

**Consolidated Financial Statements**  
**for the Third Quarter of the Fiscal Year Ending March 31, 2016 [J-GAAP]**

February 4, 2016

**NIPPON KANZAI Co., Ltd.**

Listed exchanges: Tokyo Stock Exchange, First Section

Code number: 9728 URL: <http://www.nkanzai.co.jp/>

Representative: Shintaro Fukuda, President and Representative Director

Contact: Yasuhiro Harada, General Manager of Finance Department and Director

Telephone: 03-5299-0863

Filing date of quarterly report: February 10, 2016

Date to start dividends distribution: -

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 third quarter ended December 31, 2015 (April 1, 2015 to December 31, 2015)**

**(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 | %    |
| Nine months ended December 31, 2015 | 66,137          | 3.3 | 4,161            | 3.8 | 4,685           | 5.0  |
| Nine months ended December 31, 2014 | 64,046          | 3.8 | 4,009            | 6.6 | 4,462           | 10.8 |

Note: Comprehensive income: Nine months ended December 31, 2015: ¥3,161 million (-23.4%)

Nine months ended December 31, 2014: ¥4,130 million (39.5%)

|                                     | Profit Attributable to Owners of Parent |      | Net Income per Share |  | Diluted Net Income per Share |  |
|-------------------------------------|---|------|----------------------|--|------------------------------|--|
|                                     | Millions of yen                         | %    | Yen                  |  | Yen                          |  |
| Nine months ended December 31, 2015 | 3,292                                   | 11.7 | 96.62                |  | —                            |  |
| Nine months ended December 31, 2014 | 2,947                                   | 24.8 | 86.82                |  | —                            |  |

Note: NIPPON KANZAI (hereinafter “the Company”) conducted a 2-for-1 stock split which became effective as of October 1, 2015. The figures for net income per share have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

**(2) Consolidated financial position**

|                         | Total Assets    | Net Assets      | Equity Ratio |
|-------------------------|-----------------|-----------------|--------------|
|                         | Millions of yen | Millions of yen | %            |
| As of December 31, 2015 | 57,234          | 38,516          | 65.0         |
| As of March 31, 2015    | 56,205          | 36,262          | 62.2         |

Note: Shareholders' equity: As of December 31, 2015: ¥37,207 million

As of March 31, 2015: ¥34,964 million

**2. Dividends**

|  | Annual dividends  |                    |                   |          |       |
|--|-------------------|--------------------|-------------------|----------|-------|
|  | First Quarter-end | Second Quarter-end | Third Quarter-end | Year-end | Total |
|  | Yen               | Yen                | Yen               | Yen      | Yen   |
| Fiscal year ended March 31, 2015             | —                 | 22.00              | —                 | 28.00    | 50.00 |
| Fiscal year ending March 31, 2016            | —                 | 25.00              | —                 |          |       |
| Fiscal year ending March 31, 2016 (forecast) |                   |                    |                   | 22.00    | —     |

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

The figure for Fiscal year ending March 31, 2016 (forecast) indicates an amount calculated in consideration of a 2-for-1 stock split effective October 1, 2015. The total annual dividends for Fiscal year ending March 31, 2016 (forecast) without considering the stock split is 69.00 yen.

**3. Consolidated business forecasts for the fiscal year ending March 31, 2016 (April 1, 2015 to March 31, 2016)**

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

|           | Net Sales       |     | Operating Income |     | Ordinary Income |     | Profit Attributable to Owners of Parent |     | Net Income per Share |
|-----------|-----------------|-----|------------------|-----|-----------------|-----|---|-----|----------------------|
|           | Millions of yen | %   | Millions of yen  | %   | Millions of yen | %   | Millions of yen                         | %   | Yen                  |
| Full year | 89,000          | 1.9 | 5,500            | 1.4 | 6,200           | 2.7 | 4,100                                   | 5.3 | 120.47               |

Note: Revisions to the most recently announced consolidated business forecasts in the current quarter: None

The figure for Net Income per Share indicates an amount calculated in consideration of the 2-for-1 stock split effective October 1, 2015.

**\* 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.: | Yes  |
| 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 December 31, 2015                      | 41,180,306 shares | As of March 31, 2015                         | 41,180,306 shares |
| 2) | As of December 31, 2015                      | 7,051,276 shares  | As of March 31, 2015                         | 7,145,600 shares  |
| 3) | First nine months ended<br>December 31, 2015 | 34,076,578 shares | First nine months ended<br>December 31, 2014 | 33,945,791 shares |

Note: The Company conducted a 2-for-1 stock split of its common stock, with an effective date of October 1, 2015. The figures for "Number of shares issued and outstanding" have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

**\* 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**

The business forecasts reported herein were prepared based on information the Company 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. (3) 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.

## Table of Contents for the Attached Document

|   |    |
|---|----|
| 1. Qualitative information on financial statements .....  | 2  |
| (1) Explanation regarding business results .....  | 2  |
| (2) Explanation regarding financial position .....  | 3  |
| (3) Explanation regarding information on future forecasts including consolidated business forecasts,<br>etc. ....       | 3  |
| 2. Supplement to summary information (Notes).....   | 4  |
| (1) Changes of significant subsidiaries during the term .....   | 4  |
| (2) Adoption of specific accounting methods for preparation of the quarterly consolidated financial<br>statements ..... | 4  |
| (3) Changes in accounting policies, accounting estimates and restatement of revisions.....                              | 4  |
| 3. Quarterly consolidated financial statements .....  | 5  |
| (1) Quarterly consolidated balance sheets .....   | 5  |
| (2) Quarterly consolidated statements of income and quarterly consolidated statements of<br>comprehensive income.....   | 7  |
| Quarterly consolidated statements of income .....   | 7  |
| Quarterly consolidated statements of comprehensive income.....  | 9  |
| (3) Notes on quarterly financial statements .....   | 10 |
| (Notes on a going concern assumption).....  | 10 |
| (Notes on significant changes in the amount of shareholders' equity) .....  | 10 |
| (Segment information).....  | 10 |

## 1. Qualitative information on financial statements

### (1) Explanation regarding business results

The Japanese economy during the first nine months of the fiscal year ending March 31, 2016 began to see a recovering economic trend in the improved corporate earnings, employment and income environment, supported by the government's economic measures. On the other hand, the outlook still remains uncertain amid fluctuating exchange rates and crude oil prices as well as growing concerns over slowdown of economies in emerging nations centering on China.

In the real estate service industry, a sign of improvement is seen in the office and commercial buildings vacancy rate in central Tokyo and core regional cities, and it was confirmed that rents in some areas have turned upward. In addition, the Company's target market indicates future expansion as there has been an increasing number of reconstruction projects of multi-purpose buildings in central Tokyo and other areas. Concerning new contracts for management business, we have been awarded contracts by focusing on management with added value that can clearly differentiate ourselves from competitors. As to existing contracts for management business, although strong cost-consciousness brought by the global financial crisis still remains among the clients, the Company has increased efforts on improving management quality and expansion of scope of management by offering better management services with evolved and improved contents to the clients from the viewpoint of maintaining and enhancing safety, security and asset value.

In such a business environment, NIPPON KANZAI Group (hereinafter "the Group") made efforts in proactive business development in related areas such as private finance initiatives (PFI), energy-saving and environmental businesses while working to further strengthen and improve our main business of building management.

Consolidated net sales for the first nine months rose by 3.3% year on year to 66,137 million yen due to firm growth in winning new contracts and construction-related orders in addition to existing contracts remaining at a high level.

As for profit, operating income climbed 3.8% year on year to 4,161 million yen and ordinary income increased by 5.0% year on year to 4,685 million yen. These results are due to a review of outsourcing contract styles and extensive working hour management despite the decrease in revenue in line with the increased costs of major items such as labor costs and outsourcing costs as well as the disposition of real estate for sale in the previous year.

Furthermore, profit attributable to owners of parent increased by 11.7% year on year to 3,292 million yen, and this substantial growth was attributable to the contribution of earnings from the disposition of investment securities and real estate owned.

Stock split of 2-for-1 was conducted effective October 1, 2015 in commemoration of the 50th anniversary of the Company's foundation.

The following are earnings by segment and 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, which focuses on building management and security services, we were well awarded with new contracts for new management services. As a result, net sales for the first nine months of the fiscal year ending March 31, 2016 increased by 3.8% year on year to 57,774 million yen.

Segment income was 6,218 million yen, up 6.5% year on year due to revising price per unit for some existing management contracts with low profitability, etc.

#### (Environmental Facility Management Business)

In the Environmental Facility Management Business, which mainly comprises the management of water treatment, sewage disposal and other public facilities related to the overall living environment, we secured a firm number of new management contracts as well as renewals of existing management contracts, particularly for the management of incinerators. As a result, net sales for the segment amounted to 6,719 million yen, up 6.2% year on year, for the first nine months of the fiscal year ending March 31, 2016. We consider the market has the potential to grow because the private sector's knowhow can be useful for local governments, the main customers for this segment, in meeting their tight budgets.

The Group has worked to reduce costs, focusing on efforts to rein in start-up costs for new contracts, to reduce procurement costs, and to realign personnel assignments to better match actual needs. As a result, segment income for the quarter was 841 million yen, up 32.4% year on year.

#### (Real Estate Fund Management Business)

In the Real Estate Fund Management Business mainly comprising the asset management business (i.e. arrangement and asset management of real estate funds) and handling investments in silent partnerships, the asset management income was stable, while income from the disposition of real estate for sale was lower than the same period in the previous year. As a result, net sales for the segment for the first nine months of the fiscal year ending March 31, 2016 was 506 million yen, down 33.1% year on year.

Turning to profits, segment income was 161 million yen, down 50.4% year on year. This significant decrease was attributable to decrease in income from the disposition of real estate for sale mentioned above, exceeding our efforts in expense reductions and improvements on operational efficiency.

#### (Other Businesses)

In the Other Businesses, which consist mainly of event planning & management, there were adverse impacts from various events being downsized and clients' cost reductions, resulting in net sales of 1,136 million yen, down 13.4% year on year, for the segment for the first nine months of the fiscal year ending March 31, 2016. However, segment

NIPPON KANZAI Co., Ltd. (9728) Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2016  
income was 60 million yen, up 724.5 % year on year, as we were able to win a profitable contract.

**(2) Explanation regarding financial position**

Total assets at the end of the third quarter of the current fiscal year increased by 1,029 million yen, or 1.8%, from the previous fiscal year-end to 57,234 million yen. This was due to the increase in cash and deposits, etc. in line with income from disposition of noncurrent assets and investment securities and collection of notes and accounts receivable – trade.

Liabilities decreased by 1,224 million yen, or 6.1 %, from the previous fiscal year-end to 18,718 million yen due to the payment of accrued consumption taxes and the repayment of loans payable, etc.

Net assets increased by 2,254 million yen, or 6.2%, from the previous fiscal year-end to 38,516 million yen due to profit attributable to owners of parent. As a result, the equity ratio as of December 31, 2015 increased by 2.8 percentage points from the previous fiscal year-end to 65.0%.

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

The Group's business performance has been generally in line with forecasts announced on May 8, 2015. Consequently, there are no changes to the full-year business outlook at this time.

The year-end cash dividends forecast has been revised as of August 27, 2015.

## **2. Supplement to summary information (Notes)**

### **(1) Changes of significant subsidiaries during the term**

There are no applicable matters.

While there was no transfer of specified subsidiaries, during the first quarter of the current fiscal year, OKINAWA NIPPON KANZAI Co., Ltd. was newly established and included in the scope of consolidation. In addition, during the third quarter of the current fiscal year, Japan Housing Management Sapporo Co., which was a consolidated subsidiary, was removed from the scope of consolidation following the disposition of all of its shares.

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

There are no applicable matters.

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

[Changes in accounting policies]

(Application of Accounting Standard for Business Combinations, etc.)

The Company adopted Accounting Standard for Business Combinations (ASBJ Statement No.21 of September 13, 2013; hereafter the "Business Combinations Accounting Standard"), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22 of September 13, 2013; hereafter the "Consolidated Accounting Standard"), Accounting Standard for Business Divestitures (ASBJ Statement No.7 of September 13, 2013; hereafter the "Business Divestitures Accounting Standard"), etc. starting from the first quarter of the current fiscal year. As such, the difference due to change in the Company's equity interest in its subsidiaries under its continuous control was posted as capital surplus. We also changed the method of posting acquisition-related costs to post it as an expense in the fiscal year in which such expense is incurred. As for the business combinations on or after the beginning of the second quarter of the current fiscal year, we review the allotted acquisition cost by determining provisional accounting treatment and reflect such reviewed amount in the financial statements of the quarterly accounting period in which the business combination occurred. In addition, the Group changed the terminology for net income, etc. and for minority interests to non-controlling interests. In order to reflect such changes, the financial statements for the previous fiscal year's second quarter and full year have been adjusted.

Application of the Business Combinations Accounting Standard is pursuant to transitional handling set forth in paragraph 58-2 (4) of the Business Combinations Accounting Standard, paragraph 44-5 (4) of the Consolidated Accounting Standard and paragraph 57-4 (4) of the Business Divestitures Accounting Standard, and it is applied from the beginning of the first quarter of the current fiscal year into the future.

There were no monetary effects on the financial statements for the third quarter of the current fiscal year.

(Additional information)

(Abolition of directors' retirement benefit program)

The Company used to record the necessary amount based on its internal rules at fiscal year-end in order to prepare for the payment of directors' retirement benefits. However, payment of the accrued amount consequent to abolition of the directors' retirement benefit program was resolved at the annual general meeting of shareholders held on June 26, 2015.

In accordance with this, the Company reversed the entire allowance for directors' retirement benefits and posted the payable amount of payment for discontinuance in Others under noncurrent liabilities as long-term accounts payable.

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

(Thousands of yen)

|   | Fiscal year ended<br>March 31, 2015<br>(As of March 31, 2015) | Third quarter ended<br>December 31, 2015<br>(As of December 31, 2015) |
|---|---|---|
| <b>ASSETS</b>   |   |   |
| Current assets  |   |   |
| Cash and deposits                                       | 16,726,902  | 18,779,178  |
| Notes and accounts receivable — trade                   | 11,331,252  | 10,714,080  |
| Securities  | 10,042  | -   |
| Investments in silent partnership for business purposes | 285,058   | 290,783   |
| Supplies  | 72,955  | 89,935  |
| Real estate for sale                                    | 567,641   | 557,833   |
| Income taxes receivable                                 | 60,697  | 163,935   |
| Deferred tax assets                                     | 385,265   | 166,421   |
| Other   | 966,356   | 1,765,409   |
| Allowance for doubtful accounts                         | (12,081)  | (10,481)  |
| <b>Total current assets</b>                             | <b>30,394,087</b>   | <b>32,517,093</b>   |
| Noncurrent assets                                       |   |   |
| Property, plant and equipment                           |   |   |
| Buildings and structures, net                           | 2,739,183   | 2,543,115   |
| Machinery, equipment and vehicles, net                  | 65,630  | 65,366  |
| Tools, furniture and fixtures, net                      | 422,657   | 406,988   |
| Land  | 1,672,757   | 1,051,127   |
| Lease assets, net                                       | 475,006   | 363,849   |
| Construction in progress                                | 156,342   | -   |
| <b>Total property, plant and equipment</b>              | <b>5,531,575</b>  | <b>4,430,445</b>  |
| Intangible assets                                       |   |   |
| Telephone subscription right                            | 45,435  | 45,250  |
| Software  | 185,016   | 356,258   |
| Goodwill  | 2,203,290   | 2,110,692   |
| Lease assets  | 23,837  | 16,558  |
| Software in progress                                    | 100,015   | -   |
| <b>Total intangible assets</b>                          | <b>2,557,593</b>  | <b>2,528,758</b>  |
| Investments and other assets                            |   |   |
| Investment securities                                   | 14,047,667  | 13,878,829  |
| Long-term loans receivable                              | 504,013   | 444,992   |
| Long-term prepaid expenses                              | 26,478  | 24,828  |
| Lease and guarantee deposits                            | 1,441,509   | 1,475,140   |
| Membership  | 425,754   | 415,915   |
| Net defined benefit asset                               | 591,912   | 870,286   |
| Deferred tax assets                                     | 16,962  | 3,866   |
| Other   | 848,501   | 750,451   |
| Allowance for doubtful accounts                         | (180,978)   | (106,223)   |
| <b>Total investments and other assets</b>               | <b>17,721,818</b>   | <b>17,758,084</b>   |
| <b>Total noncurrent assets</b>                          | <b>25,810,986</b>   | <b>24,717,287</b>   |
| <b>TOTAL ASSETS</b>                                     | <b>56,205,073</b>   | <b>57,234,380</b>   |

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

(Thousands of yen)

|   | Fiscal year ended<br>March 31, 2015<br>(As of March 31, 2015) | Third quarter ended<br>December 31, 2015<br>(As of December 31, 2015) |
|---|---|---|
| <b>LIABILITIES</b>                                      |   |   |
| Current liabilities                                     |   |   |
| Notes and accounts payable—trade                        | 5,814,957   | 5,683,331   |
| Current portion of long-term loans payable              | 741,000   | 742,870   |
| Current portion of long-term non-recourse loans payable | 10,000  | 10,000  |
| Lease obligations                                       | 191,857   | 154,992   |
| Accrued expenses  | 2,556,003   | 2,660,416   |
| Income taxes payable                                    | 703,309   | 511,835   |
| Accrued consumption taxes                               | 1,577,934   | 812,697   |
| Deposits received                                       | 434,300   | 821,832   |
| Advances received                                       | 140,950   | 371,070   |
| Provision for bonuses                                   | 673,763   | 72,841  |
| Provision for directors' bonuses                        | 6,047   | 267   |
| Deferred tax liabilities                                | -   | 475   |
| Other   | 216,119   | 213,301   |
| Total current liabilities                               | 13,066,239  | 12,055,927  |
| Noncurrent liabilities                                  |   |   |
| Long-term loans payable                                 | 3,667,870   | 3,068,750   |
| Long-term non-recourse loans payable                    | 385,000   | 377,500   |
| Lease obligations                                       | 321,284   | 237,785   |
| Deferred tax liabilities                                | 907,882   | 1,203,628   |
| Provision for directors' retirement benefits            | 562,223   | -   |
| Net defined benefit liability                           | 319,161   | 294,060   |
| Long-term guarantee deposited                           | 340,875   | 353,131   |
| Asset retirement obligations                            | 229,356   | 259,382   |
| Liabilities from application of equity method           | 68,383  | 11,289  |
| Other   | 74,617  | 856,558   |
| Total noncurrent liabilities                            | 6,876,651   | 6,662,083   |
| <b>TOTAL LIABILITIES</b>                                | <b>19,942,890</b>   | <b>18,718,010</b>   |
| <b>NET ASSETS</b>                                       |   |   |
| Shareholders' equity                                    |   |   |
| Capital stock   | 3,000,000   | 3,000,000   |
| Capital surplus   | 617,972   | 617,972   |
| Retained earnings                                       | 33,716,122  | 36,097,303  |
| Treasury stock  | (5,270,659)   | (5,187,469)   |
| Total shareholders' equity                              | 32,063,435  | 34,527,806  |
| Accumulated other comprehensive income                  |   |   |
| Valuation difference on available-for-sale securities   | 2,719,708   | 3,257,942   |
| Foreign currency translation adjustment                 | 4,735   | (744,372)   |
| Remeasurements of defined benefit plans                 | 176,955   | 166,347   |
| Total accumulated other comprehensive income            | 2,901,398   | 2,679,917   |
| Minority interests                                      | 1,297,350   | 1,308,647   |
| <b>TOTAL NET ASSETS</b>                                 | <b>36,262,183</b>   | <b>38,516,370</b>   |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                 | <b>56,205,073</b>   | <b>57,234,380</b>   |

\*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)

|   | Nine months ended<br>December 31, 2014<br>(April 1, 2014 to<br>December 31, 2014) | Nine months ended<br>December 31, 2015<br>(April 1, 2015 to<br>December 31, 2015) |
|---|---|---|
| Net sales   | 64,046,007  | 66,137,420  |
| Cost of sales   | 51,102,379  | 52,604,962  |
| Gross profit  | 12,943,628  | 13,532,458  |
| Selling, general and administrative expenses                  |   |   |
| Selling expenses  | 158,260   | 180,242   |
| Personnel expenses  | 5,365,416   | 5,600,624   |
| Provision for bonuses   | 47,409  | 47,995  |
| Provision for directors' bonuses                              | 53,294  | 267   |
| Provision for directors' retirement benefits                  | 64,170  | 6,413   |
| Retirement benefit expenses                                   | 76,061  | 88,535  |
| Transportation and communication expenses                     | 737,965   | 741,885   |
| Supplies expenses   | 285,451   | 298,291   |
| Rent expenses   | 633,846   | 660,521   |
| Insurance expenses  | 220,348   | 257,244   |
| Depreciation  | 276,311   | 277,258   |
| Taxes and dues  | 80,432  | 87,632  |
| Enterprise tax  | 64,198  | 118,271   |
| Provision of allowance for doubtful accounts                  | 4,909   | (5,366)   |
| Amortization of goodwill                                      | 91,558  | 92,597  |
| Other   | 774,431   | 918,061   |
| Total selling, general and administrative expenses            | 8,934,059   | 9,370,470   |
| Operating income  | 4,009,569   | 4,161,988   |
| Non-operating income  |   |   |
| Interest and dividends income                                 | 144,899   | 148,393   |
| Gain on sales of investment securities                        | 25,499  | -   |
| Rent income   | 28,416  | 28,632  |
| Share of profit of entities accounted for using equity method | 332,121   | 463,038   |
| Other   | 67,200  | 56,163  |
| Total non-operating income                                    | 598,135   | 696,226   |
| Non-operating expenses  |   |   |
| Interest expenses   | 48,214  | 34,799  |
| Loss on sales of investment securities                        | -   | 3,015   |
| Rent expenses   | 34,474  | 34,523  |
| Loss on sales and retirement of noncurrent assets             | 13,276  | 23,004  |
| Other   | 49,192  | 77,375  |
| Total non-operating expenses                                  | 145,156   | 172,716   |
| Ordinary income   | 4,462,548   | 4,685,498   |

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

(Thousands of yen)

|   | Nine months ended<br>December 31, 2014<br>(April 1, 2014 to<br>December 31, 2014) | Nine months ended<br>December 31, 2015<br>(April 1, 2015 to<br>December 31, 2015) |
|---|---|---|
| <b>Extraordinary income</b>                                 |   |   |
| Gain on sales of noncurrent assets                          | -   | 156,533   |
| Gain on sales of investment securities                      | -   | 229,559   |
| Gain on sales of subsidiaries' stocks                       | -   | 27,845  |
| <b>Total extraordinary income</b>                           | -   | <b>413,937</b>  |
| Quarterly income before income taxes and minority interests | 4,462,548   | 5,099,435   |
| Income taxes – current                                      | 1,053,242   | 1,424,844   |
| Income taxes – deferred                                     | 387,484   | 292,881   |
| <b>Total income taxes</b>                                   | <b>1,440,726</b>  | <b>1,717,725</b>  |
| Quarterly net income  | 3,021,822   | 3,381,710   |
| Profit attributable to non-controlling interests            | 74,680  | 89,310  |
| Profit attributable to owners of parent                     | 2,947,142   | 3,292,400   |

\*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)

|   | Nine months ended<br>December 31, 2014<br>(April 1, 2014 to<br>December 31, 2014) | Nine months ended<br>December 31, 2015<br>(April 1, 2015 to<br>December 31, 2015) |
|---|---|---|
| Quarterly net income  | 3,021,822   | 3,381,710   |
| Other comprehensive income  |   |   |
| Valuation difference on available-for-sale securities                             | 937,458   | 539,399   |
| Remeasurements of defined benefit plans, net of tax                               | 68,670  | (10,086)  |
| Share of other comprehensive income of entities accounted for using equity method | 102,379   | (749,106)   |
| Total other comprehensive income  | 1,108,507   | (219,793)   |
| Quarterly comprehensive income  | 4,130,329   | 3,161,917   |
| Comprehensive income attributable to  |   |   |
| Comprehensive income attributable to owners of parent                             | 4,043,019   | 3,070,920   |
| Comprehensive income attributable to non-controlling interests                    | 87,310  | 90,997  |

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

**(3) 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. Nine months ended December 31, 2014 (April 1, 2014 to December 31, 2014)

## 1. Information on net sales, and income or losses for each reportable segment

(Thousands of yen)

|   | Reportable segment                                  |   |   |                     |            | Adjustments<br>(Note 1) | Amount<br>recorded on<br>quarterly<br>consolidated<br>statements of<br>income (Note 2) |
|---|---|---|---|---------------------|------------|-------------------------|--|
|   | Building<br>Management<br>and Operation<br>Business | Environmental<br>Facility<br>Management<br>Business | Real Estate<br>Fund<br>Management<br>Business | Other<br>Businesses | Total      |                         |  |
| Net sales                               |   |   |   |                     |            |                         |  |
| Net sales to external<br>customers      | 55,645,956  | 6,329,603   | 757,497                                       | 1,312,951           | 64,046,007 | —                       | 64,046,007   |
| Inter-segment net<br>sales and transfer | —   | —   | —   | —                   | —          | —                       | —  |
| Total                                   | 55,645,956  | 6,329,603   | 757,497                                       | 1,312,951           | 64,046,007 | —                       | 64,046,007   |
| Segment income                          | 5,840,097   | 635,633   | 326,453                                       | 7,286               | 6,809,469  | (2,799,900)             | 4,009,569  |

Notes: 1. Adjustments to segment income consist of (2,799,900) thousand yen in unallocated general administrative expenses.

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

## II. Nine months ended December 31, 2015 (April 1, 2015 to December 31, 2015)

## 1. Information on net sales, and income or losses for each reportable segment

(Thousands of yen)

|   | Reportable segment                                  |   |   |                     |            | Adjustments<br>(Note 1) | Amount<br>recorded on<br>quarterly<br>consolidated<br>statements of<br>income (Note 2) |
|---|---|---|---|---------------------|------------|-------------------------|--|
|   | Building<br>Management<br>and Operation<br>Business | Environmental<br>Facility<br>Management<br>Business | Real Estate<br>Fund<br>Management<br>Business | Other<br>Businesses | Total      |                         |  |
| Net sales                               |   |   |   |                     |            |                         |  |
| Net sales to external<br>customers      | 57,774,415  | 6,719,793   | 506,462                                       | 1,136,750           | 66,137,420 | —                       | 66,137,420   |
| Inter-segment net<br>sales and transfer | —   | —   | —   | —                   | —          | —                       | —  |
| Total                                   | 57,774,415  | 6,719,793   | 506,462                                       | 1,136,750           | 66,137,420 | —                       | 66,137,420   |
| Segment income                          | 6,218,533   | 841,309   | 161,990                                       | 60,069              | 7,281,901  | (3,119,913)             | 4,161,988  |

Notes: 1. Adjustments to segment income consist of (3,119,913) thousand yen in unallocated general administrative expenses.

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