income	2,312,783	(33,919)	412,350	2,691,214		Operating income
Non-operating income	10,226	(10,252)	26			
Non-operating expenses	30,538	(30,538)	-			
Impairment loss	55,930	(55,930)	-			
		6,436	-	6,436	B,F	Financial revenue
		43,248	-	43,248	B	Financial expenses
		(5,485)	7,644	2,159	C	Share of profit (loss) of investments accounted for using the equity method
Profit before income taxes	2,236,541	-	420,021	2,656,562		Profit for the period before tax
Total income taxes	892,505	-	(40,977)	851,528	D,F	Income tax expenses
Profit before minority interests	1,344,035	-	460,999	1,805,034		Profit for the period
Other comprehensive income		-	-			Other comprehensive income
		-	-			Items that may be reclassifieds to profit or loss, net of tax:
Valuation difference on available-for-sale securities	(2,933)	-	13,270	10,337	E	Available-for-sale financial assets
Foreign currency translation adjustment	(933,350)	-	(17,861)	(951,211)	F	Exchange differences on translation of foreign operations
Total other comprehensive income	(936,284)	-	(4,590)	(940,874)		Other comprehensive income, after tax
Comprehensive income	407,751	-	456,408	864,159		Total comprehensive income for the period

vi. Notes on adjustments to comprehensive income

The main components of reconciliations are as follows:

(A) Selling, general and administrative expenses

(Recognition and measurement)

Depreciation and amortization expenses changed due to a change in depreciation and amortization methods upon adoption of IFRS.

Amortization of goodwill changed due to the non-amortization of goodwill after the IFRS transition date under IFRS. Previously, under JGAAP, goodwill was amortized over an amortization period based on the estimated duration of the impact of the goodwill.

Under IFRS, unused paid leave is recognized as a liability. Under JGAAP, unused paid leave is not recognized. As a result, selling, general and administrative expenses changed.

(B) Other income (expense)-net

(Line item)

Among those items previously shown as non-operating income, non-operating expenses, extraordinary income, and extraordinary loss under JGAAP, the Group has presented financial items as financial revenue or financial expenses, and other items as other income (expense)-net under IFRS.

(C) Share of profit (loss) of investments accounted for using the equity method

(Line item)

Under JGAAP, equity in net profit (net loss) of affiliated companies accounted for using the equity method was presented as non-operating income or non-operating expenses. Under IFRS, this account is presented as share of profit (loss) of investments accounted for using the equity method.

(Recognition and measurement)

Share of profit (loss) of investments accounted for using the equity method increased due to the non-amortization of goodwill related to affiliated companies after the IFRS transition date under IFRS. Previously, under JGAAP, goodwill related to affiliated companies was amortized over an amortization period based on the estimated duration of the impact of the goodwill.

(D) Income tax expenses

(Measurement and recognition)

Income tax expenses increased due to a revision in the measurement of deferred tax assets in line with a change in depreciation and amortization methods upon the adoption of IFRS.

(E) Available-for-sale financial assets

(Measurement and recognition)

Other comprehensive income changed due to changes in the fair value of available-for-sale financial assets reflecting re-measurement of financial assets following a reclassification of financial assets upon the adoption of IFRS.

(F) Business combinations

(Recognition and measurement)

On November 28, 2014, the Group acquired Trovit Search, S.L. and made it a consolidated subsidiary. Under IFRS, the acquisition date for this business combination was set as the date of acquisition of control. Previously, under JGAAP, the effective acquisition date for this business combination was set as the close of the three-month period ended December 31, 2014.

This resulted in changes in revenue, selling, general and administrative expenses, income tax expenses and exchange differences on translation of foreign operations, among other items.

vii. Adjustments to cash flows

There were no material differences between the consolidated statements of cash flows disclosed in accordance with JGAAP and the consolidated statements of cash flows disclosed in accordance with IFRS.