


Financial Results for the 2nd Quarter of Fiscal Year Ending March 31, 2016

December 2015



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<Chapter 1> Corporate Profile



Basic Information

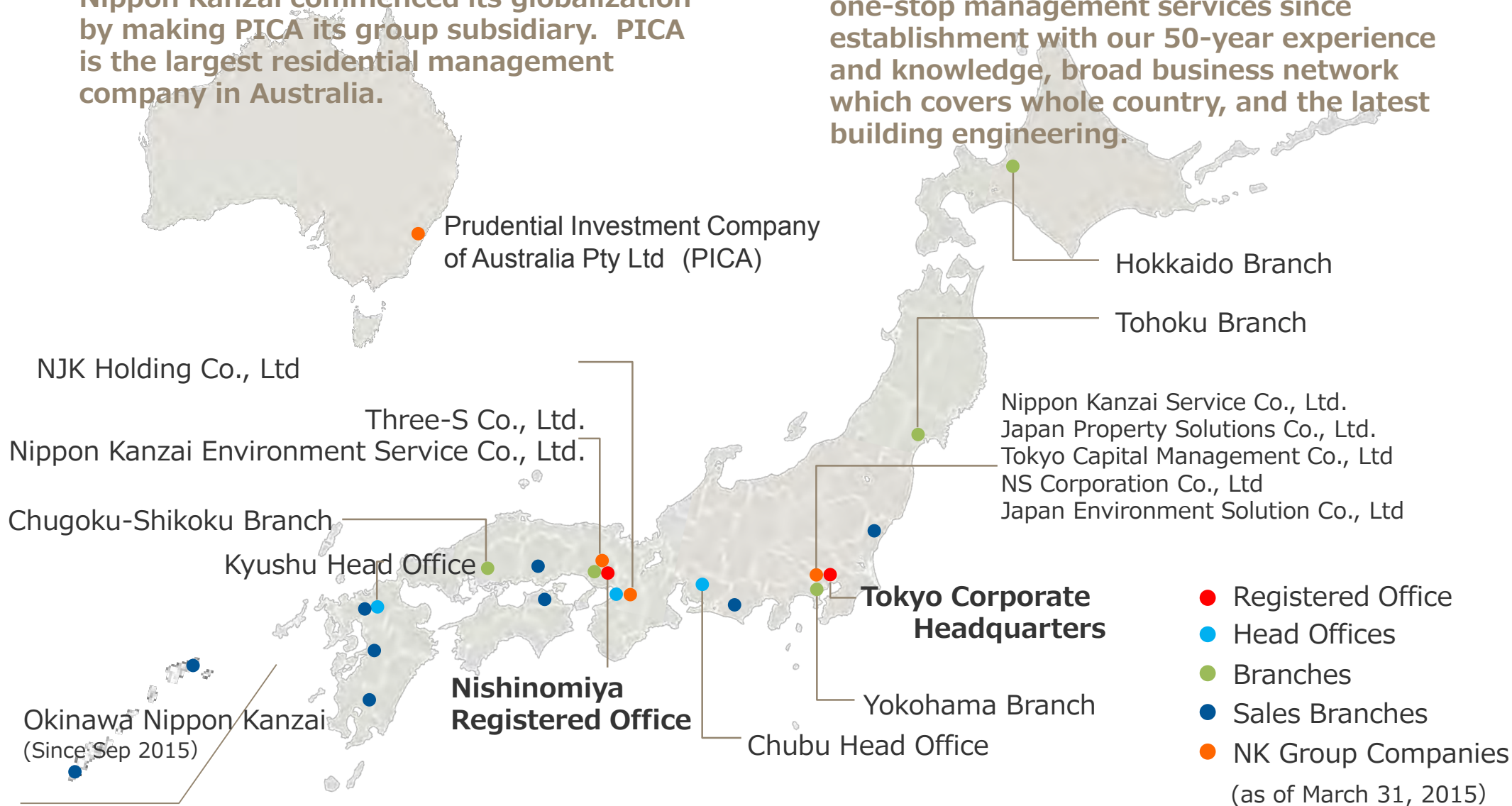
Nippon Kanzai Group steadily contributes to maintaining our clients' assets as experts in management of real estate properties.

Company Name	NIPPON KANZAI Co., Ltd.
Established	October 27, 1965
Paid-In Capital	¥3 billion
Representative	Shintaro Fukuda, President and Representative Director
Headquarters	2-1-10 Nihombashi, Chuo-ku, Tokyo Japan
Business Segment	Building Management and Operation, Environmental Facilities Management, Real Estate Fund Management and Other Businesses
Total Employees	9,086 (consolidated, as of September 30, 2015)

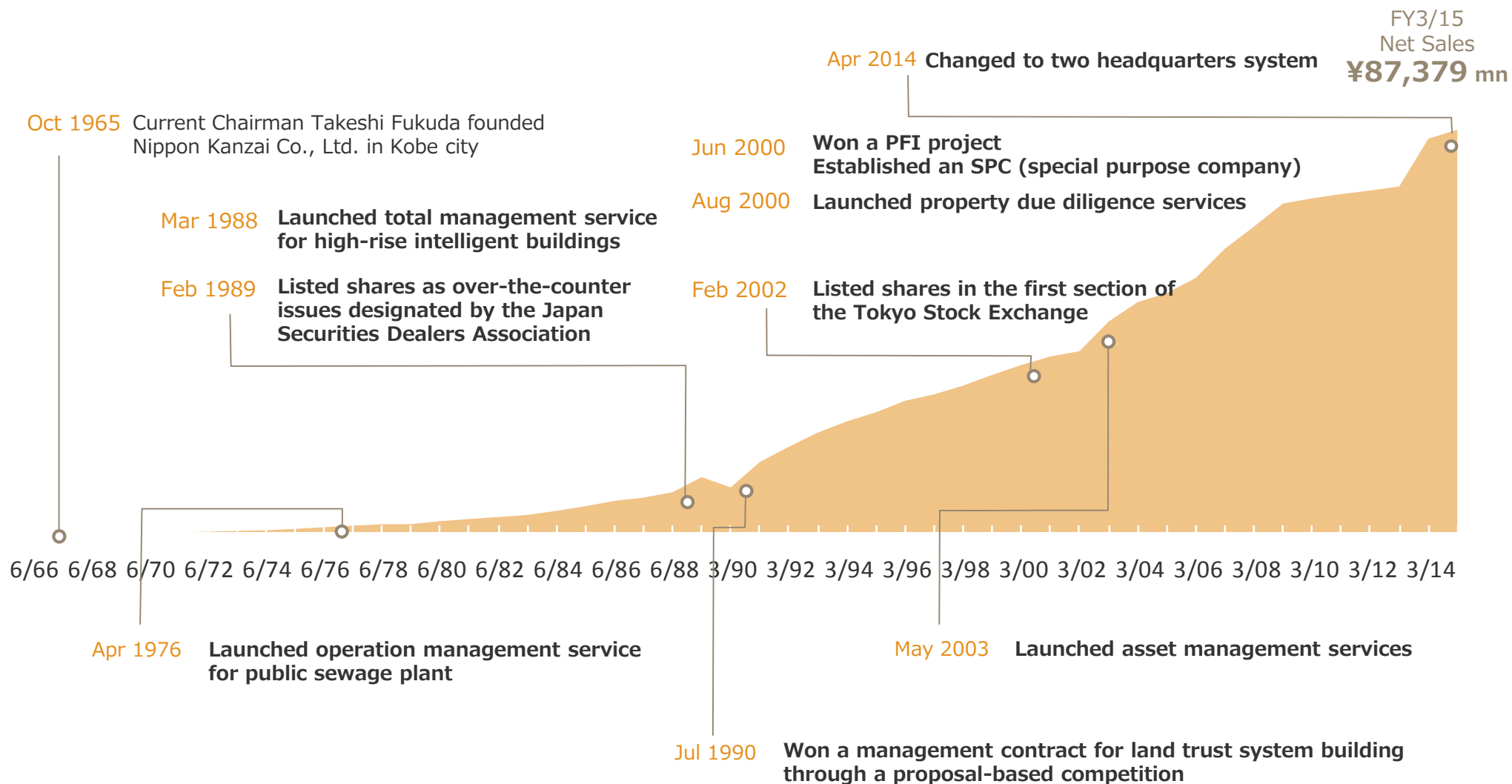
Business Locations

Nippon Kanzai commenced its globalization by making PICA its group subsidiary. PICA is the largest residential management company in Australia.

Nippon Kanzai has been offering optimal one-stop management services since establishment with our 50-year experience and knowledge, broad business network which covers whole country, and the latest building engineering.



Major Milestones



Business Portfolio

Integrated Services in Real Estate Areas

Management services related to operation and management of properties

Residential Management

Facility Management

Energy Management

Construction Management

Environmental Engineering

Leasing Management

Building Inspection

Services based on engineering expertise

Single Services in Real Estate Areas

Consulting service for the third party based on our building database

Integrated Service

Property Management

Single Service

Integrated Services in Financial Areas

Agency services for owners in financial areas

Project Management

Fund Management

Asset Management

Non-Real Estate

Nippon Kanzai Group is operating business in multiple areas from real estate to financial services, single and integrated services, utilizing its engineering abilities

Call Center

Administrative Management

Single Services in Non-Real Estate Areas

Outsourced administrative works related to real estate

Business Segments and Major Group Companies

Building Management and Operation

¥38,405 mn

Bldg Maintenance ¥21,091 mn

Nippon Kanzai Service Co., Ltd.
Japan Property Solutions Co., Ltd.
Japan Environmental Solutions Co., Ltd.

Security ¥8,684 mn

Three-S Co., Ltd.

Residential Management ¥8,629 mn

NJK Holding Co., Ltd.

Environmental Facility Management

¥4,455 mn

Environmental Facility Management

Nippon Kanzai Environment Service Co., Ltd.

Real Estate Fund Management

¥400 mn

Asset Management

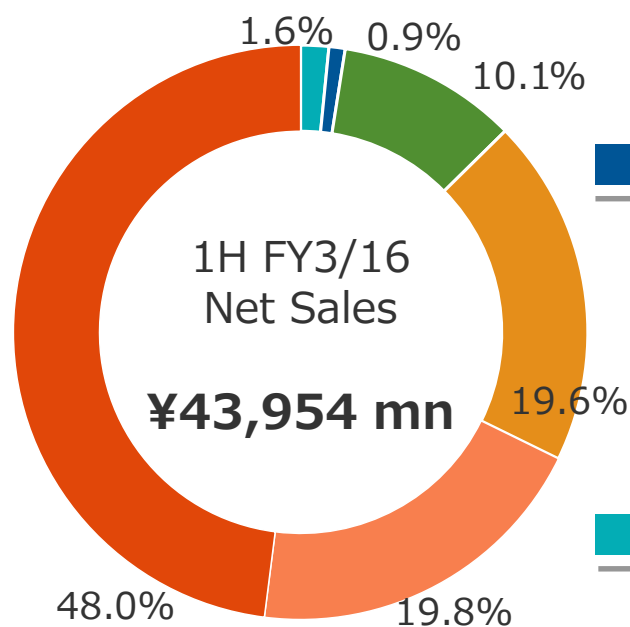
Tokyo Capital Management Co., Ltd.

Other

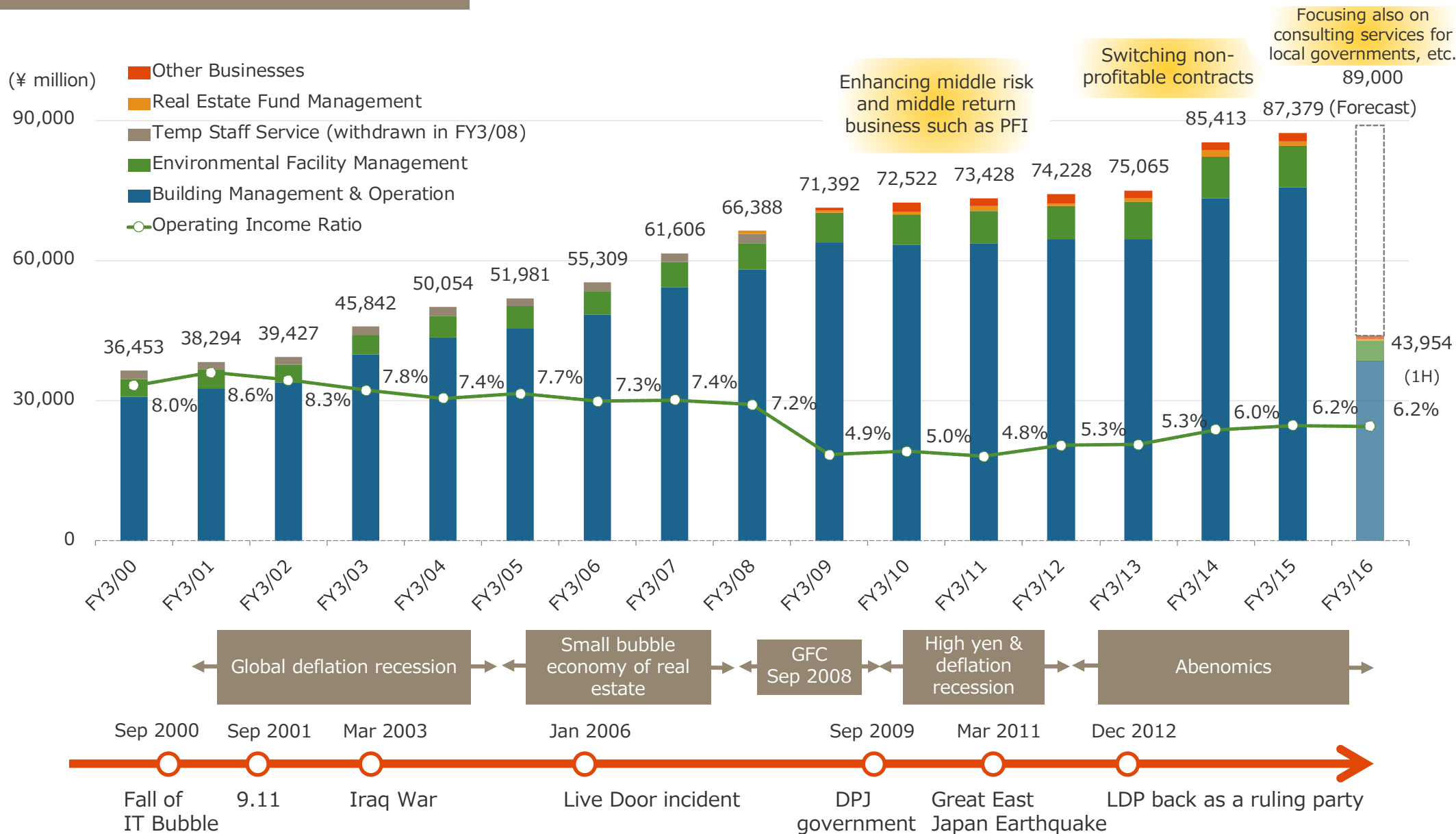
¥693 mn

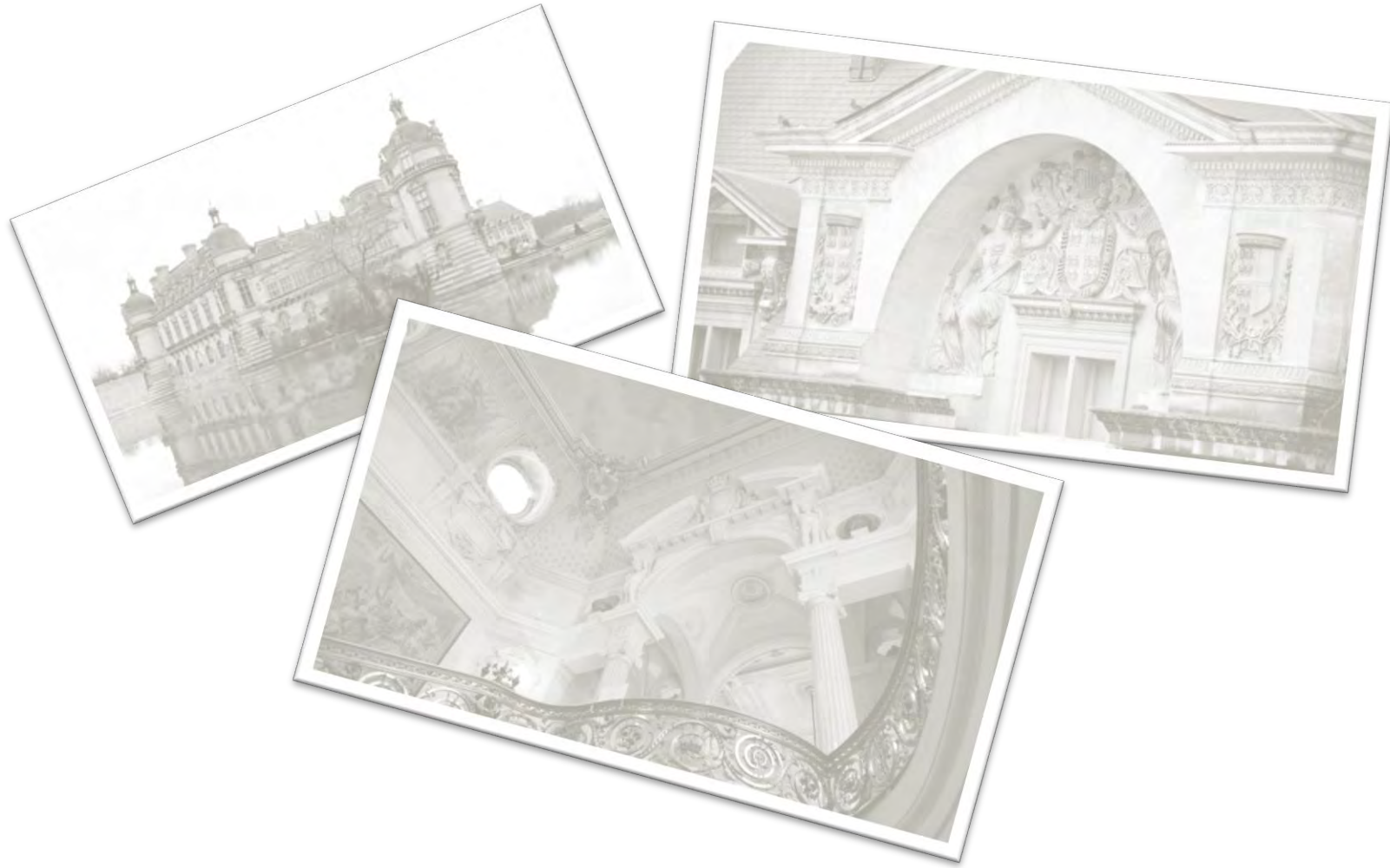
Other Business

NS Corporation Co., Ltd.
(Advertisement, Sales Promotion,
and Design Supervision)



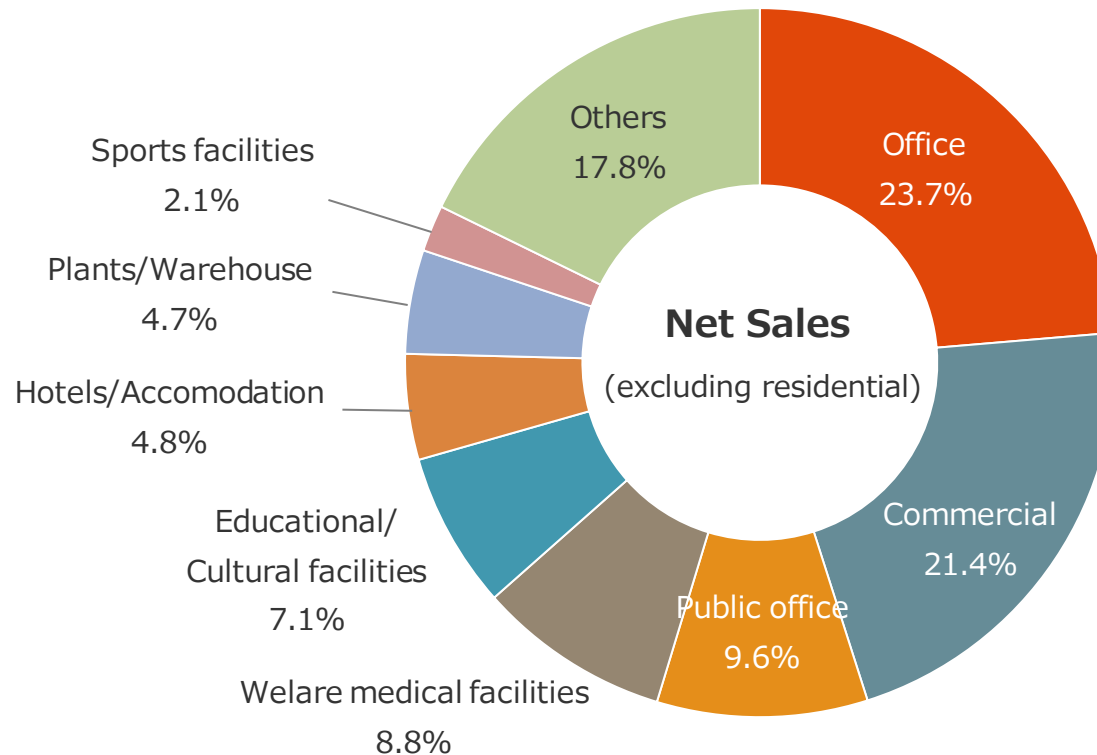
Medium-Term Historic Business Performance





Our Feature (1) – Track Records in Various Buildings

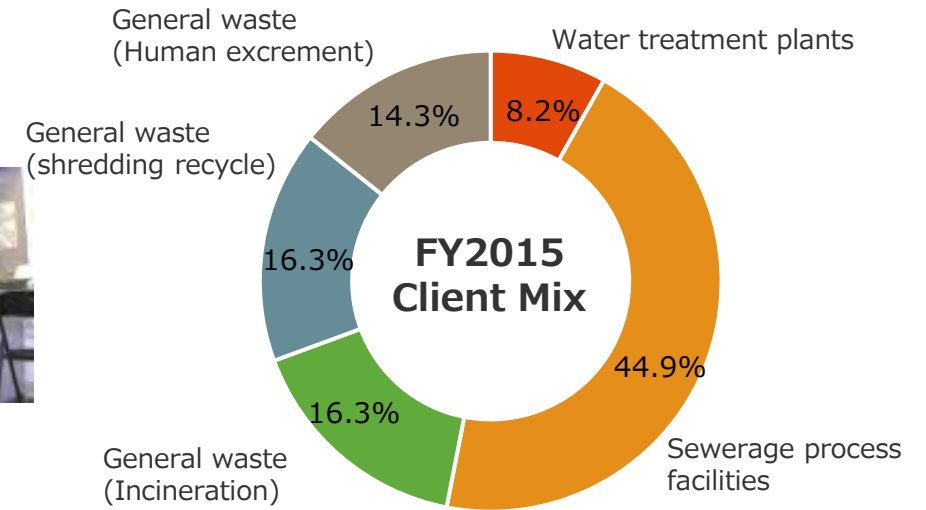
- Portfolio of Properties under Management of Nippon Kanzai (as of March 31, 2015)
 - Portfolio covers various types with focus on offices, large commercial properties and public facilities.
 - An increasing trend in large facilities such as universities and hospitals.



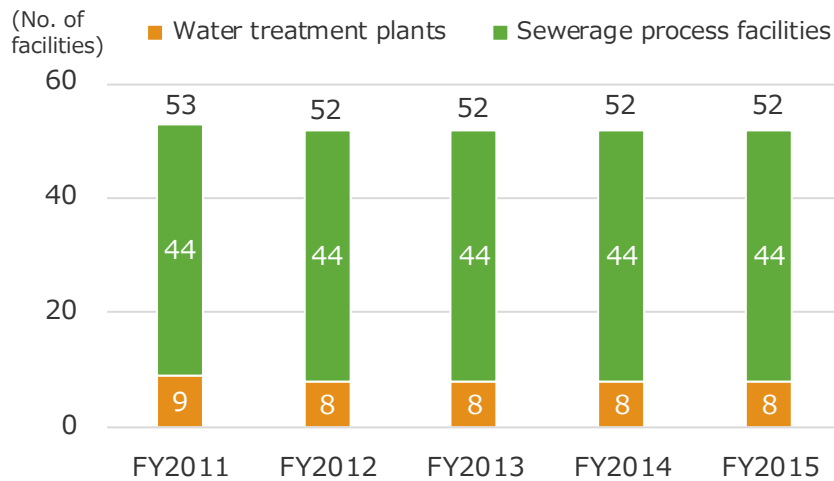
※ Based on our data base

Our Feature (1) – Track Records in Various Environmental Facilities

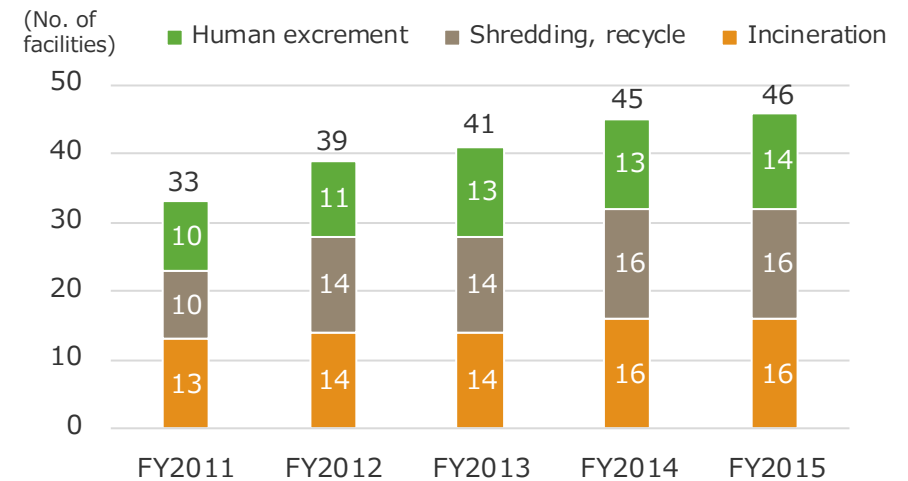
Overview and Historical Number of Facilities under Management



Number of water work and sewerage facilities



Number of general waste processing facilities



*No. of contracts as of Apr 1

Our Feature (2) – Combining Digital Tools and Mastery of Building Management

Pursuing greater client satisfactions through our DBs, their skilled operators and nationwide networks

Digital

Unique services based on our building management and operation databases



Analog

Client approaches aimed to maintain/ enhance assets value based on data analysis



Nippon Kanzai draws up effective proposals to sustain the value of clients' properties
by analyzing data collected through digital tools,
utilizing our long-time accumulated know-how in building management.
It is the combination of both digital aspects and analog aspects of business resources that differentiates Nippon Kanzai from its competitors.

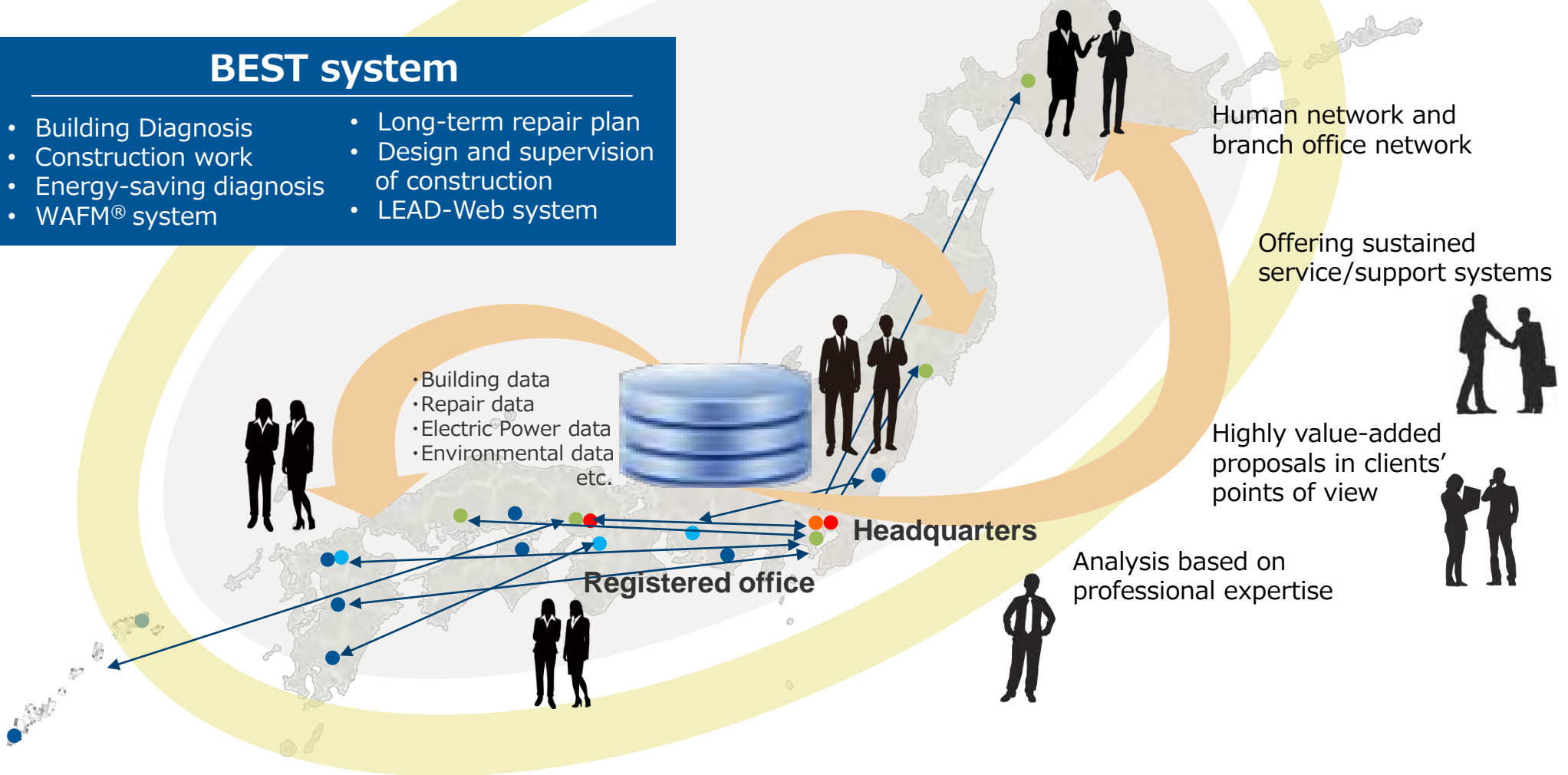
a. Combining Digital Tools and Mastery of Building Management

Databases built on our nationwide networks with professional expertise

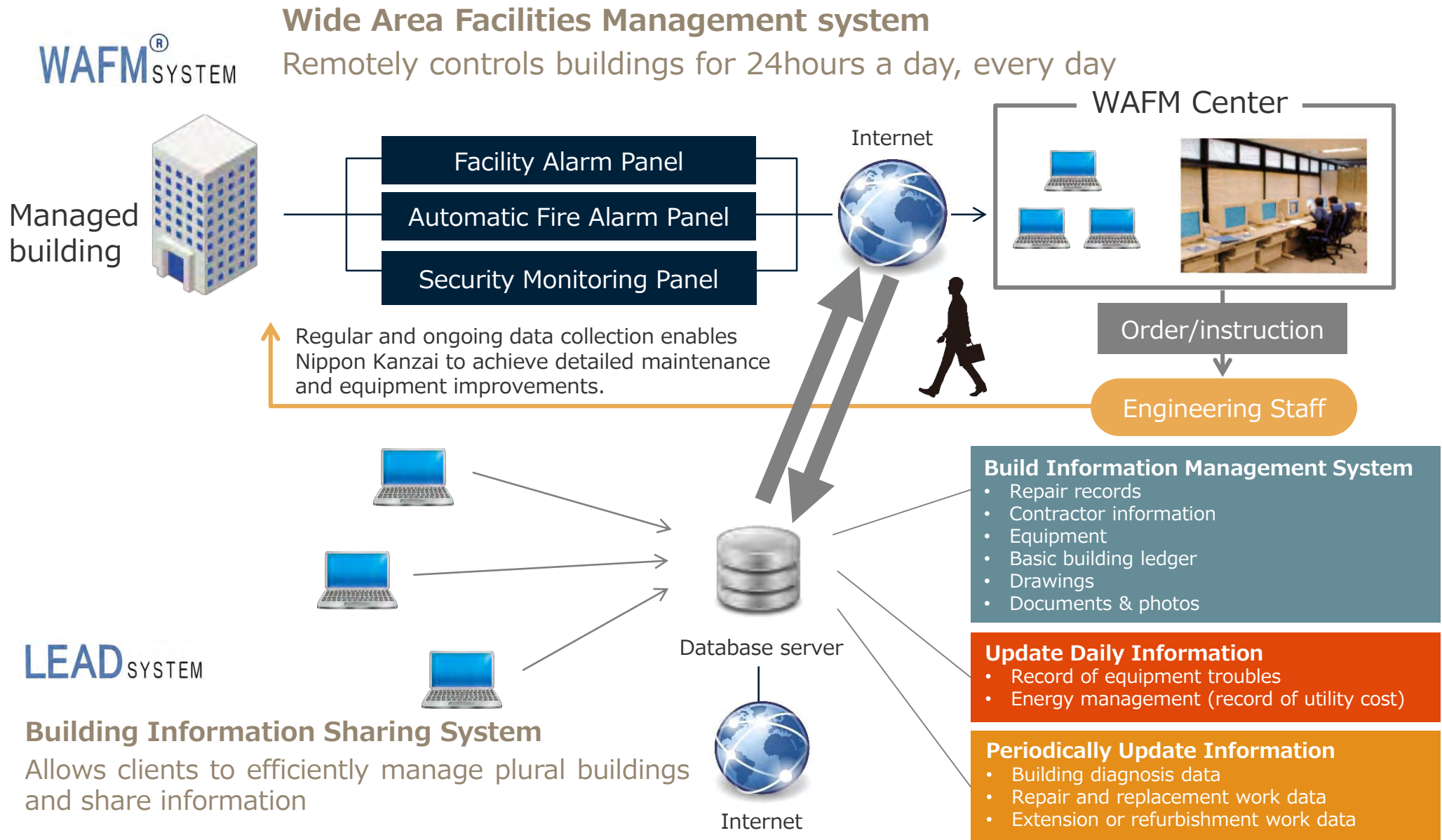
Boosting client satisfactions through our nationwide professional/office networks

BEST system

- Building Diagnosis
- Construction work
- Energy-saving diagnosis
- WAFM® system
- Long-term repair plan
- Design and supervision of construction
- LEAD-Web system

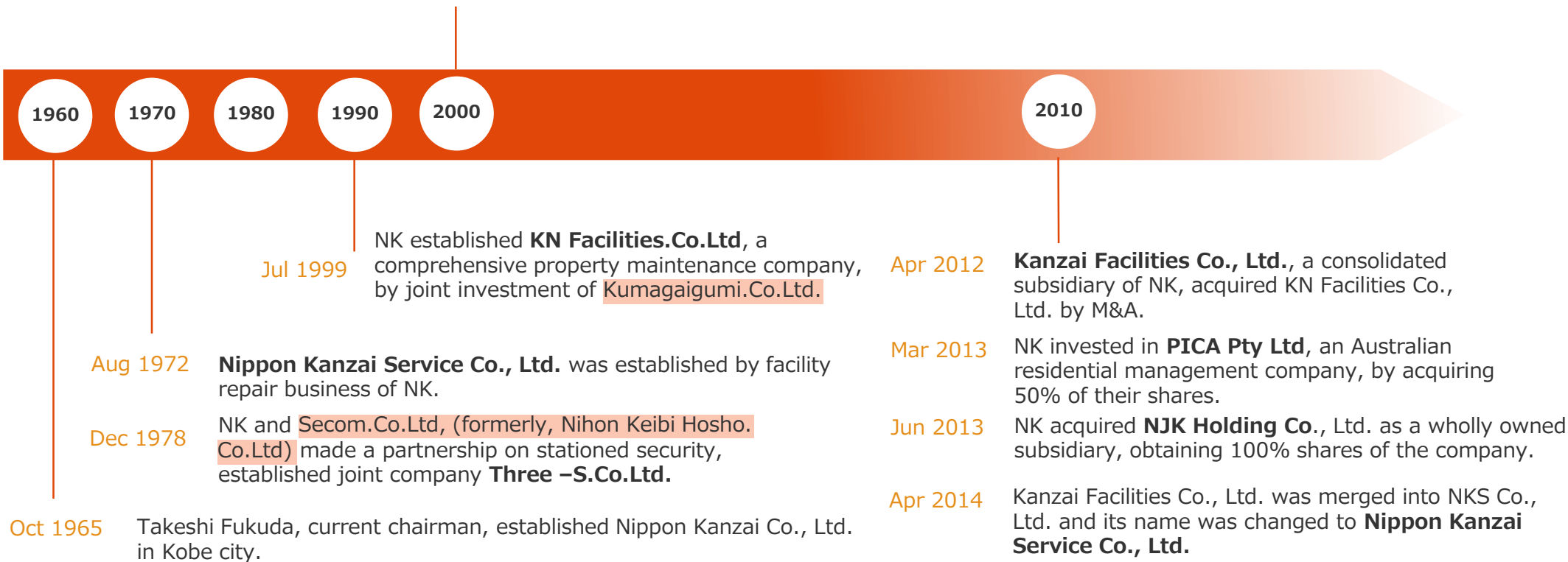


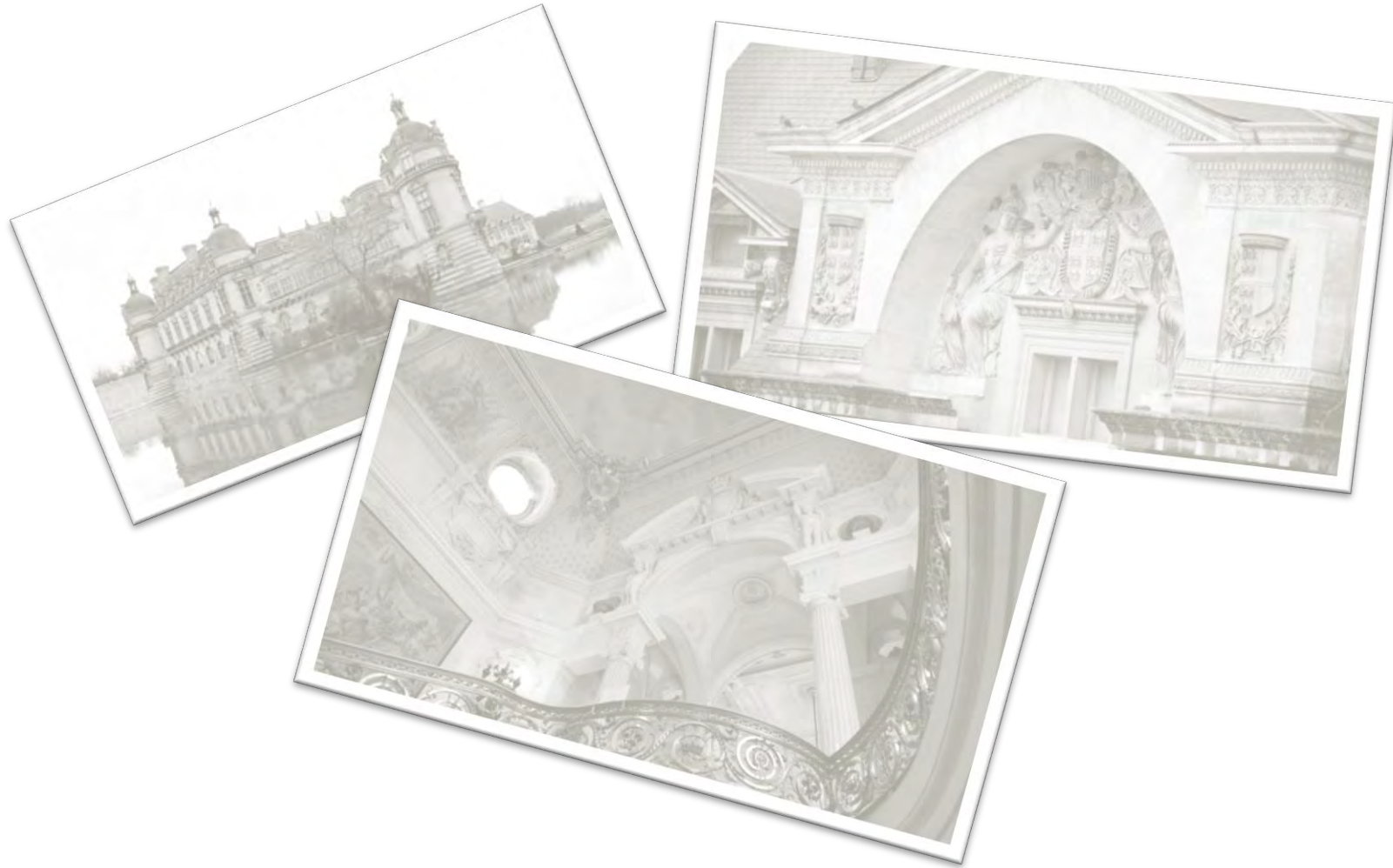
b. Example of Combining Digital Tools and Mastery of Building Management



History of Alliance Strategy Implementations

- Aug 2002** **Japan Property Solutions Co., Ltd.** was established by joint investment with **Mitsubishi Trust Bank. Co., Ltd.**
- Apr 2007** Real Estate Fund Management Div. became **Tokyo Capital Management Co., Ltd.**
- Jan 2006** Environment Engineering Div. became **Nippon Kanzai Environment Service Co., Ltd.** as a subsidiary.
- Jan 2008** Casa Co., Ltd., a consolidated subsidiary, was renamed to **Japan Environment Solutions. Co., Ltd.**, started underground water filtration business.
- Sep 2006** NK acquired **Lion Building Maintenance Co., Ltd.** from Lion Group, renamed it to **Kanzai Facility Co., Ltd.**
- Nov 2008** NK acquired **Shiseido Kaihatsu Co., Ltd.** from Shiseido Group, renamed it to **NS Corporation. Co., Ltd.**



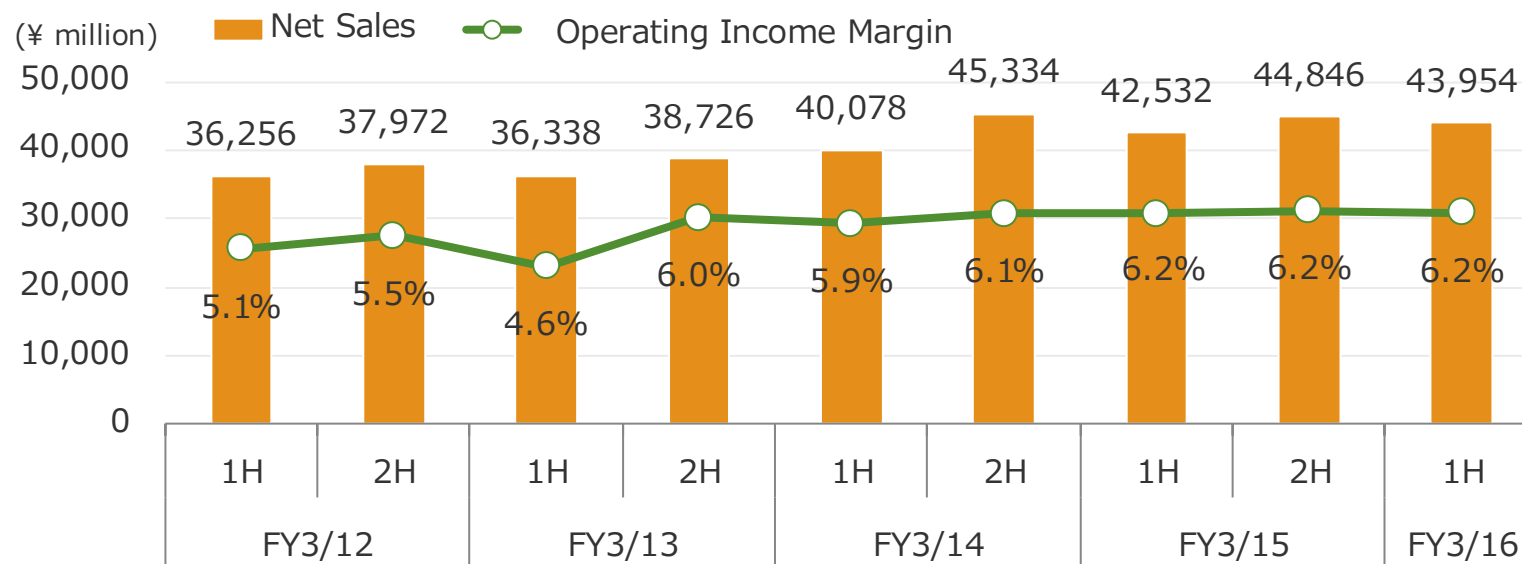


<Chapter 2>
Consolidated Financial Results for Q2 FY3/16



Consolidated Financial Results Summary

Consolidated (¥ million)	1H FY3/15		1H FY3/16		YoY Changes	
	Actual	Composition Ratio	Actual	Composition Ratio	Amount	Ratio
Net Sales	42,532	100.0%	43,954	100.0%	1,421	3.3%
Gross Profit	8,637	20.3%	8,910	20.3%	273	3.2%
SG&A Expenses	6,015	14.1%	6,197	14.1%	182	3.0%
Operating Income	2,622	6.2%	2,713	6.2%	90	3.5%
Ordinary Income	2,942	6.9%	3,116	7.1%	174	5.9%
Profit Attributable to Owners of Parent	1,943	4.6%	2,261	5.1%	318	16.4%

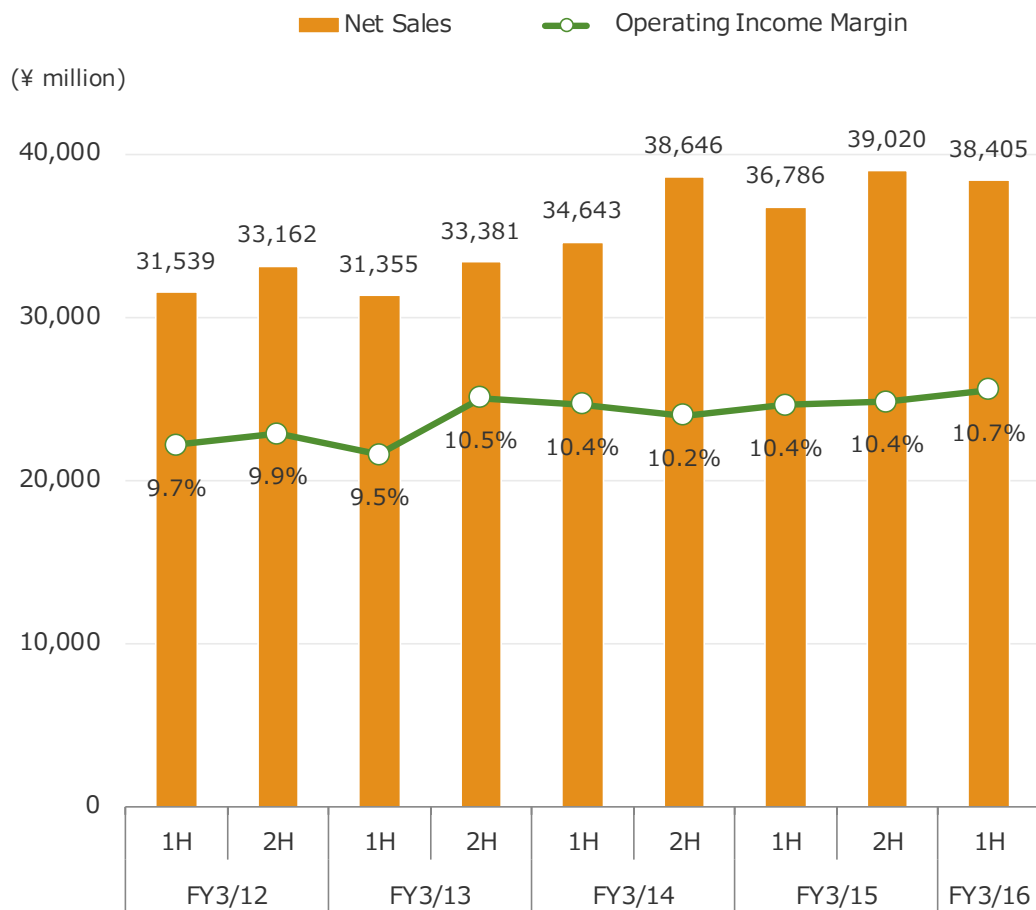


Financial Results by Business Segment

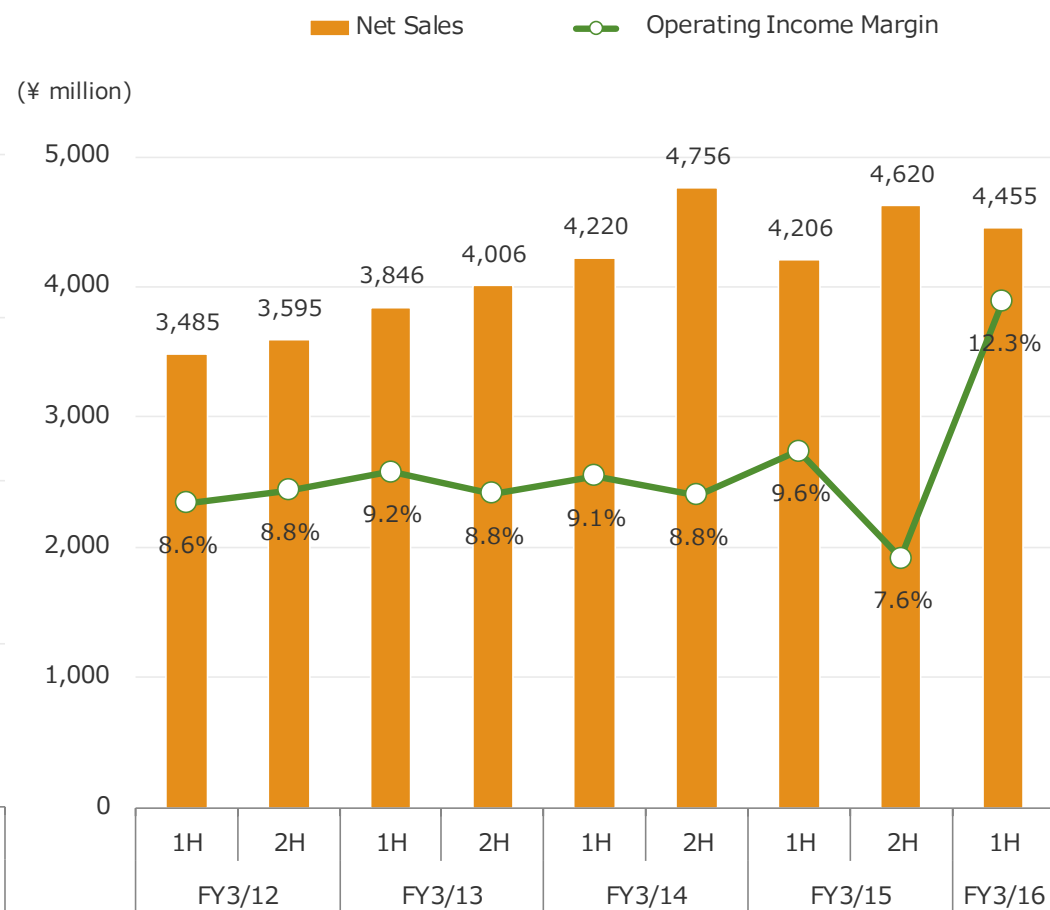
Consolidated (¥ million)	1H FY3/15		1H FY3/16		YoY Changes	
	Actual	Composition Ratio/Margin	Actual	Composition Ratio/Margin	Amount	Ratio
Net Sales	42,532	100.0%	43,954	100.0%	1,421	3.3%
Building Management and Operation Business	36,786	86.5%	38,405	87.4%	1,618	4.4%
Building Management	20,123	47.3%	21,091	48.0%	968	4.8%
Residential Management	8,380	19.7%	8,629	19.6%	248	3.0%
Security Service	8,282	19.5%	8,684	19.8%	402	4.9%
Environmental Facility Management Business	4,206	9.9%	4,455	10.1%	249	5.9%
Real Estate Fund Management Business	671	1.6%	400	0.9%	(271)	-40.4%
Other Businesses	868	2.0%	693	1.6%	(175)	-20.2%
Operating Income	2,622	6.2%	2,713	6.2%	90	3.5%
Building Management and Operation Business	3,819	10.4%	4,093	10.7%	273	7.2%
Building Management	2,201	10.9%	2,387	11.3%	186	8.5%
Residential Management	777	9.3%	758	8.8%	(18)	-2.4%
Security Service	840	10.2%	947	10.9%	106	12.6%
Environmental Facility Management Business	402	9.6%	549	12.3%	147	36.6%
Real Estate Fund Management Business	313	46.7%	138	34.5%	(175)	-55.9%
Other Businesses	2	0.3%	4	0.6%	1	65.4%
Adustments	(1,915)	–	(2,072)	–	(156)	8.2%

Performance of Major Segments

Building Management & Operation Business



Environmental Facility Management Business



<Chapter 3> Consolidated Financial Forecasts for FY3/16



Consolidated Financial Forecasts Summary

- No revision has been made on financial forecasts published on May 8, 2015.

Consolidated (¥ million)	Full-Year FY3/15		1H FY3/16		2H FY3/16		Full-Year FY3/16		YoY Changes	
	Actual	Composition Ratio	Actual	Composition Ratio	Forecast	Composition Ratio	Forecast	Composition Ratio	Amount	Ratio
Net Sales	87,379	100.0%	43,954	100.0%	45,046	100.0%	89,000	100.0%	1,620	1.9%
Gross Profit	17,407	19.9%	8,910	20.3%	8,790	19.5%	17,700	19.9%	292	1.7%
SG&A Expenses	11,983	13.7%	6,197	14.1%	6,003	13.3%	12,200	13.7%	216	1.8%
Operating Income	5,423	6.2%	2,713	6.2%	2,787	6.2%	5,500	6.2%	76	1.4%
Ordinary Income	6,037	6.9%	3,116	7.1%	3,084	6.8%	6,200	7.0%	162	2.7%
Profit Attributable to Owners of Parent	3,892	4.5%	2,261	5.1%	1,839	4.1%	4,100	4.6%	207	5.3%

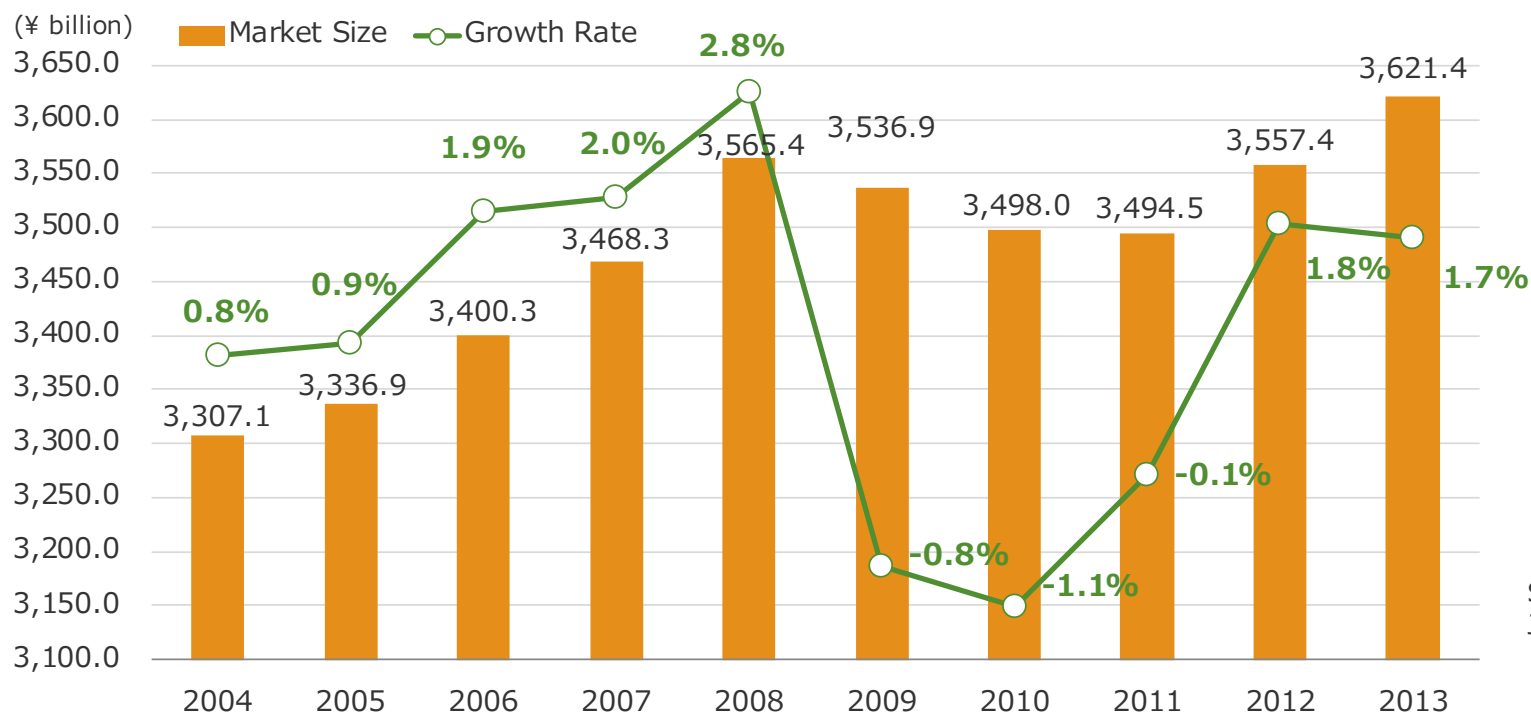
Financial Forecasts by Business Segment

Consolidated (¥ million)	Full-Year FY3/15		1H FY3/16		2H FY3/16		Full-Year FY3/16		YoY Changes	
	Actual	Composition Ratio/Margin	Actual	Composition Ratio/Margin	Forecast	Composition Ratio/Margin	Forecast	Composition Ratio/Margin	Amount	Ratio
Net Sales	87,379	100.0%	43,954	100.0%	45,046	100.0%	89,000	100.0%	1,620	1.9%
Building Management and Operation Business	75,806	86.8%	38,405	87.4%	39,535	87.8%	77,940	87.6%	2,133	2.8%
Building Management	41,937	48.0%	21,091	48.0%	22,449	49.8%	43,540	48.9%	1,602	3.8%
Residential Management	16,806	19.2%	8,629	19.6%	8,071	17.9%	16,700	18.8%	(106)	-0.6%
Security Service	17,062	19.5%	8,684	19.8%	9,016	20.0%	17,700	19.9%	637	3.7%
Environmental Facility Management Business	8,826	10.1%	4,455	10.1%	4,545	10.1%	9,000	10.1%	173	2.0%
Real Estate Fund Management Business	938	1.1%	400	0.9%	130	0.3%	530	0.6%	(408)	-43.5%
Other Businesses	1,807	2.1%	693	1.6%	837	1.9%	1,530	1.7%	(277)	-15.4%
Operating Income	5,423	6.2%	2,713	6.2%	2,787	6.2%	5,500	6.2%	76	1.4%
Building Management and Operation Business	7,894	10.4%	4,093	10.7%	4,277	10.8%	8,370	10.7%	475	6.0%
Building Management	4,466	10.7%	2,387	11.3%	2,483	11.1%	4,870	11.2%	403	9.0%
Residential Management	1,596	9.5%	758	8.8%	822	10.2%	1,580	9.5%	(16)	-1.0%
Security Service	1,831	10.7%	947	10.9%	973	10.8%	1,920	10.8%	88	4.8%
Environmental Facility Management Business	753	8.5%	549	12.3%	411	9.0%	960	10.7%	206	27.4%
Real Estate Fund Management Business	368	39.3%	138	34.5%	22	16.8%	160	30.2%	(208)	-56.6%
Other Businesses	110	6.1%	4	0.6%	106	12.7%	110	7.2%	0	-0.3%
Adjustments	(3,703)	—	(2,072)	—	(2,028)	—	(4,100)	—	(396)	10.7%

<Chapter 4> Medium-Term Growth Strategies and Major Initiatives



Market Size of Building Management



Other Industries with Similar Market Size in Japan

Broadcasting	¥3.9 trillion
Pachinko (Japanese pin-ball gamble)	¥3.6 trillion
Temp staff	¥3.3 trillion
Security service	¥3.3 trillion

Source: Based on "Survey Report" by Japan Building Maintenance Association

- After the market shrank since 2009 due to the Global Financial Crisis, its growth rate improved in 2012 and the growing trend continued in 2013.
- Growth rate in 10 years (2004 to 2013) was 9.5%.
- Supply of new buildings in Tokyo returned to the normal level of approx. 250 thousand projects but the occupancy rate and monthly rent increased.

**Market size is ¥3.6 trillion.
Growing trend may continue.**

Our Medium to Long Term Growth Strategies

Business Opportunities

- Increase in demand for vitalizing existing market
- Increase in demand for expertise of private sector
- Global development of know-how accumulated through domestic business

Growth Strategies

Propose building management leading to optimal building lifecycle costs

Seek more public businesses including PFI and designated administrator system

Build a closer relationship with PICA to reinforce global business base in residential management

Focused Strategies This Term and Directions Ahead

Building Management and Operation Business

- Building Management and Operations - office buildings, commercial facilities, municipal facilities, etc.
 - Boosting marketing for total management needs based on our databases of lifecycle costs, etc.
 - Reinforcing marketing for public facilities under PFIs and designated manager systems
 - Aiming to raise orders or improve profitability through upgrading facility management menus at contract extensions
 - Promoting labor-saving measures such as employing maintenance-light materials and cleaning robots in such a labor shortage period
 - Corresponding to Power Producer and Supplier (PPS) in light of electricity deregulations
- Residential Management
 - Raising ratio for total management contracts through undertaking more accounting and cashier works now done by condominium associations
 - Expanding resident service menus: fulfilling fringe services including shopping for residents and keeping eyes on seniors

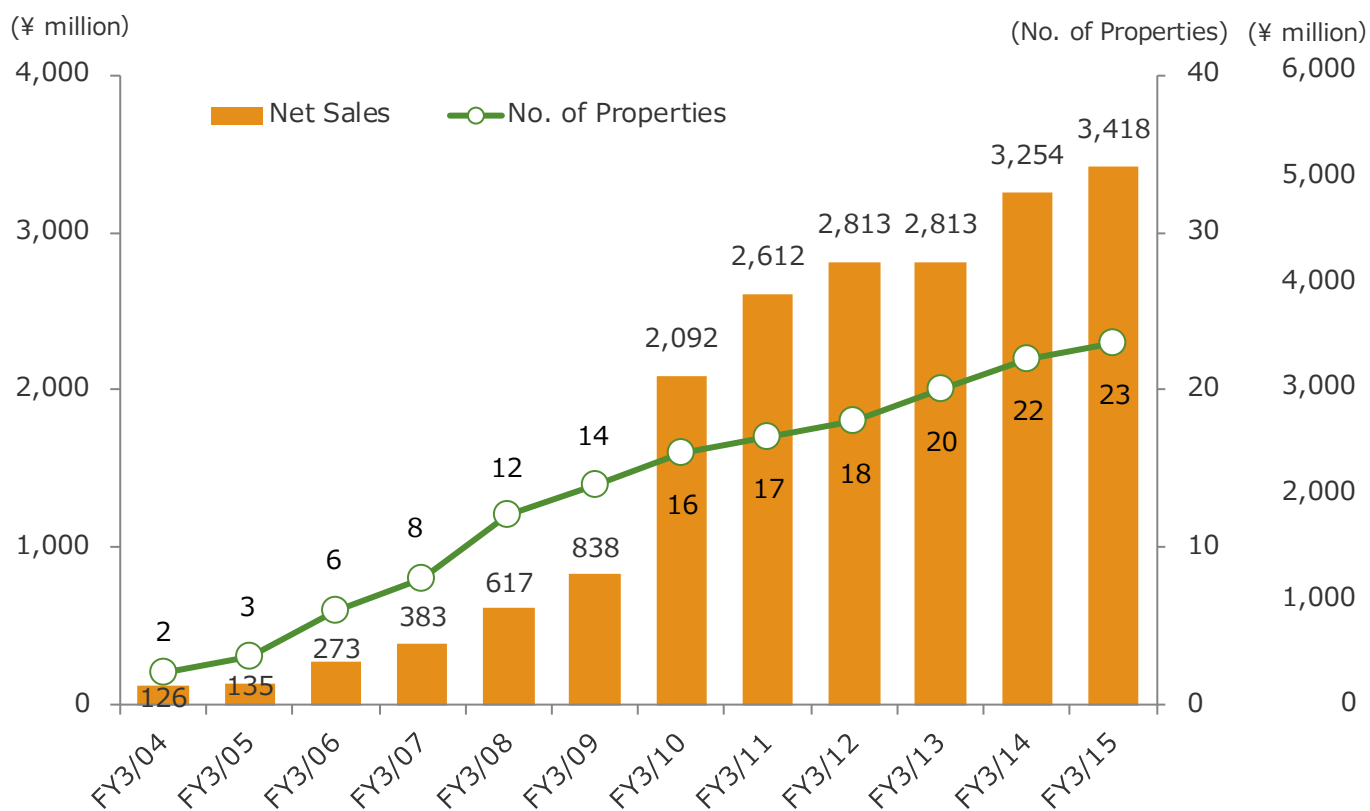
Environmental Facility Management Business

- Water Work and Sewerage Facilities
 - Enhancing marketing in Hokuriku and Tohoku areas where more privatization is likely
 - Expanding total management contracts
- Waste Incineration Facilities
 - Gaining orders for large-scale repair projects of incineration facilities
 - Exploiting new areas including incineration/ final processing of radioactive pollutants (examples: National Institute of Radiological Sciences, etc.)

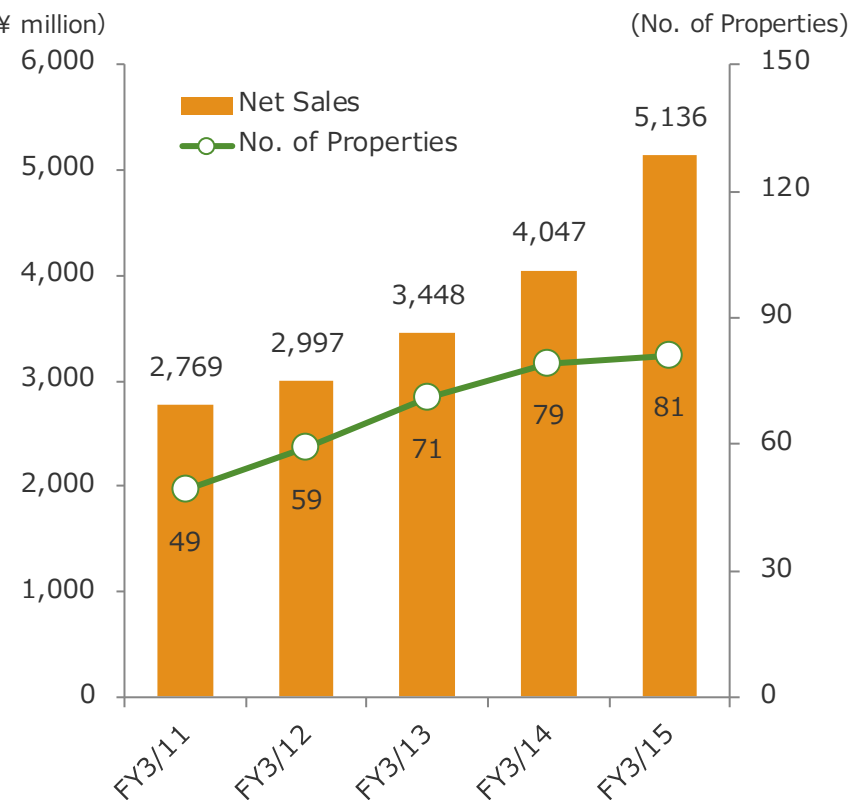
Historical Performance for Public Sector Business

Net Sales and number of properties are steadily increasing

Properties of PFI



Properties of Designated Administrator



About PICA Pty Ltd

Company Overview

PICA is the largest “Strata Manager” in Australia that acts as an agent for residents’ associations.

Using the brand name “BCS” (Body Corporate Services), PICA mainly provides services to support residents’ associations as well as debt collection for delinquent levies.

With Nippon Kanzai’s engineering abilities, PICA has introduced and has been expanding its services related to physical aspects of buildings.

Background

Nippon Kanzai acquired 50% shares of PICA from FEXCO, an Irish financial service company, in March 2013.

Now Nippon Kanzai and FEXCO send directors to PICA and manage it jointly.

FEXCO is a global company with 2,000 employees worldwide and operates in Ireland, UK, USA, Asia-Pacific area, Middle East and Australia.

FEXCO website <http://www.fexco.com/>

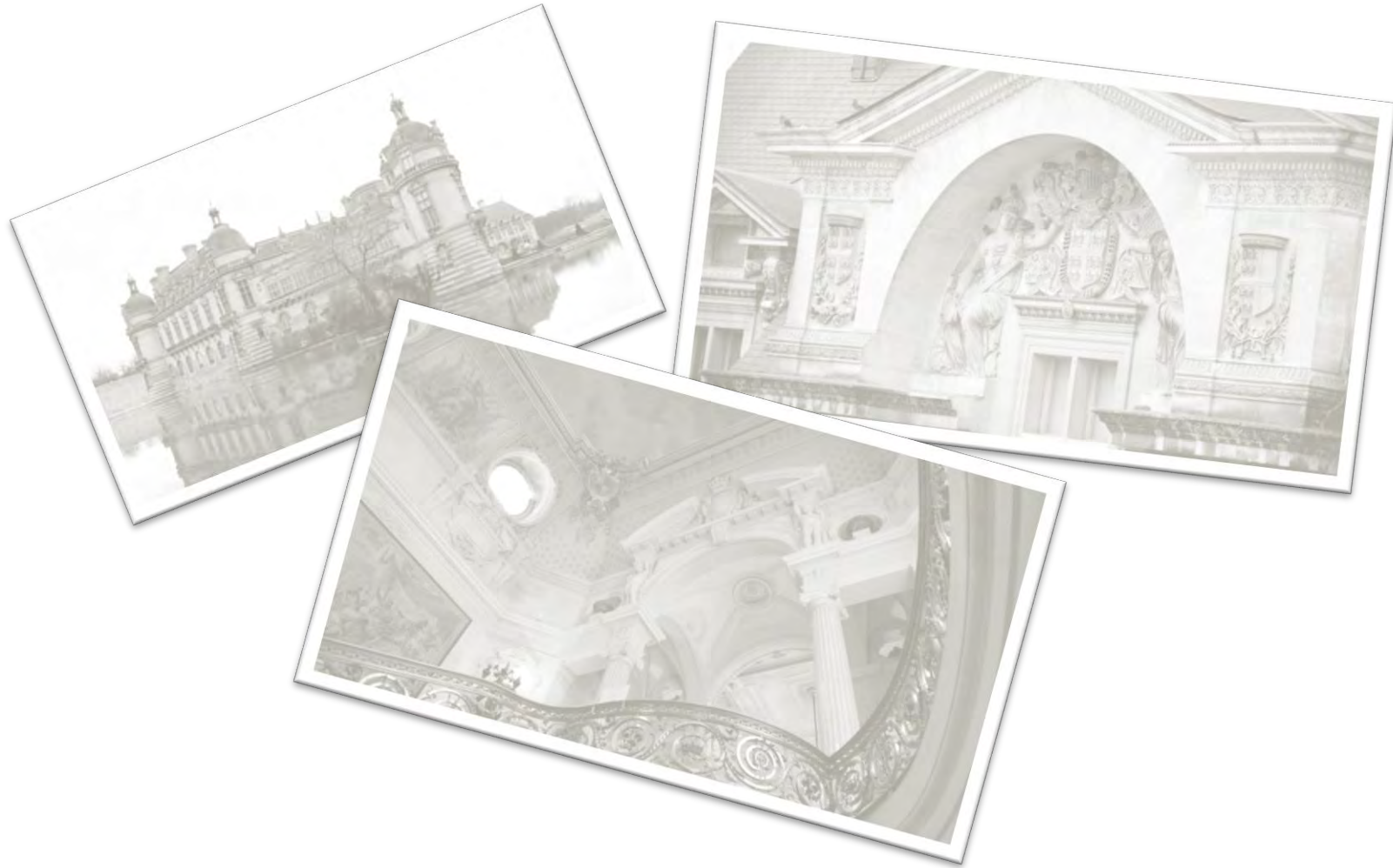
Company Name	Prudential Investment Company of Australia Pty Ltd.
Establishment	October 4, 1948
Capital	AUD28 million as of December 31, 2014
Main Business	Strata management (agent for residents’ associations), debt collection
HQ	Sydney
Major Branches	Greater Sydney, Melbourne, Brisbane, Cairns, Newcastle, Southport, Hawthorne
Employees	Approx. 580 as of December 31, 2014
No. of Lots under Management	Approx. 193,000 lots, 10,600 associations as of December 31, 2014

Reception



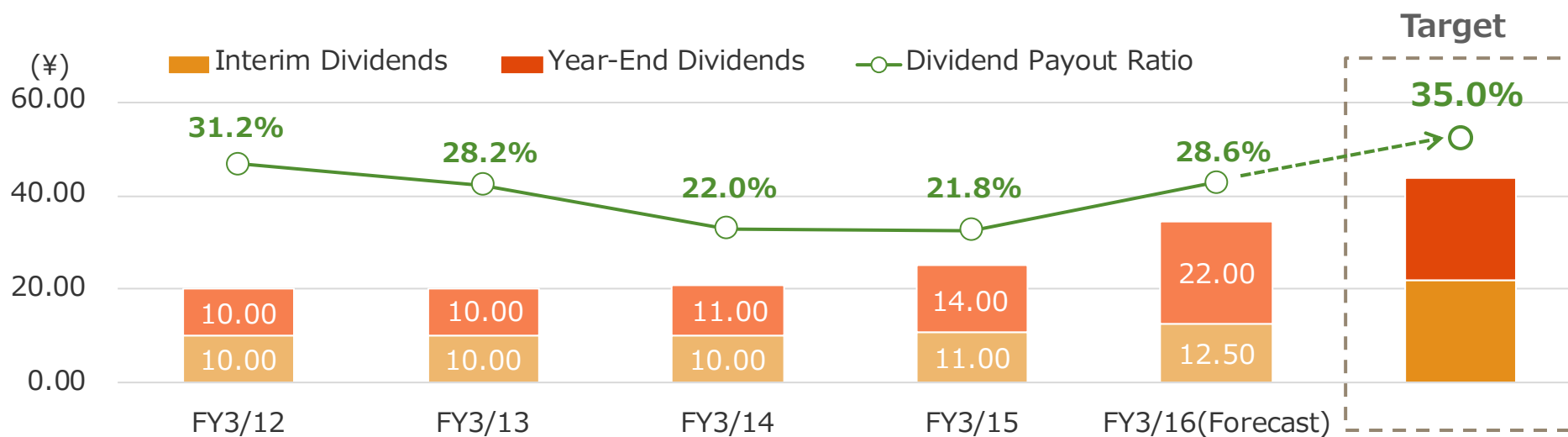
Properties Managed





Strengthening the Shareholder Return Policy

- Nippon Kanzai implemented 2-for-1 stock split of its common stock as it marked its 50th anniversary on October 27, 2015. This stock split was implemented to improve liquidity of stock and to attract different types of investors by reducing unit prices of shares.
- Shareholder return for FY3/16 has been comprehensively considered and the year-end dividends were decided at ¥22.00 based on consolidated financial forecasts. The revised dividends would have been ¥44 if it were not for stock split, which would have been an increase by 76% from the previous dividends forecast.
- We are targeting at consolidated dividends payout ratio of 35% for the future.



*The figures from FY3/12 onward indicate equivalent amounts which would have been paid if 2-for-1 stock split had been implemented.

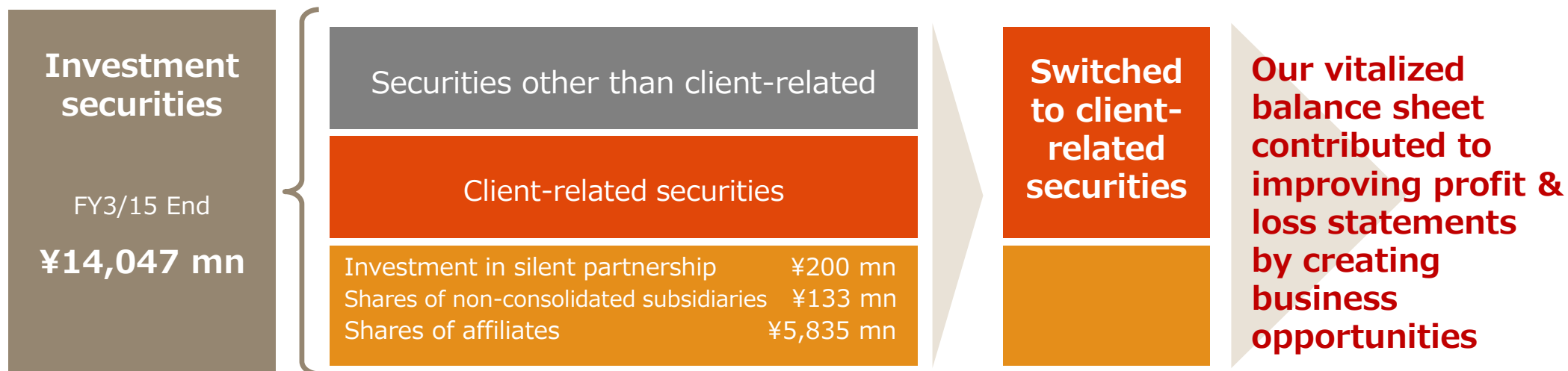
Corporate Governance

Became a Corporation with Audit & Supervisory Committee of the Board (June 2015)

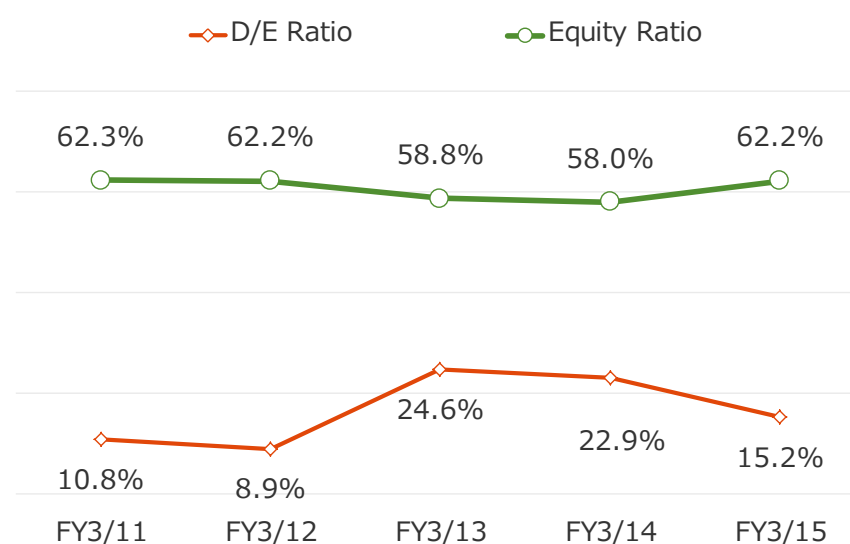
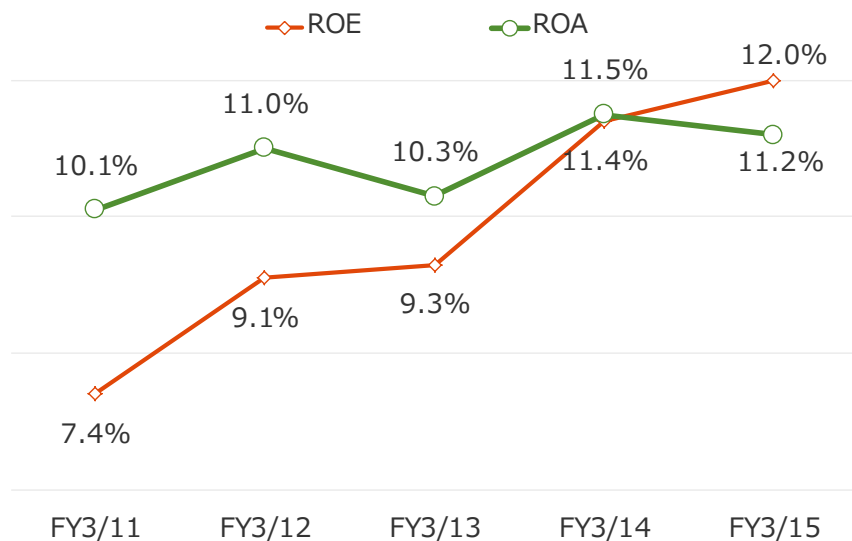
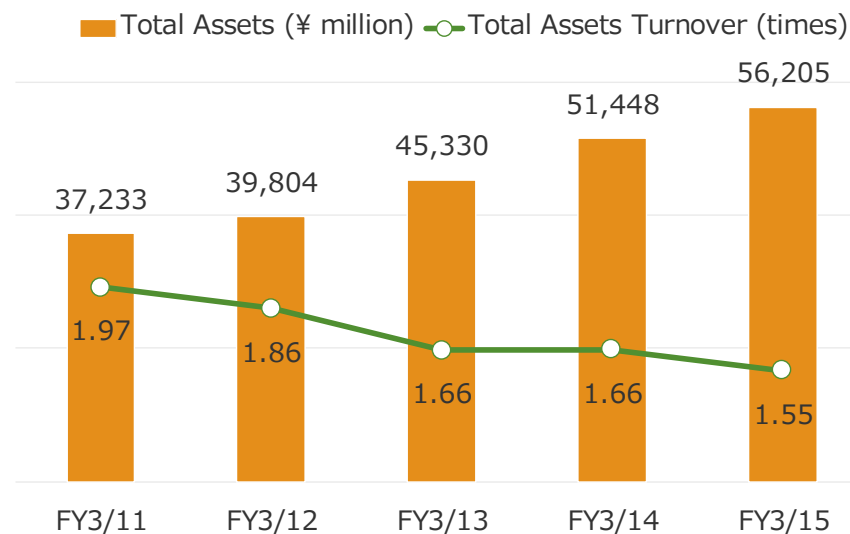
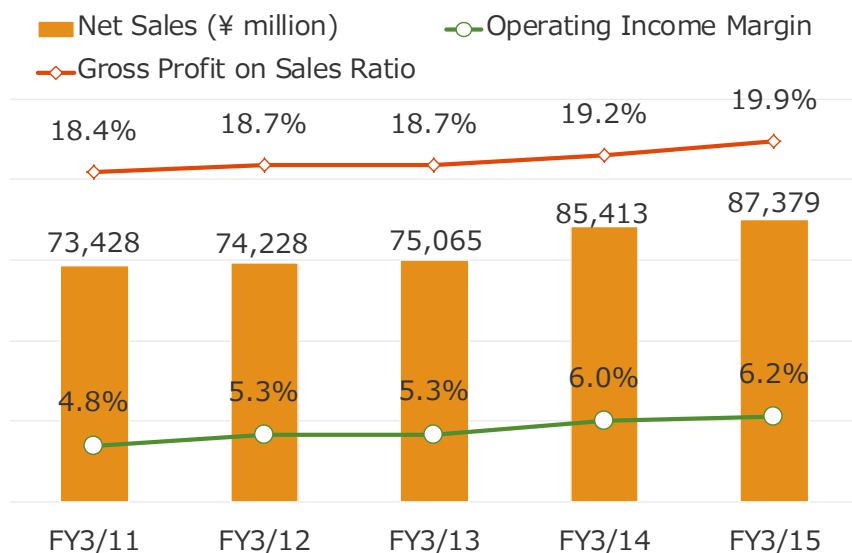
- 4 Committee members who are also Directors (3 members are Outside Directors)

Efficiently Utilize Assets (since April 2015)

- Vitalize by switching the portfolio of investment securities



Major Consolidated Indicators



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