

Financial Results for the Fiscal Year Ended March 31, 2017

May 2017



Index

 3 Consolidated Financial Results for FY3/17

 12 Consolidated Financial Forecasts for FY3/18

 18 Medium-Term Growth Strategies

Consolidated Financial Results for FY3/17



Consolidated Financial Results Highlights

Net Sales

¥92,490 million (+ 2.7% YoY)

- | Smooth roll-over of existing service agreements and steady winning of new contracts.
- | The highest sales ever in construction work including large-scale repair.
- | Uplift contribution by newly consolidated companies.

Operating Income

¥5,522 million (+ 5.7% YoY)

- | Higher profitability due to real estate brokerage and proceeds from real estate disposition.
- | Increased SG&A expenses due to enhanced organization, business tax raise and liability insurance premium raise.

Ordinary Income

¥5,963 million (+ 2.7% YoY)

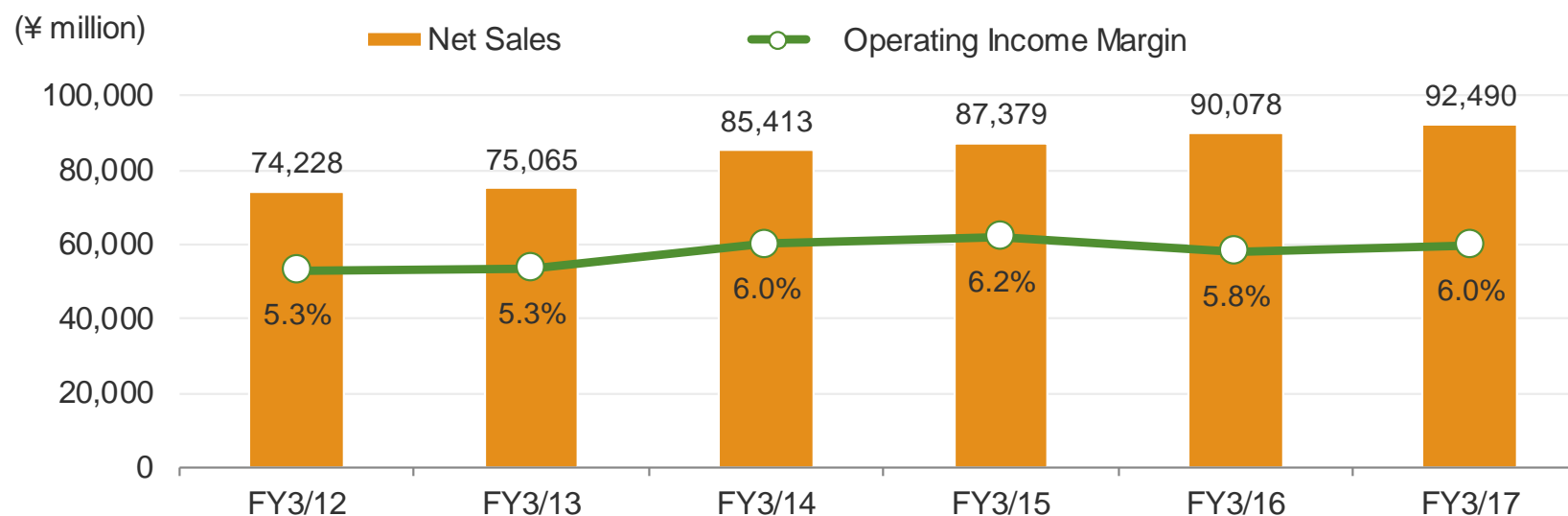
- | Increased foreign exchange loss related to overseas business due to strong yen.
- | Decreased share of profits related to equity method investments.

Profit Attributable to Owners of Parent

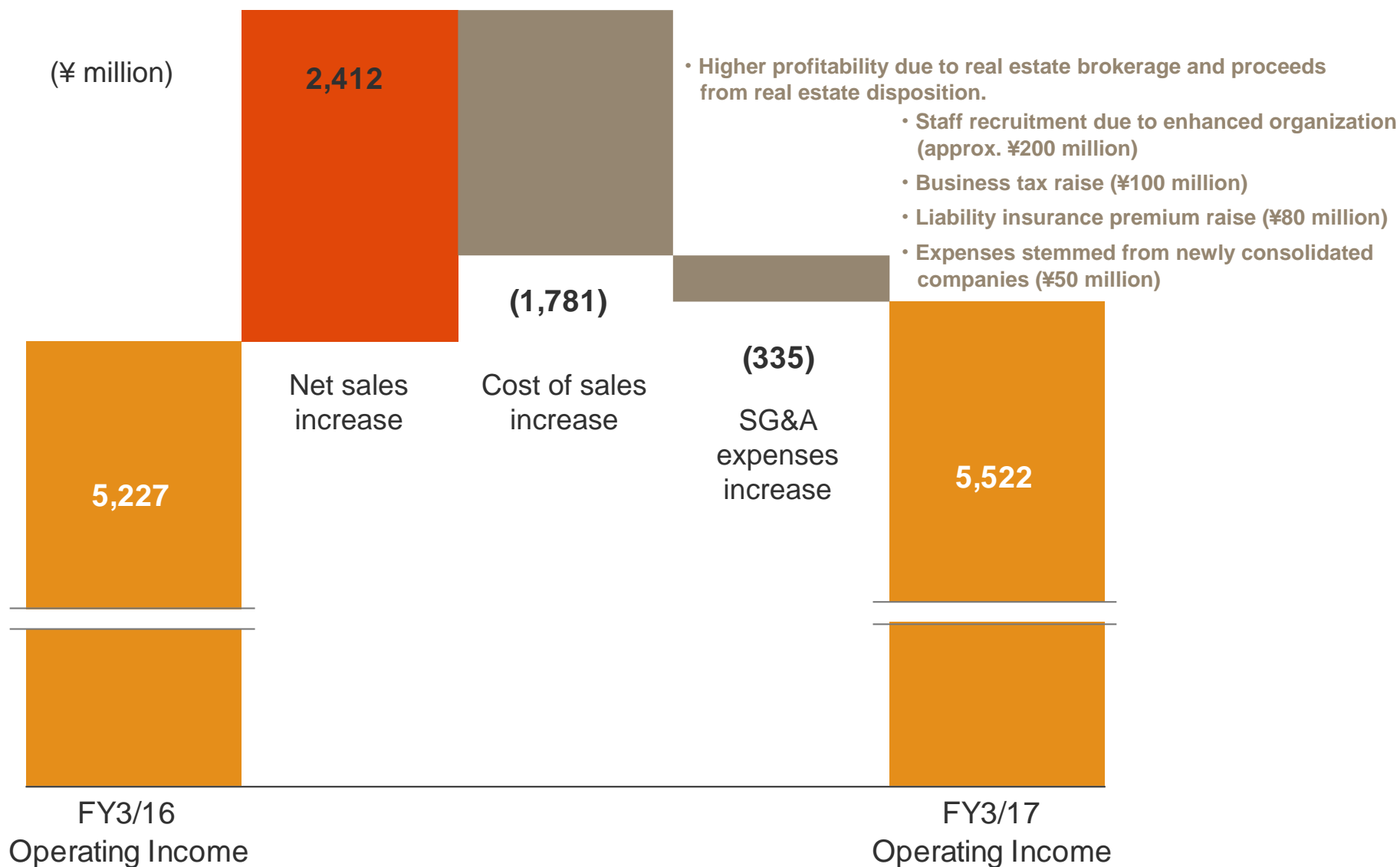
¥4,227 million (+ 6.8% YoY)

Consolidated Financial Results Summary

Consolidated (¥ million)	FY3/16		FY3/17		YoY Changes	
	Actual	Composition Ratio	Actual	Composition Ratio	Amount	Ratio
Net Sales	90,078	100.0%	92,490	100.0%	2,412	2.7%
Gross Profit	17,838	19.8%	18,469	20.0%	631	3.5%
SG&A Expenses	12,610	14.0%	12,946	14.0%	335	2.7%
Operating Income	5,227	5.8%	5,522	6.0%	295	5.7%
Ordinary Income	5,806	6.4%	5,963	6.4%	156	2.7%
Profit Attributable to Owners of Parent	3,958	4.4%	4,227	4.6%	269	6.8%



Increases/Decreases in Consolidated Operating Income



Overview of Consolidated Balance Sheet

Consolidated (¥ million)	FY3/16 End		FY3/17 End		YoY Changes	
	Actual	Composition Ratio	Actual	Composition Ratio	Amount	%
Total Assets	58,521	100.0%	62,279	100.0%	3,757	6.4%
Current assets	35,055	59.9%	35,858	57.6%	803	2.3%
Cash and deposits	20,496	35.0%	21,583	34.7%	1,086	5.3%
Notes and accounts receivable – trade	11,636	19.9%	11,721	18.8%	84	0.7%
Non-current assets	23,466	40.1%	26,421	42.4%	2,954	12.6%
Property, plant and equipment	4,395	7.5%	5,211	8.4%	816	18.6%
Intangible assets	2,555	4.4%	2,593	4.2%	38	1.5%
Investments and other assets	16,516	28.2%	18,616	29.9%	2,099	12.7%
Total liabilities	19,821	33.9%	20,815	33.4%	993	5.0%
Current liabilities	13,535	23.1%	13,648	21.9%	112	0.8%
Notes and accounts payable – trade	7,026	12.0%	7,200	11.6%	173	2.5%
Accrued consumption taxes	654	1.1%	659	1.1%	4	0.8%
Non-current liabilities	6,285	10.7%	7,167	11.5%	881	14.0%
Long-term loans payable	2,925	5.0%	2,350	3.8%	(575)	-19.7%
Long-term guarantee deposited	351	0.6%	1,690	2.7%	1,338	381.3%
Total net assets	38,699	66.1%	41,464	66.6%	2,764	7.1%
Shareholders' equity	35,211	60.2%	38,221	61.4%	3,009	8.5%
Capital stock	3,000	5.1%	3,000	4.8%	0	0.0%
Capital surplus	36,763	62.8%	39,564	63.5%	2,801	7.6%
Accumulated other comprehensive income	2,170	3.7%	1,874	3.0%	(295)	-13.6%
Non-controlling interests	1,317	2.3%	1,368	2.2%	50	3.8%
Total liabilities and net assets	58,521	100.0%	62,279	100.0%	3,757	6.4%

Main Factors for Increase/Decrease

(¥ million)

Assets

- ↑ Increase in cash and deposits 1,086
- ↑ Increase in investments and other assets 2,099 including lease and guarantee deposits for master lease agreements 1,327

Liabilities

- ↓ Decrease in long-term loans payable due to repayment (575)
- ↑ Increase in guarantee deposits 1,338 guarantee deposited for master lease agreements 1,313

Equity Ratio

64.4%

(+0.5pp YoY)

Overview of Consolidated Statement of Cash Flows

Consolidated (¥ million)	FY3/16 Actual	FY3/17 Actual	YoY Changes Amount
Profit before income taxes	6,023	6,380	356
Depreciation	594	606	12
Decrease (increase) in notes and accounts receivable – trade	(232)	(73)	158
Increase (decrease) in notes and accounts payable – trade	1,203	174	(1,028)
Increase (decrease) in accrued consumption taxes	(943)	(53)	890
Other, net	(3,066)	(2,177)	888
Cash flows from operating activities	3,579	4,856	1,276
Purchase of property, plant and equipment and intangible assets	(643)	(1,296)	(653)
Proceeds from sales of property, plant and equipment and intangible assets	1,276	4	(1,272)
Purchase of short-term and long-term investment securities	(273)	(1,271)	(998)
Cash flows from investing activities	1,751	(1,239)	(2,990)
Increase (decrease) in loans payable	(679)	(752)	(73)
Cash dividends paid	(911)	(1,395)	(484)
Other, net	(175)	(24)	151
Cash flows from financing activities	(1,766)	(2,173)	(406)
Net increase (decrease) in cash and cash equivalents	3,469	1,350	(2,118)
Cash and cash equivalents at the beginning of current period	16,331	19,801	3,469
Cash and cash equivalents at the end of current period	19,801	21,188	1,386
Free cash flows	5,331	3,617	(1,714)

Main Factors for Increase/Decrease

(¥ million)

CF from Operating Activities 1,276

| Decrease in notes and accounts payable - trade (1,028)

CF from Investing Activities (2,990)

| Increase in purchase of property, plant and equipment and intangible assets (653)

| Decrease in proceeds from sales of property, plant and equipment and intangible assets (1,272)

| Increase in purchase of investment securities (998)

CF from Financing Activities (406)

| Increase in cash dividends paid (484)

Business Segments and Major Group Companies

Building Management and Operation

¥81,005 mil

Building Maintenance and Property Management (excl. Security Service)
¥45,334 mil

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

Security Service ¥18,312 mil

Three-S Co., Ltd.

Condominium Management ¥17,358 mil

NKJ Holding Co., Ltd.
(Commercially registered name changed from NJK Holding Co., Ltd. On April 1, 2017)

Environmental Facility Management

¥9,176 mil

Environmental Facility Management

Nippon Kanzai Environment Service Co., Ltd.

Real Estate Fund Management

¥577 mil

Asset Management

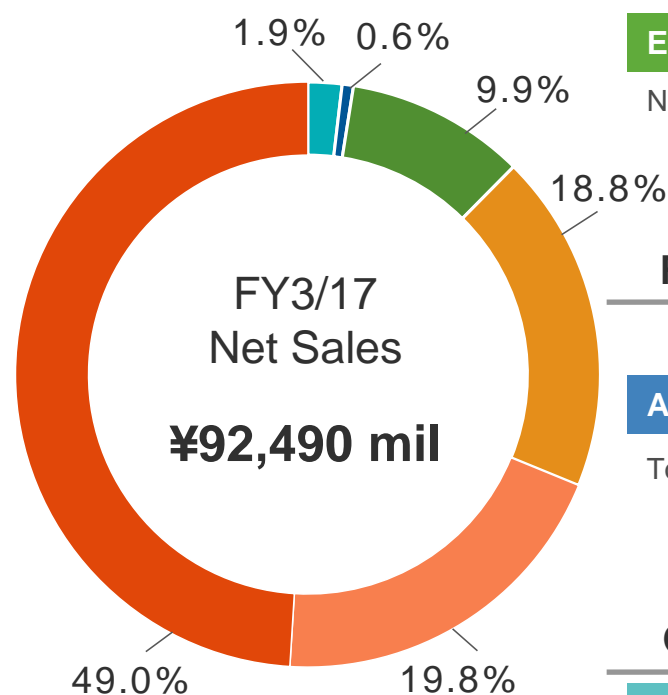
Tokyo Capital Management Co., Ltd.

Other

¥1,731 mil

Other Business

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

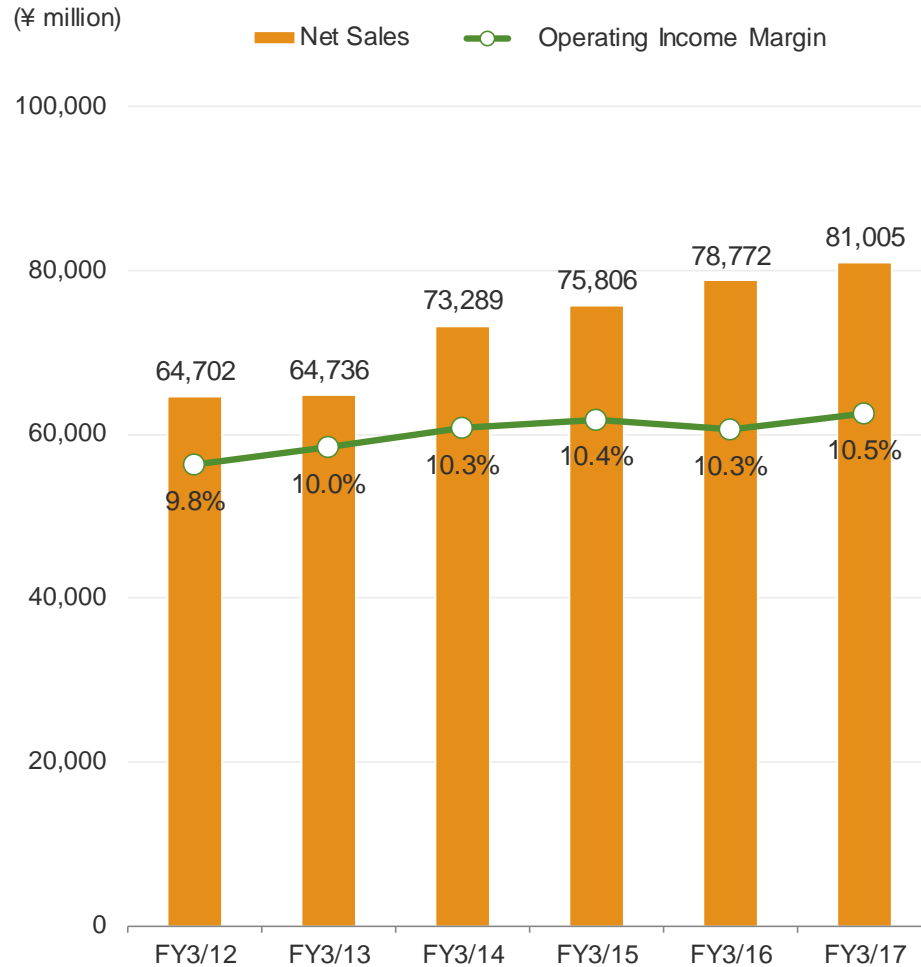


Financial Results by Business Segment

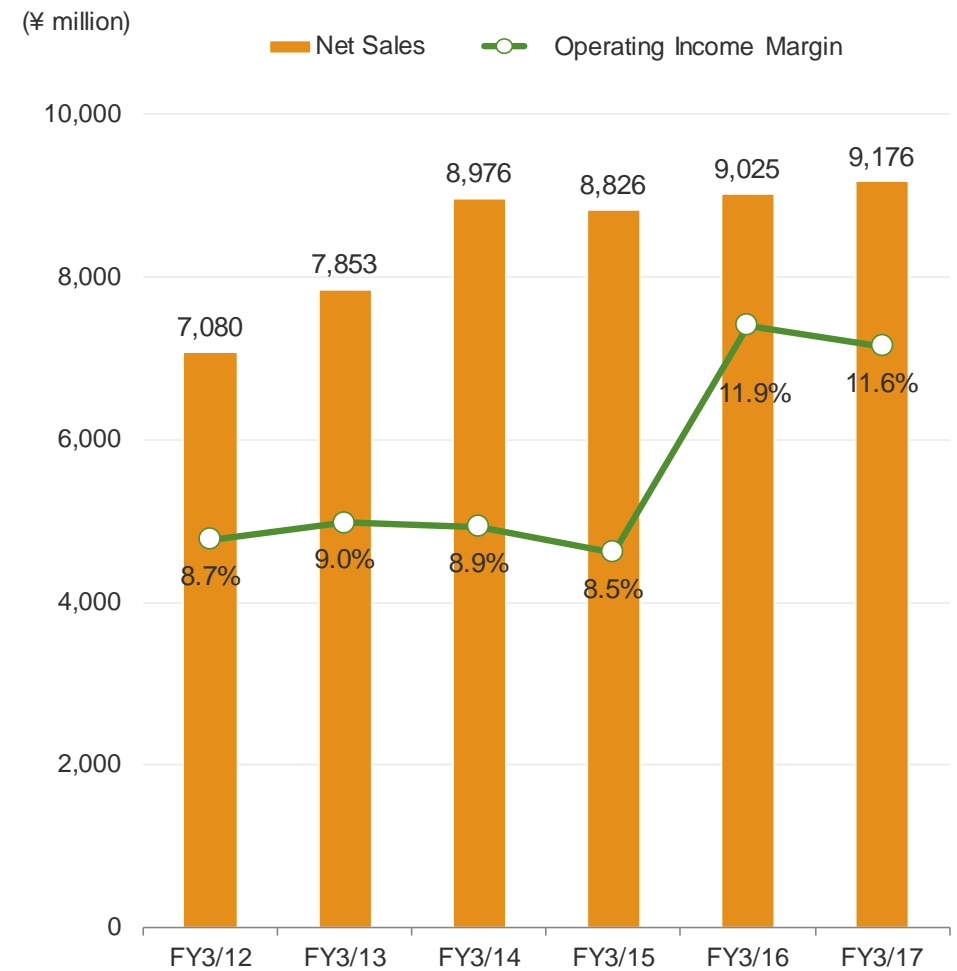
Consolidated (¥ million)	FY3/16		FY3/17		YoY Changes	
	Actual	Composition Ratio/Margin	Actual	Composition Ratio/Margin	Amount	Ratio
Net Sales	90,078	100.0%	92,490	100.0%	2,412	2.7%
Building Management and Operation Business	78,772	87.4%	81,005	87.6%	2,233	2.8%
Building Maintenance and Property Management	43,740	48.6%	45,334	49.0%	1,593	3.6%
Condominium Management	17,255	19.2%	17,358	18.8%	103	0.6%
Security Service	17,776	19.7%	18,312	19.8%	536	3.0%
Environmental Facility Management Business	9,025	10.0%	9,176	9.9%	151	1.7%
Real Estate Fund Management Business	599	0.7%	577	0.6%	(22)	-3.8%
Other Businesses	1,681	1.9%	1,731	1.9%	50	3.0%
Operating Income	5,227	5.8%	5,522	6.0%	295	5.7%
Building Management and Operation Business	8,085	10.3%	8,512	10.5%	427	5.3%
Building Maintenance and Property Management	4,716	10.8%	5,171	11.4%	454	9.6%
Condominium Management	1,329	7.7%	1,280	7.4%	(49)	-3.7%
Security Service	2,040	11.5%	2,061	11.3%	21	1.1%
Environmental Facility Management Business	1,072	11.9%	1,062	11.6%	(10)	-0.9%
Real Estate Fund Management Business	139	23.3%	174	30.2%	34	24.7%
Other Businesses	104	6.2%	201	11.6%	96	92.1%
Adjustments	(4,175)	-	(4,427)	-	(252)	6.0%

Performance of Major Segments

Building Management & Operation Business



Environmental Facility Management Business



Consolidated Financial Forecasts for FY3/18



Consolidated Financial Forecasts Summary

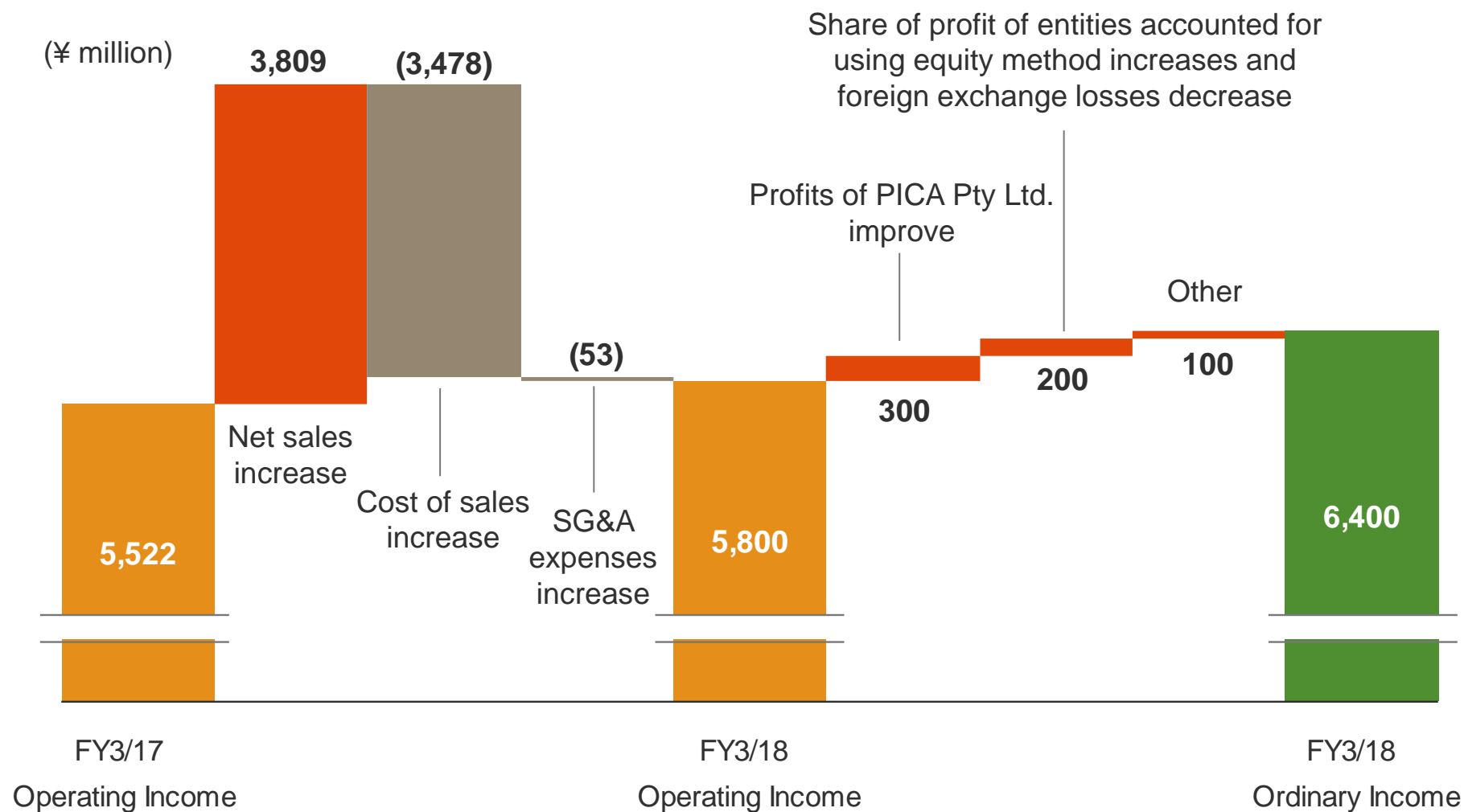
Market Background

- Large-scale developments are actively in progress mostly in central Tokyo.
- Developments of logistics for online shopping as well as retail facilities for international tourists visiting Japan continue in suburbs and regional areas.
- Our target, medium to large size facilities, are expected to increase.
- Difficulties in securing on-site staff and rise in wages may cause concerns.

- n Operating income is expected to increase due to business line expansion and cost restraints.
- n Ordinary income is expected to increase with less foreign exchange fluctuation and growth in equity method investment.
- n No revision has been made on financial forecasts published on April 28, 2017.

Consolidated (¥ million)	Full-Year FY3/17		1H FY3/18		2H FY3/18		Full-Year FY3/18		YoY Changes	
	Actual	Composition Ratio	Forecast	Composition Ratio	Forecast	Composition Ratio	Forecast	Composition Ratio	Amount	Ratio
Net Sales	92,490	100.0%	46,000	100.0%	50,300	100.0%	96,300	100.0%	3,809	4.1%
Gross Profit	18,469	20.0%	9,200	20.0%	9,600	19.1%	18,800	19.5%	330	1.8%
SG&A Expenses	12,946	14.0%	6,500	14.1%	6,500	12.9%	13,000	13.5%	53	0.4%
Operating Income	5,522	6.0%	2,700	5.9%	3,100	6.2%	5,800	6.0%	277	5.0%
Ordinary Income	5,963	6.4%	3,000	6.5%	3,400	6.8%	6,400	6.6%	436	7.3%
Profit Attributable to Owners of Parent	4,227	4.6%	2,000	4.3%	2,300	4.6%	4,300	4.5%	72	1.7%

Increases/Decreases in Consolidated Ordinary Income Forecast



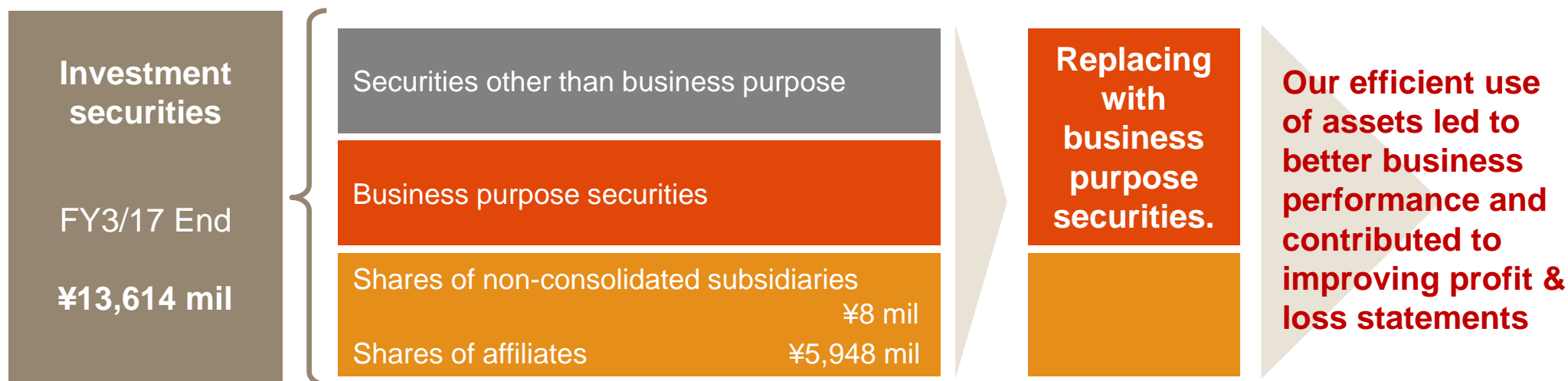
Financial Forecasts by Business Segment

Consolidated (¥ million)	Full-Year FY3/17		1H FY3/18		2H FY3/18		Full-Year FY3/18		YoY Changes	
	Actual	Composition Ratio/Margin	Forecast	Composition Ratio/Margin	Forecast	Composition Ratio/Margin	Forecast	Composition Ratio/Margin	Amount	Ratio
Net Sales	92,490	100.0%	46,000	100.0%	50,300	100.0%	96,300	100.0%	3,809	4.1%
Building Management and Operation Business	81,005	87.6%	40,457	88.0%	44,213	87.9%	84,670	87.9%	3,664	4.5%
Building Maintenance and Property Management	45,334	49.0%	23,002	50.0%	25,818	51.3%	48,820	50.7%	3,485	7.7%
Condominium Management	17,358	18.8%	8,236	17.9%	8,664	17.2%	16,900	17.5%	(458)	-2.6%
Security Service	18,312	19.8%	9,219	20.0%	9,731	19.3%	18,950	19.7%	637	3.5%
Environmental Facility Management Business	9,176	9.9%	4,511	9.8%	5,039	10.0%	9,550	9.9%	373	4.1%
Real Estate Fund Management Business	577	0.6%	307	0.7%	123	0.2%	430	0.4%	(147)	-25.5%
Other Businesses	1,731	1.9%	725	1.6%	925	1.8%	1,650	1.7%	(81)	-4.7%
Operating Income	5,522	6.0%	2,700	5.9%	3,100	6.2%	5,800	6.0%	277	5.0%
Building Management and Operation Business	8,512	10.5%	4,382	10.8%	4,818	10.9%	9,200	10.9%	687	8.1%
Building Maintenance and Property Management	5,171	11.4%	2,705	11.8%	2,948	11.4%	5,653	11.6%	482	9.4%
Condominium Management	1,280	7.4%	678	8.2%	742	8.6%	1,420	8.4%	139	10.9%
Security Service	2,061	11.3%	999	10.8%	1,128	11.6%	2,127	11.2%	65	3.2%
Environmental Facility Management Business	1,062	11.6%	490	10.9%	600	11.9%	1,090	11.4%	27	2.6%
Real Estate Fund Management Business	174	30.2%	130	42.3%	(50)	-40.7%	80	18.6%	(94)	-54.0%
Other Businesses	201	11.6%	38	5.2%	82	8.9%	120	7.3%	(81)	-40.3%
Adjustments	(4,427)	-	(2,340)	-	(2,350)	-	(4,690)	-	(262)	5.9%

Corporate Governance Measures

Promotion of effective asset utilization in accordance with the Corporate Governance Code (since April 2015)

- Improving the portfolio of investment securities to enhance business development.

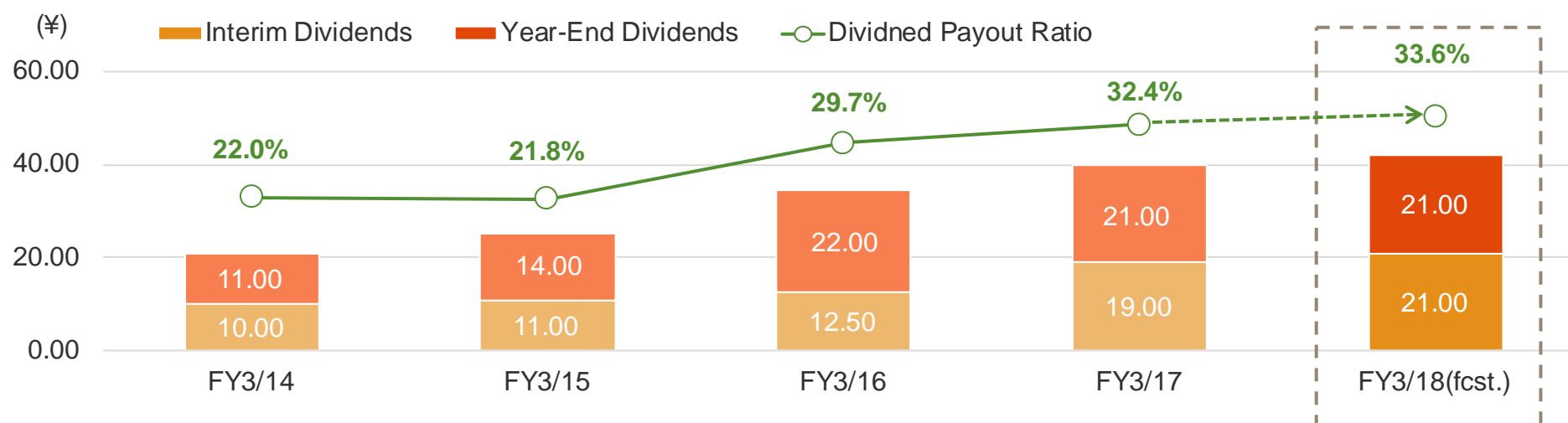


Track record of sales

- In FY3/17, Nippon Kanzai sold non-business purpose investment securities of 6 companies worth roughly ¥660 million.
- Nippon Kanzai is under discussion with several additional companies for further selling non-business purpose securities.

Strengthening the Shareholder Return Policy

- n Nippon Kanzai implemented a 2-for-1 stock split (1:2 common shares) in October 2015.
- n Shareholder return for FY3/17 has been comprehensively considered and the year-end dividends were decided to add ¥2 from the initial amount to ¥21 based on consolidated financial (subject to approval at the Shareholders' Meeting).
- n For FY3/18, Nippon Kanzai is planning 1H and year-end dividends of ¥21 each, for a total annual dividends of ¥42.
- n We are targeting at consolidated dividends payout ratio of 35% for the future continuously.



*The figures from FY3/14 onward indicate equivalent amounts which would have been paid if 2-for-1 stock split had been implemented.

Medium-Term Growth Strategies



Our Medium-Term Growth Strategies

Business Opportunities

- 1 Increase demands by vitalizing existing market**
- 2 Increase demands for expertise of public sector**
- 3 Global development of know-how accumulated through domestic business**

Growth Strategies

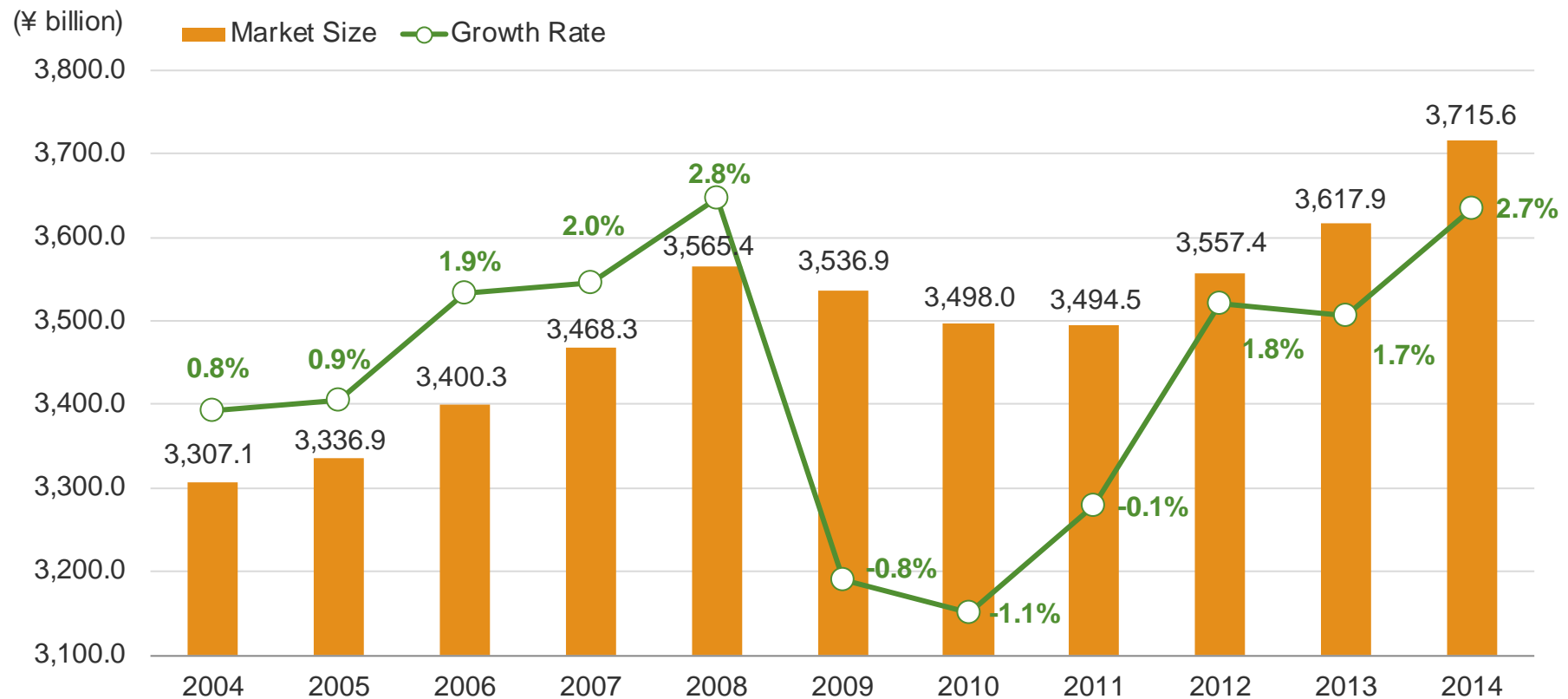
Promotion of CRE business through proposal for optimization of building lifecycle costs
(P.20 ~ P.23)

Implementation of PRE Strategy* through strengthening services targeting PFI/PPP and designated administrator projects
(P.24 ~ P.27)

Investment in overseas companies
Reinforce our condominium management business through cooperation with overseas Group companies
(P.28 ~ P.29)

* PRE Strategy is strategic management of public properties owned by national and local governments that enables economic revitalization and less financial burden. This promotes effective management and operations while sustaining the public interests.

Business Opportunities (1): Market Trend of Building Management



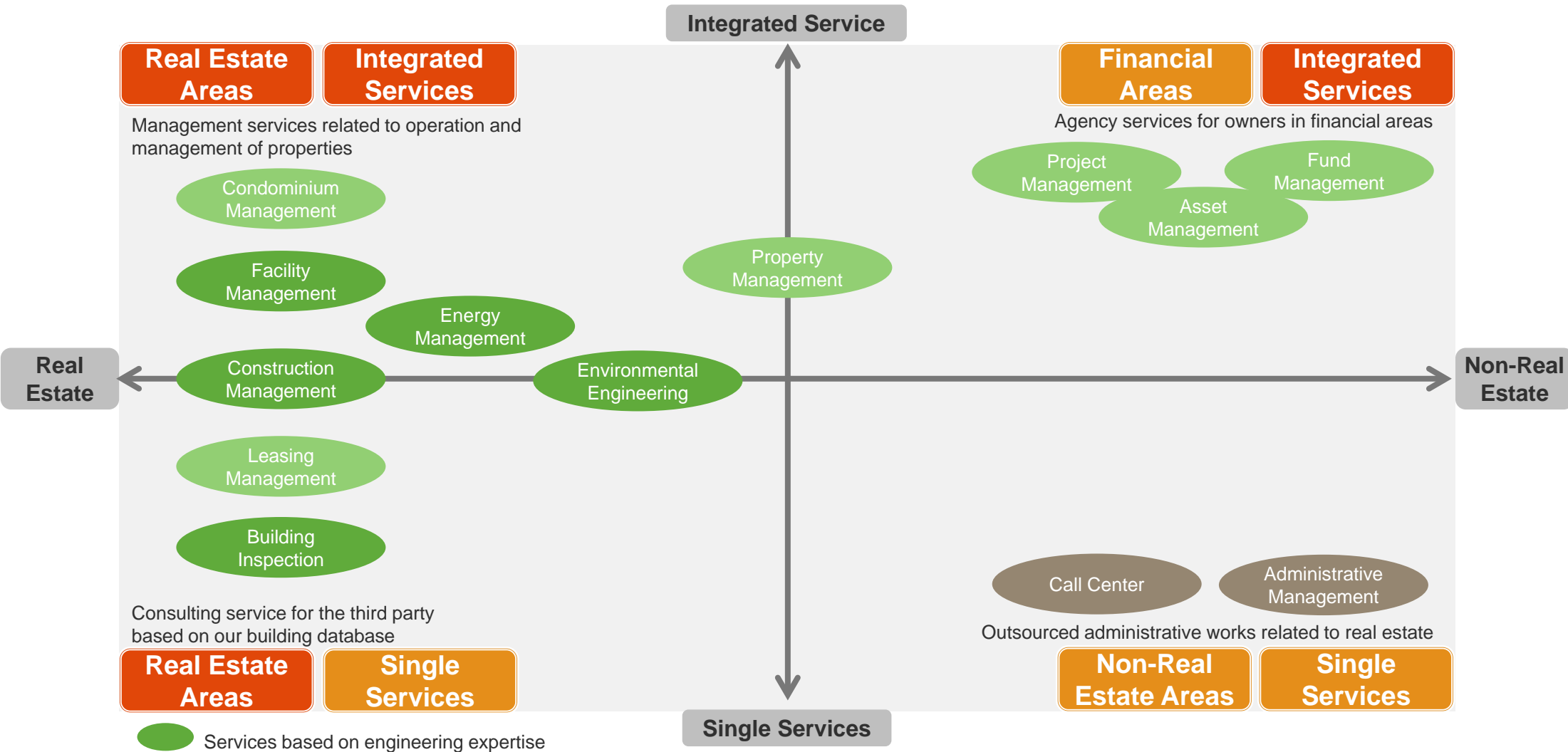
- After the market shrank since 2009 due to the Global Financial Crisis, its growth rate improved in 2012 and the growing trend continues after that.
- Growth rate in 10 years (2005 to 2014) was 11.3%.
- Continuous reconstruction of large-scale buildings in central Tokyo through 2020, with the market scale reaching a record level.

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

Market size is ¥3.7 trillion.
Growing trend continues.

Business Opportunities (1): Business Portfolio

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



Business Opportunities (1): Combining Digital and Analog Resources of Building Management

Digital business base

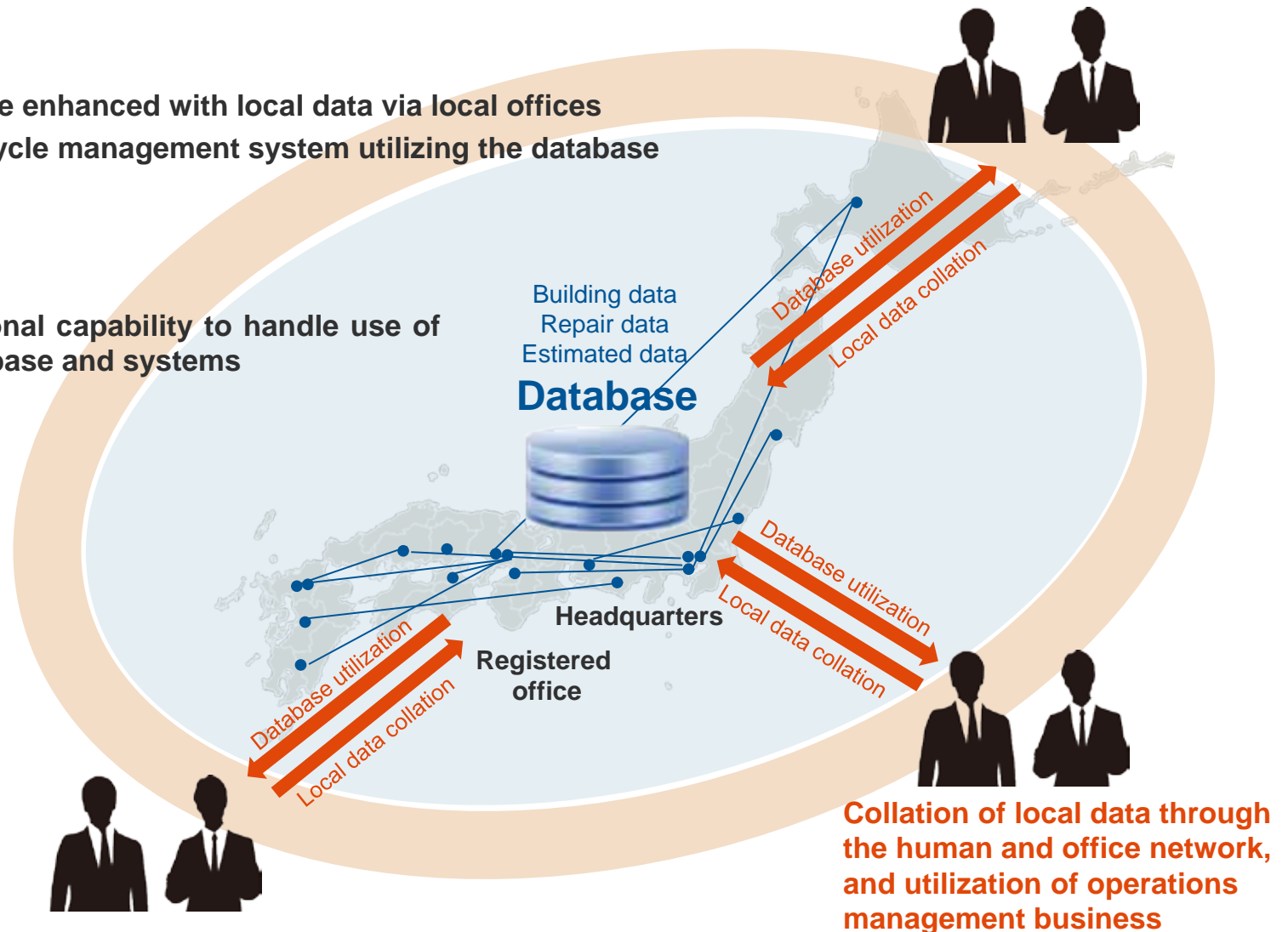
1. Building management database enhanced with local data via local offices
2. Independently developed lifecycle management system utilizing the database

Analog business base

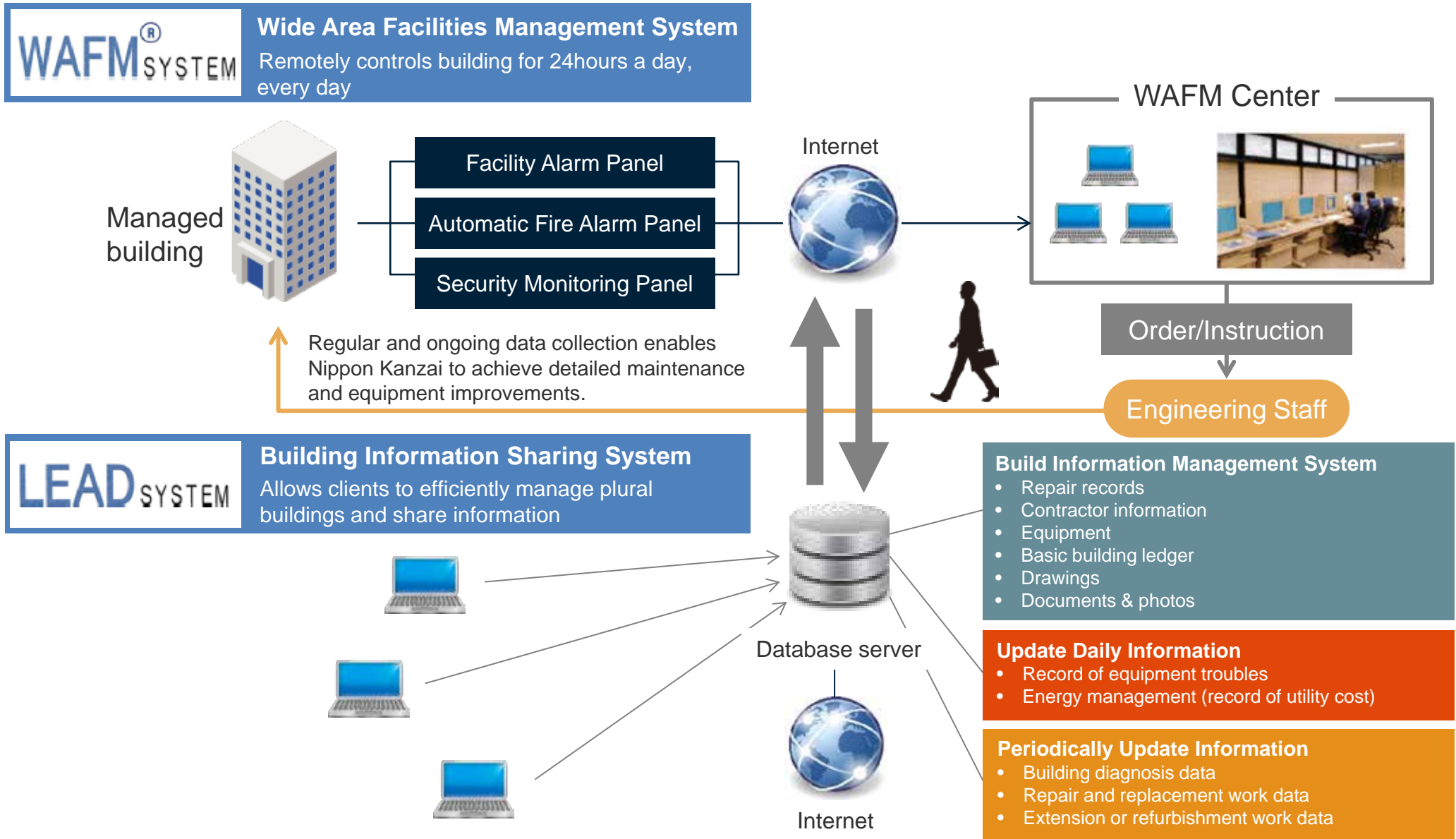
Specialized expertise and operational capability to handle use of the independently developed database and systems

BEST system

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



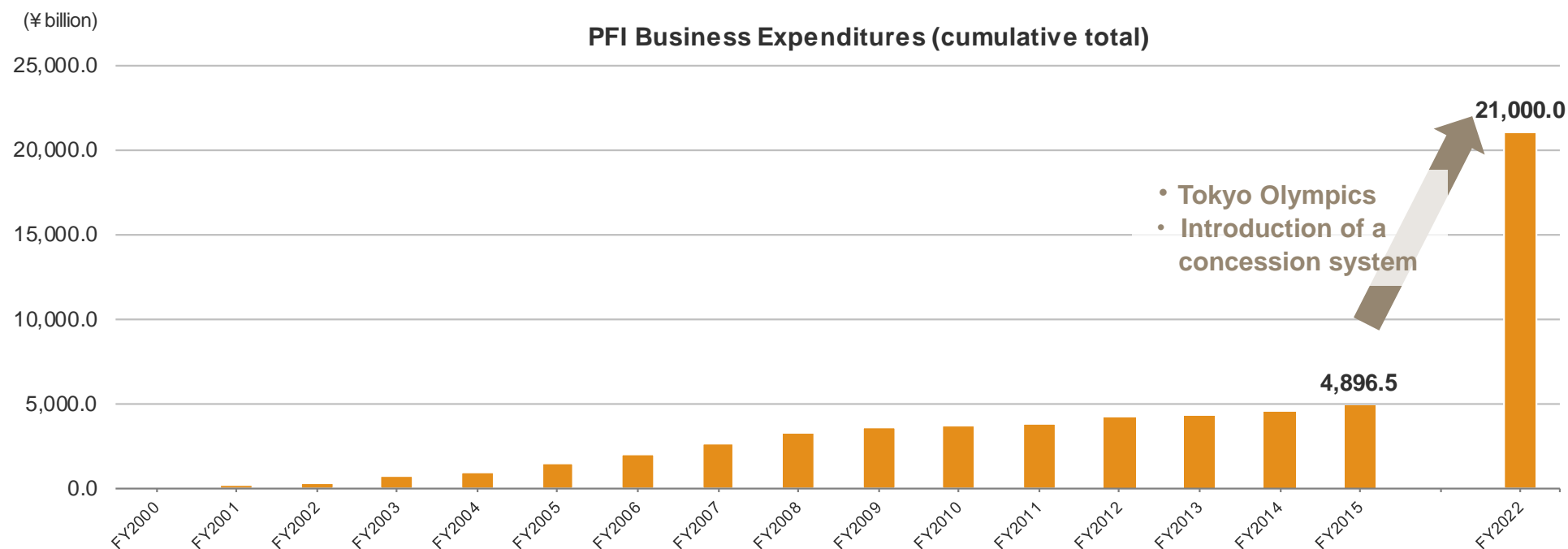
Business Opportunities (1): Example of Combining Digital and Analog Resources of Building Management



Business Opportunities (2): Private Finance Initiative (PFI) for funding public works with private capital

- n PFI business expenditures are estimated to grow from ¥4,896.5 billion in 2015 to as much as ¥21,000.0 billion in 2022.

(“Action Plan for Fundamental Reform of PFI/PPP” meeting resolution by the Cabinet Office PFI Promotion Council)



Source: Actual figures through FY2015 are from the Cabinet Office PFI Promotion Office “Regarding the Current Situation of PFI,” estimated budget through 2022 from “Action Plan for Fundamental Reform of PFI/PPP” meeting resolution by the Cabinet Office PFI Promotion Council.

Notes: 1. As of March 31, 2016

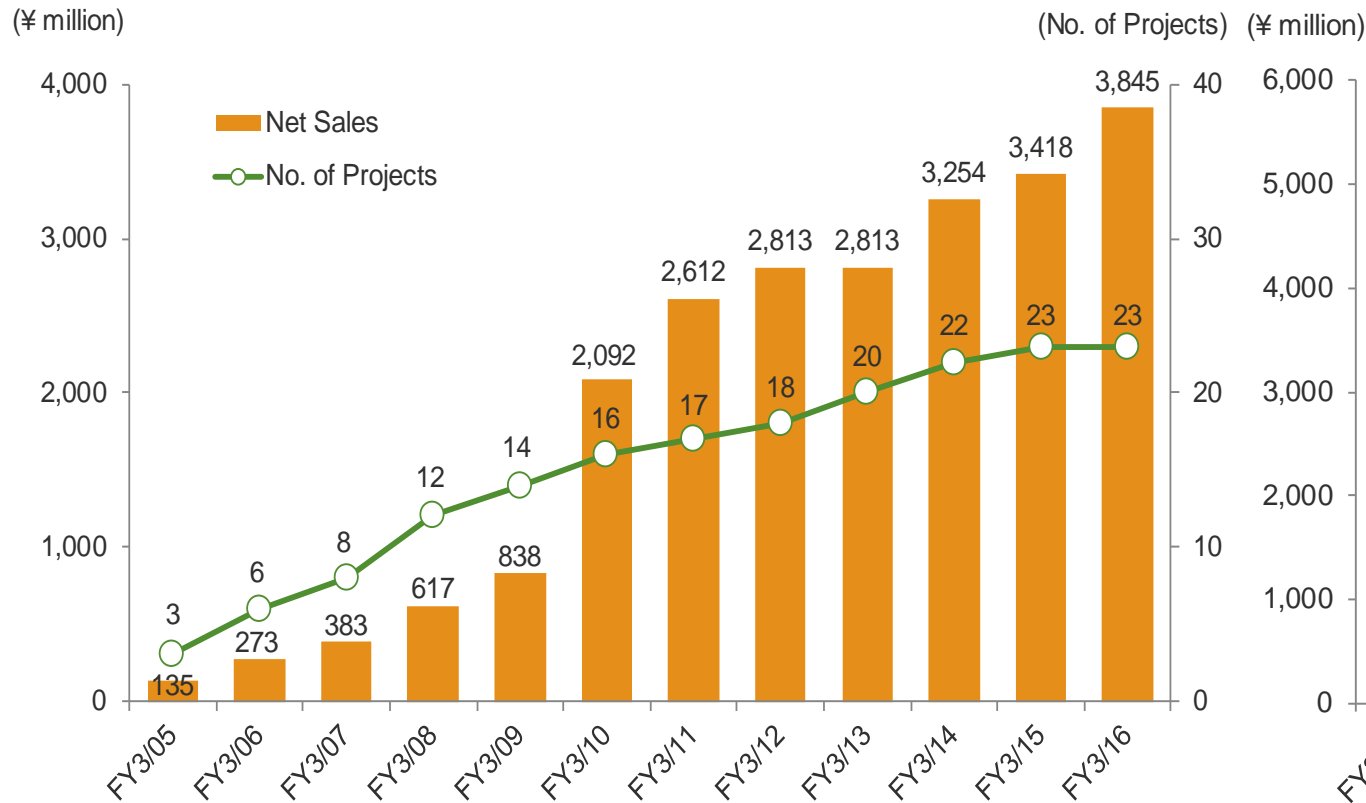
2. Business expenditures are the original contract amounts for projects where the amount of public expense was determined through selection of contractors out of projects announced to be carried out, the total amount as ascertained by the Cabinet Office, figures rounded off to the nearest hundred million yen.

Business Opportunities (2): Track Records for Public Sector Business

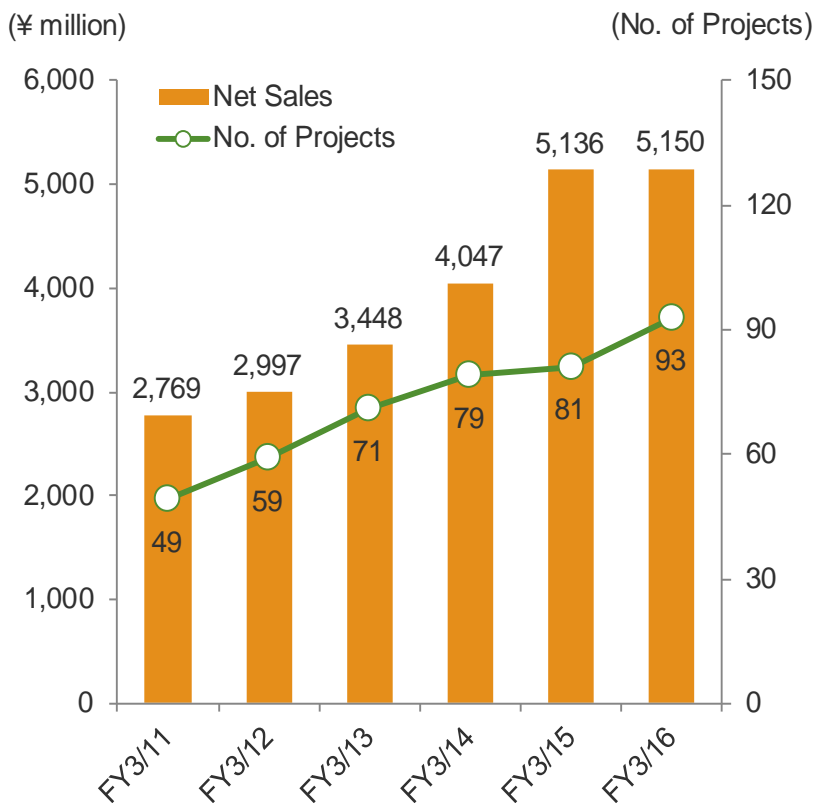
(excluding conventional general bidding)

Net Sales and number of projects are steadily increasing

PFI



Designated Administrator



*As a function of the FY for the SPC, results for FY3/17 will be updated at the next results briefing.

Business Opportunities (2): Public Facilities Management Business

Systems related to public facilities management business

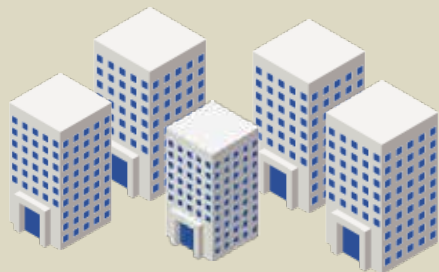
- Targeting further differentiation in the field of public facilities management through adding unique perspective possible from a maintenance specialist firm.

Definition of PRE (Public Real Estate) Strategy

PRE Strategy is strategic management of public properties owned by national and local governments that enables economic revitalization and less financial burden. This promotes effective management and operations while sustaining the public interests.

Public buildings owned by local governments that were constructed in the high economic growth period

Macro control of facilities “from partial optimization to overall optimization” is indispensable



Aging

Rebuilding

Financial difficulties

Financial accounting system Facilities management ledger (non-current assets) system Facilities-related data



Collection of building data

- Building specifications
- All types of legally mandated inspection data (Article 12 inspection, fire inspection, etc.)
- Usage status, other

Public Facilities Management Support System

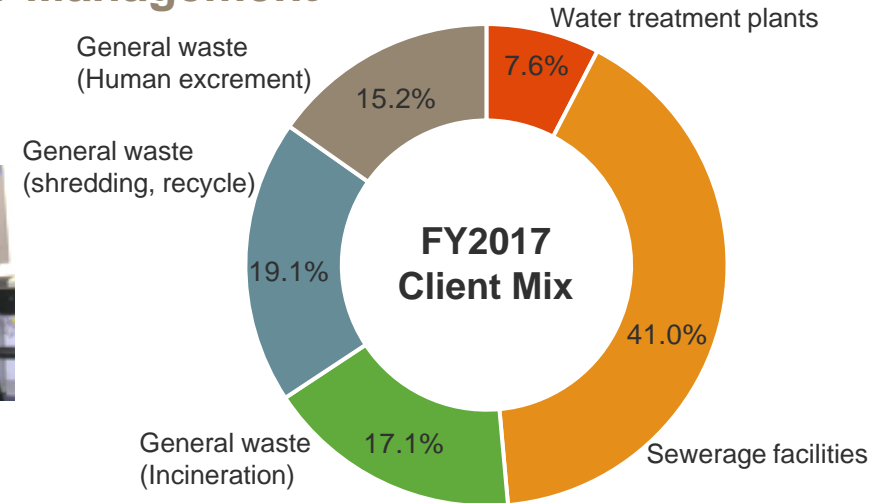
- Linking building information and financial information
- Utilizing Nippon Kanzai's know-how

Make forecasts for future repairs and rebuilding expenses

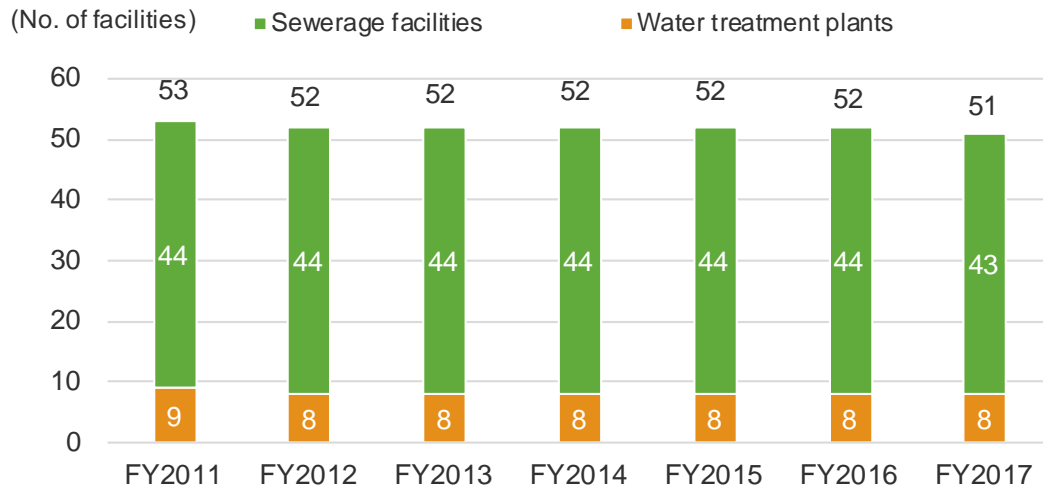
Simulate how many years owned facilities should be used

Business Opportunities (2): Track Records in Environmental Facilities

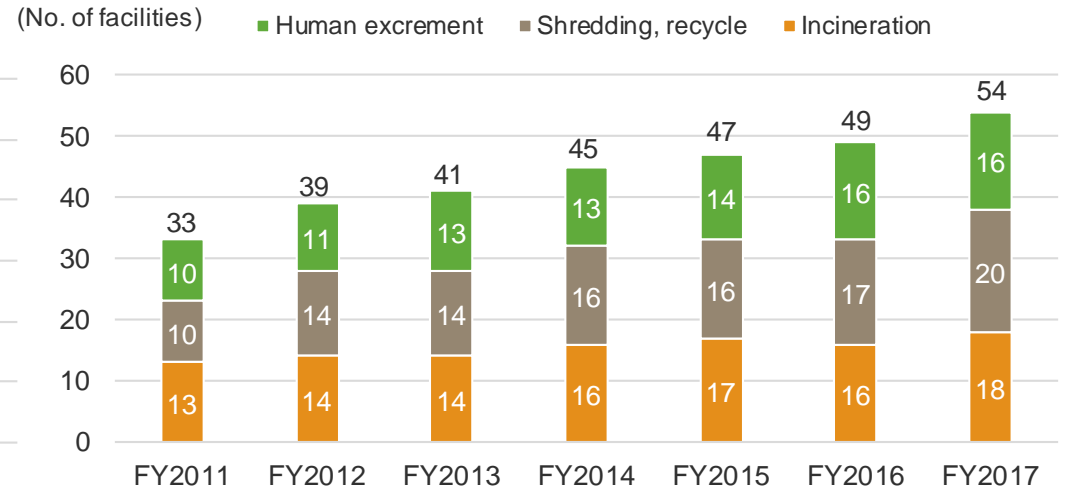
Overview and Historical Number of Facilities under Management



Number of water and sewerage facilities



Number of general waste treatment facilities



*No. of contracts as of Apr 1

Business Opportunities (3): Overseas Development (Overview of 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 2,200 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, 2016 (approx.JPY2.36 billion) *AUD1=JPY84.35
Main Business	Strata management (agent for residents’ associations), debt collection
HQ	Sydney
Major Branches	Greater Sydney, Melbourne, Brisbane, Cairns, Newcastle, Southport, Hawthorne
Employees	Approx. 680 as of December 31, 2016
No. of Lots under Management	Approx. 201,000 lots, 11,000 associations as of December 31, 2016

Reception



Properties Managed



Business Opportunities (3): Overseas Development (Overview of Keystone Pacific Property Management, LLC)

Company Overview

Keystone Pacific Property Management, LLC (hereinafter “Keystone Pacific”) is a management company of gated communities which are developments consisting detached houses and high-end multi-unit housings in estates surrounded by walls.

Keystone Pacific provides home owners’ associations with supporting services including holding annual general meeting, accounting and financial reporting and stationing on-site manager and has a reputation for offering high-quality and detailed services.

Other than subsidiaries and affiliates of major nationwide companies, Keystone Pacific ranked within the top ten companies in Southern California.

Background

Nippon Kanazai's subsidiary, Nippon Kanazai USA, Inc. acquired minority interests from Keystone Pacific Property Management Inc., the owner of the interests.

Keystone Pacific LLC became an equity-method affiliate of the Nippon Kanazai.

By sharing expertise and experience of Nippon Kanazai with high-rise condominiums, etc., and improving efficiency and service quality by renewing IT system, Keystone Pacific aims at further growth.

Company Name	Keystone Pacific Property Management, LLC
Establishment	September 15, 2016
Main Business	Residential management
HQ	Irvine, California
Major Branches	Southern California, and especially in Orange County
Employees	Approx. 200 as of December 31, 2016
No. of Lots under Management	Approx. 59,000 lots, over 270 associations as of December 31, 2016

Office



Properties Managed



Focused Strategies This Term and Directions Ahead

Building Management and Operation Business

- | Building Management and Operations - office buildings, commercial facilities, public 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 administrator system
 - Developing WAFM® (Wide Area Facilities Management remote monitoring center) for suburban large-scale facilities including college campuses, large-scale shopping centers, logistics distribution facilities, factories, etc.
 - Promoting labor-saving measures such as employing maintenance-light materials and cleaning robots in such a labor shortage period
- | Condominium Management
 - Raising ratio for total management contracts through undertaking more accounting and cashier works now done by condominium associations
 - Enhancing resident service menus: fulfilling fringe services including shopping for residents and keeping eyes on seniors

Environmental Facility Management Business

- | Water and Sewerage Facilities
 - Enhancing marketing in Hokuriku and Tohoku areas where more privatization is likely
 - Strength penetration of service contracts with existing clients
- | 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.)

Legal Disclaimer

No information in this material is intended to solicit the purchase or sale of shares in NIPPON KANZAI.

Forward-looking statements contained in this material such as results forecasts and future prospects are forecasts and estimates made by Broadleaf based on information available at the time of the preparation of the material, and are subject to potential risks and uncertainties.

Please note that actual results may differ from the statements contained in this material due to various factors.

NIPPON KANZAI and the information provider accept no liability whatsoever for any damage arising from any action taken by a user based on the information contained in this material.

NIPPON KANZAI Co., Ltd.

Finance Dept.

Phone: +81-3-5299-0863

E-Mail: ir-info@nkanzai.co.jp