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■ Management of HOME' S Real Estate and Housing Information Portal Site that is No. 1 in Total Listed Properties

NEXT Co., Ltd. (hereafter, "NEXT" or "the company") develops information services in various lifestyle-related fields including a financial information site and a local community information site. Its primary focus is on managing the HOME' S real estate and housing information portal site. The number of nationwide affiliated stores numbered 11,182 (as of December 31, 2013) and total listed properties numbered 4,470,000 (average for December 2013), the largest number of listings in all of Japan. The unique feature of NEXT is its earnings model that charges affiliated stores based on the number of user inquiries. Leveraging its position as No. 1 in total number of listed properties, the company is raising its visibility and increasing the number of site visitors by aggressively expanding its branding promotion. As a result, earnings growth has been solid.

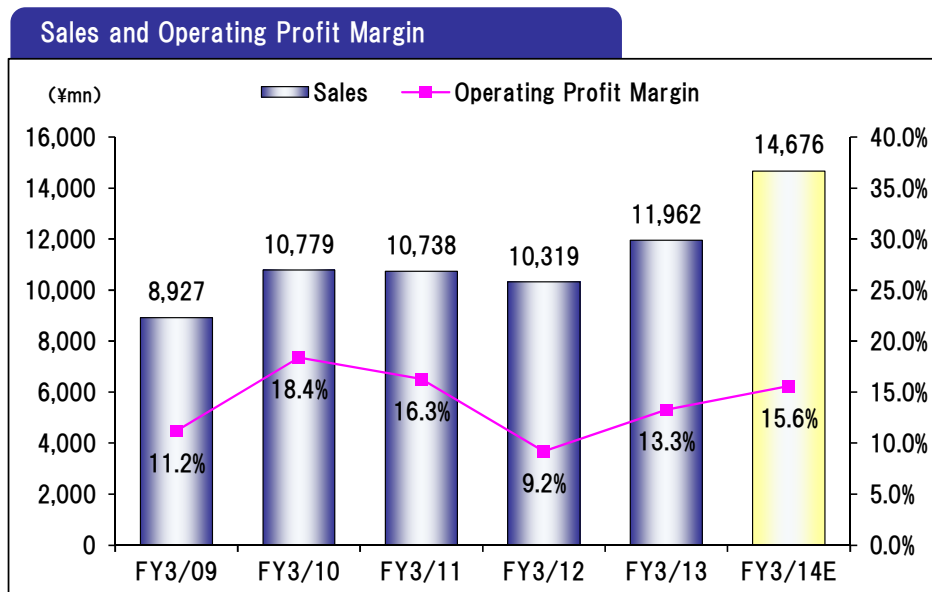
Site visitors have increased due to, in addition to growth in the total number of listed properties, aggressive branding through ad spending and search engine optimization (SEO) effects. As a result, during the fiscal year ended March 31, 2013 (FY3/13), sales and profits increased substantially, with sales of ¥11,962mn (up 15.9% y-o-y) and operating profit of ¥1,591mn (up 67.0%).

In the first three quarters of FY3/14 (April through December 2013), performance remained strong with sales of ¥10,408mn (up 23.3% y-o-y) and operating profit of ¥2,204mn (up 59.5%). On March 24, 2014, NEXT revised its earnings forecast for FY3/14 upward. After the revision, the company expects sales of ¥14,676mn (up 22.7% y-o-y) and operating profit of ¥2,288mn (up 43.8%). According to the monthly movement for February 2014, which was announced on March 20, 2014, the ratio of progress in the results of the HOME' S main portal site is 71.4% for the fourth quarter (January-March) and 92.4% on a full-year basis (April 2013-February 2014), showing growth as being on track. The peak of the residential moving season will come in March, so the company revised full year forecast this time due to strong business trend.

As a growth strategy, NEXT' s earnings drivers over the near term are the establishment of a dominant No. 1 position through reinvestment and the creation of a real estate industry business platform by expanding and upgrading business support services for real estate companies. Further, as part of this strategy, NEXT will expand overseas and develop new businesses.

■ Check Points

- Become No. 1 in number in total listed properties by adopting a unique fee structure that charges based on the number of inquiries
- No. 1 in site visitors through aggressive branding promotion and SEO effects
- Increase in total number of listed properties and site visitors drives strong earnings
- Further strengthening of existing business and creating a real estate industry platform are growth strategy pillars



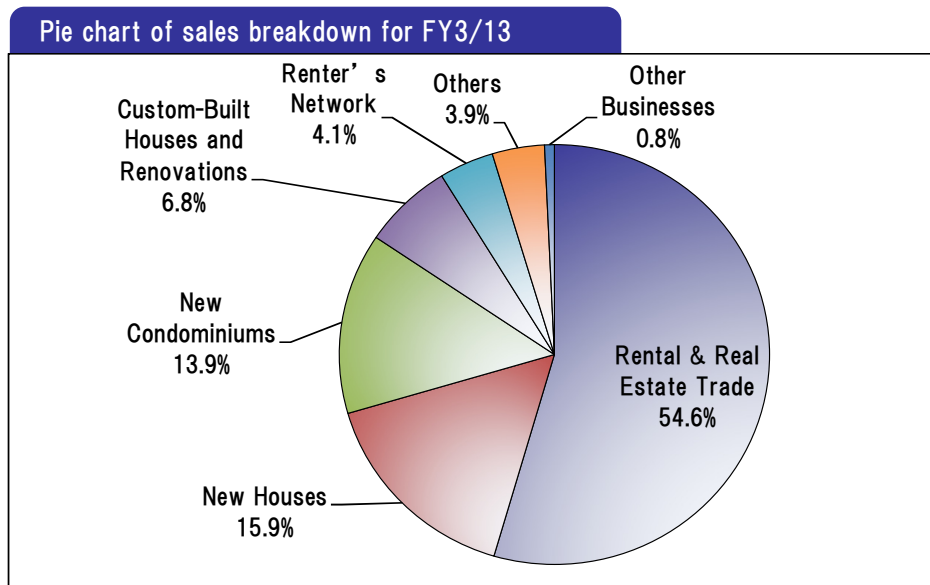
Business Activities

Management of HOME' S Real Estate and Housing Information Portal Site that is No. 1 in Total Listed Properties

NEXT develops information services in various lifestyle-related fields including a financial information site and a local community information site. Its primary focus is on managing the HOME' S real estate and housing information portal site. HOME' S provides a one-stop housing and property information service that includes "Rental and Real Estate Trade," "New Houses," "New Condominiums," and "Custom-Built Houses and Renovations" nationwide. The number of nationwide affiliated stores numbered 11,182 (as of December 31, 2013) and total listed properties numbered 4,470,000 (average for December 2013), the largest number of listings in all of Japan. The unique feature of NEXT is its earnings model that charges affiliated stores based on the number of user inquiries. Leveraging its position as No. 1 in total number of listed properties, the company is raising its visibility and increasing site visitors by aggressively expanding its branding promotion. As a result, earnings growth has been solid.

The company' s business is divided into two segments, the Real Estate Information Services segment and the Other Businesses segment. The Real Estate Information Services segment comprises 99.0% of total sales. Further, the Real Estate Information Services segment is divided into "Rental & Real Estate Trade," "New Houses," "New Condominiums," "Custom-Built Houses and Renovations," "Renter' s Network (CRM services for the real estate industry)," "Others (relocation estimates, elderly care service, overseas business, etc.). The Other Businesses segment consists of the "MONEYMO" financial information site, the "Lococom" local community information site, and other businesses.

■ Business Activities



NEXT has six consolidated subsidiaries (one in Japan and five abroad). Its wholly owned domestic subsidiary, Renters Co., provides customer relationship management (CRM) services for real estate companies. Overseas, NEXT has one subsidiary in Indonesia (50.0% ownership ratio), one in Thailand (99.9% ownership ratio), and three which used to do business in China (90.2% ownership ratio). The Chinese subsidiaries are in the process of being liquidated.

Founded to Create a Mechanism for Easy Access to Real Estate Information

(3) Special Characteristics of NEXT

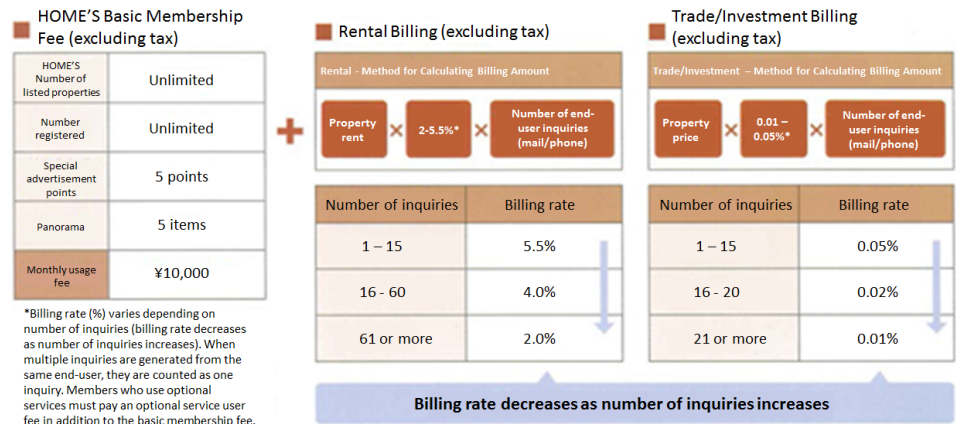
The greatest feature of HOME' S is its No. 1 position in total number of listed properties. The fact that HOME' S is No. 1 in total number of listed properties attracts users and this creates a virtuous cycle whereby the number of affiliated stores and total listed properties increases further and drives company earnings. What enabled NEXT to become No. 1 in total number of listed properties was that it developed its business through the 4P Strategy, which it has implemented for three years since 2011. The 4P Strategy consists of a price strategy (change in billing method), a product strategy (website upgrades), a promotion strategy (branding promotion), and a placement strategy (marketing strategy). Above all, 1) a unique revenue model, and 2) strong ability to attract customers are what gives the company its advantage.

1) Unique Revenue Model of Billing based on Number of Inquiries

The increase in the total number of listed properties was caused by the revision of its fee structure. To increase user convenience and differentiate itself from competitors by the total number of listed properties, in “Rental & Real Estate Trade,” its volume zone, the company changed from a billing system based on the number of total listed properties, which is the industry standard, to a billing system based on the number of user inquiries. This change has led to a rapid increase in the total number of listed properties. From the affiliated stores’ perspective, paying only a fixed base rate whereby their cost won’t increase no matter how many properties they list motivates them to list more properties. Moreover, network externality* is at work at HOME’S, which can increase site visitors as the total number of listed properties increases, and is considered a factor in the successful matching of interests of both the company and affiliated stores. The company’s inquiry-based billing is calculated by applying a certain rate to the rent of the subject property.

*Network externality means that the more the number of members increases, the more each member benefits.

Unlimited Number of Listed Properties + Pay-As-You-Go Format Based on Number of Inquiries



Source: Company

2) Strong Ability to Attract Customers through Branding and SEO

NEXT has focused on strengthening its visibility and its ability to attract customers to its site through aggressive branding promotion and highly precise SEO. With respect to advertising costs, the company continues its strategy of investing roughly 25% to 30% of sales in anticipatory investments, which has contributed to its higher visibility.



Business Activities

In the area of SEO, based on the effects of information volume from being No. 1 in total number of listed properties and website upgrades through integration and other measures, while at the same time an in-house team of experts collaborates with outside partners, the company continued to have the top average ranking of search results based on major keywords*. As a result, the company boasts the No. 1 industry ranking in number of site visitors (based on access from home and office PCs according to Nielsen NetView, August 2012 – February 2013). NEXT is also focused on increasing user convenience and was ranked No. 1 in user-friendliness according to the Gomez Real Estate Information (rental/buying and selling) site ranking (announced in December 2012).

*Major keywords refer to the selected words rental, rental condominium, condominium, previously-owned condominium, apartment, new condominium, single family house and new house

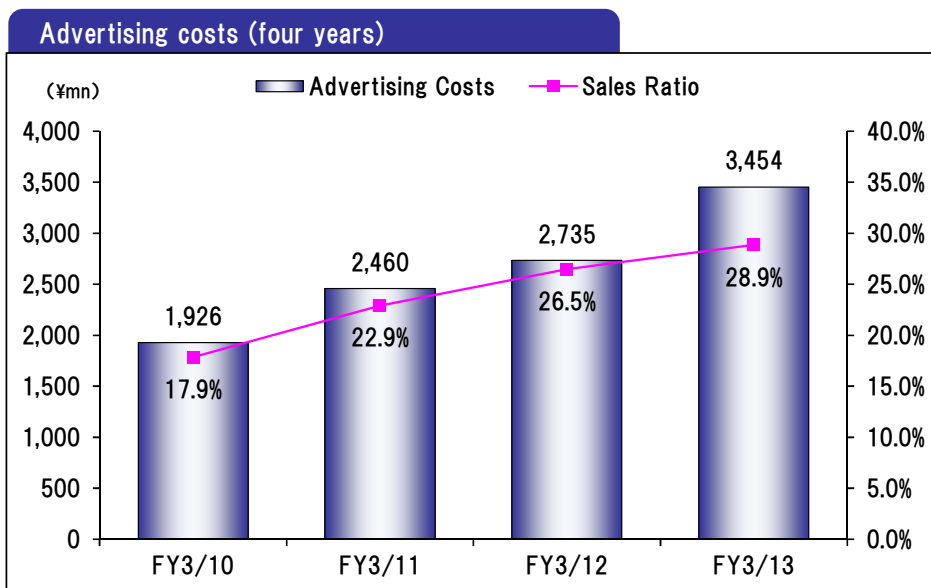


Photo of NEXT’s Website and TV Commercial Featuring Comic Duo “Banana Man”



Source: Company materials

■ Industry Structure

Real Estate Information Service Industry Could Become Oligopoly

There are many websites similar to HOME'S that offer real estate information services in Japan, but other major sites are "SUUMO" run by Recruit, "YAHOO! Real Estate," "CHINTAI," and "at home." According to a survey conducted by Nikkei Trendy, HOME'S holds the No. 1 position in total number of listed properties by an overwhelming margin.

NEXT estimates the number of vacant properties in the market as a whole at roughly 5 to 5.5 million. Its goal is to cover all properties in Japan, which is a founding concept. In NEXT's case, because it has a revenue model whereby earnings grow if user inquiries increase, the advantage that it gains by increasing the number of site visitors by covering all properties is bigger, even if the total number of listed properties reaches the saturation point. Moreover, since network externality is at work wherein sites that have an advantage due to the total number of listed properties and ability to attract customers are increasingly raising their value as media, it is conceivable that the industry could become over concentrated (an oligopoly) at the top level and that room to grow would come by cannibalizing competitors' market share.

In addition, there are no industry peers of comparable size with billing based on the number of inquiries (inquiry billing) as NEXT does. Not only is inquiry billing difficult to forecast, it is considered a system that could make business performance fluctuate greatly and therefore is difficult for large companies with many fixed costs to adopt.

Number of listed properties ranking

	Total Number of Listed Properties
HOME'S	4,084,700
Yahoo! Real Estate	1,877,400
SUUMO	1,821,600
at home	1,511,300
CHINTAI	568,100

Source: Nikkei Trendy

■ Financial Results Trend

Using Change in Fee Structure to Advance to New Growth Stage

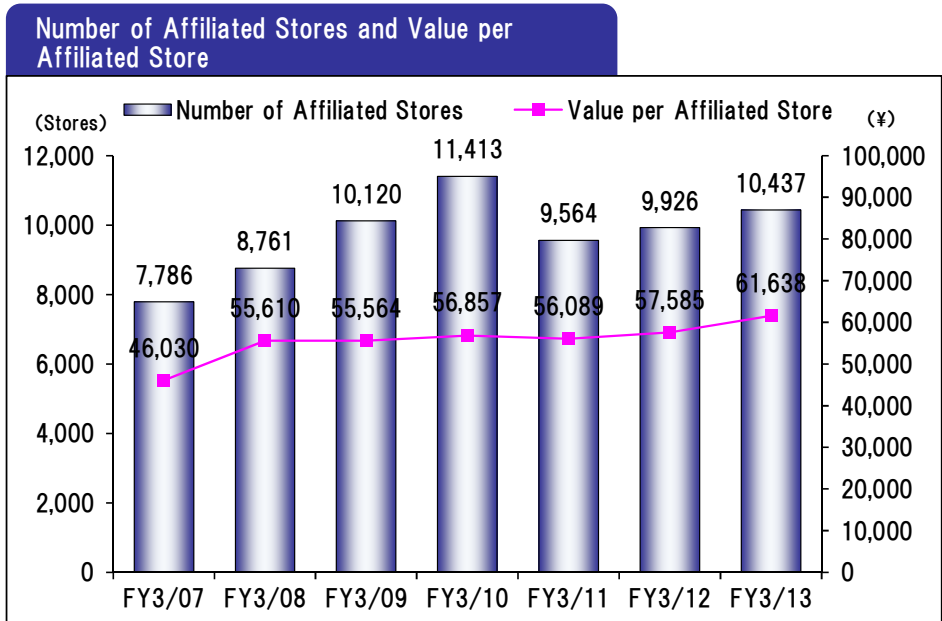
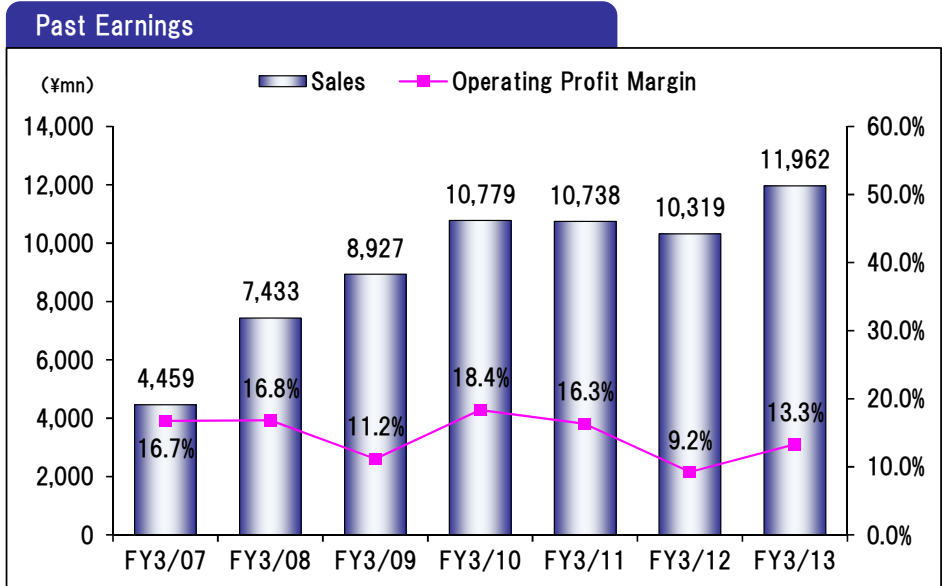
(1) Past Earnings

Looking back on past earnings, the "Rental & Real Estate Trade" segment has driven NEXT's sales, and until FY3/10 earnings had grown favorably along with the number of affiliated stores and the sales per affiliated store (the value per affiliated store). The effects of the fee structure revision are what caused earnings to decline from FY3/11 through FY3/12. Because the number of inquiries fell below the company's expectations and there was a temporary defection of affiliated stores overwhelmed by the industries' first inquiry billing attempt, the number of affiliated stores and the value per affiliated store decreased. However, the total number of listed properties is rapidly increasing and the company's visibility and ability to attract customers have further increased through branding promotion and effective SEO based on website redesign begun in FY3/13.



Financial Results Trend

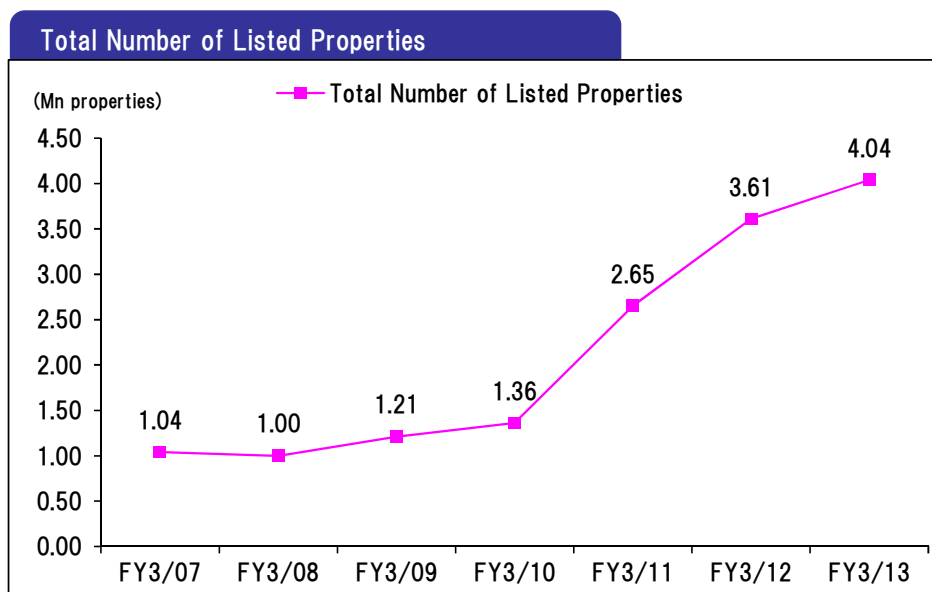
As a result, earnings appear to have entered a new growth stage. Further, even though the operating profit margin decreased in FY3/12 due to lower earnings caused by revision of billing method, higher costs owing to head office relocation, and aggressive anticipatory investments in advertising, thanks to the impact of the above-mentioned 4P Strategy, in FY3/13, these costs were absorbed through higher sales, and high profitability is being restored.



Note: As of fiscal year-end, figures for FY3/07 are as of April 2007



Financial Results Trend



Note: Number of properties is average number for fiscal year

Dramatic Sales and Profit Increase from Aggressive Branding and SEO Effects

(2) Results Summary for FY3/13

In FY3/13, sales and profits increased dramatically with sales up 15.9% to ¥11,962mn, operating profit surged 67.0% to ¥1,591mn, recurring profit climbed 57.7% to ¥1,549mn, and net profit rose 31.8% to ¥614mn. Compared to the company's initial forecast, results came in well above target including sales at 115.8% and operating profit at 297.4% above target.

In the company's core real estate information service, the total number of both listed properties and site visitors increased due to branding promotion and site upgrades, and better-than-expected increases in both the number of affiliated stores and sales per affiliated store (the value per affiliated store) pushed earnings upward. In addition to the steady growth of "Rental & Real Estate Trade," the company's volume zone, the domains of "New Houses" and "New Condominiums," and the field of "Custom-Built Houses and Renovations," a promising area of growth, also grew substantially.

In addition, the cost rate rose slightly due to the cost of producing feature web pages. However, despite higher SG&A expenses such as from aggressive spending on advertising (up ¥718mn y-o-y), the cost of such expenses was as low as 3.1%, and therefore the operating profit margin increased significantly due to earnings growth. Moreover, the reduction of losses through cost cutting in money-losing divisions such as local community information services also contributed to a higher operating profit margin. The reason for the relatively modest growth in net profit was the posting of extraordinary losses (impairment loss on goodwill, loss on valuation of investment securities, etc.) related to its Chinese subsidiaries.



Financial Results Trend

Results Summary for FY3/13

(Unit: ¥mn)

	FY3/12 (Results)		FY3/13 (Results)		Change	
		% of total		% of total		% change
Sales	10,319		11,962		1,642	15.9%
Real Estate Information Services	10,222	99.1%	11,851	99.1%	1,629	15.9%
Rental & Real Estate Trade	5,956	57.7%	6,513	54.4%	556	9.3%
New Houses	1,404	13.6%	1,902	15.9%	261	18.6%
New Condominiums	1,403	13.6%	1,664	13.9%	497	35.4%
Custom-Built Houses and Renovations	596	5.8%	810	6.8%	213	35.8%
Renter's Network	399	3.9%	491	4.1%	92	23.2%
Others	461	4.5%	469	3.9%	8	1.7%
Local Information Services	30	0.3%	20	0.2%	-9	-31.5%
Other Businesses	67	0.6%	90	0.8%	22	34.1%
Sales cost	291	2.8%	376	3.1%	84	29.1%
SG&A	9,075	87.9%	9,995	83.6%	919	10.1%
Operating profit	952	9.2%	1,591	13.3%	638	67.0%
Real Estate Information Services	1,912	18.7%	1,902	16.0%	-10	-0.5%
Local Information Services	-633	-	-145	-	488	-
Other Businesses	-326	-	-166	-	160	-
Recurring profit	982	9.5%	1,549	12.9%	567	57.7%
Net profit	465	4.5%	614	5.1%	148	31.8%
Total number of listed properties (thousands of properties; average for March)		3,615		4,043	428	11.8%
Number of affiliated stores (stores; average for FY)		9,532		9,894	362	3.8%
Value per affiliated store (Yen; average for FY)		52,012		54,555	2,543	4.9%

Favorable Results Sustained in the First Three Quarters (April – December 2013)

(3) Outline of Results for the First Three Quarters (April – December 2013) of FY3/14

In the first three quarters (April – December 2013) of FY3/13, earnings remained strong with sales up 23.3% to ¥10,408mn, operating profit rose 59.5% to ¥2,204mn, recurring profit surged 63.5% to ¥2,203mn, and net profit jumped 83.1% to ¥1,282mn.

In core real estate information services, all areas experienced solid growth. Specifically, in addition to the effects of aggressive branding promotion, such as TV commercials, train advertising, and large billboard displays, as well as website redesign, the number of site visitors and inquiries increased favorably as a result of a major campaign leveraging Facebook and sales promotion activities planned jointly with Rakuten Real Estate. Moreover, the total number of listed properties, the number of affiliated stores and the value per affiliated store all increased.

Meanwhile, the operating profit margin increased substantially due to higher earnings, despite higher SG&A expenses caused by advertising expenses (up ¥470mn y-o-y) and personnel costs (up ¥346mn y-o-y). Further, the reduction of losses of the local community information site “Lococom,” the return to profitability of the financial information site “MONEYMO,” the discontinuation of services of unprofitable businesses, and other factors all helped to reduce losses and contributed to a higher operating profit margin in other businesses.



Financial Results Trend

Results Summary for the First Three Quarters of FY3/14

(Unit: ¥mn)

	Q1-Q3 FY3/13 (Results)		Q1-Q3 FY3/14 (Results)		Change	
		% of total		% of total		% change
Sales	8,439		10,408		1,969	23.3%
Real Estate Information Services	8,357	99.0%	10,311	99.1%	1,954	23.4%
Rental & Real Estate Trade	4,537	53.8%	5,492	52.8%	955	21.0%
New Houses	1,360	16.1%	1,762	16.9%	402	29.6%
New Condominiums	1,142	13.5%	1,330	12.8%	188	16.5%
Custom-Built Houses and Renovations	584	6.9%	762	7.3%	178	30.5%
Renter's Network	359	4.3%	437	4.2%	77	21.7%
Others	372	4.4%	525	5.0%	153	41.1%
Other Businesses	82	1.0%	97	0.9%	15	18.3%
Sales cost	258	3.1%	336	3.2%	77	30.2%
SG&A	6,799	80.6%	7,867	75.6%	1,068	15.7%
Operating profit	1,381	16.4%	2,204	21.2%	822	59.6%
Real Estate Information Services	1,648	19.7%	2,251	21.8%	603	-0.5%
Other Businesses	-267	-	-47	-	220	-
Recurring profit	1,347	16.0%	2,203	21.2%	856	63.5%
Net profit	700	8.3%	1,282	12.3%	582	83.1%
Total number of listed properties (thousands of properties; average for December)		4,204		4,469	265	6.3%
Number of affiliated stores (stores; average for Q1-Q3)		9,970		11,177	1,207	12.1%
Value per affiliated store (Yen; average for Q1-Q3)		52,452		55,725	3,273	6.2%

Record-High Earnings Forecasted

(4) Earnings Forecast for FY3/14

The company upwardly revised its full-year earnings forecast on March 24, 2014. The revised forecast is for sales of ¥14,676mn, up 22.7% y-o-y, operating profit of ¥2,288mn, up 48.3%, recurring profit of ¥2,289mn, up 47.8%, and net income of ¥1,339mn, up 118.1%.

Taking into account earnings through the first three quarters and the fact that the fourth quarter is the company's busy season and corresponds to the moving season, the probability of the company achieving its earnings forecast is considered high. According to the monthly movement for February 2014, which was announced on March 20, 2014, the ratio of progress in the results of the HOME'S main portal site is 71.4% for the fourth quarter (January-March) and 92.4% on a full-year basis (April 2013-February 2014), showing growth as being on track.

Earnings Forecast for FY3/14

(Unit: ¥mn)

	FY3/13 (Results)		FY3/14E (After revision of 20/3/2014)		y-o-y
		% of total		% of total	
Sales	11,962	-	14,676	-	22.7%
Real Estate Information Services	11,851	99.1%	14,536	99.0%	22.7%
Rental & Real Estate Trade	6,513	54.4%	-	-	-
New Houses	1,902	15.9%	-	-	-
New Condominiums	1,664	13.9%	-	-	-
Custom-Built Houses and Renovations	810	6.8%	-	-	-
Renter's Network	491	4.1%	-	-	-
Others	469	3.9%	-	-	-
Other Businesses	110	0.9%	139	1.0%	26.4%
Sales cost	376	3.1%	-	-	-
SG&A	9,995	83.6%	-	-	-
Operating profit	1,591	13.3%	2,288	15.6%	48.3%
Real Estate Information Services	1,902	16.0%	-	-	-
Other Businesses	-311	-	-	-	-
Recurring profit	1,549	12.9%	2,289	15.6%	47.8%
Net profit	614	5.1%	1,339	9.1%	118.1%

Results Trend for FY3/09 - FY3/14E

(Unit: ¥mn)

	Sales	y-o-y	Operating profit	y-o-y	Recurring profit	y-o-y	Net profit	y-o-y	EPS (¥)	DPS (¥)
FY3/09	8,927	20.1	998	-20.1	971	-22.4	375	-7.6	6.84	0.70
FY3/10	10,779	20.7	1,979	98.2	1,991	104.9	1,026	173.1	19.10	2.16
FY3/11	10,738	-0.4	1,749	-11.6	1,758	-11.7	1,107	7.9	19.69	1.96
FY3/12	10,319	-3.9	952	-45.6	982	43.6	465	-57.9	8.27	1.23
FY3/13	11,962	15.9	1,591	67.0	1,549	57.7	614	31.8	10.90	2.16
FY3/14E	14,676	22.7	2,288	48.3	2,289	47.8	1,339	53.2	23.75	4.80



■ Growth Strategy

Reinvestment in Existing Businesses and Creation of Real Estate Industry Business Platform Drive NEXT' s Strategy

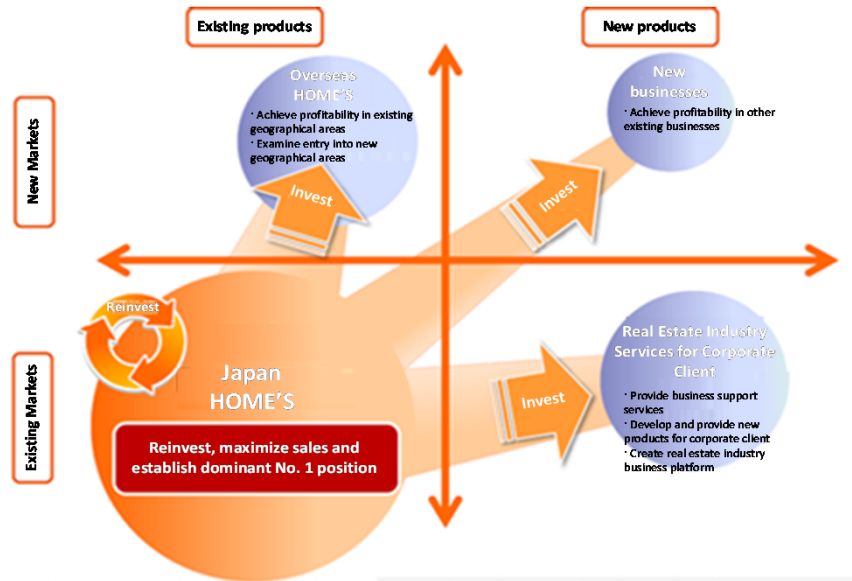
Over the medium to long term, the company seeks to evolve into a global company in the Database and Communication Concierge Service (DB + CCS) domains. Leveraging various information domains that revolve around people' s lives, NEXT will offer services that provide the most relevant information to each user. Its growth strategy for achieving this is to promote four events by supporting overseas expansion and the development of new businesses, with a focus placed on strengthening existing businesses. The pillars of its strategy over the near-term are to establish the dominant No. 1 position by reinvesting in HOME' S in Japan and to create a real estate industry business platform by expanding business support services for real estate companies. While maintaining the real estate-related business as its base, it plans to generate additional profit through overseas expansion and new businesses. Moreover, one of its targeted management benchmarks is an operating profit margin of 25%.

To strengthen its existing businesses, in addition to measures taken thus far to increase site visitors, the company is broadening its engagement with customers by expanding its services into new fields such as renovation and trunk rooms for storage, capturing and retaining first-time visitors so they become repeat customers by providing the most relevant content, and email marketing. Further, NEXT is creating a system that retains users as members by providing communication tools they can use after they change residence. So that people can live optimal lives, the company seeks to make suggestions on people' s lifestyle and create an environment in which people can more easily (and more frequently) change their residence. This will enable the company' s scope for growth to continue to expand.

In addition, the real estate industry business platform provides essential solutions for real estate company business. Specifically, in addition to the function of attracting site visitors through existing sites, the platform provides customer relationship management (CRM), which covers pursuing customers, preliminary inspection/property visit, and sale closing, as well as CRM support for real estate owners — an industry first. With a focus on its dominance in attracting customers, the company can expect to create value by expanding solution domains to those upstream and downstream business processes and this will differentiate itself from competitors. A solution the company already provides for attracting and pursuing new customers is its CRM service for “Renter' s Net,” which has been adopted by more than 1,000 stores. However, NEXT has set its sights on increasing the number of customers and average spending per customer by further expanding its service and customer domains.

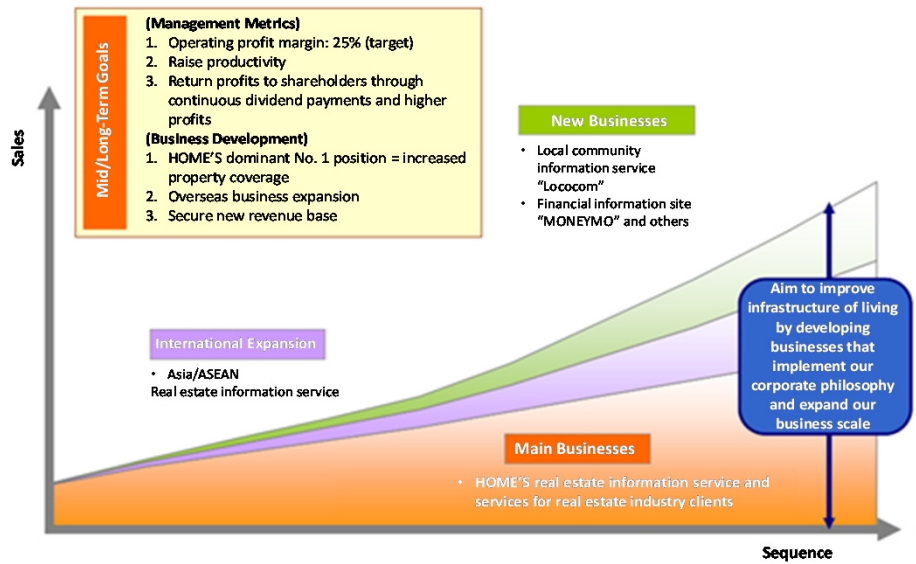
■ Growth Strategy

Growth Strategy - Four Events (chart)



Source: Company materials

Medium- to Long-Term Business Expansion



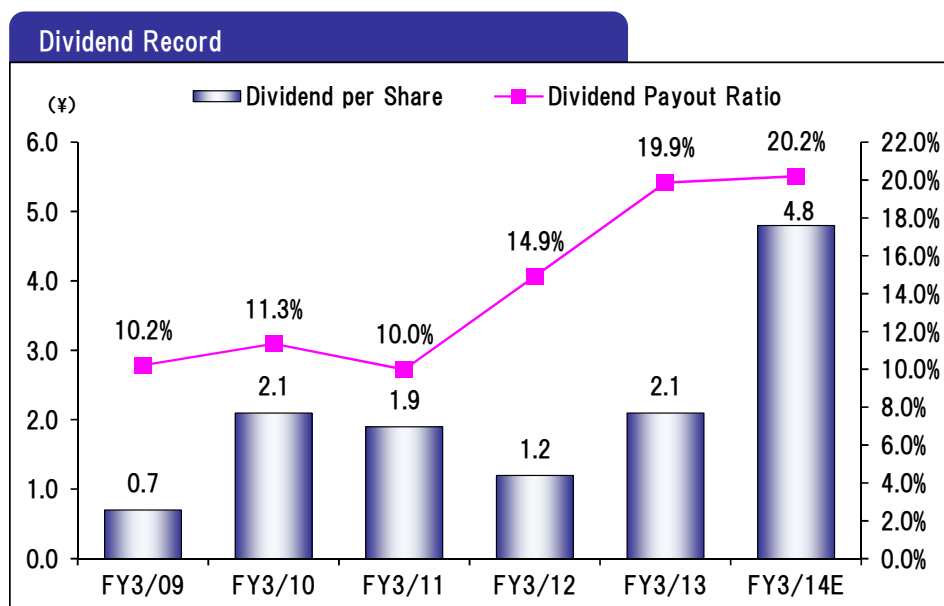
Source: Company materials



Shareholder Returns

Much Room for Dividend Increase following Profit Growth

The company's basic policy concerning profit sharing is to flexibly distribute profits based on each period's earnings, taking into account the medium- to long-term business plan and other factors, and targets a payout ratio of about 20% for ordinary dividends, a five percentage point increase over its 15% payout in the previous period. In FY3/13, an annual dividend of ¥2.1 per share (¥6.5 per share before taking the stock split into account) was paid (payout ratio of 19.9%). In FY3/14, after revision of full year earnings forecast, NEXT plans to raise its annual dividend to ¥4.8 (¥14.4 before taking the stock split into account) per share (a payout ratio of 20.2%). The company implemented a 3 for 1 stock split effective January 1, 2014. As a result of profit growth, the potential for a dividend increase is considered quite high over the medium term.



Note: Carried out 3 for 1 stock split in Jan. 2014; per share figures are the amount for which stock split is taken into account

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