

Consolidated Financial Statements
for the Second Quarter of the Fiscal Year Ending March 31, 2014 [J-GAAP]

November 7, 2013

NIPPON KANZAI Co., Ltd.

Listed Exchanges: Tokyo Stock Exchange, First Section
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Filing date of quarterly report: November 13, 2013
Date to start dividends distribution: December 3, 2013
Supplementary materials for quarterly results: No
Quarterly results briefing meeting held: No

*Amounts under one million yen have been rounded down.

1. Consolidated results for the second quarter ended September 30, 2013 (April 1, 2013 to September 30, 2013)

(1) Consolidated business results

(Percentage figures indicate the rate of change from the same period in the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2013	40,078	10.3	2,351	40.4	2,558	44.5
Six months ended September 30, 2012	36,338	0.2	1,674	(9.8)	1,770	(10.8)

Note: Comprehensive income: Six months ended September 30, 2013: ¥1,765 million (116.9%)
Six months ended September 30, 2012: ¥813 million (-21.2%)

	Net Income		Net Income per Share		Diluted Net Income per Share	
	Millions of yen	%	Yen		Yen	
Six months ended September 30, 2013	1,497	47.2	88.96		—	
Six months ended September 30, 2012	1,017	(0.5)	60.09		—	

(2) Consolidated financial position

	Total Assets		Net Assets		Equity Ratio	
	Millions of yen	%	Millions of yen	%		
As of September 30, 2013	49,274		29,771		57.0	
As of March 31, 2013	45,330		28,313		58.8	

Note: Shareholders' equity: As of September 30, 2013: ¥28,098 million
As of March 31, 2013: ¥26,671 million

2. Dividends

	Annual dividends				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Total
Fiscal year ended March 31, 2013	Yen —	Yen 20.00	Yen —	Yen 20.00	Yen 40.00
Fiscal year ending March 31, 2014	—	20.00	—	—	—
Fiscal year ending March 31, 2014 (forecast)			—	20.00	40.00

Note: Revisions to the most recently announced forecast of cash dividends in the current quarter: None

3. Consolidated business forecasts for the fiscal year ending March 31, 2014 (April 1, 2013 to March 31, 2014)

(Percentage figures indicate the rate of change from the same period in the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	84,900	13.1	4,900	22.0	5,400	23.3	2,900	21.2	172.30

Note: Revisions to the most recently announced consolidated business forecasts in the current quarter: Yes

*** Notes**

(1) Changes of significant subsidiaries during the term (Changes in specific subsidiaries associated with changes in scope of consolidation): None

(2) Adoption of specific accounting methods for preparation of the quarterly consolidated financial statements:
None

(3) Changes in accounting policies, accounting estimates and restatement of revisions

- | | |
|---|------|
| 1) Changes in accounting policies due to revisions of accounting standards, etc.: | None |
| 2) Changes in accounting policies other than 1) above: | None |
| 3) Changes in accounting estimates: | None |
| 4) Restatement of revisions: | None |

(4) Number of shares issued and outstanding (common stock)

- 1) Number of shares issued and outstanding (including treasury stock)
- 2) Number of treasury stock
- 3) Average number of shares issued and outstanding

1)	As of September 30, 2013	20,590,153 shares	As of March 31, 2013	20,590,153 shares
2)	As of September 30, 2013	3,730,735 shares	As of March 31, 2013	3,780,794 shares
3)	First six months ended September 30, 2013	16,830,874 shares	First six months ended September 30, 2012	16,928,333 shares

*** Presentation of implementation status for quarterly review procedures**

This quarterly financial report is not covered by the Financial Instruments and Exchange Act and the quarterly consolidated financial statements review procedures called for by the Financial Instruments and Exchange Act have not been completed as of the release of this quarterly financial report.

*** Explanation regarding the appropriate use of business forecasts and other notes**

Consolidated business forecasts have been revised as stated in this document and the “Information about Differences between the Forecast and Actual Results for the Second Quarter of the Fiscal Year Ending March 31, 2014 and Notice of Revision of Full-Year Consolidated Business Forecasts” announced today.

The business forecasts reported herein were prepared based on information Nippon Kanzai had in its possession as of the time this report was prepared and on certain assumptions judged to be reasonable. Actual results may differ significantly from forecasts due to various factors. Please refer to the disclaimers, provided under “1. (4) Explanation regarding information on future forecasts including consolidated business forecasts, etc.” on page 3 of the Attached Document of this quarterly financial report, regarding assumptions upon which forecasts are based and the use of forecasts.

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1. Qualitative information on financial statements

(1) Explanation regarding business results

During the first six months of the fiscal year ending March 31, 2014, the Japanese economy showed some signs of recovery such as the depreciation of the Japanese yen and the rise in stock prices backed by public expectations for monetary and fiscal policies led by the government. However, the economic outlook still remains uncertain due to some concerns including the downside risk stemmed from the current economic conditions overseas, particularly in emerging economies and the inflation following the rise in imported raw material prices caused by the weaker yen.

In the real estate service industry, severe business conditions continue as clients remain highly cost-conscious and contracted buildings have been closed or decreased their services, although a slight improvement is seen in the office and commercial building vacancy rate.

In such business environment, the Nippon Kanzai Group (hereinafter “the Group”) continued to expand its area of businesses around the building maintenance business. The Group also made efforts in proactive business development by enhancing its property management business in Japanese and overseas markets, private finance initiatives (PFI), and energy-saving business, as well as making the best of the Group companies’ strengths.

Consolidated net sales for the first six months rose by 10.3% year on year to 40,078 million yen supported by steady receipt of new contracts and construction-related orders, in addition to the contribution of the operating results of NJK Holding K.K. (including its three subsidiaries), which became a new consolidated subsidiary of the Company.

Although profitability was influenced by a sluggish growth in price per contract, we continued to make efforts to improve profitability by conducting a thorough review of procurement unit prices and better time management and cutting and restraining administrative costs. As a result, the Group achieved substantial increases in income year-on-year and recorded operating income of 2,351 million yen, up 40.4% year on year, ordinary income of 2,558 million yen, up 44.5%, and quarterly net income of 1,497 million yen, up 47.2%.

The following are earnings by segment.

Segment income (loss) has been adjusted to operating income described in quarterly consolidated statements of income.

(Building Management and Operation Business)

In our core Building Management and Operation Business including building management and security services, we enjoyed steady receipt of new contracts for real estate services in addition to the contribution of the operating results of the new consolidated subsidiary mentioned above. As a result, net sales for the first six months increased by 10.5% year on year to 34,643 million yen.

Segment income was 3,601 million yen, up 21.3% year on year, due to successful efforts to review subcontracting consignment expenses and to cut administrative costs overcoming a sluggish growth in price per contract and other factors.

(Environmental Facility Management Business)

In the Environmental Facility Management Business, which mainly comprises the management of water treatment, sewage disposal and other public facilities, we secured an overall firm number of renewal of existing contracts, particularly for the management of incinerators and recycling facilities. In addition, some of management and operation contracts were up-graded to comprehensive contracts of entire facilities, to result in increased management fees. As a result, net sales for the segment increased by 9.7% year on year to 4,220 million yen for the first six months of the fiscal year ending March 31, 2014.

Although local governments – the main customers for this segment – continued to be on a tight budget, the Group has worked to reduce costs, focusing on efforts to rein in start-up costs for newly contracted facilities, re-examine procurement costs, and realign personnel assignments to better match actual needs. As a result, segment income was 384 million yen, up 8.8% year on year.

(Real Estate Fund Management Business)

In the Real Estate Fund Management Business, which mainly comprises asset management business (i.e. composition and asset management of real estate funds) and handling investments in silent partnership, a stable asset management income and gains on sales of assets were recorded. As a result, net sales for the segment increased by 132.4% year on year to 530 million yen for the first six months of the fiscal year ending March 31, 2014.

While expenses related to sales of assets increased, with the help of our efforts in expense reductions and improvements in operational efficiency, segment income was 74 million yen, up 54.4% year on year.

(Other Businesses)

Other Businesses, which mainly consist of event planning and management, printing and design, saw a decrease in orders for temporary event operations due to a downsizing of events, and impacts from cost-cutting measures by clients. For the first six months of the fiscal year ending March 31, 2014, therefore, net sales decreased by 24.6% year on year to 685 million yen, and segment loss was 38 million yen.

(2) Explanation regarding financial position

Total assets at the end of the second quarter of the current fiscal year increased by 3,943 million yen or 8.7% from the previous fiscal year end to 49,274 million yen mainly due to the increases in noncurrent assets and goodwill of the new consolidated subsidiary.

Liabilities increased by 2,486 million yen or 14.6% from the previous fiscal year end to 19,503 million yen mainly due to increase in loans payable.

Net assets increased by 1,457 million yen or 5.1% year on year to 29,771 million yen as the positive effect of the recording of quarterly net income outweighed cash dividends paid and decreases in foreign currency translation adjustment. As a result, equity ratio as of September 30, 2013 decreased by 1.8 percentage points to 57.0% from the previous fiscal year end.

(3) Consolidated statements of cash flows

Cash and cash equivalents (hereinafter “cash”) decreased by 1,330 million yen from the previous fiscal year end to 13,142 million yen.

The status and main factors of cash flows for the first six months of the current fiscal year were as follows:

(Cash flows from operating activities)

Net cash provided by operating activities for the first six months of the current fiscal year was 444 million yen, up 1,015 million yen year on year.

This is primarily due to the increase in income before income taxes and minority interests (cash inflow increased by 787 million yen year on year), the increase in accounts payable—trade (cash outflow decreased by 573 million yen year on year), and the decrease in income taxes paid (cash outflow decreased by 316 million yen year on year).

(Cash flows from investing activities)

Net cash used in investing activities was 678 million yen, up 204 million yen year on year.

This is primarily due to purchase of investments in subsidiaries resulting in change in scope of consolidation (cash outflow increased by 307 million yen year on year) and the net increase in payments of loans receivable (cash outflow increased by 295 million yen year on year).

(Cash flows from financing activities)

Net cash used in financing activities was 1,667 million yen, up 702 million yen year on year.

This primarily reflects the net effect of new loans payable and the repayment of loans payable (cash outflow increased by 1,125 million yen year on year).

(4) Explanation regarding information on future forecasts including consolidated business forecasts, etc.

We expect that our business environment will continue to be in an unpredictable situation. Aiming at further business expansion under these circumstances, the Group acquired shares in NJK Holding K.K. and its three subsidiaries on June 4, 2013 and the companies became our consolidated subsidiaries.

Consolidated business forecasts have been revised as stated in this document and the “Information about Differences between the Forecast and Actual Results for the Second Quarter of the Fiscal Year Ending March 31, 2014 and Notice of Revision of Full-Year Consolidated Business Forecasts” announced today to reflect the solid results delivered by NJK Holding K.K. and other group companies for the first six months of the fiscal year ending March 31, 2014.

2. Supplement to summary information (Notes)

(1) Changes of significant subsidiaries during the term

As a result of the acquisition of shares in NJK Holding K.K. mentioned above, we include the company and its subsidiaries (Japan Housing Management Co., NJK Staff Service K.K., and Japan Housing Management Sapporo Co.) in the consolidation scope, although this does not fall under changes in specified subsidiaries.

Regarding the acquisition of shares, the Company acquired 50% of the voting rights on April 2, 2013 and the remaining 50% on June 4, 2013. Therefore, NJK Holding K.K. was accounted for as an equity method affiliate during the period from the initial acquisition through June 30, 2013, which is the deemed acquisition date pertaining to the control acquisition date.

(2) Adoption of specific accounting methods for preparation of the quarterly consolidated financial statements

Not applicable.

(3) Changes in accounting policies, accounting estimates and restatement of revisions

Not applicable.

3. Quarterly consolidated financial statements**(1) Quarterly consolidated balance sheets**

(Thousands of yen)

	Fiscal year ended March 31, 2013 (As of March 31, 2013)	Second quarter ended September 30, 2013 (As of September 30, 2013)
ASSETS		
Current assets		
Cash and deposits	14,787,733	13,457,291
Notes and accounts receivable—trade	8,864,470	9,057,799
Investments in silent partnership for business purposes	301,440	288,315
Supplies	79,076	88,731
Real estate for sale	1,582,211	1,477,756
Income taxes receivable	1,719	10,607
Deferred tax assets	362,963	410,711
Other	856,627	1,387,720
Allowance for doubtful accounts	(12,783)	(15,206)
Total current assets	26,823,456	26,163,724
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	1,843,232	2,734,467
Machinery, equipment and vehicles, net	45,735	61,339
Tools, furniture and fixtures, net	254,225	305,436
Land	1,086,763	1,823,031
Lease assets, net	553,529	589,593
Construction in progress	267,266	—
Total property, plant and equipment	4,050,750	5,513,866
Intangible assets		
Telephone subscription right	34,790	45,424
Software	310,202	221,928
Goodwill	16,490	2,361,691
Lease assets	28,753	27,306
Other	—	16,667
Total intangible assets	390,235	2,673,016
Investments and other assets		
Investment securities	10,714,843	11,441,282
Long-term loans receivable	530,108	554,720
Long-term prepaid expenses	10,052	5,620
Lease and guarantee deposits	1,462,445	1,651,645
Membership	410,108	427,070
Deferred tax assets	183,193	216,233
Other	886,967	816,542
Allowance for doubtful accounts	(131,237)	(189,004)
Total investments and other assets	14,066,479	14,924,108
Total noncurrent assets	18,507,464	23,110,990
TOTAL ASSETS	45,330,920	49,274,714

*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

(Thousands of yen)

	Fiscal year ended March 31, 2013 (As of March 31, 2013)	Second quarter ended September 30, 2013 (As of September 30, 2013)
LIABILITIES		
Current liabilities		
Notes and accounts payable—trade	4,630,458	4,239,718
Short-term loans payable	—	1,100,000
Current portion of long-term loans payable	167,904	527,404
Current portion of long-term non-recourse loans payable	855,600	499,800
Lease obligations	199,519	217,913
Accrued expenses	2,054,411	2,458,533
Income taxes payable	665,746	972,139
Accrued consumption taxes	326,478	348,456
Deposits received	468,042	465,677
Advances received	48,440	145,769
Provision for bonuses	595,336	649,494
Provision for directors' bonuses	75,795	44,017
Asset retirement obligations	—	47,727
Other	81,828	55,953
Total current liabilities	10,169,557	11,772,600
Noncurrent liabilities		
Long-term loans payable	4,946,500	5,407,500
Lease obligations	392,973	405,579
Deferred tax liabilities	50,850	241,885
Provision for retirement benefits	324,346	466,698
Provision for directors' retirement benefits	481,849	581,720
Long-term guarantee deposited	372,162	380,645
Asset retirement obligations	225,570	186,971
Liabilities from application of equity method	30,992	36,655
Other	22,336	23,196
Total noncurrent liabilities	6,847,578	7,730,849
TOTAL LIABILITIES	17,017,135	19,503,449
NET ASSETS		
Shareholders' equity		
Capital stock	3,000,000	3,000,000
Capital surplus	498,800	498,800
Retained earnings	27,960,384	29,126,871
Treasury stock	(5,515,802)	(5,442,823)
Total shareholders' equity	25,943,382	27,182,848
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	728,296	1,258,371
Foreign currency translation adjustment	—	(342,522)
Total accumulated other comprehensive income	728,296	915,849
Minority interests	1,642,107	1,672,568
TOTAL NET ASSETS	28,313,785	29,771,265
TOTAL LIABILITIES AND NET ASSETS	45,330,920	49,274,714

*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income**Quarterly consolidated statements of income**

(Thousands of yen)

	Six months ended September 30, 2012 (April 1, 2012 to September 30, 2012)	Six months ended September 30, 2013 (April 1, 2013 to September 30, 2013)
Net sales	36,338,524	40,078,907
Cost of sales	29,517,960	32,241,990
Gross profit	6,820,564	7,836,917
Selling, general and administrative expenses		
Selling expenses	83,696	93,183
Personnel expenses	2,787,908	2,963,805
Provision for bonuses	220,310	271,814
Provision for directors' bonuses	41,783	41,367
Provision for directors' retirement benefits	46,914	54,142
Retirement benefit expenses	100,034	90,702
Transportation and communication expenses	427,783	437,562
Supplies expenses	166,916	193,404
Rent expenses	376,319	375,526
Insurance expenses	90,574	117,121
Depreciation	212,638	221,595
Taxes and dues	64,270	54,900
Enterprise tax	40,868	43,972
Provision of allowance for doubtful accounts	(2,415)	(2,555)
Amortization of goodwill	11,127	40,873
Other	477,098	487,571
Total selling, general and administrative expenses	5,145,823	5,484,982
Operating income	1,674,741	2,351,935
Non-operating income		
Interest and dividends income	91,219	104,417
Rent income	20,369	19,608
Equity in earnings of affiliates	—	116,503
Foreign exchange gains	—	74,250
Other	54,250	49,582
Total non-operating income	165,838	364,360
Non-operating expenses		
Interest expenses	17,302	96,798
Rent expenses	24,683	25,300
Equity in losses of affiliates	6,223	—
Loss on sales and retirement of noncurrent assets	3,336	10,988
Other	19,000	24,853
Total non-operating expenses	70,544	157,939
Ordinary income	1,770,035	2,558,356

(Thousands of yen)

	Six months ended September 30, 2012 (April 1, 2012 to September 30, 2012)	Six months ended September 30, 2013 (April 1, 2013 to September 30, 2013)
Extraordinary loss		
Loss on valuation of investment securities	650	—
Loss on valuation of membership	—	1,640
Provision of allowance for doubtful accounts	220	454
Total extraordinary loss	870	2,094
Quarterly income before income taxes and minority interests	1,769,165	2,556,262
Income taxes — current	715,010	1,074,011
Income taxes — deferred	(7,968)	(95,423)
Total income taxes	707,042	978,588
Quarterly income before minority interests	1,062,123	1,577,674
Minority interests in income	44,885	80,376
Quarterly net income	1,017,238	1,497,298

*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

Quarterly consolidated statements of comprehensive income

(Thousands of yen)

	Six months ended September 30, 2012 (April 1, 2012 to September 30, 2012)	Six months ended September 30, 2013 (April 1, 2013 to September 30, 2013)
Quarterly income before minority interests	1,062,123	1,577,674
Other comprehensive income		
Valuation difference on available-for-sale securities	(248,274)	530,159
Foreign currency translation adjustment	—	(342,522)
Total other comprehensive income	(248,274)	187,637
Quarterly comprehensive income	813,849	1,765,311
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	769,108	1,684,850
Comprehensive income attributable to minority interests	44,741	80,461

*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

(3) Quarterly consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2012 (April 1, 2012 to September 30, 2012)	Six months ended September 30, 2013 (April 1, 2013 to September 30, 2013)
Cash flows from operating activities		
Quarterly income before income taxes and minority interests	1,769,165	2,556,262
Depreciation and amortization	305,392	330,761
Amortization of goodwill	11,127	40,873
Increase (decrease) in provision for bonuses	(48,725)	328
Increase (decrease) in provision for directors' bonuses	(36,696)	(34,428)
Increase (decrease) in provision for retirement benefits	65,543	88,258
Increase (decrease) in provision for directors' retirement benefits	36,064	31,142
Increase (decrease) in allowance for doubtful accounts	(3,677)	(2,321)
Equity in (earnings) losses of affiliates	6,223	(116,503)
Interest and dividends income	(91,219)	(104,417)
Interest expenses	17,302	96,798
Foreign exchange losses (gains)	—	(74,250)
Loss (gain) on sales and retirement of noncurrent assets	3,336	10,988
Loss (gain) on valuation of investment securities	650	—
Decrease (increase) in notes and accounts receivable—trade	867,221	168,210
(Increase) decrease in investments in silent partnership for business purposes	(109,748)	11,627
Decrease (increase) in inventories	57,659	107,090
Decrease (increase) in other assets	(109,830)	103,815
Increase (decrease) in notes and accounts payable—trade	(1,276,724)	(703,257)
Increase (decrease) in accrued consumption taxes	6,791	(11,371)
Increase (decrease) in other liabilities	149,491	(678,379)
Loss on valuation of membership	—	1,640
Other, net	443	(7,363)
Subtotal	1,619,788	1,815,503
Interest and dividends income received	94,339	106,305
Interest expenses paid	(17,302)	(96,798)
Income taxes paid	(1,125,456)	(809,207)
Net cash provided by operating activities	571,369	1,015,803

*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

(Thousands of yen)

	Six months ended September 30, 2012 (April 1, 2012 to September 30, 2012)	Six months ended September 30, 2013 (April 1, 2013 to September 30, 2013)
Cash flows from investing activities		
Payments into time deposits	(300,000)	(300,000)
Proceeds from withdrawal of time deposits	300,000	500,000
Purchase of property, plant and equipment and intangible assets	(184,651)	(89,267)
Proceeds from sales of property, plant and equipment and intangible assets	39,974	573
Purchase of investment securities	(637)	(194,157)
Proceeds from sales of investment securities	—	54,974
Proceeds from redemption of investment securities	—	100,000
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(307,922)
Payments of loans receivable	(4,503)	(300,400)
Collection of loans receivable	28,109	32,167
Decrease (increase) in lease and guarantee deposits of leasehold estate	(277,278)	(147,377)
Increase (decrease) in guarantee deposits received	(46,258)	(12,481)
Other, net	(28,979)	(14,801)
Net cash used in investing activities	(474,223)	(678,691)
Cash flows from financing activities		
Increase in short-term loans payable	300,000	1,400,000
Decrease in short-term loans payable	(300,000)	(880,000)
Proceeds from long-term loans payable	—	3,350,000
Repayment of long-term loans payable	(83,000)	(4,760,918)
Repayments of long-term non-recourse loans payable	(38,700)	(355,800)
Repayments of lease obligations	(90,174)	(113,750)
Proceeds from disposal of treasury stock	78,395	78,289
Purchase of treasury stock	(441,386)	(66)
Cash dividends paid	(339,733)	(335,309)
Cash dividends paid to minority shareholders	(50,000)	(50,000)
Net cash used in financing activities	(964,598)	(1,667,554)
Net increase (decrease) in cash and cash equivalents	(867,452)	(1,330,442)
Cash and cash equivalents at beginning of period	13,182,900	14,472,733
Cash and cash equivalents at end of period	12,315,448	13,142,291

*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

(4) Notes on quarterly financial statements**(Notes on a going concern assumption)**

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Segment information)**I Six months ended September 30, 2012 (April 1, 2012 to September 30, 2012)****1. Information on net sales, and income or losses for each reportable segment**

(Thousands of yen)

	Reportable segment					Adjustments (Note 1)	Amount recorded on quarterly consolidated statements of income (Note 2)
	Building Management and Operation Business	Environmental Facility Management Business	Real Estate Fund Management Business	Other Businesses	Total		
Net sales							
Net sales to external customers	31,355,316	3,846,289	228,121	908,798	36,338,524	—	36,338,524
Inter-segment net sales and transfer	—	—	—	—	—	—	—
Total	31,355,316	3,846,289	228,121	908,798	36,338,524	—	36,338,524
Segment income (loss)	2,968,638	353,208	47,974	(21,722)	3,348,098	(1,673,357)	1,674,741

Notes: 1. Adjustments to segment income consist of (1,673,357) thousand yen in unallocated general administrative expenses.

2. Segment income (loss) has been adjusted to operating income described in quarterly consolidated statements of income.

2. Information on impairment losses of noncurrent assets and goodwill for each reportable segment

Not applicable.

II Six months ended September 30, 2013 (April 1, 2013 to September 30, 2013)**1. Information on net sales, and income or losses for each reportable segment**

(Thousands of yen)

	Reportable segment					Adjustments (Note 1)	Amount recorded on quarterly consolidated statements of income (Note 2)
	Building Management and Operation Business	Environmental Facility Management Business	Real Estate Fund Management Business	Other Businesses	Total		
Net sales							
Net sales to external customers	34,643,109	4,220,197	530,128	685,473	40,078,907	—	40,078,907
Inter-segment net sales and transfer	—	—	—	—	—	—	—
Total	34,643,109	4,220,197	530,128	685,473	40,078,907	—	40,078,907
Segment income (loss)	3,601,528	384,336	74,084	(38,764)	4,021,184	(1,669,249)	2,351,935

Notes: 1. Adjustments to segment income consist of (1,669,249) thousand yen in unallocated general administrative expenses.

2. Segment income (loss) has been adjusted to operating income described in quarterly consolidated statements of income.

2. Information on assets for each reportable segment

Assets by reportable segment for the first six months have changed significantly from the previous fiscal year end as follows:

During the first six months of the fiscal year ending March 31, 2014, the Company acquired all shares in NJK Holding K.K. and included the company and its three subsidiaries in the consolidation scope. As a result, assets of the Building Management and Operation Business segment increased by 2,582,929 thousand yen.

3. Information on impairment losses of noncurrent assets and goodwill for each reportable segment

(Significant changes in the amount of goodwill)

During the first six months of the fiscal year ending March 31, 2014, the Company acquired all shares in NJK Holding K.K. and included the company and its three subsidiaries in the consolidation scope. As a result, goodwill of the Building Management and Operation Business segment increased.

Due to the acquisition, the amount of goodwill increased by 2,356,247 thousand yen during the first six months of the fiscal year ending March 31, 2014.