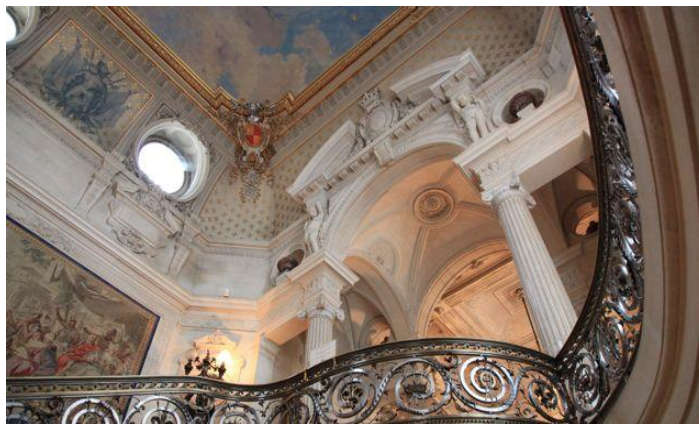


# Financial Results for the 2nd Quarter of Fiscal Year Ending March 31, 2021

November 26, 2020



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# Consolidated Financial Results for 1H FY3/21



# Consolidated Financial Results Highlights

## Net Sales

**¥49,459 million** (-5.7% YoY)

- Net sales declined due to closure of some facilities affected by COVID-19 infections and specification changes due to temporary closures
- Delays and cancellations of orders for construction-related work, including large-scale projects
- Renewal of existing contracts remained firm

## Operating Profit

**¥2,980 million** (-11.3% YoY)

- In addition to the net sales decline, personnel expenses increased as a result of strengthening the organizational structure

## Ordinary Profit

**¥2,994 million** (-13.2% YoY)

- Decrease in dividend income, recognition of share of loss of entities accounted for using equity method
- Recognition of foreign exchange gains due to the weak yen

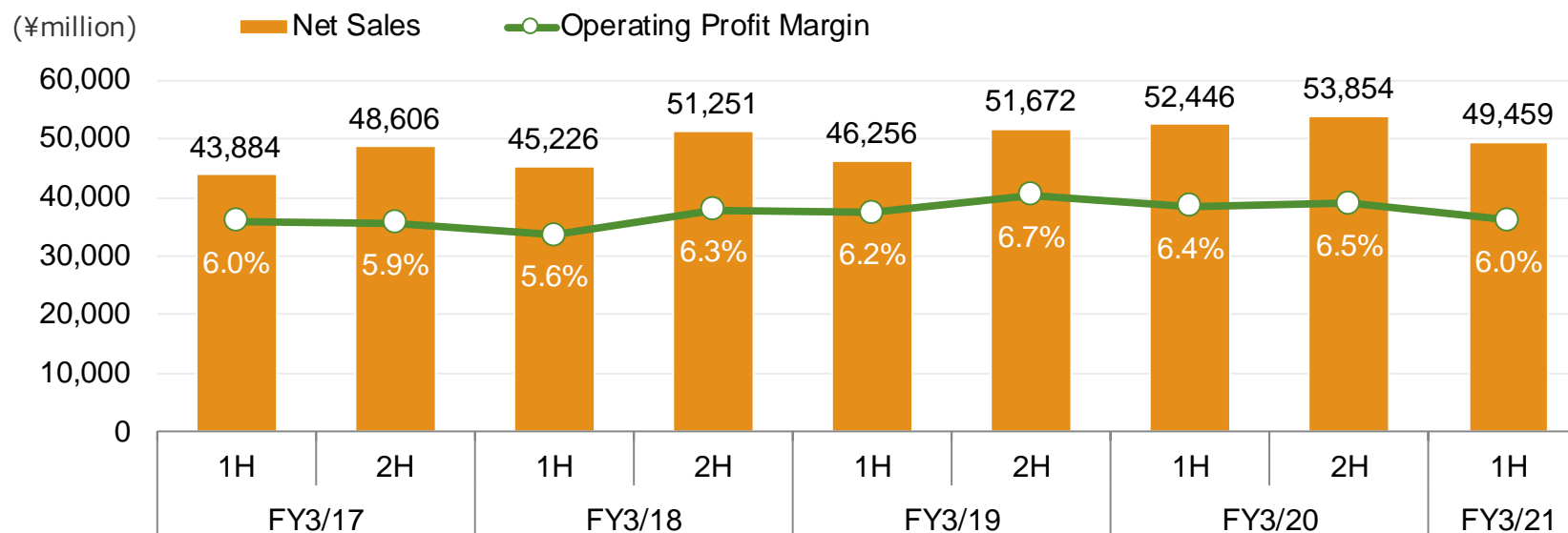
## Profit Attributable to Owners of Parent

**¥1,980 million** (-8.3% YoY)

- Recognition of extraordinary income from sales of investment securities
- Trended broadly in line with financial forecasts

# Consolidated Financial Results Summary

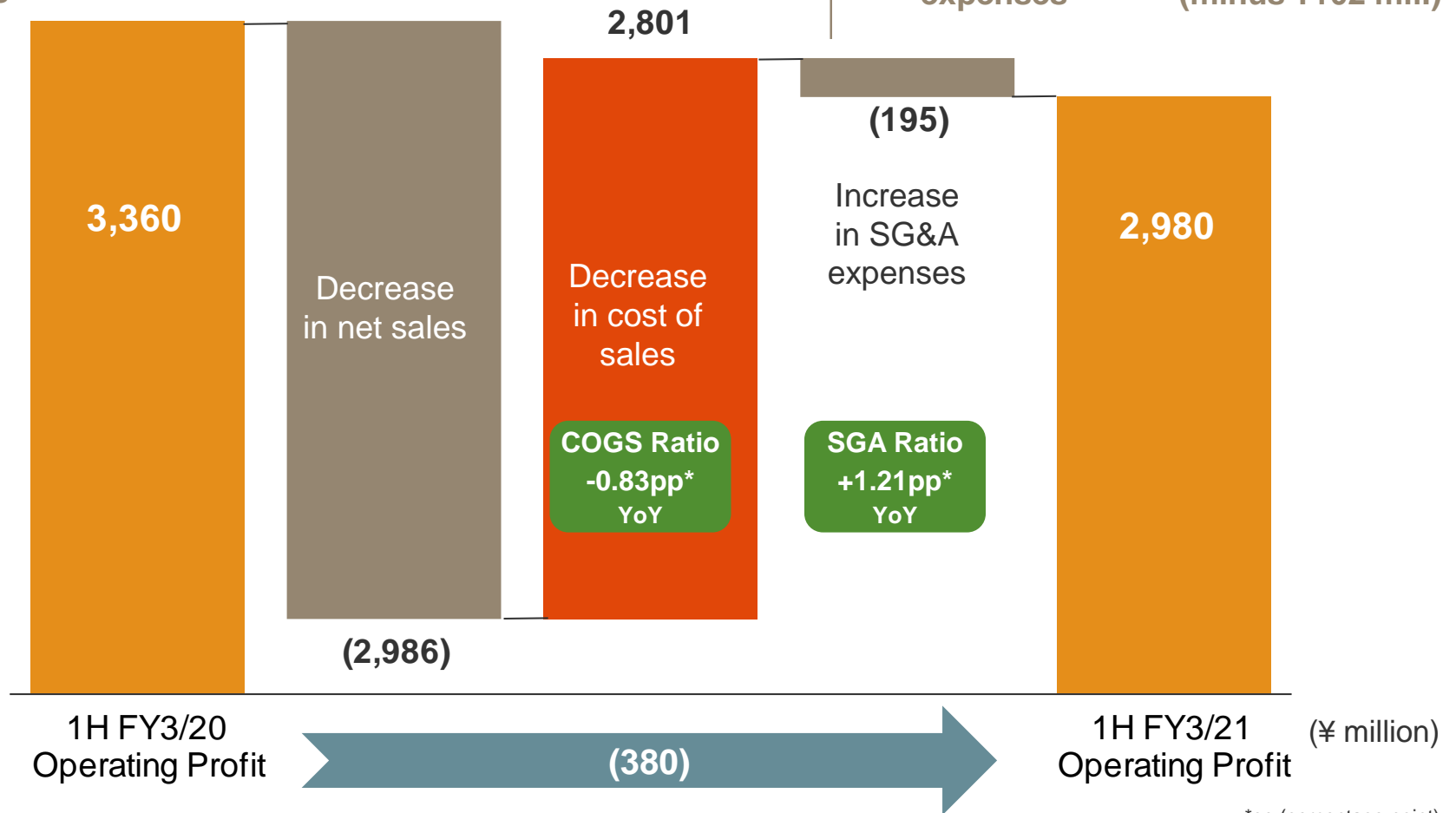
Consolidated (¥ million)	1H FY3/20		1H FY3/21		YoY Changes	
	Actual	Ratio	Actual	Ratio	Amount	Ratio
Net Sales	52,446	100.0%	49,459	100.0%	(2,986)	-5.7%
Gross Profit	10,468	20.0%	10,283	20.8%	(185)	-1.8%
SG&A Expenses	7,107	13.6%	7,302	14.8%	195	2.7%
Operating Profit	3,360	6.4%	2,980	6.0%	(380)	-11.3%
Ordinary Profit	3,450	6.6%	2,994	6.1%	(456)	-13.2%
Profit Attributable to Owners of Parent	2,160	4.1%	1,980	4.0%	(179)	-8.3%



# Analysis of Increases/Decreases in Consolidated Operating Profit

- Decrease in net sales due to the impact of COVID-19 infections
- Decrease in construction-related works

- Increase in expenses due to enhancing personnel (¥251 mil.)
- Decrease in transportation expenses (minus ¥102 mil.)



\*pp (percentage point)

# Overview of Consolidated Balance Sheets

Consolidated (¥ million)	FY3/20 End		1H FY3/21 End		YoY Changes	
	Actual	Ratio	Actual	Ratio	Amount	Ratio
Current assets	48,797	63.4%	48,157	63.5%	(640)	-1.3%
Cash and deposits	28,588	37.1%	28,722	37.9%	134	0.5%
Notes and accounts receivable - trade	13,989	18.2%	13,128	17.3%	(861)	-6.2%
Real estate for sale	4,302	5.6%	3,551	4.7%	(750)	-17.5%
Non-current assets	28,226	36.6%	27,717	36.5%	(508)	-1.8%
Property, plant and equipment	5,254	6.8%	5,321	7.0%	67	1.3%
Intangible assets	2,239	2.9%	2,122	2.8%	(117)	-5.2%
Investments and other assets	20,732	26.9%	20,274	26.7%	(457)	-2.2%
<b>Total Assets</b>	<b>77,024</b>	<b>100.0%</b>	<b>75,875</b>	<b>100.0%</b>	<b>(1,148)</b>	<b>-1.5%</b>
Current liabilities	15,019	19.5%	13,179	17.4%	(1,840)	-12.3%
Notes and accounts payable - trade	8,587	11.1%	6,546	8.6%	(2,041)	-23.8%
Income taxes payable	1,070	1.4%	1,101	1.5%	31	2.9%
Advances received	337	0.4%	512	0.7%	175	51.9%
Non-current liabilities	8,974	11.7%	8,756	11.5%	(217)	-2.4%
Long-term borrowings	1,125	1.5%	937	1.2%	(187)	-16.7%
Retirement benefit liability	548	0.7%	196	0.3%	(352)	-64.2%
<b>Total Liabilities</b>	<b>23,994</b>	<b>31.2%</b>	<b>21,935</b>	<b>28.9%</b>	<b>(2,058)</b>	<b>-8.6%</b>
Shareholders' equity	51,845	67.3%	52,891	69.7%	1,045	2.0%
Share capital	3,000	3.9%	3,000	4.0%	-	-
Capital surplus	3,785	4.9%	3,785	5.0%	-	-
Retained earnings	47,833	62.1%	48,878	64.4%	1,045	2.2%
Accumulated other comprehensive income	(65)	-0.1%	(171)	-0.2%	(106)	163.0%
Non-controlling interests	1,249	1.6%	1,220	1.6%	(29)	-2.4%
<b>Total Net Assets</b>	<b>53,029</b>	<b>68.8%</b>	<b>53,939</b>	<b>71.1%</b>	<b>909</b>	<b>1.7%</b>
<b>Total Liabilities and Net Assets</b>	<b>77,024</b>	<b>100.0%</b>	<b>75,875</b>	<b>100.0%</b>	<b>(1,148)</b>	<b>-1.5%</b>

## Main Factors for Increase/Decrease

( ¥ million)

### Assets

- Decrease in notes and accounts receivable - trade (861)
- Decrease in real estate for sale (750)

### Liabilities

- Decrease in notes and accounts payable - trade (2,041)

### Net Assets

- Increase in retained earnings 1,045

### Equity Ratio

69.5%

(+2.3pp YoY)

# Overview of Consolidated Statement of Cash Flows

Consolidated (¥ million)	1H FY3/20 Actual	1H FY3/21 Actual	YoY Changes Amount
Profit before income taxes	3,450	3,212	(238)
Depreciation	286	291	4
Decrease (increase) in retirement benefit asset	(808)	(324)	484
Decrease (increase) in notes and accounts receivable - trade	(790)	1,039	1,830
Decrease (increase) in inventories	25	733	708
Increase (decrease) in notes and accounts payable - trade	(482)	(2,566)	(2,083)
Other, net	(1,528)	(855)	672
<b>Cash Flows from Operating Activities</b>	<b>152</b>	<b>1,530</b>	<b>1,377</b>
Purchase of property, plant and equipment, and intangible assets	(243)	(270)	(26)
Purchase of investment securities	(273)	(226)	46
Proceeds from sale of investment securities	-	318	318
Other, net	(45)	41	86
<b>Cash Flows from Investing Activities</b>	<b>(561)</b>	<b>(136)</b>	<b>425</b>
Increase (decrease) in borrowings (incl. non-recourse loans)	(200)	(200)	-
Dividends paid (incl. dividends paid to non-controlling interests)	(1,014)	(1,018)	(3)
Proceeds from disposal of treasury shares through exercise of share acquisition rights	3,996	-	(3,996)
Other, net	(23)	(51)	(28)
<b>Cash Flows from Financing Activities</b>	<b>2,758</b>	<b>(1,270)</b>	<b>(4,029)</b>
Net increase (decrease) in cash and cash equivalents	2,319	134	(2,184)
Cash and cash equivalents at the beginning of current period	25,572	28,343	2,770
Cash and cash equivalents at the end of current period	27,891	28,477	586
<b>Free Cash Flows</b>	<b>(409)</b>	<b>1,394</b>	<b>1,803</b>

## Main Factors for Increase/Decrease

( ¥ million)

### CF from Operating Activities 1,377

- Decrease in notes and accounts receivable - trade 1,830
- Decrease in inventories 708
- Decrease in notes and accounts payable - trade (2,083)

### CF from Investing Activities 425

- Increase in proceeds from sale of investment securities 318

### CF from Financing Activities (4,029)

- Decrease in proceeds from disposal of treasury shares through exercise of share acquisition rights (3,996)

# Business Segments and Main Group Companies

## ■ Facilities Management and Operations ¥34,503 mil

### Building Maintenance and Property Management (excl. Security Service) ¥23,714 mil

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

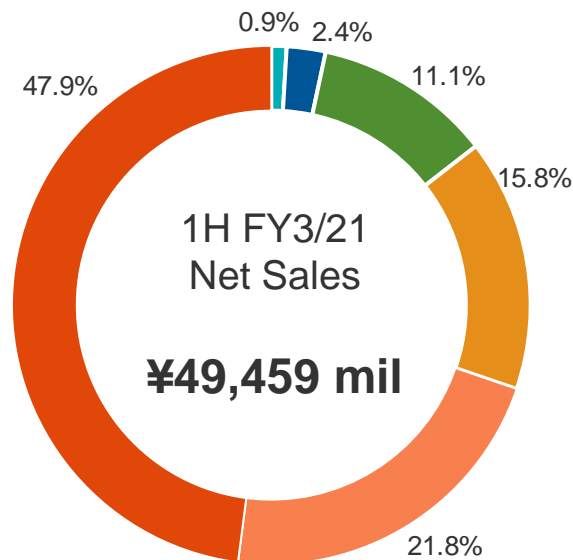
### Security Services ¥10,789 mil

Three-S Co., Ltd.

## ■ Residential Management and Operations ¥7,791 mil

### Condominium Management

NKJ Holdings Co., Ltd.  
Japan Housing Management Co., Ltd.  
Nippon Kanzai Housing Management Co., Ltd.  
NJK Staff Service Co., Ltd.  
(including Nippon Kanzai Residential Management Administrative Department and Public Housing Management Division)



## ■ Environmental Facilities Management ¥5,495 mil

### Environmental Facility Management

Nippon Kanzai Environment Service Co., Ltd.

## ■ Real Estate Fund Management ¥1,199 mil

### Asset Management

Tokyo Capital Management Co., Ltd.

## ■ Other ¥469 mil

### Other Businesses

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

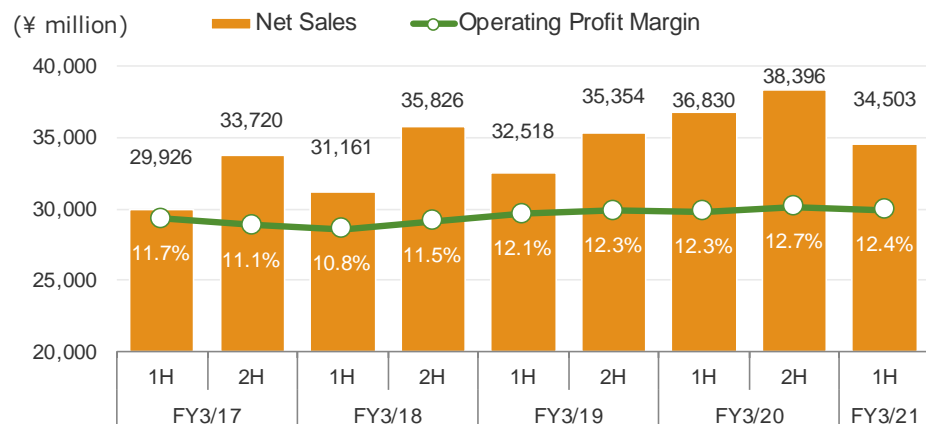
# Financial Results by Business Segment

Consolidated (¥ million)	1H FY3/20		1H FY3/21		YoY Changes	
	Actual	Ratio/Margin	Actual	Ratio/Margin	Amount	Ratio
Net Sales	52,446	100.0%	49,459	100.0%	(2,986)	-5.7%
Facilities Management and Operation Business	36,830	70.2%	34,503	69.8%	(2,327)	-6.3%
Building Maintenance and Property Management	26,178	49.9%	23,714	47.9%	(2,464)	-9.4%
Security Service	10,651	20.3%	10,789	21.8%	137	1.3%
Residential Management and Operation Business	8,593	16.4%	7,791	15.8%	(801)	-9.3%
Environmental Facility Management Business	5,196	9.9%	5,495	11.1%	298	5.7%
Real Estate Fund Management Business	772	1.5%	1,199	2.4%	426	55.2%
Other Businesses	1,052	2.0%	469	0.9%	(582)	-55.4%
Segment Profit	3,360	6.4%	2,980	6.0%	(380)	-11.3%
Facilities Management and Operation Business	4,523	12.3%	4,293	12.4%	(229)	-5.1%
Building Maintenance and Property Management	3,256	12.4%	2,880	12.1%	(376)	-11.6%
Security Service	1,266	11.9%	1,413	13.1%	147	11.6%
Residential Management & Operation Business	756	8.8%	673	8.6%	(83)	-11.0%
Environmental Facility Management Business	656	12.6%	731	13.3%	74	11.3%
Real Estate Fund Management Business	97	12.7%	37	3.2%	(59)	-61.2%
Other Businesses	144	13.7%	54	11.7%	(89)	-62.0%
Adjustments*	(2,817)	-	(2,810)	-	7	-

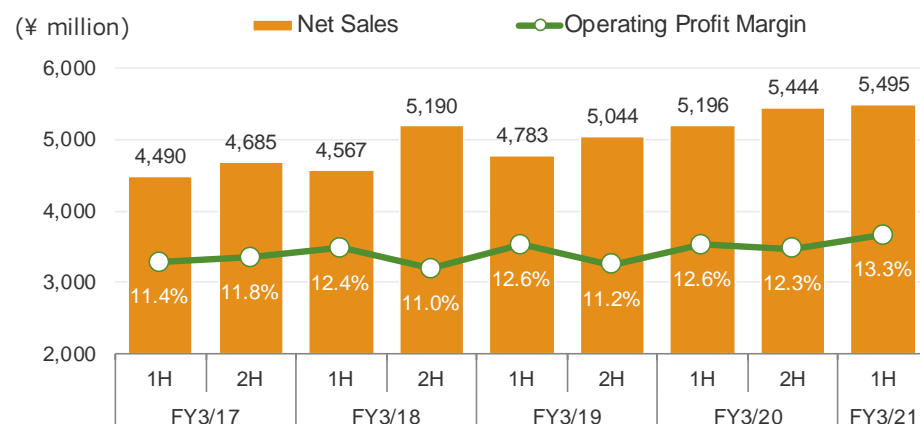
\*The adjusted amount of operating profit includes the elimination of intersegment transactions as well as SG&A expenses which are not attributable to any particular segment.

# Performance of Main Business Segments

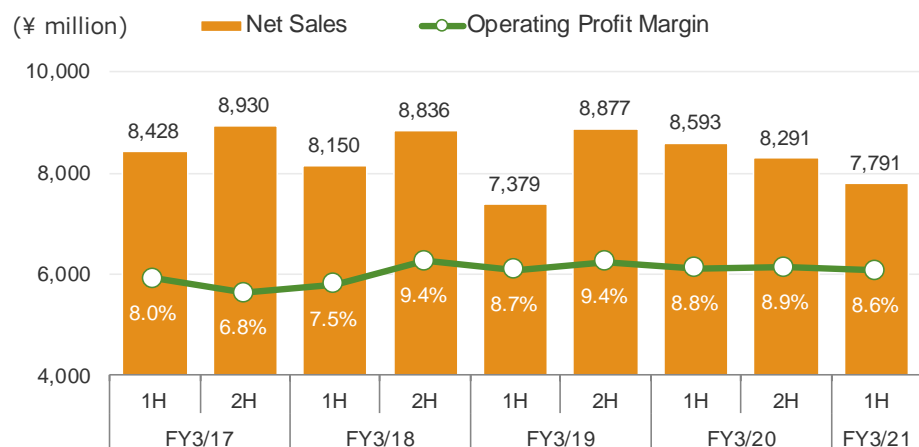
## Facilities Management and Operations



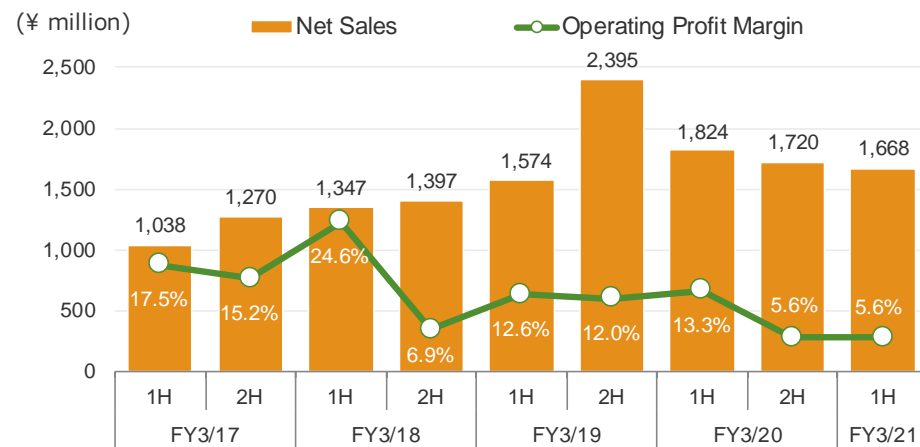
## Environmental Facilities Management



## Residential Management and Operations



## Real Estate Fund Management and Other



# Consolidated Financial Forecasts for FY3/21



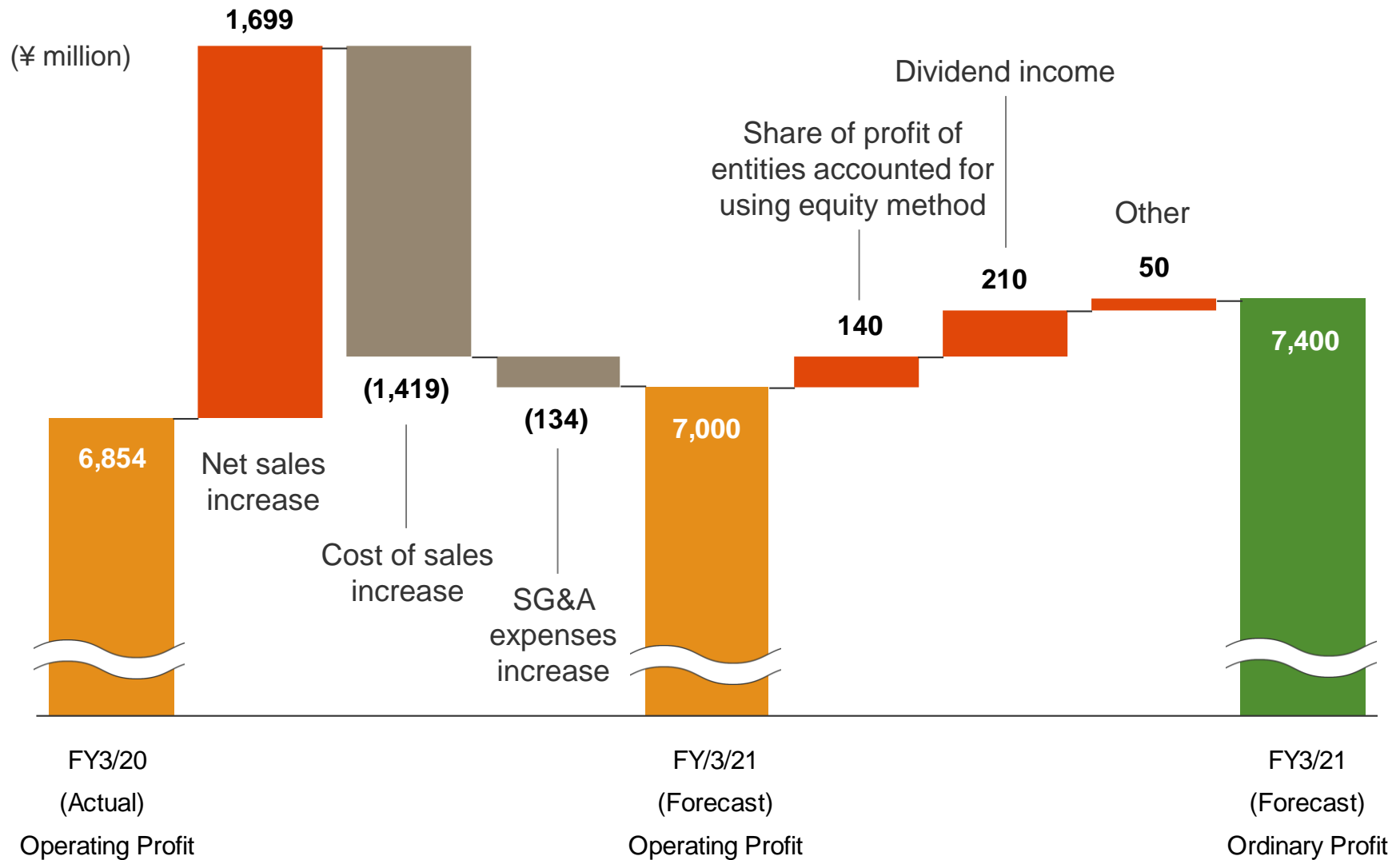
# Consolidated Financial Forecasts Summary

## Market Background

- Due to the spread of COVID-19 infections, changes in workstyles and lifestyle patterns occurred (the new normal).
  - As a result of the pandemic, offices are shifting from centralized to decentralized based on promotion of teleworking etc. Vacancy rates are also rising.
  - Due to accelerated growth of online shopping and e-commerce, while the development of commercial facilities is declining, development of logistics distribution centers is increasing.
  - Due to the labor shortage, there are factors for concern over securing staff and a rise in personnel expenses.
- Relative to initial forecasts, 1H results came in slightly behind on net sales but profit attributable to owners of parent exceeded the plan. While the impact of COVID-19 infections going forward is uncertain, there is no change in the full-year FY3/21 outlook of initial forecasts announced on May 7, 2020.

Consolidated (¥ million)	Full-Year FY3/20		1H FY3/21		2H FY3/21		Full-Year FY3/21		YoY Changes	
	Actual	Ratio	Actual	Ratio	Forecast	Ratio	Forecast	Ratio	Amount	Ratio
Net Sales	106,300	100.0%	49,459	100.0%	58,540	100.0%	108,000	100.0%	1,699	1.6%
Gross Profit	21,319	20.1%	10,283	20.8%	11,316	19.3%	21,600	20.0%	280	1.3%
SG&A Expenses	14,465	13.6%	7,302	14.8%	7,297	12.5%	14,600	13.5%	134	0.9%
Operating Profit	6,854	6.4%	2,980	6.0%	4,019	6.9%	7,000	6.5%	145	2.1%
Ordinary Profit	7,232	6.8%	2,994	6.1%	4,405	7.5%	7,400	6.9%	167	2.3%
Profit Attributable to Owners of Parent	4,346	4.1%	1,980	4.0%	2,619	4.5%	4,600	4.3%	253	5.8%

## Increases/Decreases in Consolidated Ordinary Income Forecast



# Financial Forecasts by Business Segment

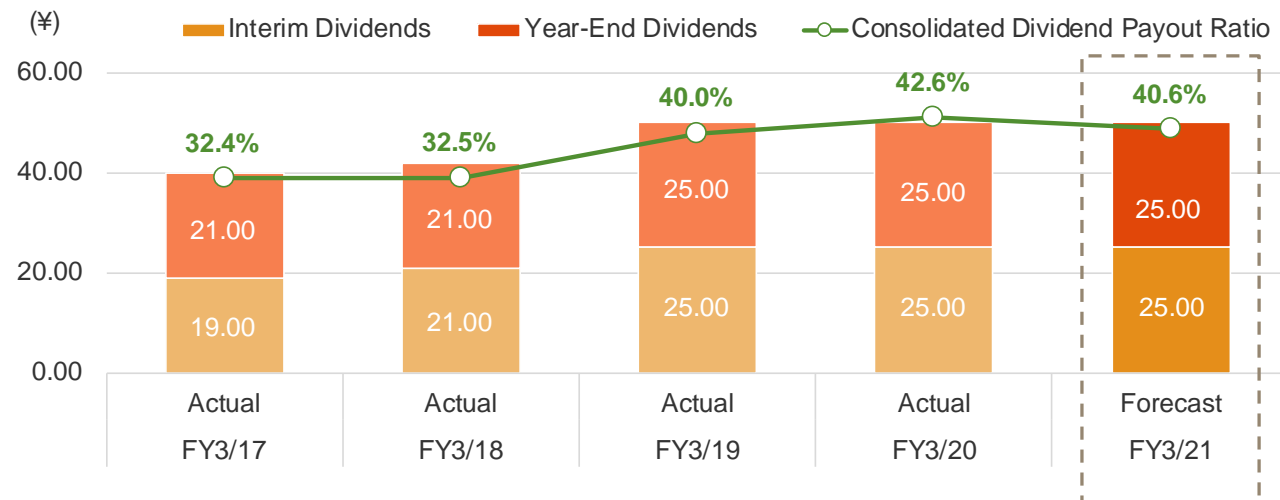
Consolidated (¥ million)	Full-Year FY3/20		1H FY3/21		2H FY3/21		Full-Year FY3/21		YoY Changes	
	Actual	Composition Ratio/Margin	Actual	Composition Ratio/Margin	Forecast	Composition Ratio/Margin	Forecast	Composition Ratio/Margin	Amount	Ratio
Net Sales	106,300	100.0%	49,459	100.0%	58,540	100.0%	108,000	100.0%	1,699	1.6%
Facilities Management and Operation Business	75,227	70.8%	34,503	69.8%	39,806	68.0%	74,310	68.8%	(917)	-1.2%
Building Maintenance and Property Management	53,326	50.2%	23,714	47.9%	28,825	49.2%	52,540	48.6%	(786)	-1.5%
Security Service	21,900	20.6%	10,789	21.8%	10,980	18.8%	21,770	20.2%	(130)	-0.6%
Residential Management and Operation Business	16,885	15.9%	7,791	15.8%	9,088	15.5%	16,880	15.6%	(5)	-0.0%
Environmental Facility Management Business	10,641	10.0%	5,495	11.1%	5,884	10.1%	11,380	10.5%	738	6.9%
Real Estate Fund Management Business	1,533	1.4%	1,199	2.4%	2,020	3.5%	3,220	3.0%	1,686	110.0%
Other Businesses	2,012	1.9%	469	0.9%	1,740	3.0%	2,210	2.0%	197	9.8%
Segment Profit	6,854	6.4%	2,980	6.0%	4,019	6.9%	7,000	6.5%	145	2.1%
Facilities Management and Operation Business	9,409	12.5%	4,293	12.4%	5,036	12.7%	9,330	12.6%	(79)	-0.8%
Building Maintenance and Property Management	6,712	12.6%	2,880	12.1%	3,779	13.1%	6,660	12.7%	(52)	-0.8%
Security Service	2,697	12.3%	1,413	13.1%	1,256	11.4%	2,670	12.3%	(27)	-1.0%
Residential Management and Operation Business	1,491	8.8%	673	8.6%	876	9.6%	1,550	9.2%	58	3.9%
Environmental Facility Management Business	1,327	12.5%	731	13.3%	668	11.4%	1,400	12.3%	72	5.4%
Real Estate Fund Management Business	96	6.3%	37	3.2%	22	1.1%	60	1.9%	(36)	-38.1%
Other Businesses	240	12.0%	54	11.7%	245	14.1%	300	13.6%	59	24.6%
Adjustments*	(5,712)	-	(2,810)	-	(2,829)	-	(5,640)	-	72	-

\*The adjusted amount of operating profit includes the elimination of intersegment transactions as well as SG&A expenses which are not attributable to any particular segment.

## Topics: Shareholder Return Policy

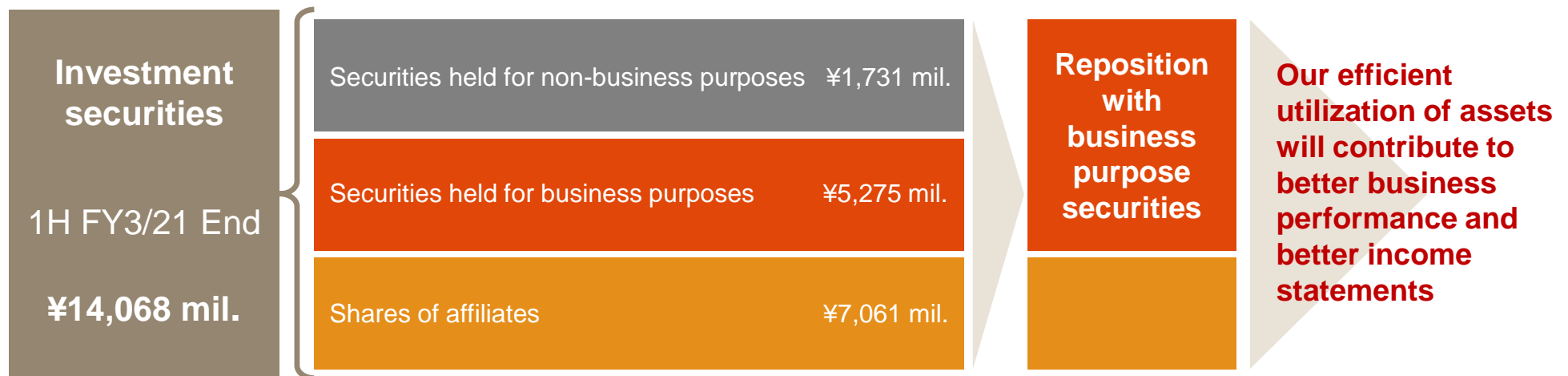
- Dividend policy is one of NIPPON KANZAI's most important tasks and we return profit by appropriate distribution of results according to performance.
- For FY3/21, the interim dividend was decided at ¥25. The year-end dividends will be set at ¥25, planning for total dividends of ¥50 per share.

	FY3/17 Actual	FY3/18 Actual	FY3/19 Actual	FY3/20 Actual	FY3/21 Forecast
Interim Dividends	19.00	21.00	25.00	25.00	25.00
Year-End Dividends	21.00	21.00	25.00	25.00	25.00
Consolidated Dividend Payout Ratio	32.4%	32.5%	40.0%	42.6%	40.6%
Dividend on Equity Ratio (DOE)	3.5%	3.4%	3.8%	3.7%	—



### Promotion of Effective Asset Utilization in Accordance with the Corporate Governance Code (since April 2015)

- Repositioning our portfolio of investment securities to enhance business development



### Current initiatives

- Ongoing negotiations with multiple companies to dispose of securities held for non-business purposes.

# NIPPON KANZAI's Thoughts on SDGs

## Corporate Vision: We continue to pursue “best suited management for your building” with our advanced technology and capability.

We promote work-life balance of all stakeholders including all employees and subcontractors, and thus, achieve work-life balance in the society.

### 1 Safe & Secure Urban Development

We support safe, secure and sustainable urban development with our building management expertise based on our advanced technologies and various certifications.



### 2 Environmental Activities

We realize a safe, secure, and pleasant society taking global environment into consideration.



### 3 Contribution to Local Communities

We improve community well-being through our building management operations.



### 4 Work-Life Balance

We achieve a social work-life balance.



### 5 Enhancement of Compliance and Risk Management

We establish a governance structure that is sound and highly transparent.



# Medium-Term Growth Strategies



# Impact on NIPPON KANZAI and Future Strategies Based on Changes in Society under the Pandemic

## Impact on NIPPON KANZAI from the Tide of the Pandemic

### Three Global Trends Created by the Pandemic

#### 1) Acceleration of trends already appeared

Growing interest in Sustainable Development Goals (SDGs)  
⇒ Acceleration of corporate and economic activities targeting sustainability

#### 2) Appearance of new trends

Concentrating on the emphasis on efficiency until now  
⇒ Toward decentralization and multi-polarization with an emphasis on safety and security

#### 3) Renewed recognition of values taken for granted

Renewed recognition of the importance of digitalization  
⇒ Acceleration of digitalization and merging with the real world

### Changes in Japan from the Impact of the Pandemic

- Drastic decrease in administrative tax revenue  
⇒ Needed: size reduction and per capita enhancement, comprehensive inclusion
- 60% of listed companies to see a decline in both net sales and profit. Net income declining 36%  
⇒ Needed: review of cost structure, restructuring, outsourcing, optimization of management resources
- Rise in vacancy rates. Central Tokyo 3%, heading toward 5% next year. Rents headed for decline.
- Changing workstyles (e.g. work-from-home, off-peak commuting and online meetings to avoid “Three Cs”<sup>※1</sup>; office floor space reduction)
- Decline in the active job openings-to-applicants ratio. 1.5% → 1.08%  
⇒ Needed: digitalization, improved productivity

※1 Three Cs: Closed spaces, Crowded places and Close-contact settings

## Promotion of Digitalization through IT plus Low Cost Operations

### Main Targets

Public  
Facilities Management  
(FM)

Private  
Facilities Management  
(FM)

### Business Opportunities

- 1** Increase in demand for private sector expertise in the public sector
- 2** Global development of know-how accumulated through domestic businesses
- 3** Approach based on IT technologies, etc.

### Growth Strategies

- Create business opportunities by strengthening PPP / PFI and designated manager systems  
(p.22 - p.26)
- Invest in overseas companies
- Reinforce our residential management business through cooperation with overseas group companies  
(p.28 - p.30)
- Introduce IT into work management know-how and construction of work management database
- Standardize service quality and increase work efficiency  
(p.32 - p.35)

# Business Opportunities (1): Overview of PPP/PFI Utilization in Japan for Public Sector Business

## ■ Background of PPP/PFI promotion

### Current situation in Japan

Aging of public facilities

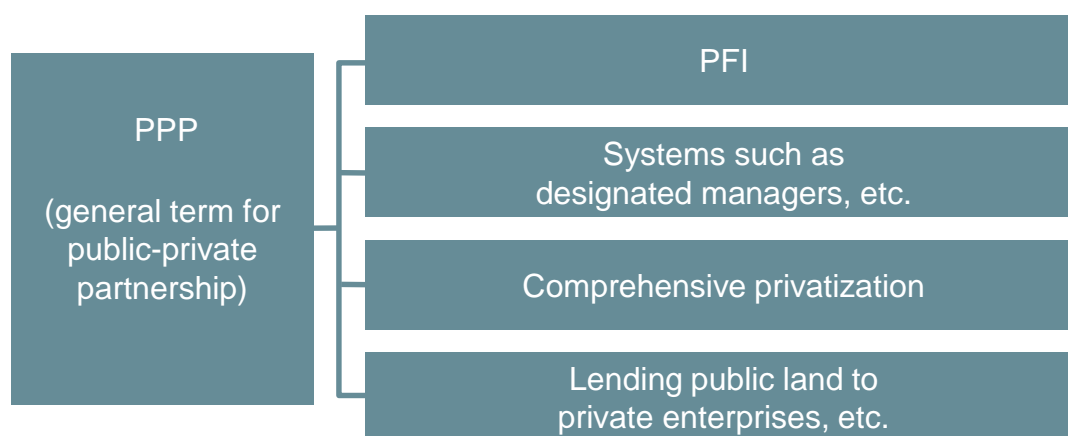
Severe financial circumstances

Population decline

**Cost efficiency of reconstruction, renovation, repair and operation of public facilities works, wide-area management, and facilities consolidation, etc.** are necessary for maintaining proper public services. Utilizing **PPP/PFI** is effective as a means for realizing these.

PPP : Public Private Partnership  
PFI : Private Finance Initiative

## ■ Overview of type of Business Models



### Business model in the public sector undertaken by NIPPON KANZAI

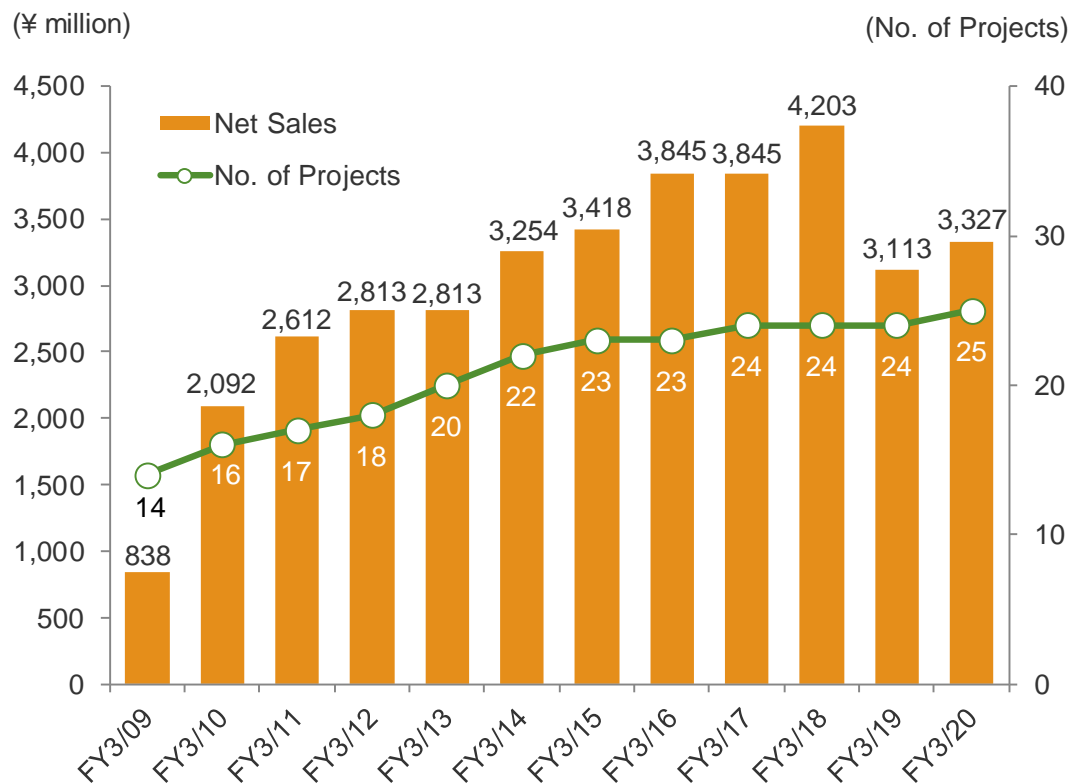
- PFI
- Designated Manager
- Comprehensive Management
- Public Facilities Management Support

Source: Compiled by NIPPON KANZAI based on "Overview of PPP/PFI" from PPP/PFI Promotion Office at the Cabinet.

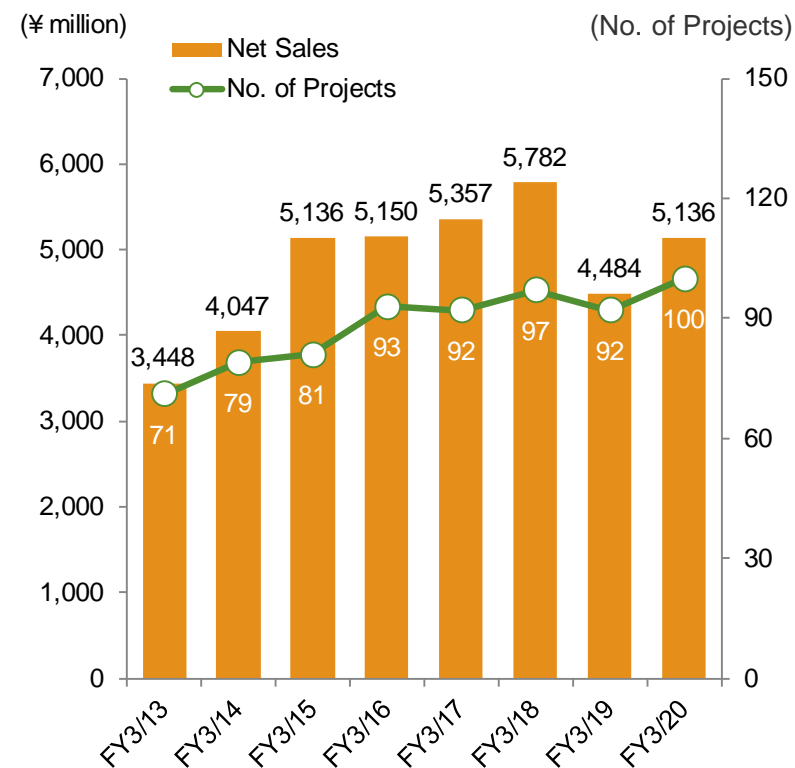
# Business Opportunities (1): Track Record for Public Sector Businesses (excluding conventional general bidding)

## Continuous Efforts toward Expansion of Ancillary Businesses

### PFI



### Designated Manager

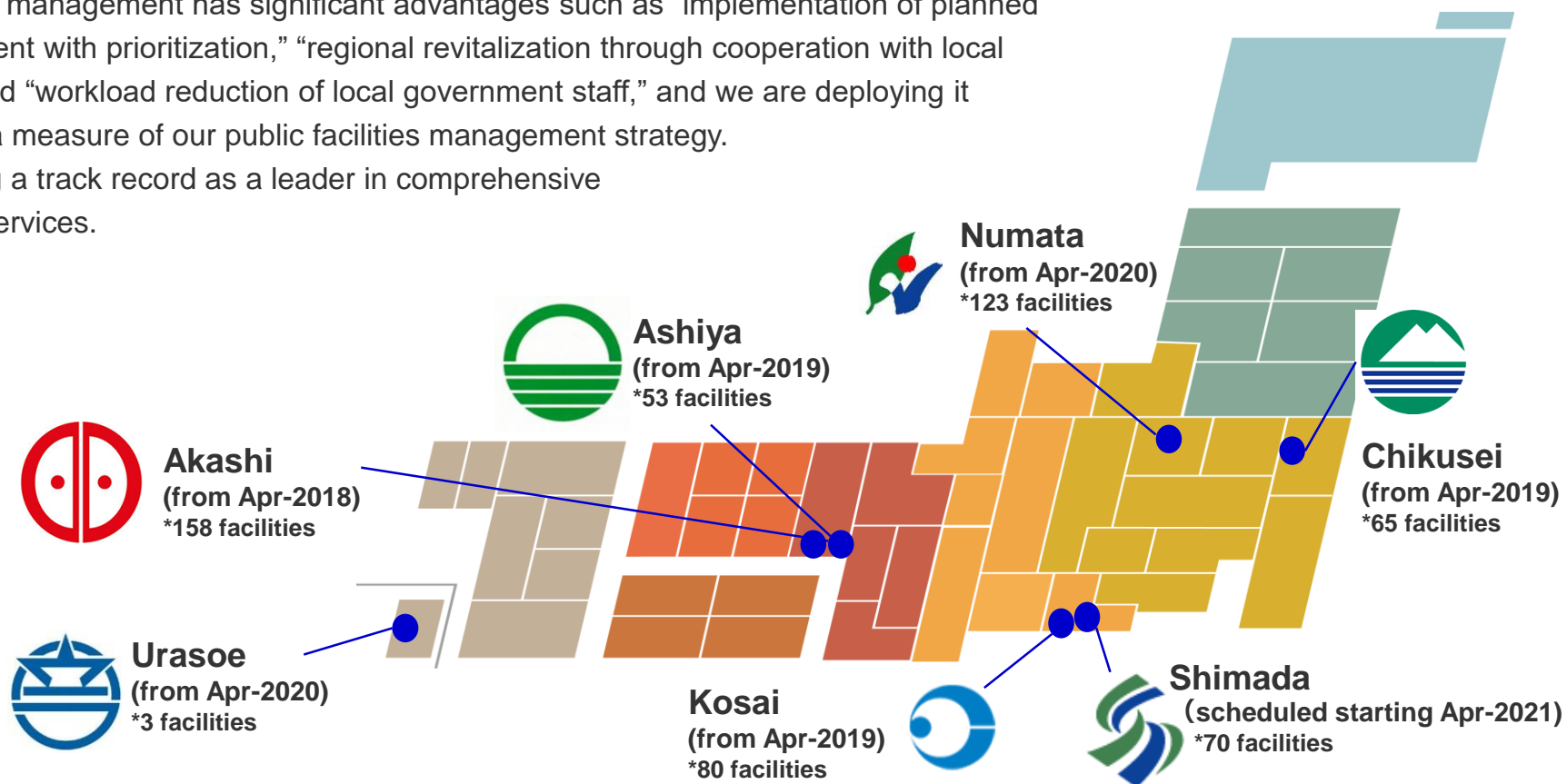


# Business Opportunities (1): Comprehensive Management of Public Facilities

## Comprehensive Management of Public Facilities

Comprehensive management is a form of contract for managerial work for multiple public facilities of local governments such as equipment inspection and cleaning. Promoting comprehensive management has significant advantages such as “implementation of planned capital investment with prioritization,” “regional revitalization through cooperation with local companies,” and “workload reduction of local government staff,” and we are deploying it nationwide as a measure of our public facilities management strategy.

We are building a track record as a leader in comprehensive management services.



(Note) \* are the number of target facilities for comprehensive management.

## First Arena for Concessions in Japan

NIPPON KANZAI participated in the consortium that was selected as a candidate for the operating rights (concessions) holder for the “Ariake Arena Management Operations Project” announced by the Tokyo Metropolitan Government on July 11, 2018. We are responsible for management and maintenance work.

This is the first attempt at arena management under a concessions-type contract in Japan. The objectives are to create sports trends for Tokyo residents, making the best use of private company know-how, as well as starting a new culture by holding events like concerts. Working toward improving services for Tokyo residents, we aim to make the Ariake Arena a new sports and culture hub for Tokyo.

As a member of the proposing group, NIPPON KANZAI is involved in the entire project. We will play a role in achieving stable business execution during the period of the project.

### Consortium companies

<b>Representative company</b>	<b>DENTSU INC.</b>
<b>Members</b>	NTT DOCOMO, INC. NIPPON KANZAI Co., Ltd. AMUSE INC. LIVE NATION JAPAN DENTSU LIVE INC. ASICS Japan Corp.
<b>Partner companies</b>	NTT FACILITIES, INC. Xross Sports Marketing Co., Ltd. Mitsubishi Research Institute, Inc.

### Facilities overview

<b>Name</b>	<b>Ariake Arena</b>
<b>Owner</b>	Tokyo
<b>Site area</b>	Approx. 36,576 m <sup>2</sup>
<b>Total floor space</b>	Approx. 47,200 m <sup>2</sup>
<b>Structure</b>	Steel reinforced concrete, partial steel-frame steel reinforced concrete / steel-frame
<b>Height / no. of floors</b>	Approx. 37 meters, 5 floors above ground

### Facility image



# Business Opportunities (1): Public Facilities Management Support Business

## Publicity Strategy in Public Facilities Management

Leveraging its know-how and experience of life cycle management cultivated through building management over many years, NIPPON KANZAI supports public facilities management of local governments. We are rolling out various publicity strategies for further business expansion.

### ■ PPP Agreement Partner with Ministry of Land, Infrastructure, Transport and Tourism (MLIT)

A PPP agreement is a partnership agreement between MLIT and private enterprises to promote partnership agreements with local governments in order to increase the opportunities for local government officials and local companies to obtain knowledge and know-how on PPP/PFI, and promote seminars and consulting by partner companies. NIPPON KANZAI has been certified as a PPP Agreement partner since FY2018, and has held a total of 12 seminars in two years, involving a total of 343 local governments and 660 participants.

#### Seminars conducted in FY2019\*

Event location	Event date	No. of participating municipalities
Osaka	26-Jun	49 municipalities: 84 persons
Nagoya	10-Jul	36 municipalities: 71 persons
Fukuoka	12-Jul	28 municipalities: 84 persons
Naha	17-Jan	10 municipalities: 45 persons
Tsukuba	24-Jan	31 municipalities: 61 persons
Tokyo	6-Feb	52 municipalities: 89 persons



\*Holding seminars online is under consideration for FY3/21 due to the pandemic

PPP: Public-Private-Partnership

### ■ Public Facilities Management Support Services

In order to strengthen sales expansion to government offices, we continue to publish articles introducing NIPPON KANZAI's support work for local governments in each issue of "JICHITAI TSUSHIN"\* since Apr-2018. Also, we cooperated in an exclusive interview for a special issue of "JICHITAI WORKS(\*)" in July 2020 as a tool to encourage local governments which are reluctant to fully embrace comprehensive management.



#### Interview cooperation for JICHITAI WORKS special issue "Comprehensive Management"



(\*) "JICHITAI WORKS" is an administrative information magazine which provides coverage of innovative cases and initiatives of local governments nationwide, hints and ideas for operational reforms etc., publishing 4 regular issues per year, with free distribution of roughly 70,000 copies to 1,788 local governments nationwide.

### Business Opportunities

- 1** Increase in demand for private sector expertise in the public sector
- 2** Global development of know-how accumulated through domestic businesses
- 3** Approach based on IT technologies, etc.

### Growth Strategies

- Create business opportunities by strengthening PPP / PFI and designated manager systems  
(p.22 - p.26)
- Invest in overseas companies
- Reinforce our residential management business through cooperation with overseas group companies  
(p.28 - p.30)
- Introduce IT into work management know-how and construction of work management database
- Standardize service quality and increase work efficiency  
(p.32 - p.35)

# Business Opportunities (2): Overseas Development (Overview of PICA Pty Ltd.)

## Company Overview

PICA is the largest “Strata Manager” in Australia and acts as an agent for owners’ associations. Using multiple brand names, such as “BCS” (Body Corporate Services), PICA mainly provides services to support homeowner associations which includes collecting delinquent management fees. Leveraging off NIPPON KANZAI’s engineering capabilities, PICA has introduced services related to physical aspects of buildings.

## Background

NIPPON KANZAI acquired 50% of PICA shares from Fexco, a global fintech organization, in March 2013. Now NIPPON KANZAI and Fexco send directors to PICA and manage it jointly. Founded in 1981, Fexco employs over 2,300 people and now has operations in 29 countries across Europe, the Middle East, Asia-Pacific, North America and Latin America.

Fexco website <http://www.fexco.com/>

## Business Environment under the Pandemic

Due to government restrictions on the number of persons at gatherings, postponement of general meetings and boards of directors meetings of home owners’ associations as well as the shift to online meetings resulted in a decline in net sales, however the impact on profits was minimal due to successful cost cutting.



Reception



Properties under Management



**Company Name**

Prudential Investment Company of Australia Pty Ltd.

**Establishment**

October 4, 1948

**Capital**

AUD28 million (JPY2,140 million) \*AUD1=JPY76.51 (as of December 31, 2019)

**Main Business**

Strata management, debt collection

**Head Office**

Sydney

**Major Branches**

Major cities of East Coast, include Sydney, Melbourne, Brisbane, Cairns etc.

**Employees**

Approx. 720 as of December 31, 2019

**No. of Lots under Management**

Approx. 204,000 lots, 11,500 associations as of December 31, 2019

# Business Opportunities (2): Overseas Development (Overview of Keystone, LLC\*)

## Company Overview

Keystone Property Management, LLC (hereinafter “Keystone”) is a gated communities management company. Gated communities are developments consisting of detached housing and high-end multi-unit homes in estates surrounded by walls. Keystone provides homeowner associations with support services including holding annual general meeting, accounting and financial reporting and on-site management. It has a reputation for offering high-quality and detailed services. Other than subsidiaries and affiliates of major nationwide companies, Keystone is ranked within the top ten companies in Southern California. Going forward the company is also considering growth through acquisitions, and in April 2019, made the first acquisition of business rights of a local competitor, Keystone Progressive, LLC.

## Background

NIPPON KANZAI's subsidiary, Nippon Kanzai USA, Inc. acquired a minority interest from Keystone Pacific Property Management Inc., the owner of the interest and Keystone became an equity-method affiliate of NIPPON KANZAI. NIPPON KANZAI will work to raise efficiency of operations and expand services through renovation of the IT system, and target future growth through incorporating the company's know-how, while expanding properties under management to include high-rise condominiums etc.

## Business Environment under the Pandemic

Despite the impact from COVID-19 infections, the Company is maintaining steady business performance due to the high evaluation in the market, and increased opportunities to provide services due to strength in the detached housing market boosted by the tendency to avoid dense crowding.



Irvine, California

Head Office

Properties under Management



**Company Name**

**Establishment**

**Main Business**

**Corporate Office**

**Major Branches**

**Employees**

**No. of Lots under Management**

Keystone Pacific Property Management, LLC

September 15, 2016

Residential management

Irvine, California

Southern California, with a focus on Orange County

Approx. 230 as of December 31, 2019 (including Keystone Progressive)

Approx. 84,000 lots, approx. 340 associations as of December 31, 2019  
(including Keystone Progressive)

\*Abbreviation unified as “Keystone” from March 2019

# Business Opportunities (2): Overseas Development (Overview of Hawaiiiana)

## Company Overview

Hawaiiiana Holdings Incorporated (hereinafter “Hawaiiiana”) is the largest AOA (“Association of Apartment Owners”) management company in the State of Hawaii. Hawaiiiana provides apartment owners’ associations with support services including holding board meetings and annual general meetings, as well as providing accounting and financial reporting. Hawaiiiana is a highly reputable yet locally operated company with a long history in the industry. It operates on six islands including Oahu (home to Honolulu), Maui, Hawaii and Kawai.

## Background

NIPPON KANZAI acquired shares of Hawaiiiana from Swell International Inc., a locally operated real estate company, in March 2020 and through which became an equity-method affiliate of NIPPON KANZAI. Hawaiiiana and NIPPON KANZAI will work together to further improve the business with global expertise cultivated and accumulated through NIPPON KANZAI’s overseas expansion.

## Business Environment under the Pandemic

Hawaiiiana suffered in Q2 because many of Board Meetings and Annual Meetings could not be held due to lockdown. However, the business is on its way to recovery by adapting to the time of coexistence with COVID-19.



Properties under Management



### Company Name

Hawaiiiana Holdings Incorporated

### Establishment

September 24, 2008

### Capital

USD4.27 million (JPY470 million) \*USD1=JPY109.54 (as of December 31, 2019)

### Main Business

AOAO management

### Head Office

Honolulu, Hawaii

### Branches

Maui, West Maui, Kona, Kauai

### Employees

Approx. 240 as of December 31, 2019

### No. of Lots under Management

Approx. 107,000 lots, 770 associations as of December 31, 2019

### Business Opportunities

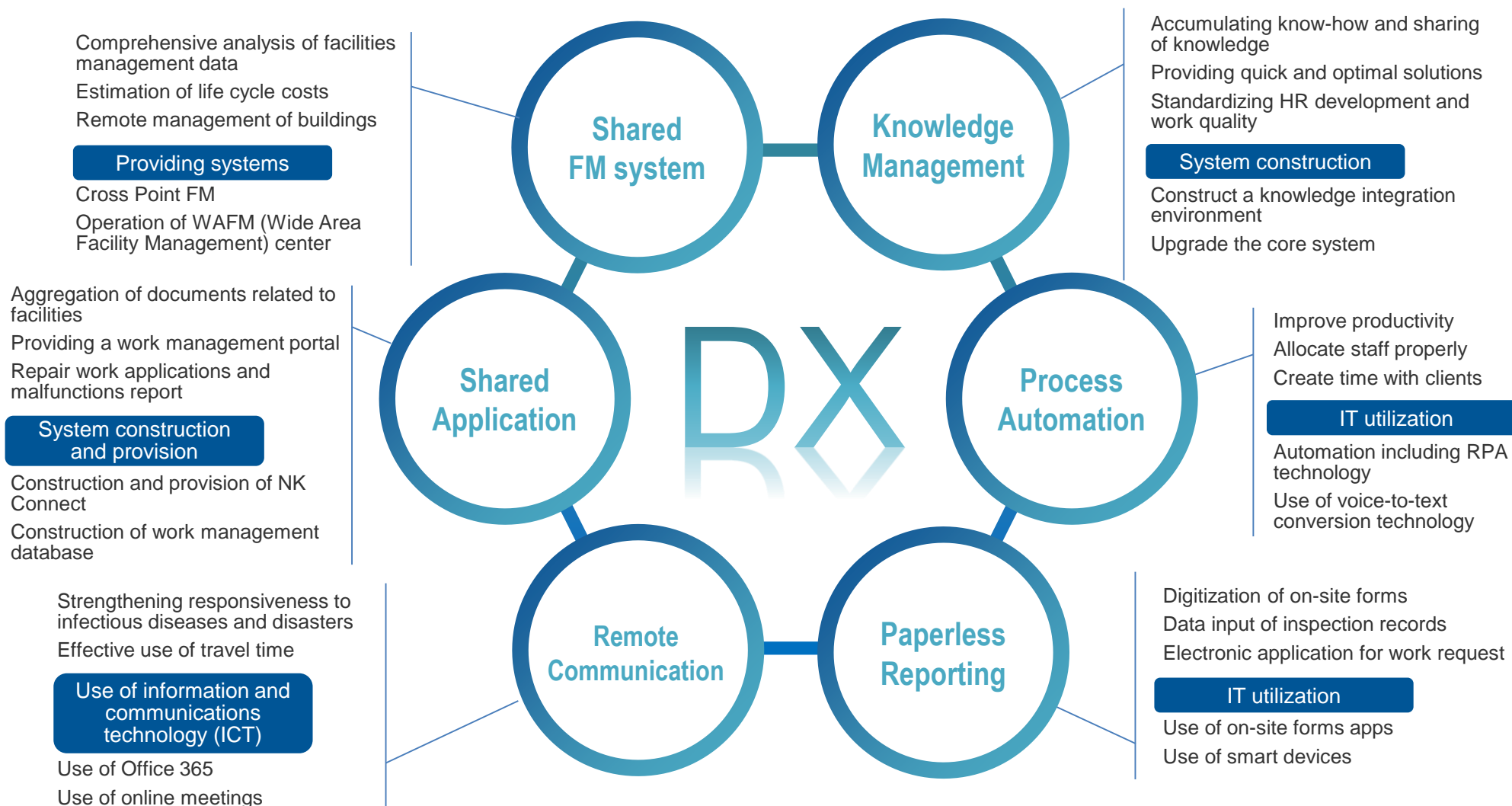
- 1** Increase in demand for private sector expertise in the public sector
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- 3** Approach based on IT technologies, etc.

### Growth Strategies

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(p.32 - p.35)

## Business Opportunities (3): Approach Based on IT -Digital Transformation-

With IT approaches both externally and internally, and fusion of digital and analog, we provide optimal services to customers. -NIPPON KANZAI's "Digital Transformation" Strategy-

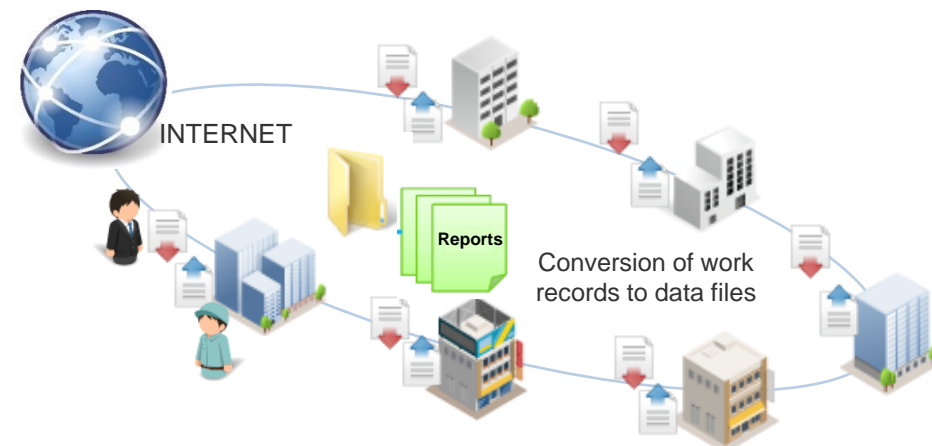


# Business Opportunities (3): Shared FM Systems -Upgrade building information sharing system & application-

## NK Connect

### Building information sharing system Work fulfillment confirmation & report application

- Sharing of information with customers and partner companies on the Cloud
- Centralized management of various building information, work plans, and repair plans
- Use of work management application with smart devices
- Promoting computerization of malfunctions report and forms in the field, conversion of inspection records to data files



### Work plan & repair plan management

### Confirmation of work fulfillment

### Detailed work report

Note: Details will be reported by linking the application created by NIPPON KANZAI and ConMas i-Reporter of Cimtops Corporation.

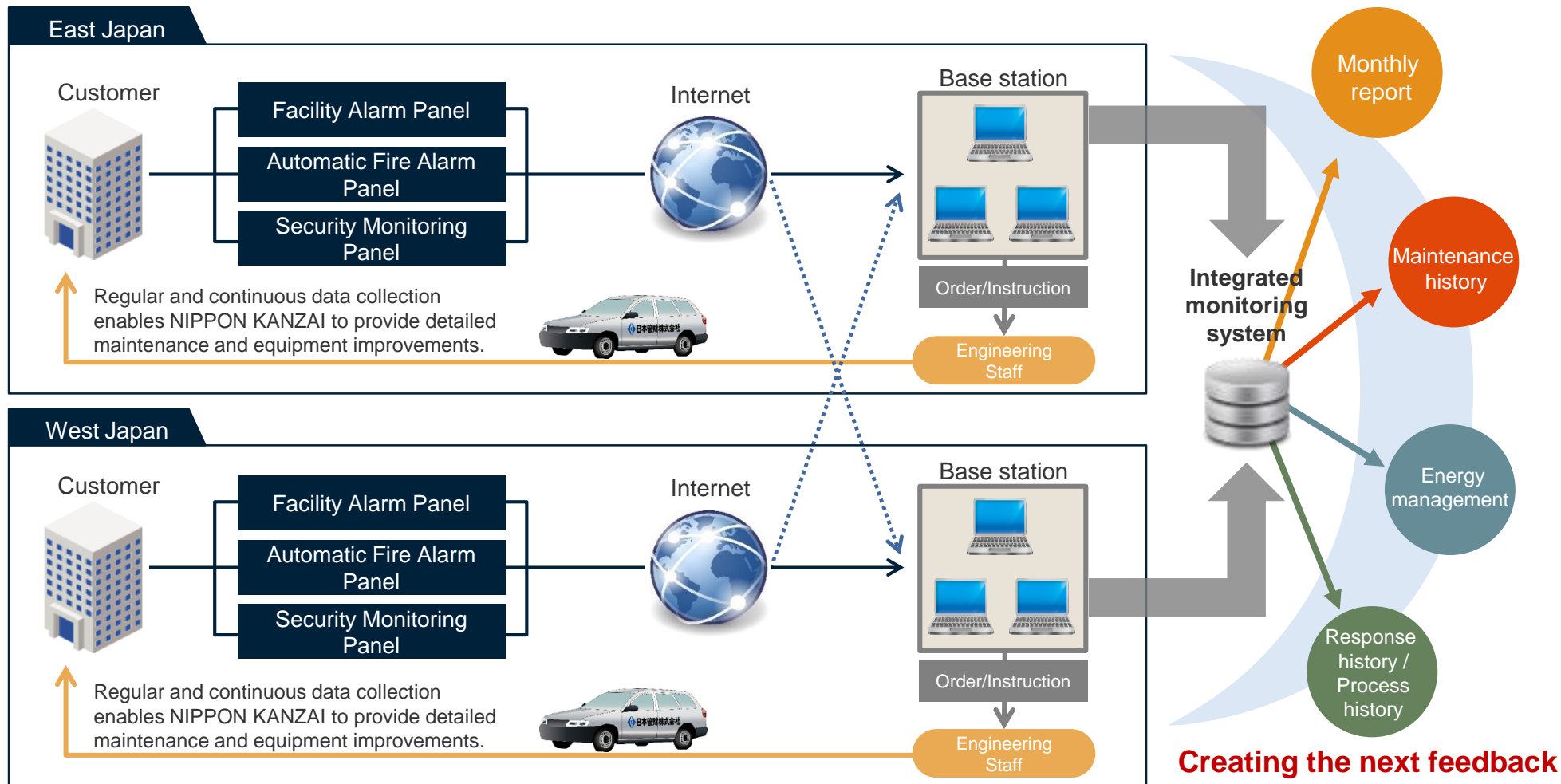
## Business Opportunities (3): Shared FM Systems -Operation of Wide Area Facilities Management System-

WAFM<sup>®</sup>

### Wide Area Facilities Management System

Remotely manages buildings 24/7

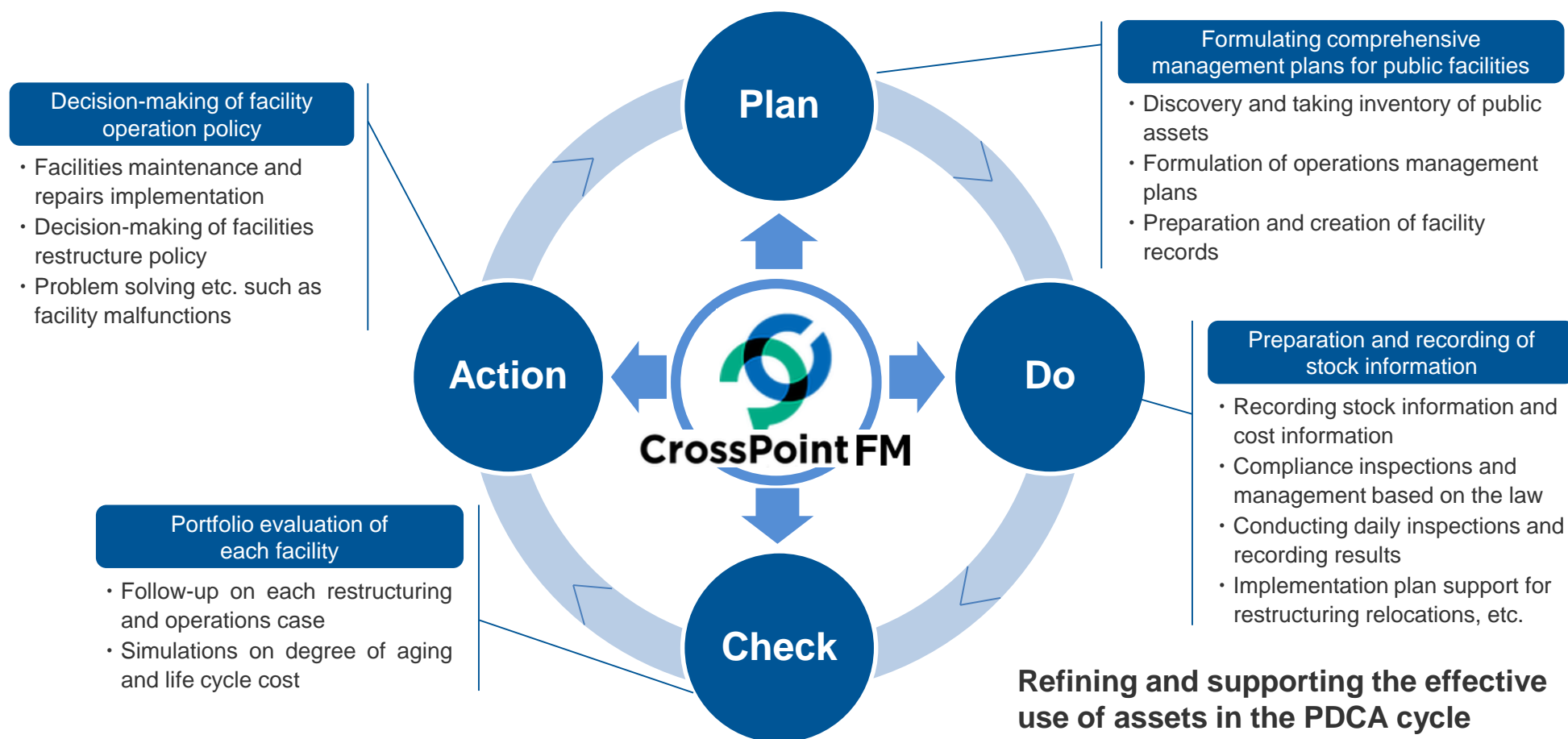
- Remote management, machine security, and call center services complement each other throughout Japan.
- Accumulation of data collected on a daily basis such as response history, and provision of feedback.



## Business Opportunities (3):

### Shared FM Systems -Public Facilities Management Systems Cross Point FM-

**Cross Point FM supports automatic evaluation of public facilities, optimal placement planning, operations management, the reduction of duties of staff in charge as well as maintains and improves community services.**



Note: Cross Point FM is a system developed by Cross Point Consulting Co., Ltd., in which NIPPON KANZAI has a stake, under a consigned R&D project of the Japan Science and Technology Agency (JST).

## Legal Disclaimer

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

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