

Company Name: NIPPON KANZAI Co., Ltd.
 Representative: Shintaro Fukuda, President and Representative Director
 (Code No. 9728, Tokyo Stock Exchange, First Section)
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Notice Regarding Capital Contribution to Keystone Progressive, LLC,
 a Residential Property Management Company in California, USA

Nippon Kanzai Co., Ltd. (hereinafter the “Company”) is pleased to announce that, through a newly established entity, Keystone Pacific Property Management, LLC (hereinafter “Keystone Pacific”), the Company’s affiliate and a major residential property and homeowners association management company in Southern California, will acquire substantially all of the assets relating to the business of property and homeowners association management, including management agreements (the “Business”), from Progressive Community Management (hereinafter “PCM”), another residential property and homeowners association management company located in Mission Viejo, California. The Company’s subsidiary, Nippon Kanzai USA, Inc. (hereinafter “NKUSA”), and Keystone Pacific entered into an agreement to jointly invest in Keystone Progressive, LLC (hereinafter the “New Entity”). The New Entity is established for the purpose of the purchase of the Business, including the purchase of management agreements and will be an equity-method non-consolidated affiliate of the Company.

Note

1. Purpose of capital contribution

For the purpose of acquiring the Business from PCM, including the management agreements, the New Entity was established as a limited liability company so that NKUSA and Keystone Pacific may invest in a tax efficient manner under applicable US laws. Following the acquisition by the New Entity, Keystone Pacific, which is already established in business in neighboring areas, will service the Business and employ PCM’s staff to assure the same quality of service for clients.

PCM focuses on larger high-end residential properties and manages approximately 7,200 units for 31 homeowners associations. Group synergy is expected because Keystone Pacific and PCM have similarities in operational geography and marketing targets.

2. Profile of the equity-method non-consolidated affiliate (the New Entity) (as of March 31, 2019)

Company name	Keystone Progressive, LLC
Registered address	c/o The Corporation Trust Company 1209 Orange St., Wilmington, Delaware 19801 USA
Name and title of the representative	Mr. Cary Treff, CEO

Business	Residential property and homeowners association management
Sales	USD 0 (zero)
Establishment	March 27, 2019
Paid-in capital	USD 0 (zero)
Relationship with the Company	A group company of the Company will invest in the New Entity as disclosed in this notice and such group company of the Company will appoint members of Board of Managers of the New Entity.

3. Profile of the seller for the Business purchase (PCM) (as of March 31, 2019)

Company name	Progressive Community Management
Head office	27405 Puerta Real, Suite 300, Mission Viejo, California 92691 USA
Name and title of the representative	Ms. Catherine Acquazzino, Principal Ms. Lisa Klasky, Principal
Business	Residential management
Sales	Approx. USD 2,170,000 (as of December 2018)
Establishment	September 15, 1993
Paid-in capital	USD 5,000
Relationship with the Company	PCM has entered into aforementioned purchase agreement for the acquisition of the Business, including management agreements. However, there is no capital relationship.

4. Profile of the subsidiary investing in the New Entity (NKUSA) (as of March 31, 2019)

Company name	Nippon Kanzai USA, Inc.
Head office	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 & Director
Business	Acquisition of companies, real estate properties and collecting related information
Sales	Approx. USD 80,000
Establishment	October 3, 2011
Paid-in capital	USD 440,000
Relationship with the Company	The Company owns 100% of the common shares of NKUSA and appoints all four Directors of NKUSA. The Company made a loan to NKUSA.

5. Number of the New Entity's interests acquired by NKUSA, contribution amount, and number of interests owned before and after the contribution

Number of interests before transaction	None	0.0% of total interests
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Number of interests to be acquired	5,000 units	50.0% of total interests
Number of interests after transaction	5,000 units	50.0% of total interests
Acquisition price	USD 5,000	

6. Purchase price of the Business

Purchase price will not be disclosed under agreement with the seller.

7. Closing date

April 16, 2019 (Pacific Standard Time)

8. Impact on business forecast

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

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