NEXT Co., Ltd.

TSE 1st section 2120

Annual Report of Financial Statement

Second Quarter of
Year Ended March 31, 2014
(July 2013 to September 2013)

Opinions and forecasts expressed in this document are those of management as of the date of publication and management does not offer any guarantee regarding their accuracy. Please note that actual business performance and results may differ materially from such opinions and forecasts due to changes in various factors.

NEXT Co., Ltd.

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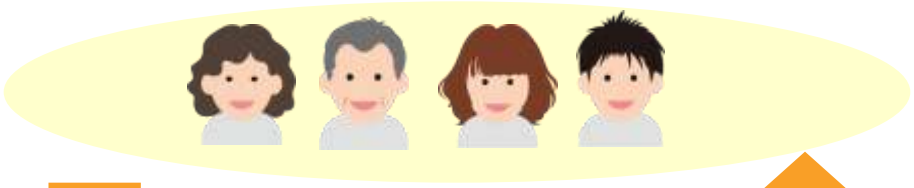
A Review of our FY03/2014 Business Strategy

A Review of our FY03/2014 Business Strategy

The concept of the NEXT Group's mid-term business operations

Point Aim at becoming a global company through delivering DB+CCS (Database plus Communication and Concierge Service)

Concept of "DB+CCS"



User needs

Optimal information

CCS
(Communication & Concierge Service)

Housing, local community and finance….

DB
(Database)

Proposal befitting each customer and enabling decision-making

- Analyze each customer's tastes to **extract and provide optimal information**
- Proposal designed to facilitate the decision-making by the customer intending to take a step forward
- **Identify even latent customer wishes and make relevant proposal**

- **Information of any category** that is related to living in Japan and abroad
- **Accurate and comprehensive information**

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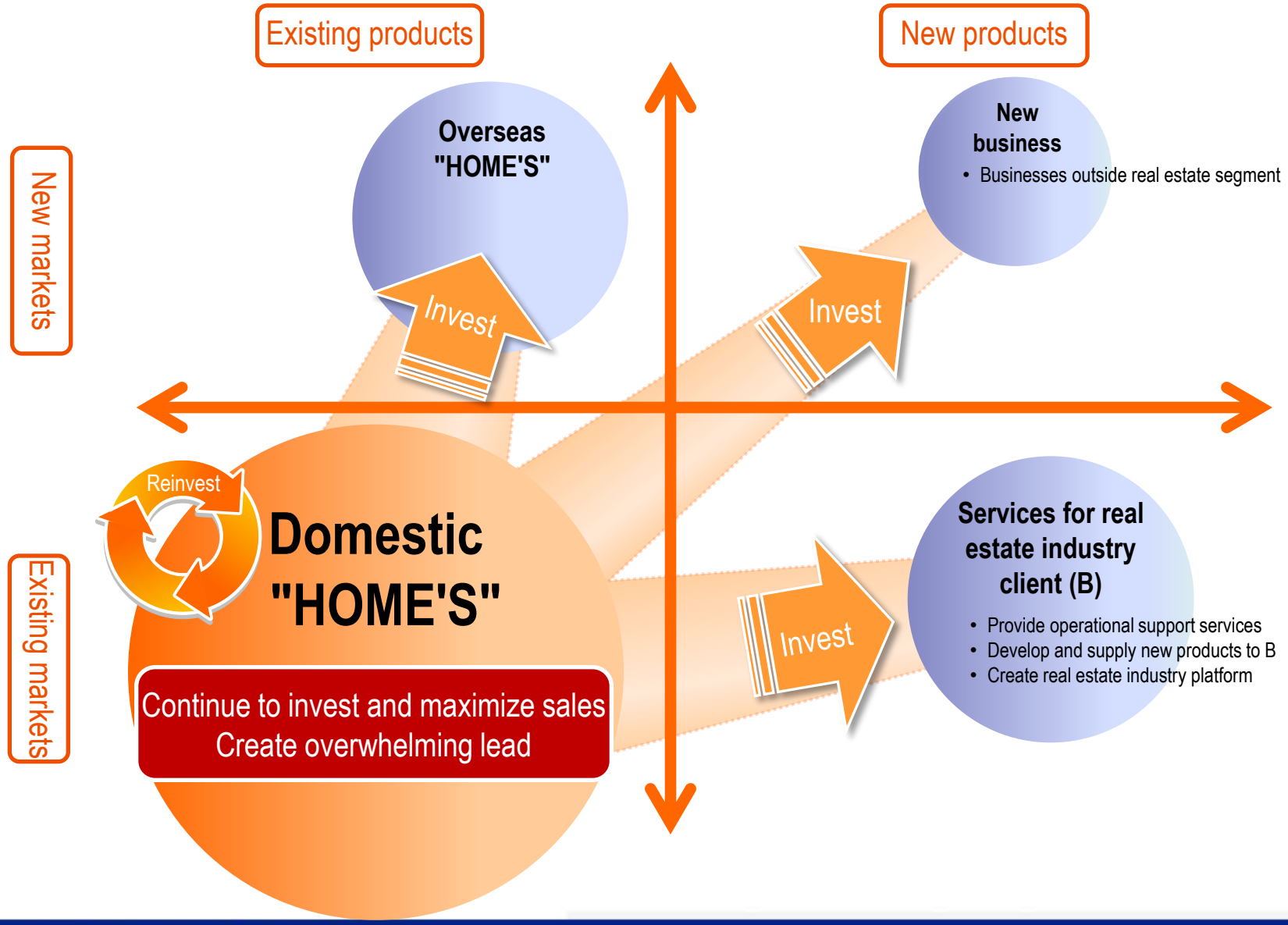
A Review of our FY03/2014 Business Strategy

Point We will reinvest earnings in Japan in "HOME'S", as well as investing in new segments and new services



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2nd Quarter Financial Results for the Year Ending March 31, 2014

July 2013 to September 2013

Today's Key Points

- Recorded a year-on-year growth in sales and profit due to the strong performance of the real estate information services business

Sales	:	3,454 million yen (up 25.0% from previous year)
Operating profit	:	550 million yen (up 30.9% from previous year)
Net profit	:	309 million yen (up 35.8% from previous year)

- The average number of properties in September was 4,250,000 (up 320,000 properties from the previous year)
  The number of affiliated stores was 11,224 as of the end of September (up 1,403 stores from the previous year)

- Achieved increased sales as the numbers of site visitors and inquiries grew thanks to the strong performance of our SEO services, supported by the branding promotional efforts and website redesign

- Completed our for-sale property site redesign project

- Revised up our results forecast for FY03/2014 owing to strong sales
  Gained an increased capacity to make investment for the future

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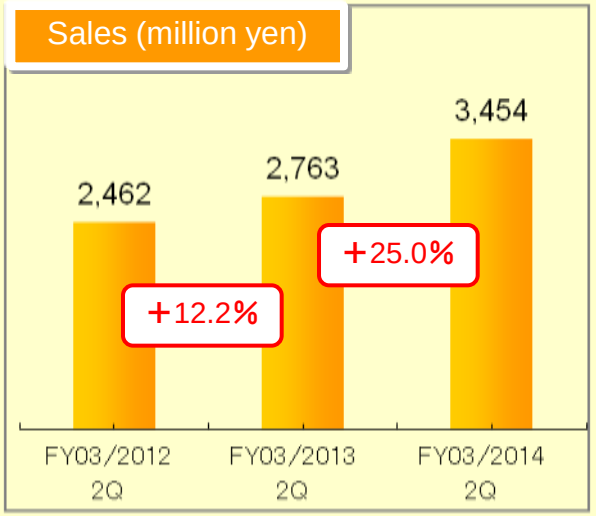
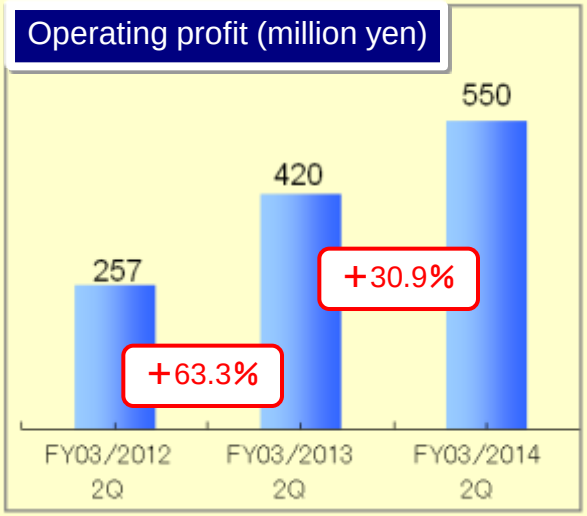
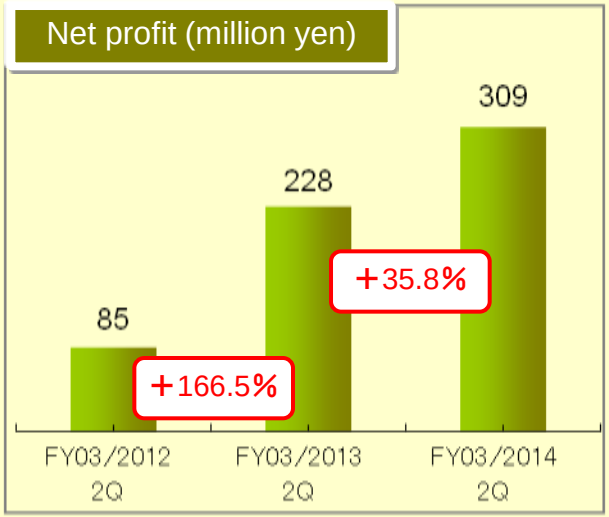
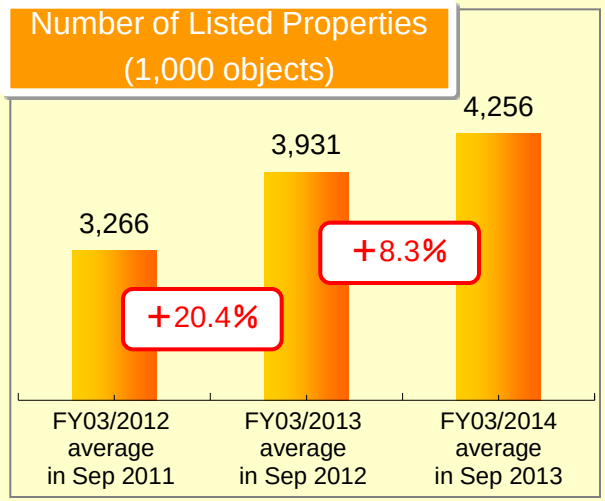
Check Trend of consolidated business performance

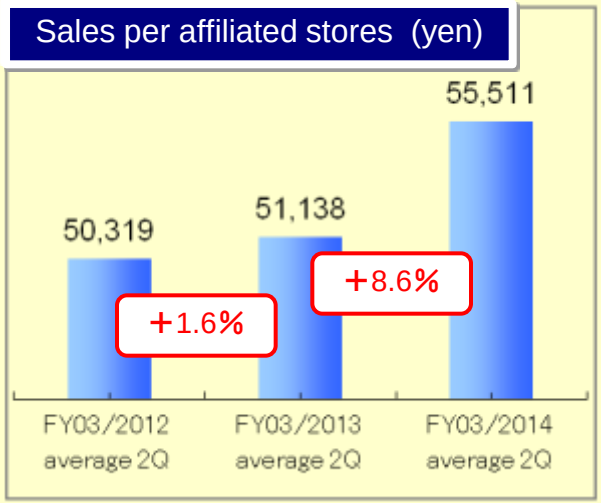


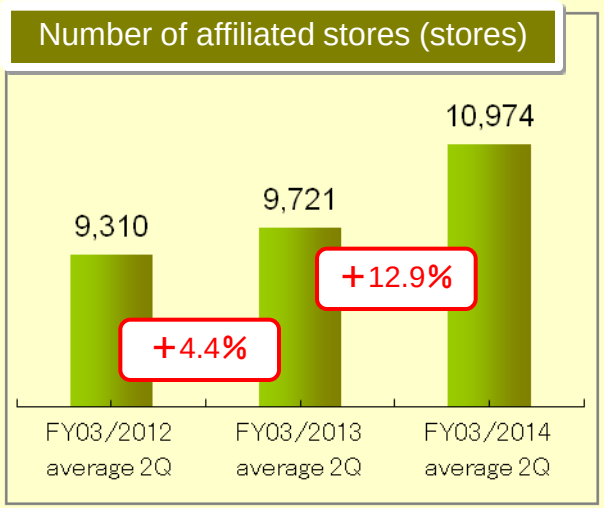




Check "HOME'S Rental & Real Estate Trade " trend of major indicators







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2nd Quarter Financial Results for the Year Ending March 31, 2014

Profit and Loss Statement (Simplified Version)

Point Sales +25.0%, SG&A expenses +23.8%, operating profit +30.9%

Unit: million yen	[Accumulated Total] FY03/2013 (Jul - Sep)	[Accumulated Total] FY03/2014 (Jul - Sep)	Change (Year-on-year)	Percentage change (Year-on-year)		【Accumulated Total】 FY03/2013 (Apr-Sep)	【Accumulated Total】 FY03/2014 (Apr-Sep)	Percentage change (Year-on-year)
Sales	2,763	**3,454**	+691	+25.0%	⇒Details P10	5,500	6,852	+24.6%
Cost of sales	82	**104**	+22	+27.2%		163	206	+26.3%
Selling, general & administrative (SG&A) expenses	2,260	**2,798**	+538	+23.8%		4,394	5,232	+19.1%
Personnel costs	744	**973**	+229	+30.8%	*1	1,515	1,779	+17.5%
Advertising costs	756	**952**	+196	+25.9%	*2	1,386	1,726	+24.6%
Operating expense	63	**95**	+31	+49.5%	*3	119	179	+50.4%
Depreciation/amortization cost	98	**122**	+24	+25.0%	*4	194	254	+30.5%
Other selling, general & administrative (SG&A) expenses	596	**654**	+57	+9.6%		1,178	1,291	+9.6%
Operating profit	420	**550**	+130	+30.9%		942	1,413	+50.0%
Net profit	228	**309**	+81	+35.8%		525	826	+57.4%
Operating profit margin (OPM)	15.2%	**15.9%**	+0.7p	—		17.1%	20.6%	—

*1 The average number of consolidated employees for the FY03/2014 second quarter increased to 561 compared with 536 for the same quarter a year ago. Provision for bonuses grew year on year since our bonuses are linked to the Company's business performance
*2 Increases were recorded by web customer attracting costs and branding promotion costs, including those for TV commercial and outdoor advertising, as well as Rakuten Super Sale program-related campaign costs
*3 A gain was posted by sales promotion item manufacturing costs
*4 An increase that was attributable to the fact that the Company shortened the estimated time to asset retirement obligation payment

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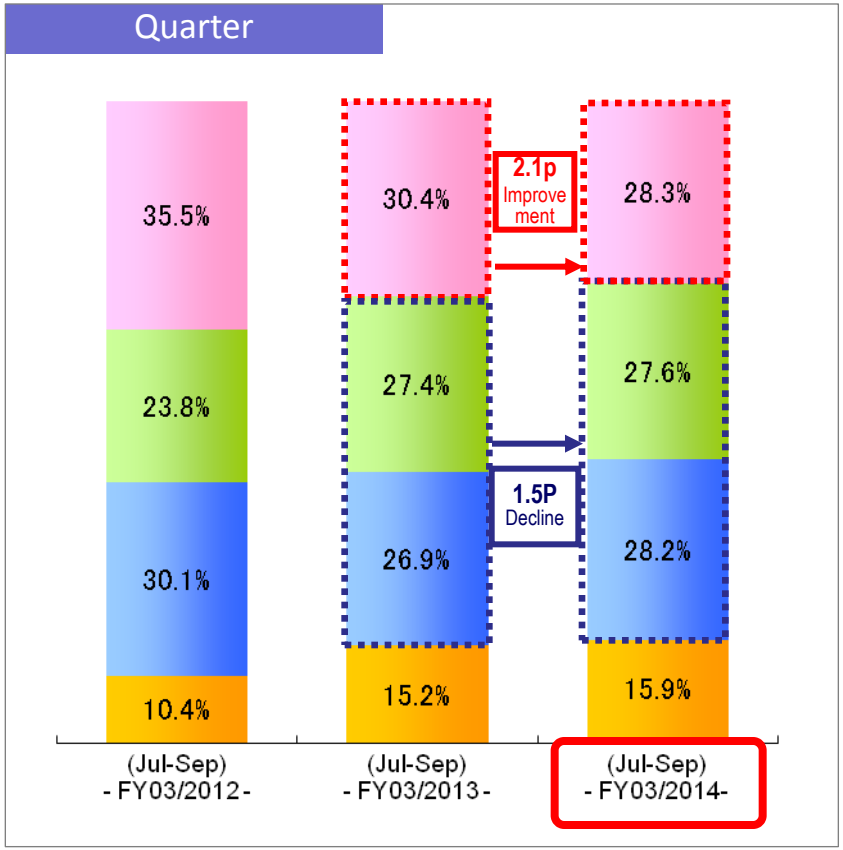
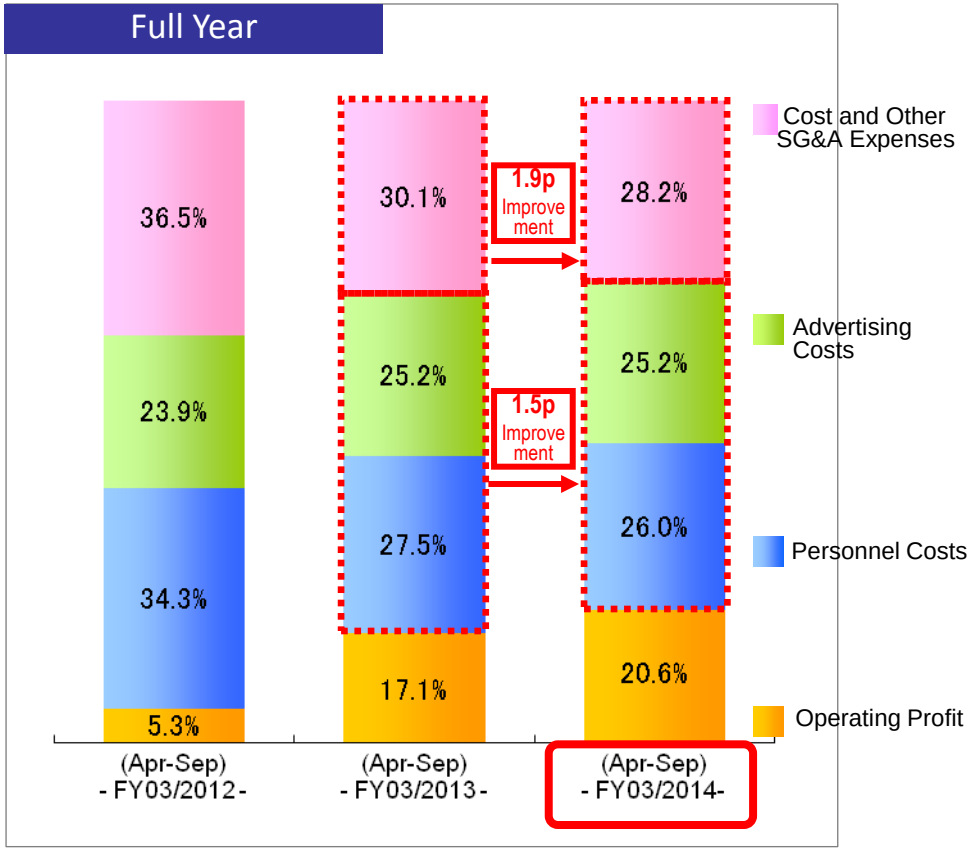
2nd Quarter Financial Results for the Year Ending March 31, 2014

Ratio of costs to sales

Point Increasing sales resulted in operating profit margin rising by 3.5 percentage points on a cumulative basis to 20.6%





Cost and other SG&A expenses: Recorded lower percentages thanks to the sales growth and our cost-saving efforts

Advertising costs: Increases were recorded by web customer attracting costs and branding promotion costs

Personnel costs: The average number of consolidated employees for the FY03/2014 second quarter stood at 561 compared with 536 for the same quarter a year ago. Personnel cost ratio declined by 1.5 percentage points year on year on a cumulative basis although provision for bonuses was expanded owing to higher income in the second quarter

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2nd Quarter Financial Results for the Year Ending March 31, 2014

Trends in sales by service

Point The core real estate information service business posted a robust 25.0% year-on-year sales growth

Unit: Million yen	[Accumulated Total] FY03/2013 (Jul - Sep)	[Accumulated Total] FY03/2014 (Jul - Sep)	Change (Year-on-year)	Percentage change (Year-on-year)		【Accumulated Total】 FY03/2013 (Apr-Sep)	【Accumulated Total】 FY03/2014 (Apr-Sep)	Percentage change (Year-on-year)
Sales	2,763	**3,454**	+691	+25.0%		5,500	6,852	+24.6%
Real Estate Information Services	2,736	**3,420**	+684	+25.0%	*1	5,445	6,787	+24.6%
Rental & Real Estate Trade	1,491	**1,826**	+335	+22.5%	*2	2,969	3,624	+22.1%
New Houses	447	**596**	+149	+33.4%		875	1,148	+31.2%
New Condominiums	364	**413**	+49	+13.5%	*3	732	864	+18.1%
Custom-Built Houses and Renovations	195	**266**	+71	+36.4%		388	522	+34.4%
Renter's Network	118	**137**	+18	+15.6%	*4	231	272	+17.4%
Others Note 1	119	**180**	+61	+51.2%		247	354	+43.0%
Other Businesses Note 2	26	**33**	+6	+25.4%		54	65	+19.0%

Note 1: “Others” in Real Estate Information Service comprises “HOME‘S Estimation for Relocation”, “HOME’S Elderly Care Service”, other HOME‘S business, overseas business, etc.

Note 2: "Other Businesses" comprises "Lococom", "MONEYMO", "eQOL Skincare", "Casualty Insurance Agency Business", and "Event Cal", among others.

Local Information Services are calculated as Other Businesses.

*1 The numbers of properties posted online and of affiliated stores grew year on year thanks to our successful marketing initiatives. Site visitor count and the number of inquiries also increased year on year, helped by our site redesign and branding promotion as well

*2 The average number of properties posted online during the second quarter under review rose by 29.5% year on year with the number of members growing by 67.8% year on year

*3 Sales grew year on year thanks to a rising number of inquiries and higher average unit price

*4 HOME’S nursing care service: Sales increased year on year due to a growing number of inquiries as well as to the rising sales closing ratio and average sales transaction value

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Point Operating loss in Other Businesses declined significantly year on year

Unit: Million yen	[Quarterly] FY03/2013 (Jul - Sep)	[Quarterly] FY03/2014 (Jul - Sep)	Change (Year-on-year)	Percentage change (Year-on-year)
Real Estate Information Services	513	564	+51	+10.0%
Other Businesses	▲93	▲14	+79	—
Consolidated Operating Profit	420	550	+130	+30.9%

Note: No percentage change is shown for segments that recorded an operating loss for the previous fiscal year or the current fiscal year.

Other Businesses: Operating loss for the quarter under review decreased significantly year on year due to reduced loss from the local community site "Lococom," to the achievement of profitability by the financial information site "MONEYMO" and to NEXT's previous exit from the career education business that had been continued until the FY03/2013 second quarter.

The Company terminated the continuously loss-making "EventCal" and "eQOL Skin Care" services at the end of July 2013 and at the end of September 2013, respectively. Operating loss for Other Businesses will likely fall further in the coming months

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2nd Quarter Financial Results for the Year Ending March 31, 2014

Consolidated balance sheet and goodwill

Point Net assets per share grew 7.4% year on year while interest-bearing debt remained zero

Unit: Million yen	End of Previous Year End FY03/2013	[Current Quarter] Sep 30, 2013 End FY03/2014	Change	Percent change
Assets	11,553	**12,018**	+464	+4.0%
Current Assets	9,210	**9,728**	+518	+5.6%
Fixed Assets	2,343	**2,290**	- 53	- 2.3%
Liabilities	2,489	**2,278**	- 210	- 8.5%
Current Liabilities	2,336	**2,107**	- 228	- 9.8%
Fixed Liabilities	153	**171**	+17	+11.7%
Net Assets	9,064	**9,739**	+675	+7.4%
Net Assets per Share	482.21	**517.91円**	+35.70	+7.4%

Main reasons for change			
Increase in cash and deposits	+667	Increase in current assets	⇒Details P13
Decrease in accounts receivable-trade	-45	Decrease in current assets	
Decrease in allowance for doubtful receivables	-115	Decrease in current assets	
Increase in investment account securities	-41	Increase in fixed assets	*1
Increase in accounts payable	+144	Increase in current liabilities	
Decrease in income/consumption taxes payable	-97	Decrease in current liabilities	
Decrease in accrued bonuses	-76	Decrease in current liabilities	
Zero interest-bearing debt			
Increase in retained earnings	668	Increase in net assets	

Goodwill Amortization Status (Unit: Thousand yen)	Total Amount of Goodwill	Residual Value at Beginning of Period	Apr 2013 to Sep 2013 Amortization Amount	Residual Value	Number of Months Outstanding	Amortization Completion Date
The former Littel	216,738	130,042	**21,673**	108,369	30 months	March, 2016

*1 Attributable to branding promotion costs and the acquisition of investment securities

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Cash flow

Point The balance of cash and cash equivalents stands at 7,600 million yen

Unit: Million yen	FY03/2013 2Q(Apr-Sep)	FY03/2014 2Q(Apr-Sep)	Change
Operating CF	+978	**+1,033**	+55
Investment CF	- 212	**- 252**	- 40
Financial CF	- 67	**- 108**	- 40
Increase/Decrease in Cash and Cash Equivalents	+699	**+675**	- 23
Balance of Cash and Cash Equivalents	4,112(*)	**7,608**	+3,495

Main Items	FY03/2013 2Q(Apr-Sep)	FY03/2014 2Q(Apr-Sep)
Pretax profit of the current term	889	**1,403**
Depreciation	195	**254**
Increase/decrease in provision for bonuses	4	**- 76**
Increase/decrease in trade accounts receivable	110	**63**
Increase/decrease in accounts payable-other	3	**71**
Income taxes paid or refunded (- denotes income taxes paid)	- 293	**- 609**
Cash outflow due to the acquisition of property, plant and Equipment	- 22	**- 32**
Cash outflow due to the acquisition of intangible noncurrent assets	- 206	**- 122**
Payments for execution of assets retirement obligations	0	**- 89**
Payment of dividends	- 69	**- 122**

* 6,114 million yen if the more-than-three-month time deposit of 2,001 million yen

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The Financial Results for the Six Months Ended September 30, 2013 as Compared with the Business Forecast for the First Half of FY 03/2014 (released on August 7, 2013)

The Financial Results for the Six Months Ended September 30, 2013 as Compared with the Business Forecast for the First Half of FY 03/2014

Point Sales exceeded the forecast by 3.8% with operating profit and net profit exceeding the forecasts by 53.5% and 58.0%, respectively

Unit: million yen	[August 7 revised forecast] 1H FY 03/2014 business forecast (Apr to Sept)	1H FY 03/2014 results (Apr to Sept)	Change	Percent change		[Reference] 1H FY 03/2013 results (Apr to Sept)
Sales	6,604	**6,852**	+248	+3.8%	⇒Details P16	5,500
Cost of sales	222	**206**	- 15	- 7.0%		163
Selling, general & administrative (SG&A) expenses	5,461	**5,232**	- 229	- 4.2%	*	4,394
Personnel costs	1,753	**1,779**	+26	+1.5%		1,515
Advertising costs	1,855	**1,726**	- 128	- 6.9%		1,386
Operating expense	218	**179**	- 38	- 17.8%		119
Depreciation/amortization cost	261	**254**	- 7	- 2.9%		194
Other selling, general & administrative (SG&A) expenses	1,372	**1,291**	- 80	- 5.9%		1,178
Operating profit	920	**1,413**	+492	+53.5%		942
Net profit	523	**826**	+303	+58.0%		525
Operating profit margin (OPM)	14.0%	**20.6%**	+6.6p	–		17.1%

* Cost-saving effects and some delay into the FY03/2014 second half

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The Financial Results for the Six Months Ended September 30, 2013 as Compared with the Business Forecast for the First Half of FY 03/2014

Point Sales for the core Rental & Real Estate Trade business exceeded the business forecast by 172 million yen, or 5.0%

Unit: Million yen		[August 7 revised forecast] 1H FY 03/2014 business forecast (Apr to Sept)	1H FY 03/2014 results (Apr to Sept)	Change	Percent change		[Reference] 1H FY 03/2013 results (Apr to Sept)
Sales		6,604	**6,852**	+248	+3.8%		5,500
Real Estate Information Services		6,547	**6,787**	+239	+3.7%	*1	5,445
Rental & Real Estate Trade		3,451	**3,624**	+172	+5.0%		2,969
New Houses		1,117	**1,148**	+30	+2.7%		875
New Condominiums		866	**864**	- 1	- 0.2%		732
Custom-Built Houses and Renovations		512	**522**	+10	+2.0%		388
Renter's Network		279	**272**	- 6	- 2.5%		231
Others	Note 1	320	**354**	+34	+10.7%		247
Other Businesses	Note 2	56	**65**	+8	+15.2%		54

Note 1: “Others” in Real Estate Information Service comprises “HOME‘S Estimation for Relocation”, “HOME’S Elderly Care Service”, other HOME‘S business, overseas business, etc.

Note 2: "Other Businesses" comprises "Lococom", "MONEYMO", "eQOL Skincare", "Casualty Insurance Agency Business", and "Event Cal", among others.

Local Information Services are calculated as Other Businesses.

*1 Site visitor count and the number of inquiries also grew this year thanks to the site redesign-induced SEO effect and branding promotion as well

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Highlights of the Second Quarter Financial Results for the Year Ending March 31, 2014

Highlights of the Second Quarter Financial Results for the Year Ending March 31, 2014

Key highlights

Real estate information service	The "HOME'S" website in Japan	Ran TV commercials on a nationwide basis at the time of the 2013 World Athletics Championships in Moscow
		Continued with our in-train advertisement initiative in the Kanto and Kansai areas
		Implemented the "Number One Campaign" using Facebook
		Carried out the Rakuten Super Sale "Half Price House! Cash Back Campaign" as the second joint program with Rakuten Real Estate
		Completed an overhaul of our new condominium and new house websites
		Launched "HOME'S PRESS," a new site designed to disseminate information on the "true" value and "current affairs" of home
	Service for the real estate industry	Organized the "HOME'S Customer Service Grand Prix Competition," a program aimed at helping to improve real estate industry customer service
		Released "HOME'S PRO," an SNS for the real estate industry
		Launched the "HOME'S Relocation Warranty" service program
New business	New business	Initiated a venture company assistance program (to provide funds and knowhow)

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Point Implemented aggressive branding promotion initiatives in an effort to gain a higher profile in the market

July → August → September

TV commercial

Demonstrated the appeal of the "HOME'S" website to 52.3 million households, or 124 million citizens, across 47 prefectures in the country by using well-loved sports in the main

In-train advertisement

Continued on major train lines in the Kanto and Kansai regions

Launched an in-train strap-based advertising campaign in Osaka

Initiated a year-round advertisement campaign in the Shinagawa Train Station

Event

Hosted a HOME'S sponsor name soccer match at Vissel Kobe's home stadium

Relocation assistance money of 5,550,000 yen!
Implemented a large-scale campaign with the aim of stimulating home relocation among citizens

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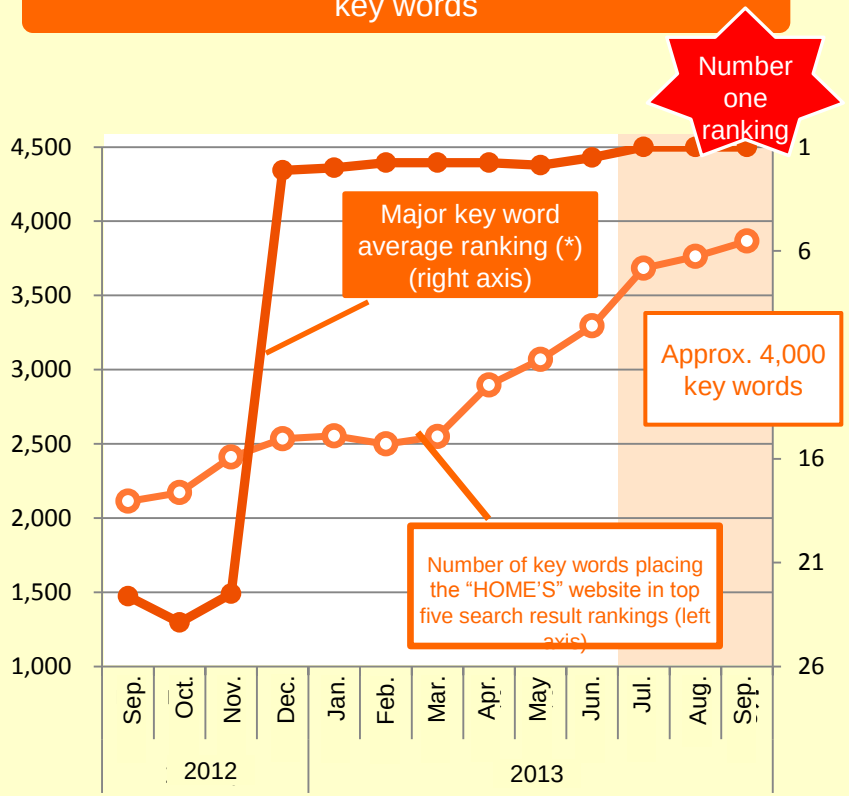
Point Achieved increased SEO effect by completing our new condominium and new house site renovation programs

Check

Won number one rankings in terms of major new condominium- and new house-related key words across the board!

Ranked top on average in major key words (*)
Placed in top five spots for an increasing number of key words



*The average for "leasing" "lease condominium," "condominium," "previously-owned condominium," "apartment," "new condominium," "single family house" and "new house"

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Point Initiated the provision of services designed to help the website user reliably search for a place to live

Check

Launched "HOME'S PRESS," a new information site designed to disseminate information on the "true" value and "current affairs" of home

Provide information on real estate industry trend, news, residential property transaction and industry customs from an impartial standpoint in order to help rectify the industry's complicated home transaction practices and the information gap that exists between industry professionals and individual users

Opinion

Housing trend news

News

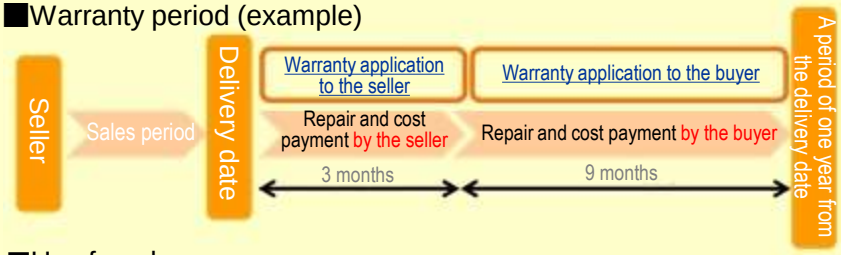
Check

Initiated the delivery of the "HOME'S Relocation Warranty" service, a previously-owned home defect warranty service as the first portal operator to provide service of its kind!

Launched in September 2013 the provision of the "HOME'S Relocation Warranty" service, a previously-owned home defect warranty service for small- to medium-sized real estate companies, as the first real estate information portal site operator to deliver service of its kind in collaboration with Japan Living Warranty Inc.

■Use method

■Warranty period (example)



■Use fee plan

	Period	Total inspection and warranty fee
Single family house and condominium	Three months or more	44,000 yen or more

* The above amount is the cost per property.

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Our FY03/2014 Third Quarter Initiatives

Our initiatives for the Third Quarter of the Year Ending March 31, 2014

Key highlights

Real estate information service

The "HOME'S" website in Japan

- Continue to invest aggressively in branding promotion investment
- Hold "HOME'S EXPO" in four cities as an event designed for our clients
- Release "HOME's Heyakuru!," an iPad application for searching for rooms to rent
- Launch the "HOME'S Renovation" and "HOME'S Trunk Room" sites
- Plan to conduct an overhaul of the "HOME'S" smartphone site
- Plan to create an individual user member database

Service for the real estate industry

- Collaborate with Hatomark Organization in marketing the "Next Generation Real Estate Website Annex," becoming capable of delivering information to 100,000-strong member firms of Zentakuren
- Strive to achieve an increased number of users of real estate industry SNS "HOME'S PRO"
- Launch the provision of the Renters "Real Estate Owner CRM" service

Overseas

- Hold a Thai real estate investment seminar in Japan
  Endeavor to attain improved site visitor drawing ability in Thailand and Indonesia

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Our initiatives for the First Quarter through the Third Quarter of the Year Ending March 31, 2014

Key highlights

Point Steadily spend the additional budget designed for future investment

	April	May	June	July	August	September	October onwards
Promotion		• **In-train advertisement (run on a year-round basis)** • TV commercial • Asahi Home Creation 	• Rakuten Super Sale	• HOME'S Day Event 	• Facebook-linked campaign • Served as sponsor of a 2013 World Athletics Championships program	• TV commercial • Large-sized advertisement billboard • Rakuten Super Sale 	• TV commercial • Digital marketing
Product		• Work support tool "Property Visit Pro" 	• Overhaul of the "HOME'S Custom-built Home" website 	• Real estate industry-specialized SNS "HOME'S PRO" • Overhaul of the "HOME'S New for-sale Condominium" website	• Overhaul of the "HOME'S New House" website • Property search system designed for small-sized day nursery • "HOME'S Relocation Warranty" • Information site "HOME'S PRESS" 	• Establishment of individual user member database • Provision of property owner work support tool CRM service • Android application "Newly Listed Property Navi" • Room search iPad application "HOME'S Heyakuru" • "HOME'S Trunk Room" • "HOME'S Renovation"	

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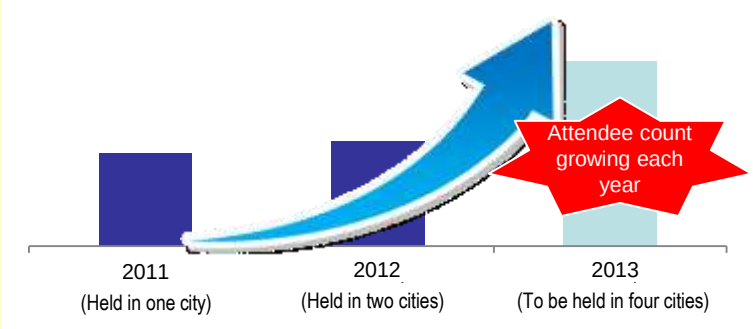
Point: Held "HOME'S EXPO" in four cities in Japan / Provided iPad application dedicated to rental room searching

Check

Plan to hold "HOME'S EXPO 2013" with the aim of enhancing our relationships with affiliated stores

Holding dates:

Tokyo:	Thursday, November 7
Osaka:	Thursday, November 14
Nagoya:	Thursday, November 21
Fukuoka:	Thursday, December 5



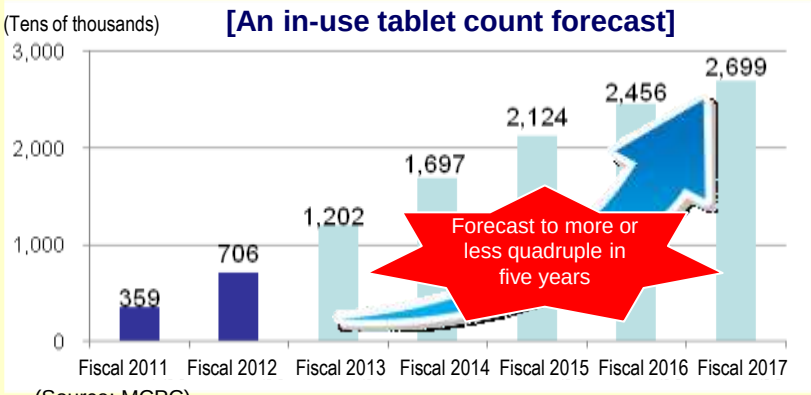
Held a "HOME'S Customer Service Grand Prix" award ceremony!

Check

Launched the provision of "HOME'S Heyakuru!," an iPad application that is already thoroughly compatible with the iOS7 OS

Launched on October 1, 2013 a rental property-dedicated room search iPad application that is already thoroughly compatible with iOS7. Allowing the user to use the application intuitively and uniquely, offering a comfortable usability

[An in-use tablet count forecast]



(Source: MCPC)

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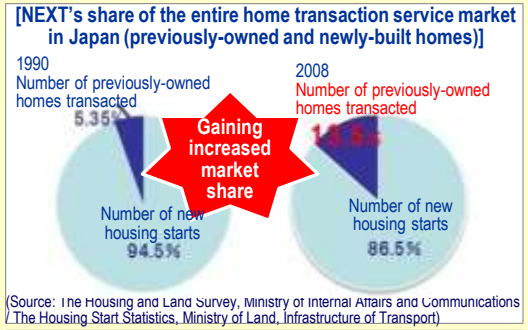
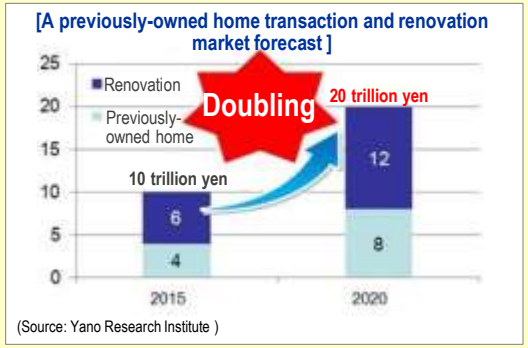
Point Launched new search sites “HOME’S Renovation” and “HOME’S Trunk Room”

Check

Launched new site “HOME’S Renovation” in October 2013





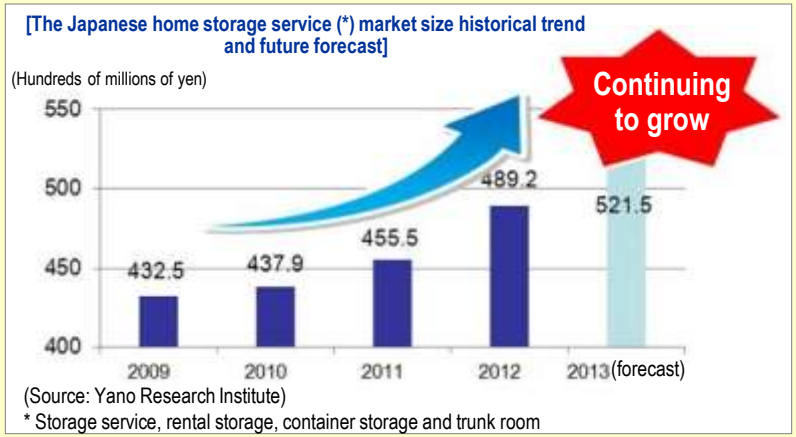
- Gaining increased market share in previously-owned home transaction service
- The home renovation market is showing signs of expanding, helped by government policy

Fee format	Initial cost	Monthly cost
Flat monthly fee structure	50,000 yen or more	35,000 yen or more
Target: Achieve approx. 200 affiliated stores in Fiscal 2015		

Check

Launched new site “HOME’S Trunk Room” in October 2013

The highest growth rate market segment for the U.S. real estate market in the last 40 years. Continuing to grow each year in Japan as well



Fee format	Initial cost	Monthly cost
Pay-per-inquiry-based fee structure	20,000 yen	5,000 yen
		Rent x 25% x Number of inquiries
Target: Achieve 2,800 facilities by the end of the current fiscal year		

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Point Provide assistance to real estate industry players through delivering the “Next Generation Real Estate Website Annex” and “Property Owner CRM” services

Check

“Next Generation Real Estate Website Annex”

Launched the provision of real estate information to 100,000-strong member firms of Zentakuren through a collaboration with Hatomark Organization

“Next Generation Real Estate Website Annex” is a for-member firm service that enables a real estate company to easily create an official website of its own

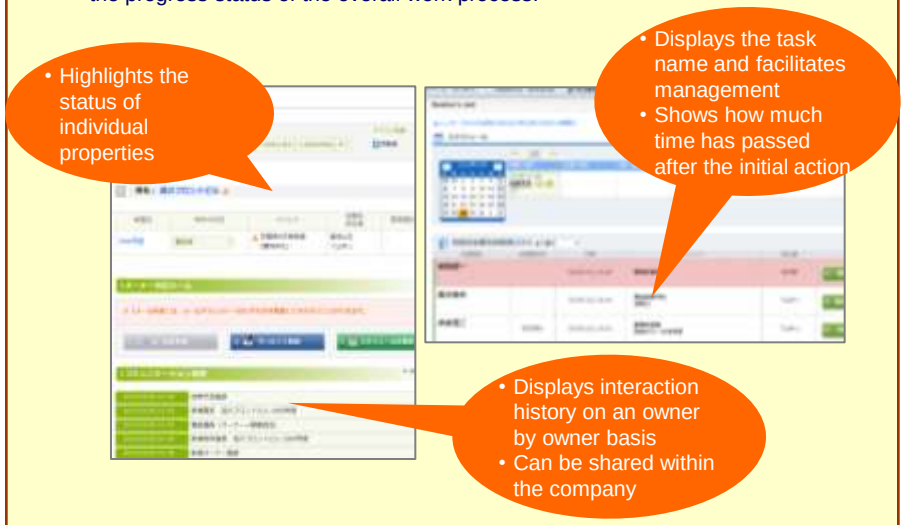
Fee format	Initial cost	Monthly cost
Flat monthly fee structure	50,000 yen	10,000 yen

Check

The first of its kind in the industry!

Launched the provision of the “Property Owner CRM” service

Launched the provision of the program that allows the real estate company to visualize progress management for the process from receiving inquiry from the tenant-seeking property owner to concluding real estate agreement, and to enable relevant information to be shared in the organization. This helps the real estate company sales representative to avoid committing a property owner service omission, which in turn allows the manager to check the progress status of the overall work process.



Fee format	Initial cost	Monthly cost
Flat monthly fee structure	20,000 yen	30,000 yen or more

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Point Hold a Thai real estate investment seminar and strive to develop our website in Indonesia

Check

Hold an inaugural Thai real estate investment seminar in Japan

Hold an inaugural Thai real estate investment seminar in November 2013

[Program]

- The basics of overseas real estate investment and invitation to investment in Thai real estate
- Practical procedures for purchasing Thai real estate and the points warranting special attention
- Thai property introduction by AP (Thailand) Public Company Limited, a real estate developer listed on the Thai Stock Exchange

Attendees totaling over 100

Our priority initiatives in Thailand for the coming years

- Achieve an increased number of property listings
  22,744 listings (as of October 24, 2013)
- Draw website users
- Develop site contents
- Attain website profitability

Check

Strive to develop our website in Indonesia in an effort to achieve increased ability to draw website users

The property search agency service for Japanese nationals has been showing a strong performance

Striving to draw an increased number of website users through continuing to expand property listing count and develop site contents with respect to the real estate information site designed for local residents in Indonesia

Our priority initiatives in Indonesia for the coming years

- Achieve an increased number of property listings
  5,421 listings (as of October 23, 2013)
- Draw website users
- Develop site contents
- Attain website profitability

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Revision of Business Forecast for the Year ending March 31,2014

Trend of Business Forecast of FY 03/2014

Point Upward revision of the first half earnings forecast in August and upward revision of full-year earnings forecast in November

Trend of Business Forecast for the First Half of FY 03/2014

Unit: million yen	[May 14 announced forecast] 1H FY 03/2014 business forecast (Apr to Sept)	[Aug. 7 revised forecast] 1H FY 03/2014 business forecast (Apr to Sept)	1H FY 03/2014 results (Apr to Sept)	August 7 revised forecast vs 1H FY 03/2014 results
Sales	6,211	6,604	**6,852**	+3.8%
Cost of sales	211	222	**206**	- 7.0%
Selling, general & administrative (SG&A) expenses	5,441	5,461	**5,232**	- 4.2%
Personnel costs	1,710	1,753	**1,779**	+1.5%
Advertising costs	1,758	1,855	**1,726**	- 6.9%
Operating expense	247	218	**179**	- 17.8%
Depreciation/amortization cost	262	261	**254**	- 2.9%
Other selling, general & administrative (SG&A) expenses	1,463	1,372	**1,291**	- 5.9%
Operating profit	558	920	**1,413**	+53.5%
Net profit	303	523	**826**	+58.0%
Operating profit margin (OPM)	9.0%	14.0%	**20.6%**	–

Trend of Business Forecast of FY 03/2014

	[May 14, announced forecast] FY 03/2014 (Apr-Mar)	[Revised forecast] FY 03/2014 (Apr-Mar)	May 14 announced forecast vs 1H FY 03/2014 results
Sales	13,041	**14,282**	+9.5%
Cost of sales	469	**491**	+4.8%
Selling, general & administrative (SG&A) expenses	11,250	**12,100**	+7.6%
Personnel costs	3,478	**3,651**	+5.0%
Advertising costs	4,016	**4,489**	+11.8%
Operating expense	523	**523**	+0.0%
Depreciation/amortization cost	472	**468**	- 0.9%
Other selling, general & administrative (SG&A) expenses	2,760	**2,968**	+7.5%
Operating profit	1,322	**1,690**	+27.8%
Net profit	741	**940**	+26.8%
Operating profit margin (OPM)	10.1%	**11.8%**	–

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Revision of Business Forecast for the Year ending March 31,2014

Trend of Operating P/L

Point Under the revised forecast, sales will likely exceed the previous estimate by 9.5%, with SG&A expenses and operating profit expected to exceed the previous estimates by 7.6% and by 27.8%, respectively. Unlike under the previous results forecast, operating profit is anticipated to grow year on year.

Unit: million yen	【Previously announced forecast】 FY 03/2014 (Apr-Mar)	【Revised forecast】 FY 03/2014 (Apr-Mar)	Change	Percent change		[Reference] FY03/2013 (Apr-Mar) (Actual)
Sales	13,041	**14,282**	+1,240	+9.5%	⇒Details P33	11,962
Cost of sales	469	**491**	+22	+4.8%		376
Selling, general & administrative (SG&A) expenses	11,250	**12,100**	+850	+7.6%		9,995
Personnel costs	3,478	**3,651**	+173	+5.0%		3,275
Advertising costs	4,016	**4,489**	+473	+11.8%	*1	3,454
Operating expense	523	**523**	+0	+0.0%		355
Depreciation/amortization cost	472	**468**	- 4	- 0.9%		468
Other selling, general & administrative (SG&A) expenses	2,760	**2,968**	+207	+7.5%	*2	2,441
Operating profit	1,322	**1,690**	+368	+27.8%		1,591
Net profit	741	**940**	+199	+26.8%		614
Operating profit margin (OPM)	10.1%	**11.8%**	+1.7p	–		13.3%

*1 NEXT will further reinforce its branding promotion activities during the high season, aiming at achieving sales-boosting effects for the FY03/2014 second half and FY03/2015

*2 The Company plans to make investment towards attaining further growth in the coming years, including the establishment of an individual user database and the development of business support tools

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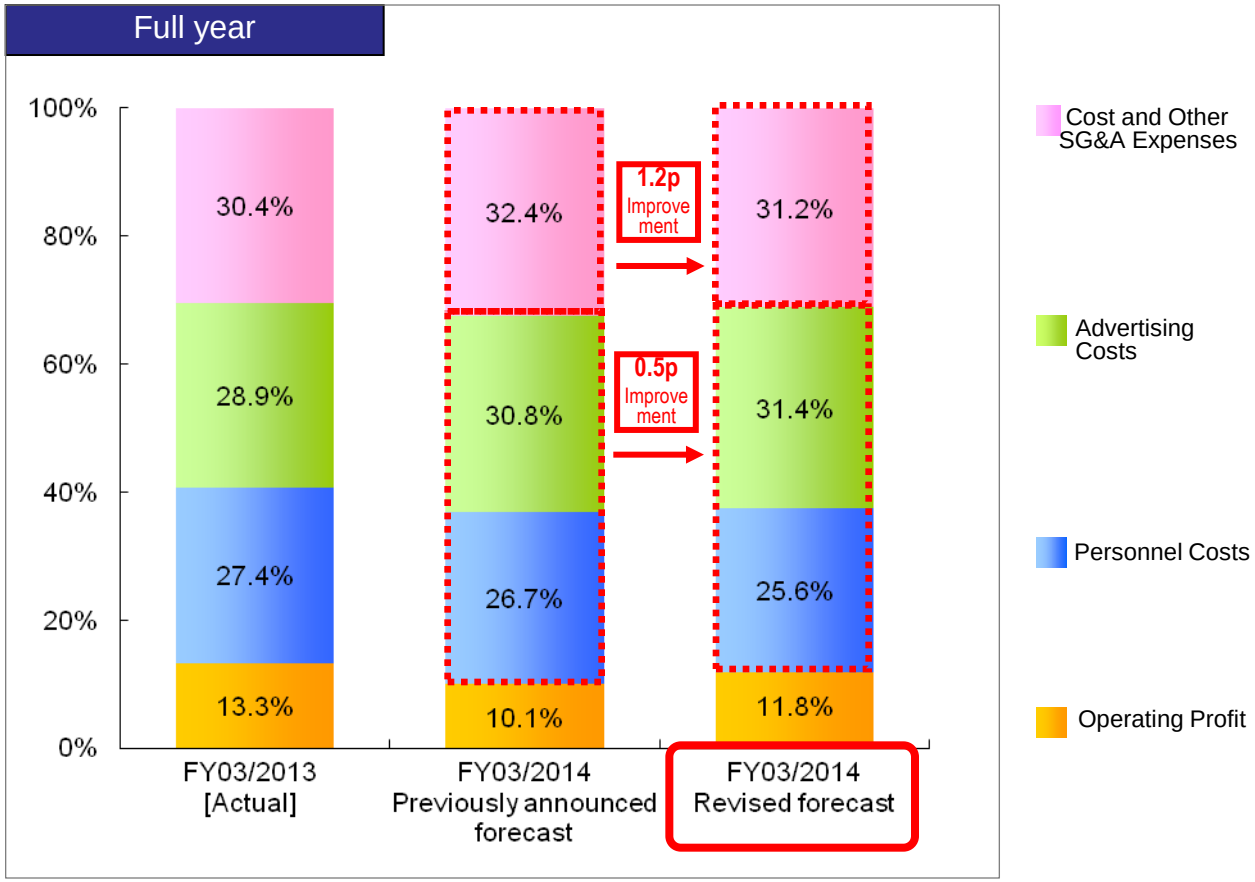
Revision of Business Forecast for the Year ending March 31,2014

Ratio of costs to sales

Point Plan to reinvest part of the portion of sales proceeds in excess of the fiscal year start sales forecast, making investment towards achieving further growth in the coming years



Cost and other SG&A expenses: Expected to account for a lower proportion due to growing sales despite the planned increase in investment costs for attaining further growth in the future

Advertising costs: With the aim of achieving further growth, NEXT plans to allocate part of the portion of sales proceeds in excess of the fiscal year start forecast to its web customer attracting expenses and branding promotion expenses as an additional expenditure

Personnel costs: Projected to account for a lower proportion thanks to growing sales in spite of greater provision for bonuses

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Revision of Business Forecast for the Year ending March 31,2014

Trend of sales by service

Point Sales in all service categories will likely exceed the fiscal year start forecast levels

Unit: Million yen		【Previously announced forecast】 FY 03/2014 (Apr-Mar)	【Revised forecast】 FY 03/2014 (Apr-Mar)	Change	Percent change		[Reference] FY03/2013 (Apr-Mar) (Actual)
Sales		13,041	**14,282**	+1,240	+9.5%		11,962
Real Estate Information Services		12,908	**14,135**	+1,227	+9.5%		11,851
Rental & Real Estate Trade		7,067	**7,658**	+590	+8.4%	*1	6,513
New Houses		1,983	**2,382**	+399	+20.1%	*2	1,902
New Condominiums		1,710	**1,768**	+57	+3.4%		1,664
Custom-Built Houses and Renovations		917	**1,010**	+92	+10.1%		810
Renter's Network		571	**589**	+17	+3.1%		491
Others	Note 1	656	**725**	+69	+10.6%		469
Other Businesses	Note 2	133	**146**	+13	+9.9%		110

Note 1: "Others" in Real Estate Information Service comprises "HOME'S Estimation for Relocation", "HOME'S Elderly Care Service", other HOME'S business, overseas business, etc.

Note 2: "Other Businesses" comprises "Lococom", "MONEYMO", "eQOL Skincare", "Casualty Insurance Agency Business", and "Event Cal", among others. Local Information Services are calculated as Other Businesses.

*1 The strong performance recorded in the FY03/2014 first half has been continuing up until now

*2 No SEO effect erosion has occurred following the site redesign carried out on October 1, 2013

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Revision of Business Forecast for the Year ending March 31,2014

The concept of our future business development

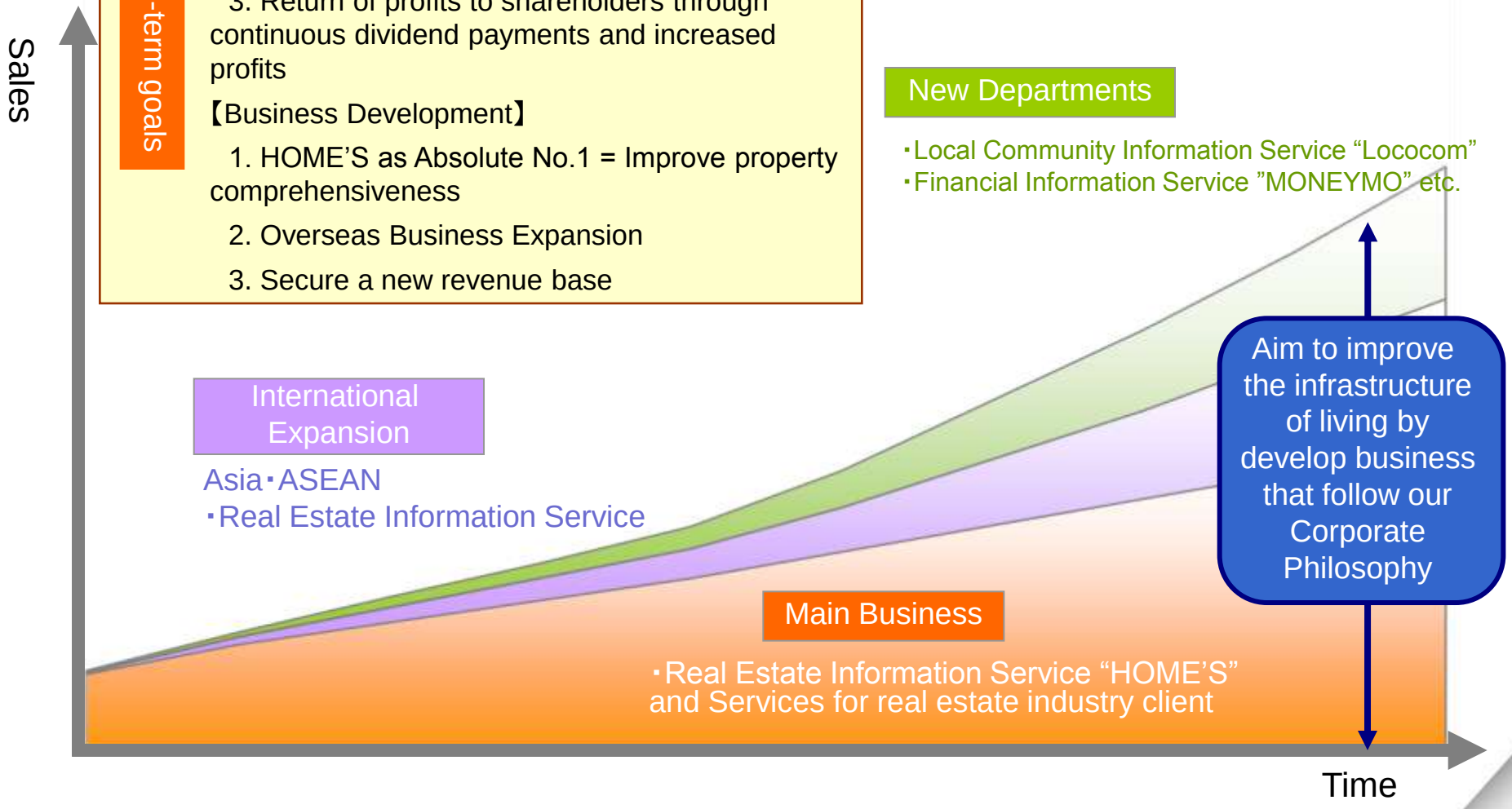
Mid/Long-term goals

【Corporate Management Metrics】

1. Aim to achieve 25% operating profit margin
2. Improve productivity
3. Return of profits to shareholders through continuous dividend payments and increased profits

【Business Development】

1. HOME'S as Absolute No.1 = Improve property comprehensiveness
2. Overseas Business Expansion
3. Secure a new revenue base



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Business Management Philosophy

Company Credo

Altruism

Our priority is making people happy.
Everyone in the world: Consumers, Clients, Coworkers, Family, and so on…
First and foremost, make someone happy.
Before you realiza it, you'll be happy too.
That is altruism.

Corporate Philosophy

Our corporate philosophy is to "Create a society where everyone can attain comfort and happiness through continuing social innovations.

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Reference Materials

- Reference Materials

President's Profile	p.37
NEXT’s service offerings	p.38
“HOME’S” Business Model	pp.39-40
Additional information	pp.41-45
Corporate profile	p.46
IR Information Contact Details	p.47

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President's Profile

Career History	
April, 1991	Joined Recruit COSMOS Co., Ltd. Responsible for condominium sales and circulated property brokering.
July, 1991	Temporarily dispatched to the Recruit General Personnel Business Department. This move was later made permanent. Primarily engaged in new graduate hiring, mid-career hiring, and personnel service corporate sales.
July, 1995	Left Recruit. Founded NEXT HOME Co., Ltd., which later became NEXT Co., Ltd., and started business operations.
March, 1997	Founded NEXT, Co., Ltd., and appointed President and CEO .
November, 2011	Appointed General Manager of NEXT, Co., Ltd.'s HOME'S Business Department (current position).

■The Founding of the Company

While working at Recruit COSMOS (now COSMOS INITIA), he had a young couple as his clients. He showed them a property that they were very interested in, and decided immediately to purchase. However, their loan application was rejected, and they were crestfallen. Inoue, seeing this, determined to find another property that would satisfy their desires, so he began showing them various properties, regardless of whether the properties were handled by Recruit COSMOS.

Eventually, the couple signed a contract for a condominium that Inoue had shown them, but which was handled by another company. Inoue was scolded by his manager, but this did not detract from his strong desire to keep bringing smiles to peoples' faces, as he had to the faces of the young couple.

At the time, access to real estate property information was relatively closed, and even for Inoue, part of the real estate industry, obtaining information on properties was both time and labor intensive. In 1997, Inoue founded NEXT, Co., Ltd., as a way to change the real estate system itself and its "asymmetry of information", in which general customers, for whom obtaining property information required even more of an investment in time and effort, had to pick properties from only a limited selection of data.

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NEXT's service offerings

Under the corporate slogan "Designing Delightful Encounters," NEXT provides, through the internet, various kinds of lifestyle services related to not only "residential properties" but also "local community" and "finance" in order to help people in the world lead comfortable lives with peace of mind anytime anywhere

Residential property

HOME'S
A NEXT Group Service

Local community

Lococom
A NEXT Group Service

Finance

MONEY mo マネモ
A NEXT Group Service

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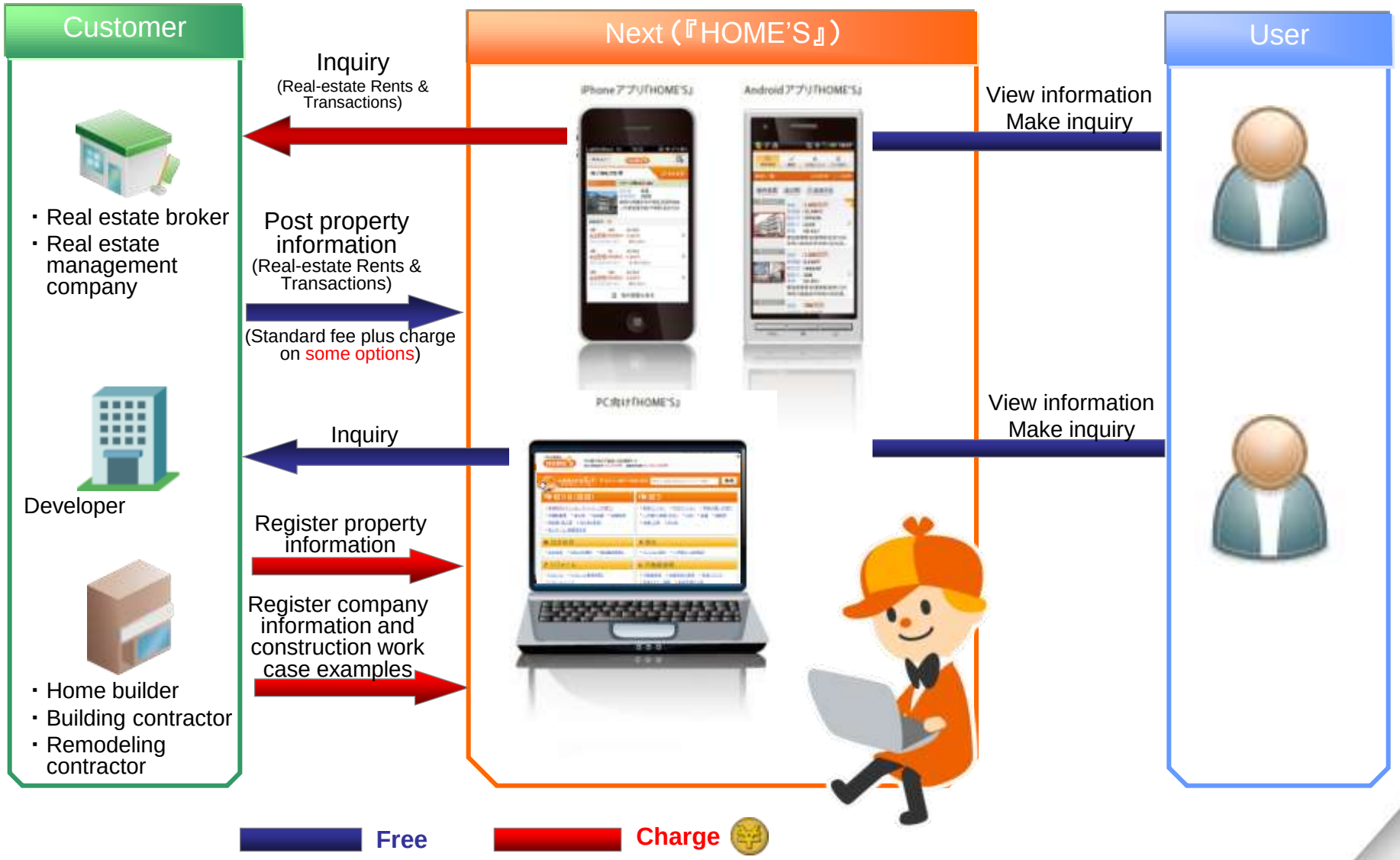
“HOME’S” Business Model

Point “HOME’S” business model: Fee structure based on the number of inquiries



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HOME'S Real Estate Information Service Business Model

Point Unlimited postings + billing based on number of inquiries

HOME'S Basic Membership Fee (tax not included)

Number of properties listed on HOME'S	Unlimited
Number Registered	Unlimited
Special Advertising Point Frame	5 Points
Panoramas	5
Monthly Usage Fee	10,000 yen

* The billing percentage varies based on the number of inquiries. (The percentage falls the greater the response.) All inquiries from a single end user are counted as a single inquiry. In addition to the basic membership fee, members using option services must pay option service fees.

+

Rental Billing (tax not included)

Rental Billing Amount Calculation Method

Property Rent × 2 – *5.5% × Number of Inquiries from End Users (E-mail / Telephone)

Number of Inquiries	Billing Rate
1 to 15 inquiries	5.5%
16 to 60 inquiries	4.0%
61 or more inquiries	2.0%

Sale / Investment Billing (tax not included)

Sale / Investment Billing Amount Calculation Method

Property amount × 0.01 – *0.05% × Number of Inquiries from End Users (E-mail / Telephone)

Number of Inquiries	Billing Rate
1 to 5 inquiries	0.05%
6 to 20 inquiries	0.02%
21 or more inquiries	0.01%

The higher the number of inquiries, the lower the billing rate

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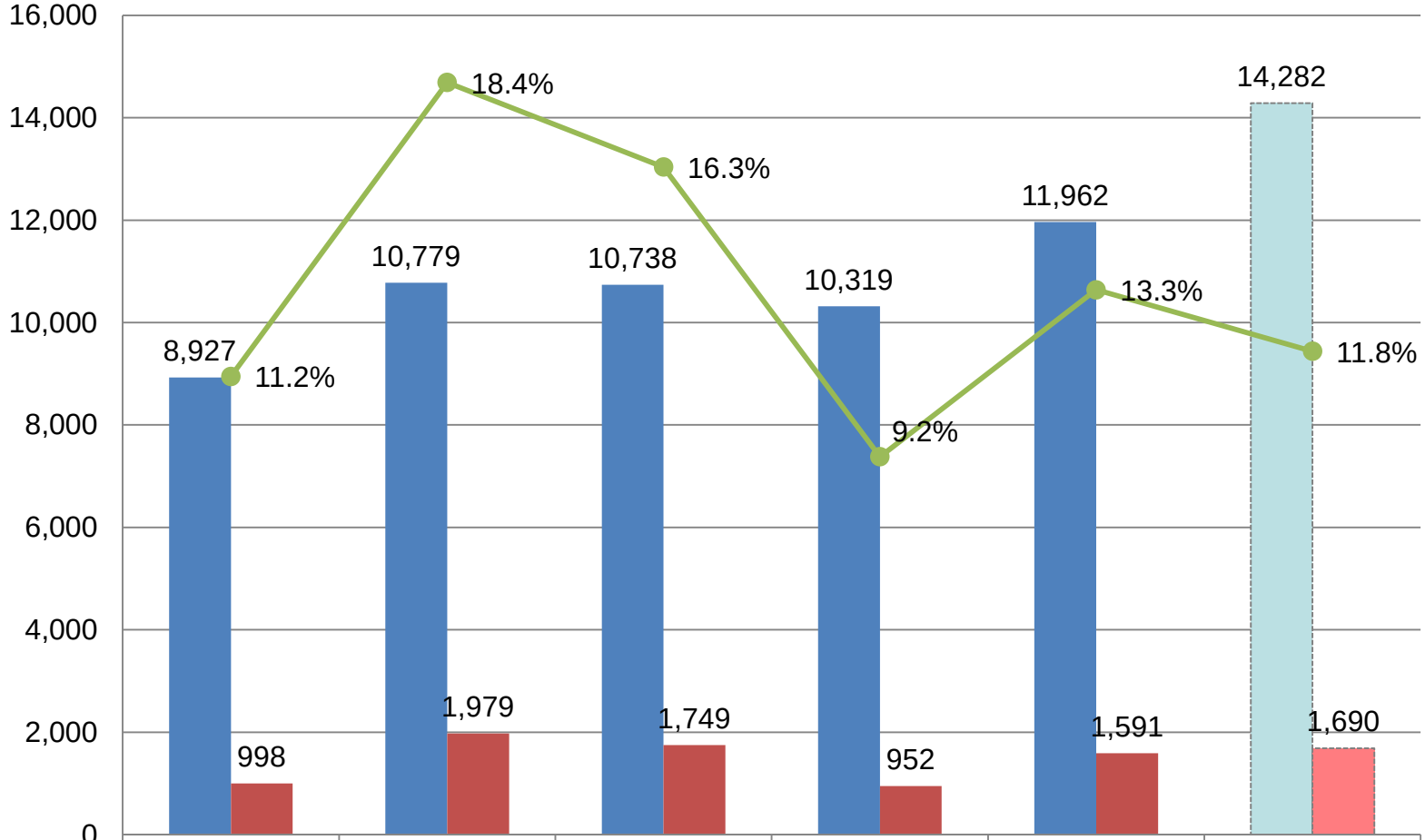
Additional information

Trend of P/L

（unit:thousand yen）



	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014 (Forecast)
Sales	8,927	10,779	10,738	10,319	11,962	14,282
Operating profit	998	1,979	1,749	952	1,591	1,690
Operating profit margin	11.2%	18.4%	16.3%	9.2%	13.3%	11.8%

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Summary of Statements of income

Unit: Million yen	FY2013 1H	FY2013 2H	FY2014 1H	FY2014 2H (Forecast)
Sales	5,500	6,462	**6,852**	**7,430**
Cost of Sales	163	212	**206**	**284**
Selling, General, & Administrative (SG&A) Expenses	4,394	5,600	**5,232**	**6,868**
Personnel Costs	1,515	1,736	**1,779**	**1,852**
Advertising Costs	1,386	2,067	**1,726**	**2,762**
Operating Expenses	119	235	**179**	**343**
Depreciation and Amortization Costs	194	273	**254**	**214**
Other Selling, General, & Administrative Expenses	1,178	1,287	**1,291**	**1,695**
Operating Profit	942	648	**1,413**	**276**
Net Profit	525	88	**826**	**114**
Operating Profit Margin	17.1%	10.0%	**20.6%**	**3.7%**

Sales per segment

Unit: million yen	Segment	FY2013 1H	FY2013 2H	FY2014 1H	FY2014 2H (Forecast)
Real estate information services	Rental & Real Estate Trade	2,969	3,544	**3,624**	**4,033**
	New Houses	875	1,026	**1,148**	**1,234**
	New Condominium	732	932	**864**	**903**
	Custom-built house and refurbishment	388	421	**522**	**487**
	Renter's Network	231	259	**272**	**317**
	Others	247	221	**354**	**371**
Others	Others	54	56	**65**	**81**
Total		5,500	6,462	**6,852**	**7,430**

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Additional information

Profit and loss statement

	Previous year FY03/2013 (Apr-Sep)		Current year FY03/2014 (Apr-Sep)		Comparison	
	Amount	Ratio	Amount	Ratio	Change	Percentage change
Sales	5,500	100.0%	6,852	100.0%	＋1,351	＋24.6%
Real estate information services	5,445	99.0%	6,787	99.0%	＋1,341	＋24.6%
Rental & Real Estate Trade	2,969	54.0%	3,624	52.9%	＋655	＋22.1%
New condominium	875	15.9%	1,148	16.8%	＋273	＋31.2%
New Houses	732	13.3%	864	12.6%	＋132	＋18.1%
Custom-built house and refurbishment	388	7.1%	522	7.6%	＋133	＋34.4%
Renter's Network	231	4.2%	272	4.0%	＋40	＋17.4%
Others	247	4.5%	354	5.2%	＋106	＋43.0%
Others	54	1.0%	65	1.0%	＋10	＋19.0%
Cost of sales	163	3.0%	206	3.0%	＋43	＋26.3%
Selling, general & administrative (SG&A) expenses	4,394	79.9%	5,232	76.4%	＋837	＋19.1%
Personnel costs	1,515	27.5%	1,779	26.0%	＋264	＋17.5%
Advertising costs	1,386	25.2%	1,726	25.2%	＋340	＋24.6%
Operating expense	119	2.2%	179	2.6%	＋60	＋50.4%
Depreciation/amortization cost	194	3.5%	254	3.7%	59	0
Other selling, general & administrative (AS&A) expenses	1,178	21.4%	1,291	18.8%	＋112	＋9.6%
Operating profit	942	17.1%	1,413	20.6%	＋471	＋50.0%
Net profit	525	9.5%	826	12.1%	＋301	＋57.4%

Number of Properties Posted and Affiliated Stores of Rental & Real Estate Trade

Unit : properties	FY03/2013 as of Sep.30	FY03/2014 as of Spt.30	Comparison	
			Change	Percentage change
Number of Listed Properties	3,724,940	4,001,223	＋276,283	7.4%
Hokkaido & Tohoku	147,553	142,364	-5,189	-3.5%
North Kanto	133,143	144,101	＋10,958	8.2%
Capital Region	1,631,861	1,777,279	＋145,418	8.9%
Hokuriku & Koshinetsu	70,724	79,981	＋9,257	13.1%
Tokai	325,665	361,792	＋36,127	11.1%
Kinki	961,867	953,028	-8,839	-0.9%
Chugoku	169,468	253,917	＋84,449	49.8%
Shikoku	69,472	86,035	＋16,563	23.8%
Kyushu & Okinawa	215,187	202,726	-12,461	-5.8%

Unit : stores	FY03/2013 as of Sep.30	FY03/2014 as of Spt.30	Comparison	
			Change	Percentage change
Number of Affiliated Stores	9,808	11,224	＋1,416	＋14.4%
Hokkaido & Tohoku	233	326	＋93	＋39.9%
North Kanto	227	378	＋151	＋66.5%
Capital Region	6,440	7,113	＋673	＋10.5%
Hokuriku & Koshinetsu	177	181	＋4	＋2.3%
Tokai	377	672	＋295	＋78.2%
Kinki	1,876	1,975	＋99	＋5.3%
Chugoku	150	181	＋31	＋20.7%
Shikoku	92	104	＋12	＋13.0%
Kyushu & Okinawa	236	294	＋58	＋24.6%

Unit : yen	FY03/2013 as of Sep.30	FY03/2014 as of Spt.30	Comparison	
			Change	Percentage change
Sales per affiliated stores	53,743	56,158	2,415	＋4.5%

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Additional information

Trend of Operating P/L <Quarterly>

Quarterly consolidated statements of income

	FY03/2012				FY03/2013				FY03/2014	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales	2,357	2,462	2,486	3,012	2,737	2,763	2,939	3,522	3,398	3,454
Real estate information	2,337	2,438	2,462	2,983	2,709	2,736	2,911	3,494	3,366	3,420
Rental & Real Estate	1,398	1,405	1,415	1,737	1,477	1,491	1,568	1,975	1,797	1,826
New condominium	304	335	364	390	428	447	484	542	552	596
New Houses	320	361	330	400	367	364	410	522	451	413
Custom-built house	129	137	149	179	193	195	195	225	256	266
Renter's Network	89	95	102	110	113	118	128	131	135	137
Others	94	103	99	163	128	119	124	97	173	180
Others	20	23	23	29	28	26	27	28	31	33
Cost of sales	58	70	68	94	81	82	95	117	102	104
Selling, general & administrative (SG&A) expenses	2,305	2,134	2,083	2,552	2,134	2,260	2,404	3,195	2,433	2,798
Personnel costs	911	742	686	845	770	744	767	993	806	973
Advertising costs	567	587	619	961	629	756	777	1,290	774	952
Operating expense	50	53	68	68	55	63	105	130	84	95
Depreciation/amortizat	119	124	117	118	96	98	128	144	131	122
Other selling, general & administrative (SG&A) expenses	656	627	591	557	581	596	626	636	637	654
Operating profit	-5	257	334	366	521	420	439	209	862	550
Net profit	-11	85	178	212	297	228	175	-86	516	309
Operating profit margin	-0.3%	10.5%	13.5%	12.2%	19.1%	15.2%	14.9%	5.9%	25.4%	15.9%

Quarterly consolidated sales and operating profit and loss per segment

	FY03/2012				FY03/2013				FY03/2014	
	Q1	Q2	Q3	Q4	Q1	Q2	Q4	Q4	Q1	Q2
Sales	2,357	2,462	2,486	3,012	2,737	2,763	2,939	3,522	3,398	3,454
Real estate information	2,337	2,438	2,462	2,983	2,709	2,736	2,911	3,494	3,366	3,420
Others	20	23	23	29	28	26	27	28	31	33
Operating profit	-5	257	334	366	521	420	439	209	862	550
Real estate information	307	583	508	514	626	513	508	253	887	564
Others	-312	-325	-173	-148	-104	-93	-69	-44	-24	-14
Operating profit margin	△0.3%	10.5%	13.5%	12.2%	19.1%	15.2%	14.9%	5.9%	25.4%	15.9%
Real estate information	13.1%	23.9%	20.6%	17.2%	23.1%	18.8%	17.5%	7.3%	26.4%	16.5%
Others	–	–	–	–	–	–	–	–	–	–

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【Number of Apartments for Sales（annual）】

Source:Real Estate Economic institute Co.LTD

	2006	2007	2008	2009	2010	2011	2012	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
Capital Region	74,463	61,021	43,733	36,376	44,535	44,499	45,602	1,721	3,491	5,139	4,093	4,967	4,888	5,306	4,145	5,968
year-on-year	-11.5%	-18.1%	-28.3%	-16.8%	+22.4%	-0.1%	+2.5%	-5.4%	-10.9%	+48.4%	-2.8%	49.2%	+22.0%	31.6%	53.3%	+77.3%
Kinki	30,146	30,219	22,744	19,784	21,716	20,219	23,266	913	2,116	2,536	1,347	1,989	2,417	2,111	1,994	3,671
year-on-year	-8.8%	+0.2%	-24.7%	-13.0%	+9.8%	-6.9%	+15.1%	-9.3%	+51.8%	+9.5%	-7.8%	△3.4%	+15.3%	-18.8%	+56.3%	+85.3%
Other	51,257	42,430	31,560	23,435	18,450	21,864	24,993									
year-on-year	+2.0%	-17.2%	-25.6%	-25.7%	-21.3%	+18.5%	+14.3%									
Nationwide	155,866	133,670	98,037	79,595	84,701	86,582	93,861									
year-on-year	-6.9%	-14.2%	-26.7%	-18.8%	+6.4%	+2.2%	+8.4%									

【Trend of Price for Apartements（annual）】

Source:Real Estate Economic institute Co.LTD

unit:ten thousand yen	2006	2007	2008	2009	2010	2011	2012	Jul-13	Aug-13	Sep-13	Jul-13	Aug-13	Sep-13	Jul-13	Aug-13	Sep-13
Capital Region	4,200	4,644	4,775	4,535	4,716	4,578	4,540	4,724	4,289	4,807	4,728	4,895	4,833	5,128	4,796	5,043
year-on-year	+2.2%	+10.6%	+2.8%	-5.0%	-4.0%	-2.9%	-0.8%	9.6%	-4.2%	3.0%	7.1%	4.2%	7.9%	9.9%	0.5%	22.4%
Kinki	3,380	3,478	3,513	3,411	3,452	3,490	3,438	3,642	3,516	3,540	3,433	3,534	3,551	3,522	3,419	3,514
year-on-year	+6.8%	+2.9%	+1.0%	-2.9%	+1.2%	+1.1%	-1.5%	11.1%	8.8%	-5.6%	5.6%	2.7%	-1.3%	-1.5%	-1.9%	0.8%
Nationwide	3,560	3,813	3,901	3,802	4,022	3,896	3,824									
year-on-year	+2.0%	+7.1%	+2.3%	-2.5%	+5.8%	-3.1%	-1.8%									

【New build properties（anuual）】

Source:Ministry of Land, Infrastructure, Transport and Tourism

	2006	2007	2008	2009	2010	2011	2012	Jul-13	Aug-13	Sep-13	Jul-13	Aug-13	Sep-13	Jul-13	Aug-13	Sep-13
House for rent	543,463	441,733	464,851	321,470	298,014	285,832	318,521	24,649	22,257	25,986	27,842	26,614	30,504	31,012	29,548	31,892
year-on-year	+7.8%	-18.7%	+5.2%	-30.8%	-7.3%	-4.1%	+11.4%	+1.6%	-2.4%	+10.7%	+7.8%	11.6%	+13.1%	+19.4%	7.0%	+21.5%
Apartment house	238,614	168,918	182,555	76,678	90,597	116,755	123,203	10,067	13,043	9,576	10,718	12,893	10,274	10,320	10,929	12,497
year-on-year	+4.0%	-29.2%	+8.1%	-58.0%	+18.2%	+28.9%	+5.5%	-1.0%	+15.9%	-8.3%	-22.0%	+33.1%	46.0%	4.0%	+6.0%	35.6%
House	138,261	124,238	115,785	91,254	110,358	116,798	122,590	10,561	10,154	10,495	10,559	10,881	11,651	11,305	11,983	11,396
year-on-year	+0.3%	-10.1%	△6.8%	-21.2%	+20.9%	+5.8%	+5.0%	+10.1%	+1.9%	+8.2%	+15.4%	+10.1%	+9.4%	+8.4%	+11.3%	+12.4%
Owned properties	358,519	314,865	318,511	284,631	305,221	305,626	311,589	23,561	22,987	24,879	28,357	28,902	30,699	31,475	31,379	32,128
year-on-year	+1.5%	-1.2%	+1.2%	-10.6%	+7.2%	+13.3%	+2.0%	+8.6%	+2.3%	+11.4%	+17.5%	+13.5%	+13.8%	+11.1%	+11.2%	+14.2%

【Internal migrants（anuual）】

Source:Ministry of Internal Affairs and Communications

	2006	2007	2008	2009	2010	2011	2012	Jul-13	Aug-13	Sep-13	Jul-13	Aug-13	Sep-13	Jul-13	Aug-13	Sep-13
Internal migrants	5,564,346	5,498,941	5,356,935	5,300,025	5,084,579	5,044,239	5,018,166	294,759	326,280	828,535	812,584	370,918	302,034	385,184	357,063	328,167
year-on-year	-0.7%	-1.2%	-2.6%	-1.1%	-4.1%	-0.8%	-0.5%	-0.3%	-3.4%	-1.7%	6.5%	-4.8%	-3.8%	5.8%	-3.0%	8.8%

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Corporate profile

Company name	NEXT Co., Ltd (TSE 1st Section: 2120)
Representative	President and CEO Takashi Inoue
Established	March 12, 1997 (Accounting year end: March)
Paid-in capital	1,997 million yen, Number of shares outstanding: 18,805,000 shares (Number of the Treasury Shares: 12,106)
Consolidated number of employees	578 (including contingent employees totaling 70) A increase of 39 from March 31, 2013
Business contents	Real estate information service Others
Major shareholders	Directors of NEXT Co., Ltd. Rakuten, Inc. (NEXT Co., Ltd. is an equity method affiliate of Rakuten, Inc.)
Headquarters address	Shinagawa Front Building (general reception 3rd floor), 2-3-13, Konan, Minato-ku, Tokyo
Consolidated subsidiaries (equity interest ratio)	Renter's Co.(100%) HOME'S PROPERTY MEDIA(THAILAND)CO.,LTD. (99.9%) PT. Rumah Media(50.0%) Next Property Media Holdings Limited(90.2%)

As of September 30, 2013

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