

January 6, 2017

Company Name: NIPPON KANZAI Co., Ltd.
Representative: Shintaro Fukuda, President and Representative Director
(Code No. 9728, Tokyo Stock Exchange, First Section)
Contact: Yoichi Nishio, General Manager of Overseas Business Dept.
Telephone: 81-3-5299-0865

**Notice Regarding Acquisition of Interests
of Keystone Pacific Property Management, LLC,
a Residential Management Company in California, USA
(as an Equity-Method Affiliate)**

Nippon Kanzai Co., Ltd. (hereinafter “the Company”) is pleased to announce that its subsidiary, Nippon Kanzai USA, Inc. (hereinafter “NKUSA”), acquired minority interests of Keystone Pacific Property Management, LLC (hereinafter “Keystone Pacific LLC”), a residential management company based in Irvine, California, USA, from Keystone Pacific Property Management Inc. (hereinafter “Keystone Pacific Inc.”), the owner of the interests. Keystone Pacific LLC will be an equity-method affiliate of the Company.

Note

1. Purpose of the investment

Keystone Pacific LLC was established as a limited liability company so that NKUSA may invest in a tax efficient manner under applicable US laws. Keystone Pacific LLC succeeded to the business of Keystone Pacific Inc. and provides the same quality service to clients.

Keystone Pacific Inc. and Keystone Pacific LLC (hereinafter collectively “Keystone Pacific”), set their main target at high-end residential properties called gated communities in Southern California, and especially in Orange County. Gated communities are developments consisting detached houses and high-end multi-unit housings in estates surrounded by walls and have governing bodies called home owners’ associations (hereinafter “HOAs”). Keystone Pacific provides HOAs with supporting services including holding AGM, accounting and financial reporting and stationing on-site managers.

Keystone Pacific has grown its business not by price competition but through offering high-quality and detailed services to large-scale high-end properties. It has approximately 59,000 units and over 270 HOAs under management. It is a fine medium-size management company and other than subsidiaries and affiliates of major nationwide companies, ranked within the top ten companies in Southern California.

Keystone Pacific currently focuses on gated communities and does not offer services to high-rise condominiums. By sharing expertise and experience of the Company with such properties, Keystone Pacific may broaden its customer base. At the same time, it can improve efficiency and service quality by renewing IT system to match the latest trend with the Company's participation in capital. These improvements are expected to result in further growth of Keystone Pacific.

2. Profile of the equity-method affiliate (Keystone Pacific LLC) (as of December 31, 2016)

Company name	Keystone Pacific Property Management, LLC
Registered address	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange St., Wilmington, Delaware 19801 USA
Name and title of the representative	Mr. Cary Treff, CEO
Business	Residential management
Sales	USD 0 (zero)
Establishment	September 15, 2016
Paid-in capital	USD 0 (zero)
Relationship with the Company	A group company of the Company invested equity in Keystone Pacific Property Management, LLC as disclosed in this notice and such group company of the Company will appoint members of Board of Managers of Keystone Pacific Property Management, LLC.

3. Profile of the seller (as of December 31, 2016)

Company name	Keystone Pacific Property Management Inc.
Registered address	16775 Von Karman Avenue, Suite 100, Irvine, California 92606 USA
Name and title of the representative	Ms. Sharon Todd, Chairman of the Board
Business	Residential management
Sales	Approx. USD 15 million
Establishment	October 26, 1984
Paid-in capital	USD 1,500
Relationship with the Company	A group company of the Company invested equity in a group company of Keystone Pacific Property Management Inc. as disclosed in this notice and such group company of the Company will appoint members of Board of Managers of a group company of Keystone Pacific Property Management Inc. as disclosed in above "2. Profile of the equity-method affiliate (Keystone Pacific LLC)".

4. Profile of the purchaser (as of December 31, 2016)

Company name	Nippon Kanzai USA, Inc.
Registered address	c/o Kranjac Tripodi & Partners LLP 30 Wall Street, 12 th Floor, New York, New York 10005 USA
Name and title of the representative	Mr. Mamoru Yasuda, President and Director
Business	Acquisition of companies, real estate properties and collecting related information
Sales	USD 0 (zero)
Establishment	October 3, 2011
Paid-in capital	USD 440,000
Relationship with the Company	The Company owns 100% of common shares of Nippon Kanzai USA, Inc. and appoints all four Directors of Nippon Kanzai USA, Inc.. The Company made a loan to Nippon Kanzai USA, Inc..

5. Number of interests acquired, consideration and number of interests owned before and after the purchase

Number of interests before transaction	None	0.0% of total interests
Number of acquired interests	4,000 units	40.0% of total interests
Number of interests after transaction	4,000 units	40.0% of total interests

Percentage against total interests is based on diluted basis including common interests and profits interest.

Acquisition price will not be disclosed under agreement with the Seller.

6. Closing date

January 5, 2017

7. Impacts on business forecasts

The impact on Nippon Kanzai's consolidated business forecast of the current fiscal year is insignificant.