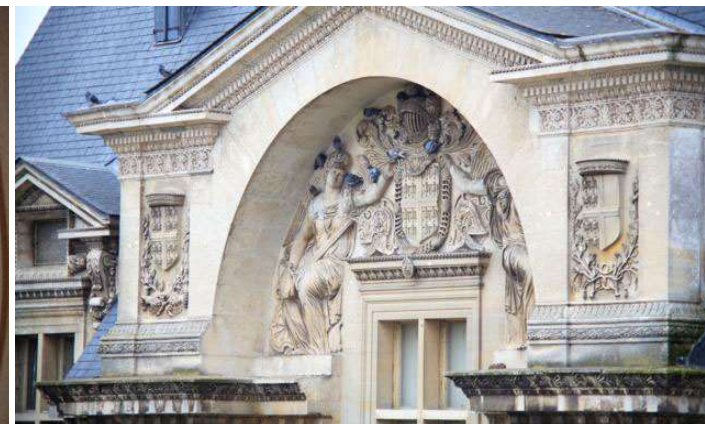





Financial Results for the 2nd Quarter of Fiscal Year Ending March 31, 2023

November 24, 2022



Index

	3	Consolidated Financial Results for 1H FY3/23
	12	Consolidated Financial Forecasts for FY3/23
	19	Medium-Term Growth Strategies

Consolidated Financial Results for 1H FY3/23



Consolidated Financial Results Highlights

Record highs for net sales, operating profit, and ordinary profit
Both net sales and profits exceeded the 1H forecasts

(Rounded down to the nearest ¥million)

Net Sales **¥53,736 million (+7.7% YoY)**

- Increase in new management project contracts
- Steady renewal of existing contracts

Operating Profit **¥4,197 million (+15.0% YoY)**

- Increase in profits due to net sales growth
- Profits increased due to higher profitability as a result of revised rates and scope of work

Ordinary Profit **¥4,747 million (+18.1% YoY)**

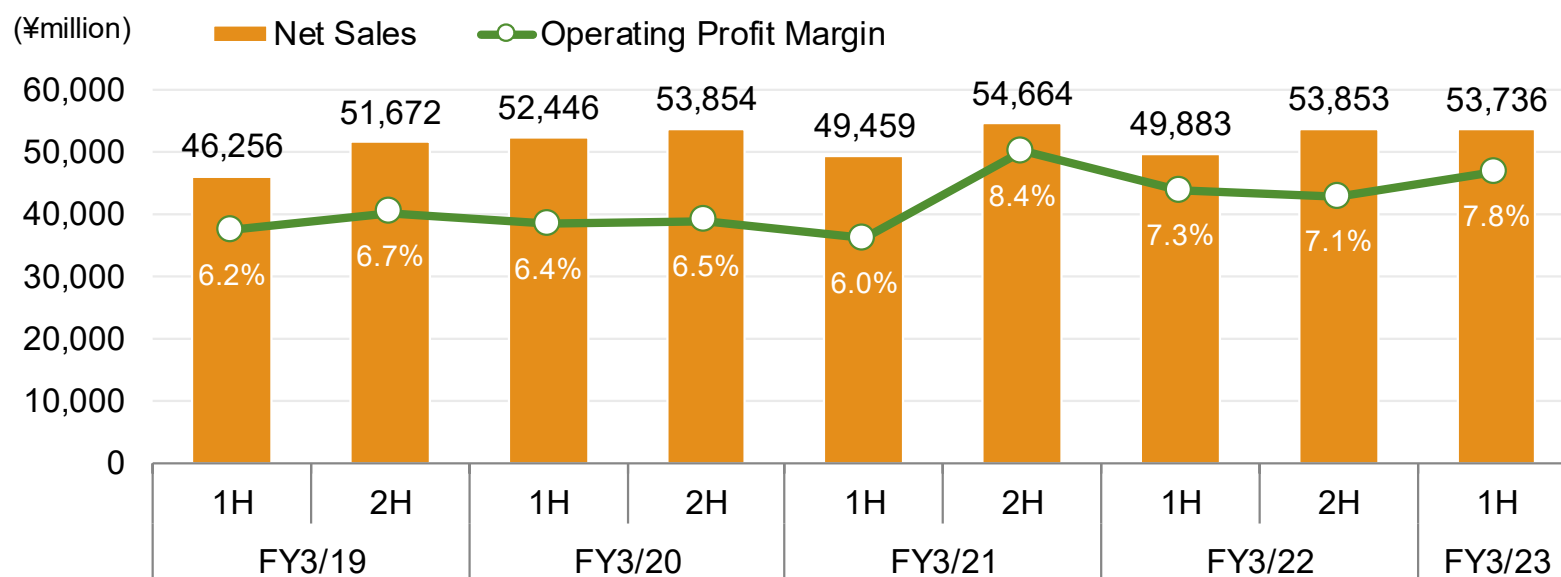
- Recognition of foreign exchange gains due to the weak yen

Profit Attributable to Owners of Parent **¥3,068 million (-9.7% YoY)**

- Despite a decline in profit due to increase in tax expenses, the result exceeded financial forecast

Consolidated Financial Results Summary

Consolidated (¥ million)	1H FY3/22		1H FY3/23		YoY Changes	
	Actual	Ratio	Actual	Ratio	Amount	Ratio
Net Sales	49,883	100.0%	53,736	100.0%	3,852	7.7%
Gross Profit	11,288	22.6%	12,331	22.9%	1,043	9.2%
SG&A Expenses	7,637	15.3%	8,134	15.1%	497	6.5%
Operating Profit	3,651	7.3%	4,197	7.8%	546	15.0%
Ordinary Profit	4,019	8.1%	4,747	8.8%	728	18.1%
Profit Attributable to Owners of Parent	3,400	6.8%	3,068	5.7%	(331)	-9.7%

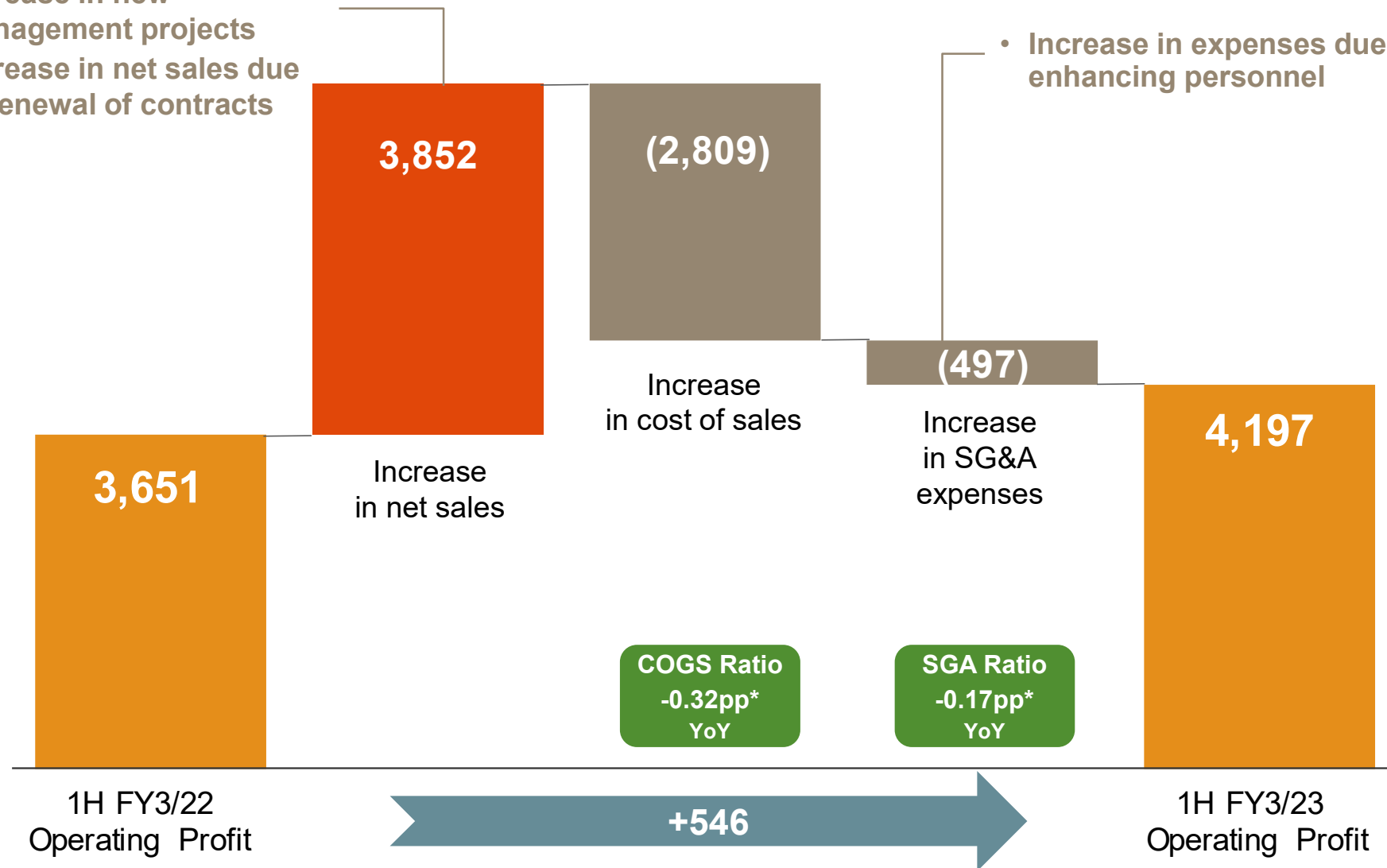


Analysis of Increases/Decreases in Consolidated Operating Profit

(¥ million)

- Increase in new management projects
- Increase in net sales due to renewal of contracts

- Increase in expenses due to enhancing personnel



*pp (percentage point)

Overview of Consolidated Balance Sheets

Consolidated (¥ million)	FY3/22 End		1H FY3/23 End		vs. FY3/22 End	
	Actual	Ratio	Actual	Ratio	Amount	Ratio
Current assets	51,849	63.1%	50,040	59.4%	(1,808)	-3.5%
Cash and deposits	32,789	39.9%	31,678	37.6%	(1,110)	-3.4%
Notes and accounts receivable - trade, and contract assets	14,296	17.4%	13,437	16.0%	(858)	-6.0%
Real estate for sale	2,907	3.5%	2,086	2.5%	(820)	-28.2%
Non-current assets	30,291	36.9%	34,145	40.6%	3,853	12.7%
Property, plant and equipment	5,988	7.3%	6,133	7.3%	145	2.4%
Intangible assets	2,357	2.9%	2,342	2.8%	(14)	-0.6%
Investments and other assets	21,946	26.7%	25,669	30.5%	3,722	17.0%
Total Assets	82,141	100.0%	84,186	100.0%	2,044	2.5%
Current liabilities	13,626	16.6%	13,491	16.0%	(135)	-1.0%
Notes and accounts payable - trade	6,143	7.5%	4,808	5.7%	(1,335)	-21.7%
Income taxes payable	561	0.7%	1,360	1.6%	798	142.3%
Non-current liabilities	6,862	8.4%	6,230	7.4%	(631)	-9.2%
Long-term borrowings	375	0.5%	187	0.2%	(187)	-50.0%
Long-term non-recourse loans payable	1,871	2.3%	1,570	1.9%	(300)	-16.1%
Total Liabilities	20,489	24.9%	19,721	23.4%	(767)	-3.7%
Shareholders' equity	59,092	71.9%	61,151	72.6%	2,059	3.5%
Share capital	3,000	3.7%	3,000	3.6%	-	-
Capital surplus	3,785	4.6%	3,785	4.5%	-	-
Retained earnings	55,080	67.1%	57,140	67.9%	2,059	3.7%
Accumulated other comprehensive income	1,280	1.6%	2,071	2.5%	791	61.8%
Non-controlling interests	1,279	1.6%	1,240	1.5%	(38)	-3.0%
Total Net Assets	61,652	75.1%	64,464	76.6%	2,812	4.6%
Total Liabilities and Net Assets	82,141	100.0%	84,186	100.0%	2,044	2.5%

Main Factors for Increase/Decrease

(¥ million)

Assets

2,044

- Decrease in cash and deposits (1,110)
- Increase in investment securities due to purchase of shares of affiliates, etc. 3,856

Liabilities

(767)

- Decrease in notes and accounts payable - trade (1,335)

Net Assets

2,812

- Increase in retained earnings 2,059

Equity Ratio

75.1%

(+1.6pp YoY)

Overview of Consolidated Statement of Cash Flows

Consolidated (¥ million)	1H FY3/22 Actual	1H FY3/23 Actual	YoY Changes Amount
Profit before income taxes	4,119	4,747	628
Depreciation	285	329	43
Decrease (increase) in trade receivables	1,910	889	(1,020)
Increase (decrease) in trade payables	(3,500)	(1,449)	2,051
Decrease (increase) in inventories	588	764	175
Increase (decrease) in accrued consumption taxes	(570)	77	648
Income taxes paid	(1,930)	(693)	1,237
Other, net	(324)	(1,132)	(808)
Cash Flows from Operating Activities	578	3,533	2,955
Purchase of property, plant and equipment, and intangible assets	(672)	(363)	309
Purchase of investment securities	(589)	(3,089)	(2,499)
Proceeds from redemption of investment securities	412	-	(412)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(511)	-	511
Other, net	130	89	(41)
Cash Flows from Investing Activities	(1,230)	(3,363)	(2,132)
Increase (decrease) in borrowings (incl. non-recourse loans)	(197)	(195)	1
Dividends paid (incl. dividends paid to non-controlling interests)	(1,108)	(1,104)	4
Other, net	(57)	(66)	(8)
Cash Flows from Financing Activities	(1,364)	(1,365)	(1)
Net increase (decrease) in cash and cash equivalents	(2,009)	(1,110)	899
Cash and cash equivalents at the beginning of current period	32,830	32,444	(386)
Cash and cash equivalents at the end of current period	30,820	31,333	513
Free Cash Flows	(652)	170	822

Main Factors for Increase/Decrease

(¥ million)

CF from Operating Activities 2,955

- Increase in trade payables 2,051
- Decrease in income taxes paid 1,237

CF from Investing Activities (2,132)

- Increase in purchase of investment securities (2,499)

Business Segments and Main Group Companies

■ Facilities Management and Operations ¥36,357 mil.

Building Maintenance and Property Management (excl. Security Service)
¥24,984 mil.

NS Corporation Co., Ltd.
Japan Environmental Solutions Co., Ltd.
Okinawa Nippon Kanzai Co., Ltd.

Security Services ¥11,372 mil.

Three-S Co., Ltd.

■ Residential Management and Operations ¥8,907 mil.

Condominium Management

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 ¥5,944 mil.

Environmental Facility Management

Nippon Kanzai Environment Service Co., Ltd.

■ Real Estate Fund Management ¥1,357 mil.

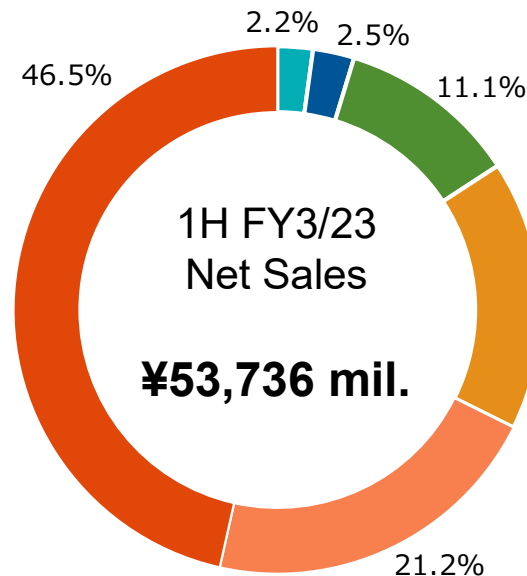
Asset Management

Tokyo Capital Management Co., Ltd.

■ Other ¥1,170 mil.

Other Businesses

NS Corporation Co., Ltd.
(Advertisement and Event Planning)
Neotrust Co., Ltd. (Payroll and social insurance BPO)



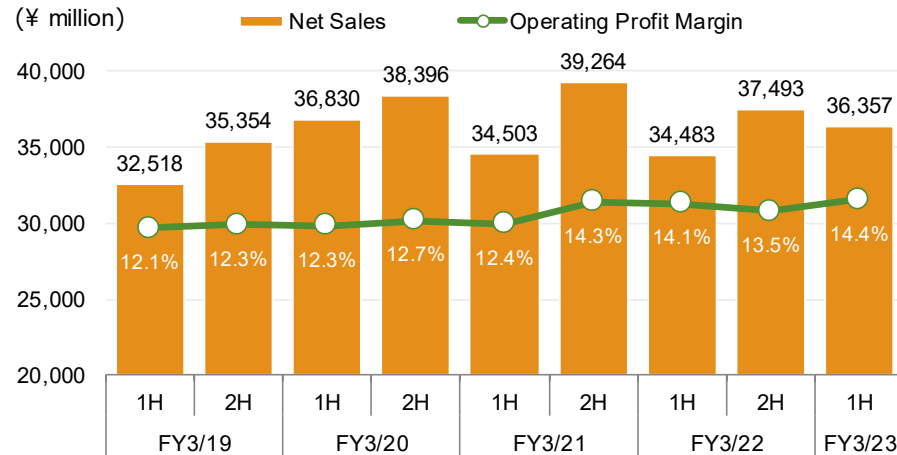
Financial Results by Business Segment

Consolidated (¥ million)	1H FY3/22		1H FY3/23		YoY Changes	
	Actual	Ratio/Margin	Actual	Ratio/Margin	Amount	Ratio
Net Sales	49,883	100.0%	53,736	100.0%	3,852	7.7%
Facilities Management and Operation Business	34,483	69.1%	36,357	67.7%	1,873	5.4%
Building Maintenance and Property Management	23,368	46.8%	24,984	46.5%	1,616	6.9%
Security Service	11,115	22.3%	11,372	21.2%	256	2.3%
Residential Management and Operation Business	8,209	16.5%	8,907	16.6%	697	8.5%
Environmental Facility Management Business	5,568	11.2%	5,944	11.1%	376	6.8%
Real Estate Fund Management Business	1,044	2.1%	1,357	2.5%	313	30.0%
Other Businesses	577	1.2%	1,170	2.2%	592	102.5%
Segment Profit	3,651	7.3%	4,197	7.8%	546	15.0%
Facilities Management and Operation Business	4,866	14.1%	5,251	14.4%	384	7.9%
Building Maintenance and Property Management	3,440	14.7%	3,733	14.9%	292	8.5%
Security Service	1,426	12.8%	1,518	13.3%	91	6.4%
Residential Management & Operation Business	848	10.3%	984	11.1%	136	16.1%
Environmental Facility Management Business	832	15.0%	803	13.5%	(29)	-3.5%
Real Estate Fund Management Business	57	5.5%	21	1.6%	(36)	-63.2%
Other Businesses	160	27.8%	265	22.7%	104	65.3%
Adjustments*	(3,114)	-	(3,128)	-	(14)	-

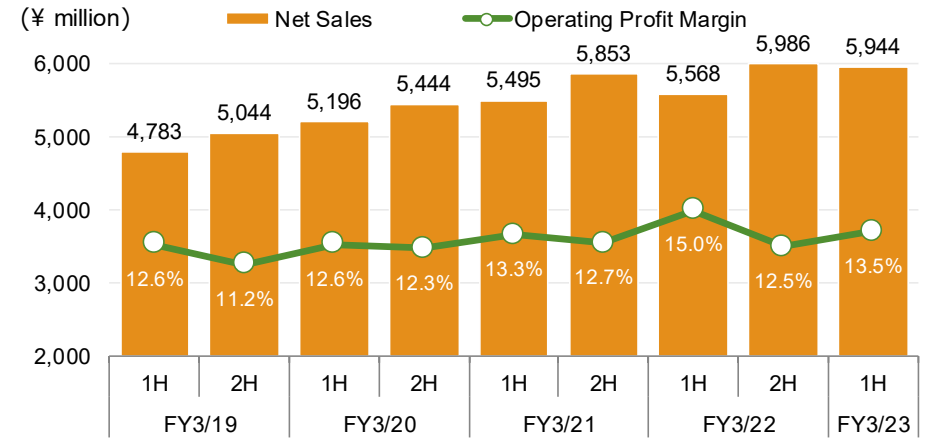
*The adjusted amount of segment profit includes the elimination of intersegment transactions as well as SG&A expenses which are not attributable to any particular segment.

Performance of Main Business Segments

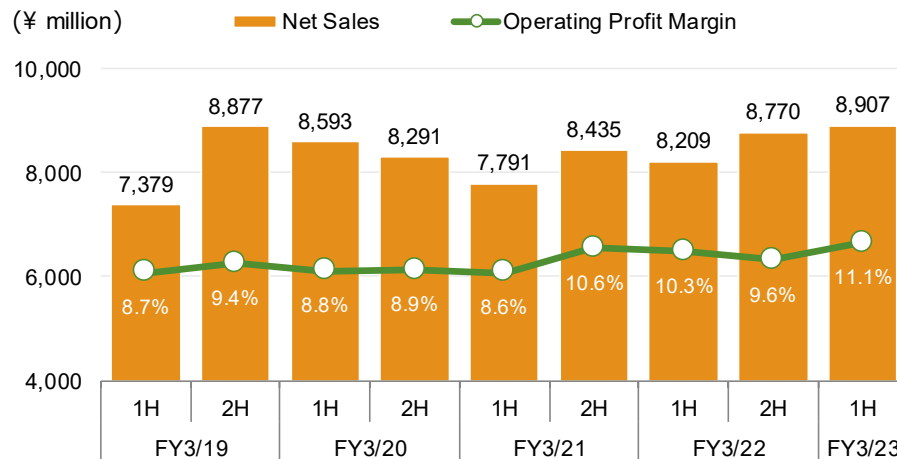
Facilities Management and Operations



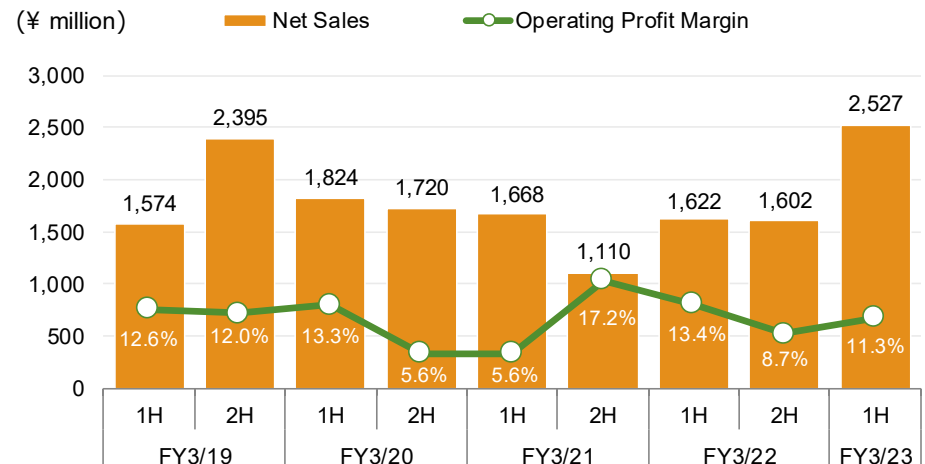
Environmental Facilities Management



Residential Management and Operations



Real Estate Fund Management and Other



Consolidated Financial Forecasts for FY3/23



Consolidated Financial Forecasts Summary

Market Background and Risks

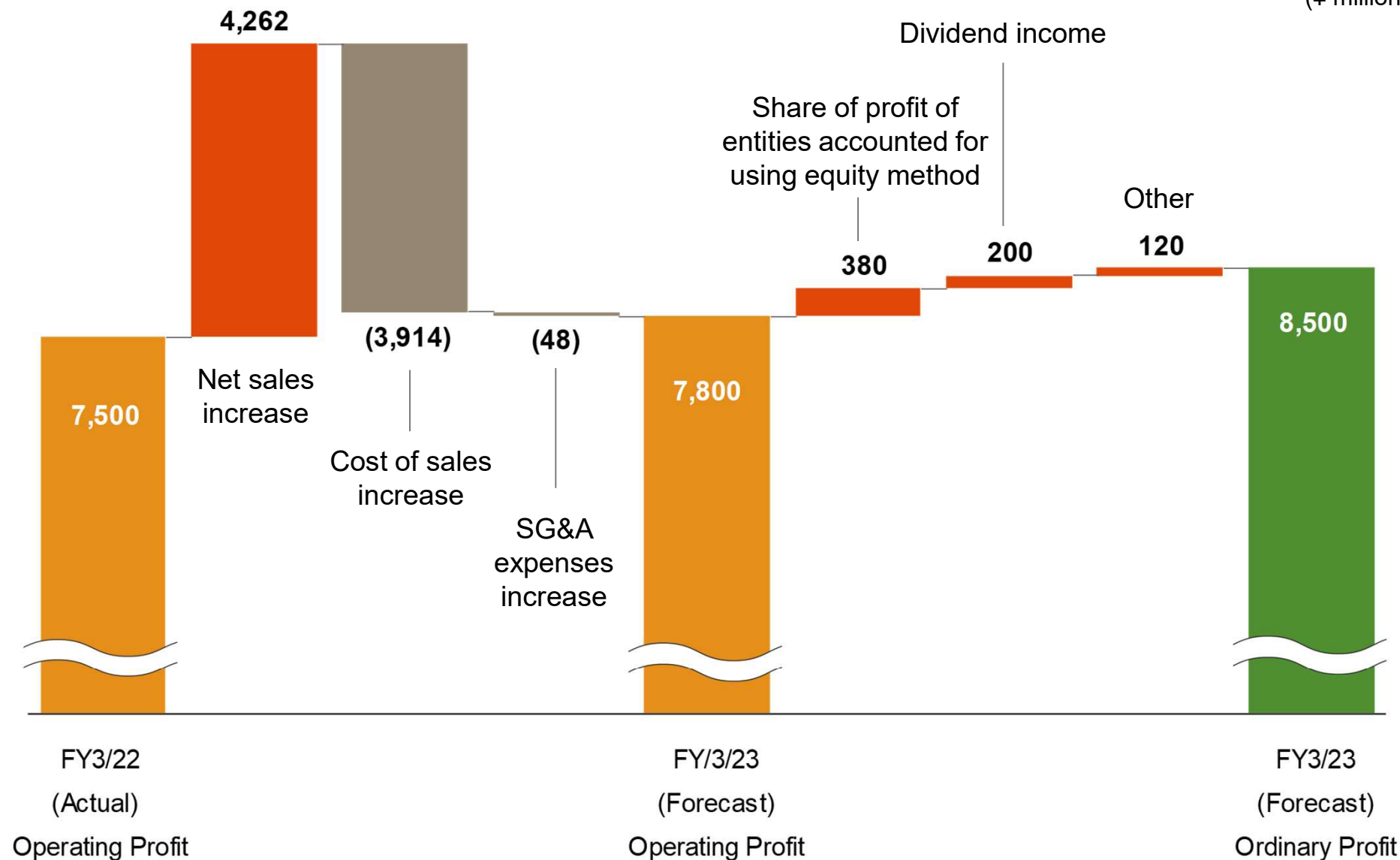
- As a result of the pandemic, offices are shifting from centralization to decentralization based on the promotion of working from home and the like. Vacancy rates remains high.
- Delay in construction due to soaring raw material prices and a shortage of semiconductor supply.
- Risk of exchange rate fluctuations due to soaring prices of energy resources and rapid depreciation of the yen due to the prolonged situation in Ukraine.
- Concerns over securing staff and rising labor costs.

Consolidated (¥ million)	Full-Year FY3/22		1H FY3/23		2H FY3/23		Full-Year FY3/23		YoY Changes	
	Actual	Ratio	Actual	Ratio	Forecast	Ratio	Forecast	Ratio	Amount	Ratio
Net Sales	103,737	100.0%	53,736	100.0%	54,263	100.0%	108,000	100.0%	4,262	4.1%
Gross Profit	23,201	22.4%	12,331	22.9%	11,218	20.7%	23,550	21.8%	348	1.5%
SG&A Expenses	15,701	15.1%	8,134	15.1%	7,615	14.0%	15,750	14.6%	48	0.3%
Operating Profit	7,500	7.2%	4,197	7.8%	3,602	6.6%	7,800	7.2%	299	4.0%
Ordinary Profit	8,276	8.0%	4,747	8.8%	3,752	6.9%	8,500	7.9%	223	2.7%
Profit Attributable to Owners of Parent	6,177	6.0%	3,068	5.7%	2,531	4.7%	5,600	5.2%	(577)	-9.3%

- In the 1H results, net sales and profits exceeded the initial forecasts.
- There is no change to the outlook for consolidated financial results from initial forecasts in light of the market environment and risk conditions.

Increases/Decreases in Consolidated Ordinary Income Forecast

(¥ million)



Financial Forecasts by Business Segment

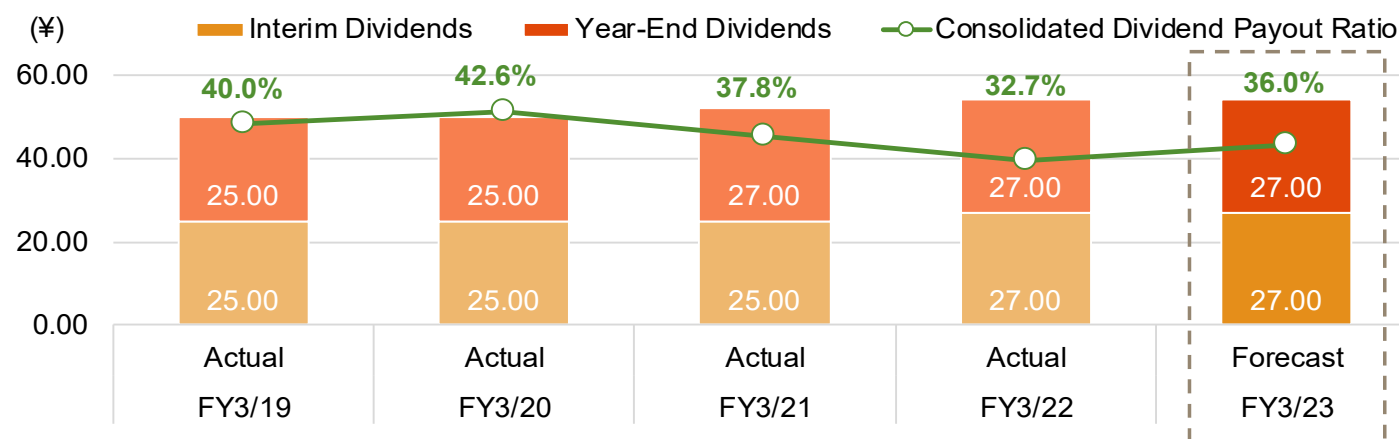
Consolidated (¥ million)	Full-Year FY3/22		1H FY3/23		2H FY3/23		Full-Year FY3/23		YoY Changes	
	Actual	Composition Ratio/Margin	Actual	Composition Ratio/Margin	Forecast	Composition Ratio/Margin	Forecast	Composition Ratio/Margin	Amount	Ratio
Net Sales	103,737	100.0%	53,736	100.0%	54,263	100.0%	108,000	100.0%	4,262	4.1%
Facilities Management and Operation Business	71,977	69.4%	36,357	67.7%	38,352	70.7%	74,710	69.2%	2,732	3.8%
Building Maintenance and Property Management	49,563	47.8%	24,984	46.5%	26,775	49.3%	51,760	47.9%	2,196	4.4%
Security Service	22,413	21.6%	11,372	21.2%	11,577	21.3%	22,950	21.3%	536	2.4%
Residential Management and Operation Business	16,980	16.4%	8,907	16.6%	8,222	15.2%	17,130	15.9%	149	0.9%
Environmental Facility Management Business	11,554	11.1%	5,944	11.1%	6,405	11.8%	12,350	11.4%	795	6.9%
Real Estate Fund Management Business	1,530	1.5%	1,357	2.5%	272	0.5%	1,630	1.5%	99	6.5%
Other Businesses	1,694	1.6%	1,170	2.2%	1,009	1.9%	2,180	2.0%	485	28.7%
Segment Profit	7,500	7.2%	4,197	7.8%	3,602	6.6%	7,800	7.2%	299	4.0%
Facilities Management and Operation Business	9,912	13.8%	5,251	14.4%	4,798	12.5%	10,050	13.5%	137	1.4%
Building Maintenance and Property Management	6,926	14.0%	3,733	14.9%	3,286	12.3%	7,020	13.6%	93	1.3%
Security Service	2,985	13.3%	1,518	13.3%	1,511	13.1%	3,030	13.2%	44	1.5%
Residential Management and Operation Business	1,693	10.0%	984	11.1%	735	8.9%	1,720	10.0%	26	1.5%
Environmental Facility Management Business	1,580	13.7%	803	13.5%	826	12.9%	1,630	13.2%	49	3.1%
Real Estate Fund Management Business	43	2.9%	21	1.6%	38	14.3%	60	3.7%	16	37.5%
Other Businesses	314	18.6%	265	22.7%	74	7.4%	340	15.6%	25	8.1%
Adjustments*	(6,044)	-	(3,128)	-	(2,871)	-	(6,000)	-	44	-

*The adjusted amount of segment 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

- Determining dividend policy is one of NIPPON KANZAI's most important tasks and we return profit by appropriate distribution of results according to performance.
- For FY3/23, the interim dividend was decided at ¥27. The year-end dividend will be set at ¥27, planning for total dividends of ¥54 per share.

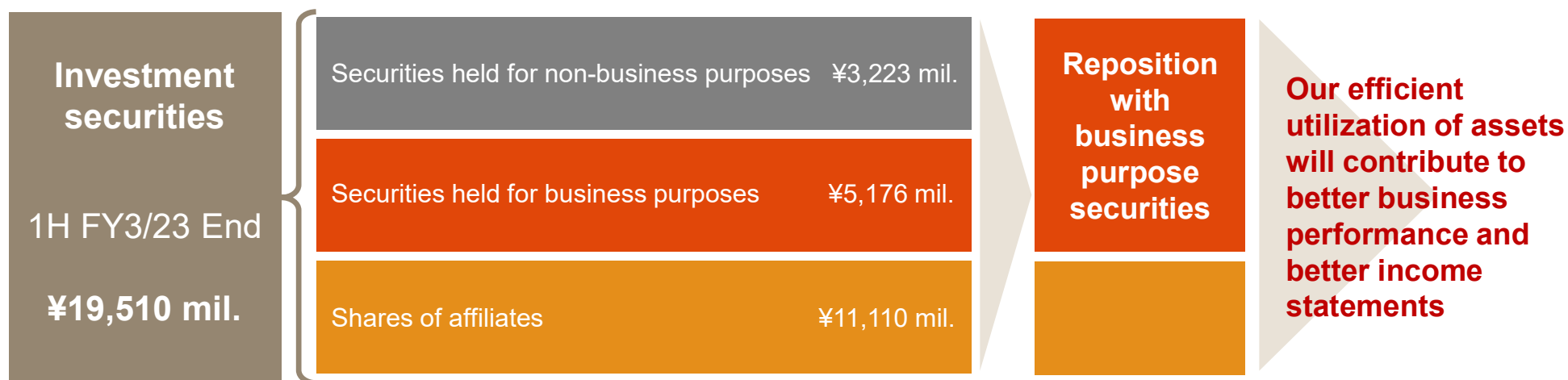
	FY3/19 Actual	FY3/20 Actual	FY3/21 Actual	FY3/22 Actual	FY3/23 Forecast
Interim Dividends	25.00	25.00	25.00	27.00	27.00
Year-End Dividends	25.00	25.00	27.00	27.00	27.00
Consolidated Dividend Payout Ratio	40.0%	42.6%	37.8%	32.7%	36.0%
Dividend on Equity Ratio (DOE)	3.8%	3.7%	3.6%	3.5%	—



Corporate Governance Measures

Promotion of Effective Asset Utilization in Accordance with the Corporate Governance Code

- 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 “the 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.

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 Contributions to Local Communities

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



4 Work-Life Balance

We realize 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



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 (pp. 21-26)

- Invest in overseas companies
- Reinforce our residential management business through cooperation with overseas group companies (pp. 28-31)

- Introduce IT into work management know-how and construction of facilities management database
- Standardize service quality and increase work efficiency (pp. 33-36)

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

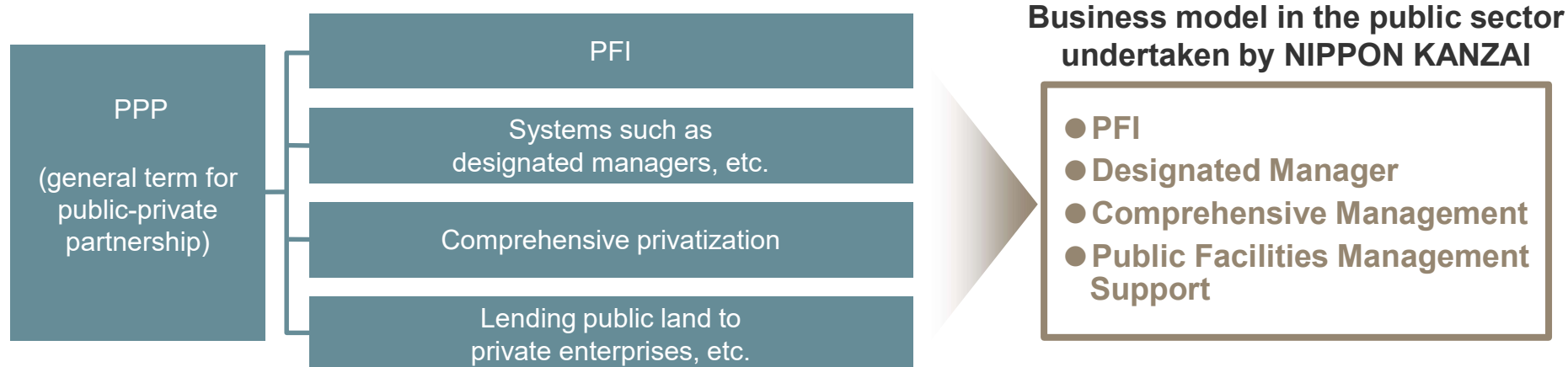
Severe financial circumstances

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

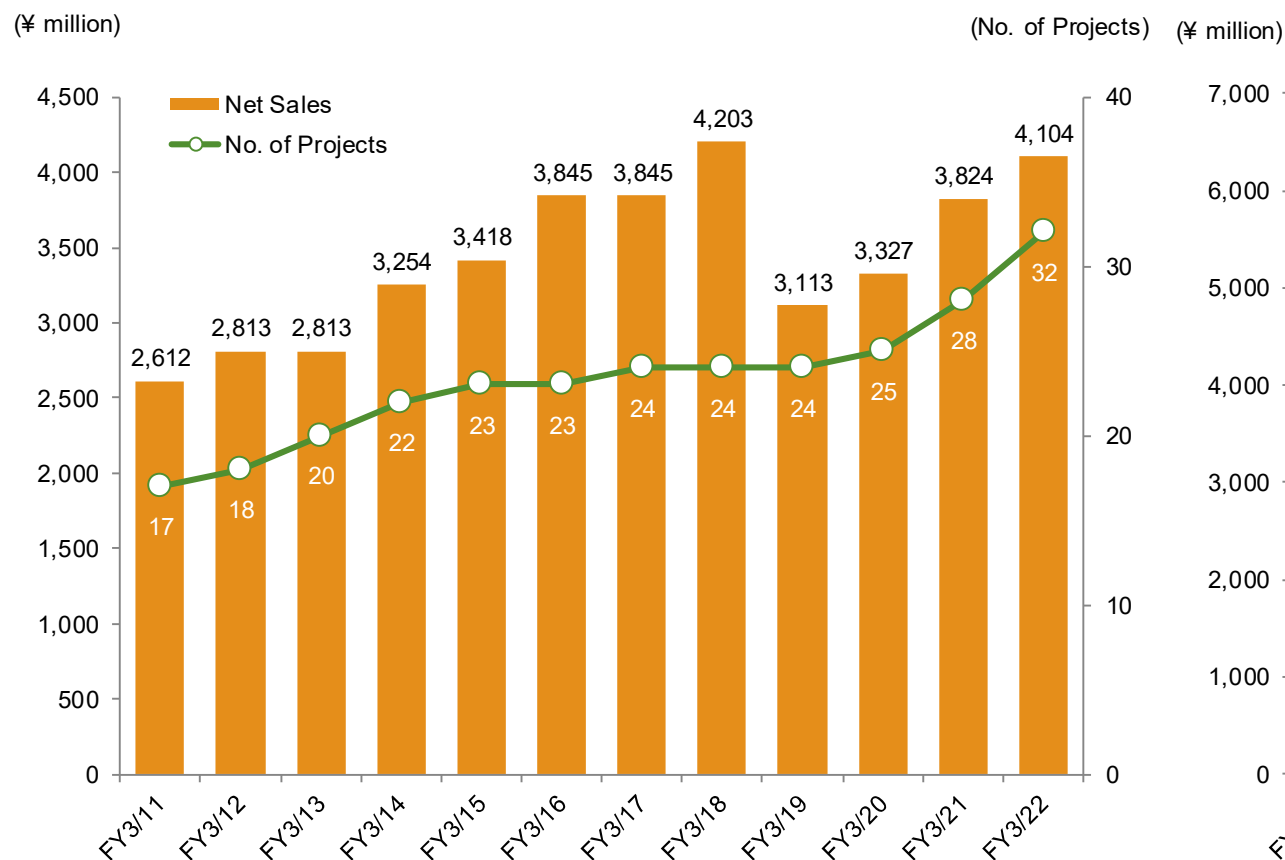


Source: Compiled by NIPPON KANZAI based on "Overview of PPP/PFI" from PPP/PFI Promotion Office at the Cabinet.

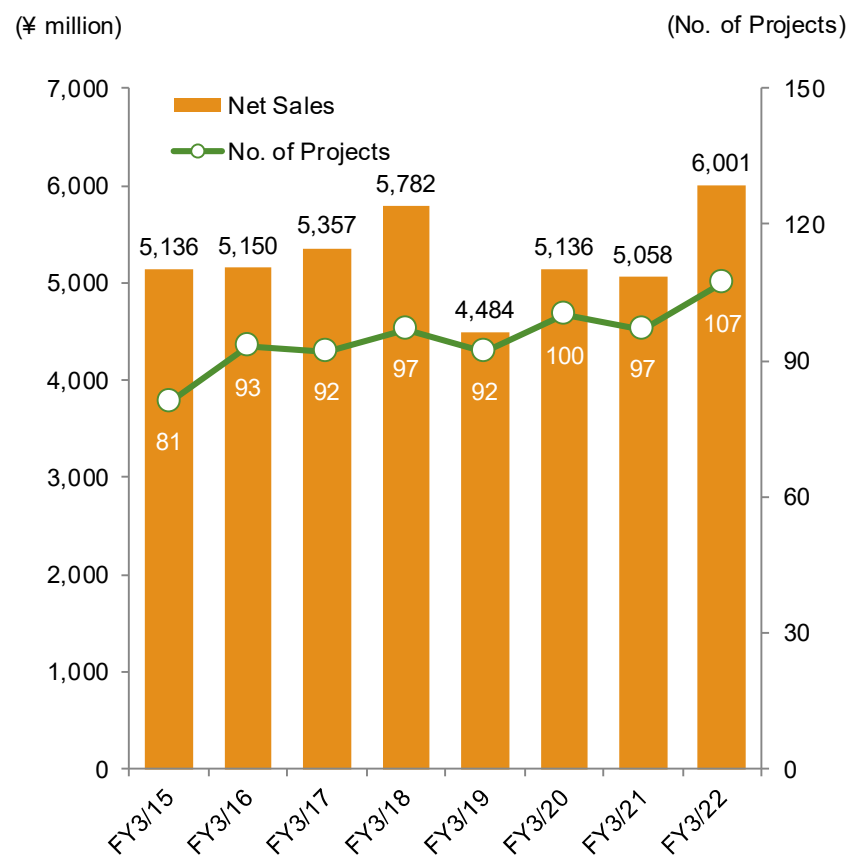
Business Opportunities (1): Track Record for Public Sector Businesses (excluding conventional general bidding)

Continuous Efforts toward Expansion of Ancillary Businesses

PFI



Designated Manager

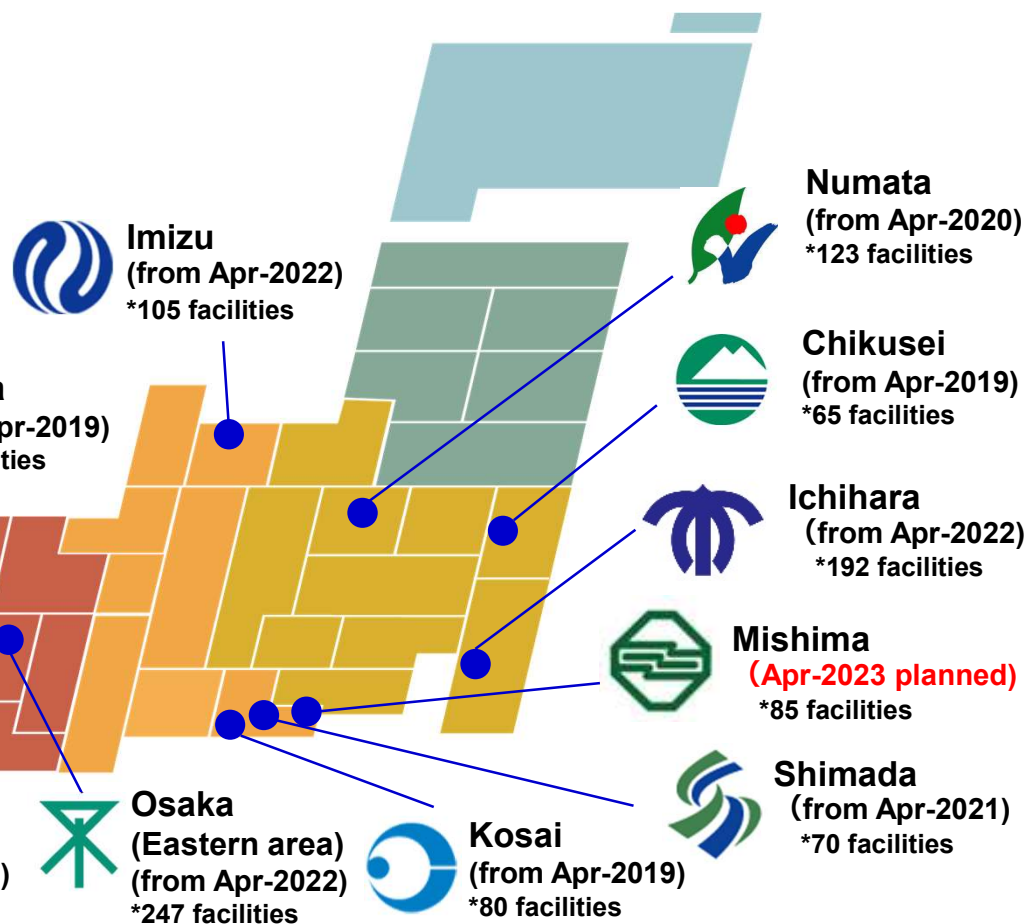


Business Opportunities (1): Comprehensive Management of Public Facilities

Comprehensive Management of Public Facilities

NIPPON KANZAI's track record in comprehensive management of public facilities is expanding from the current 15 projects nationwide (Mishima and Munakata are scheduled to start in FY2023). Our market share ratio is the industry-leading. Since local governments introducing comprehensive management are expected to increase nationwide going forward, we are working on further share expansion.

* 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.



* The number of target facilities for comprehensive management.

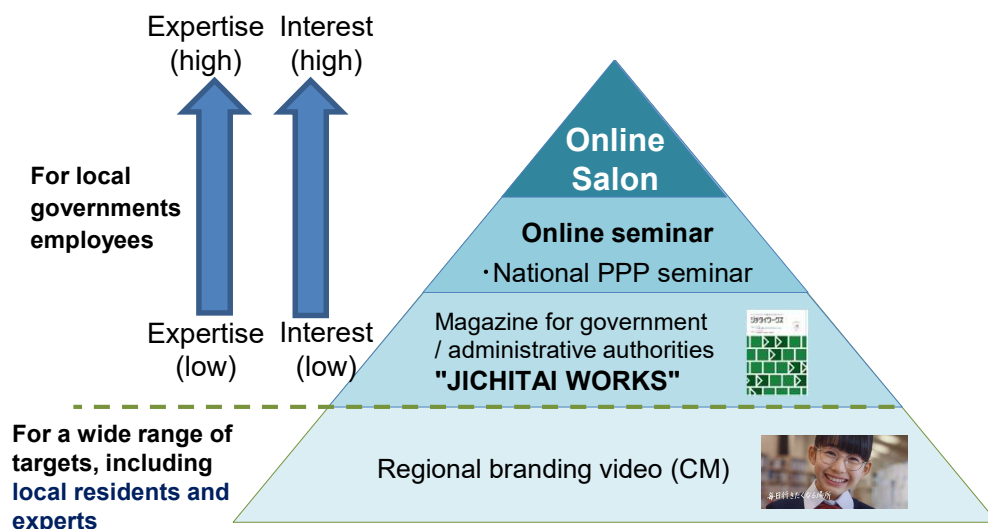
Business Opportunities (1): Public Facilities Management Support Business

Publicity Strategy in Public Facilities Management

Implementing new initiatives using digital tools as publicity strategy under the COVID-19 pandemic.

■ Training, Synergy and Media Mix

- **Training** By disseminating information through online salons and PPP seminars, NIPPON KANZAI will support “Public FM interested groups” to become “pioneers = practitioners.”
- **Synergy** Aiming to boost the comprehensive management market, NIPPON KANZAI will create medium to long term value, rather than ad-hoc measures.
- **Media mix** By combining several media, NIPPON KANZAI aims to create complementary and synergistic effects between them.



Operating online salons

Public FM Online Salon was opened on February 5, 2021.

We have prepared various contents and features and are using it as a place for the community of local government employees working on public facilities management.

(As of August 30, 2022, 142 people and 116 local governments have been registered.)



facebook screen

Holding PPP seminars online

Since being certified as an MLIT PPP Agreement Partner company in FY2018, we have held annual PPP seminars.



Held in May

Held in August

Held in November

Held in March

PPP seminars in FY2021 (distributed nationwide via the Website)

Business Opportunities (1): Acquisition of the shares of JTB Asset Management

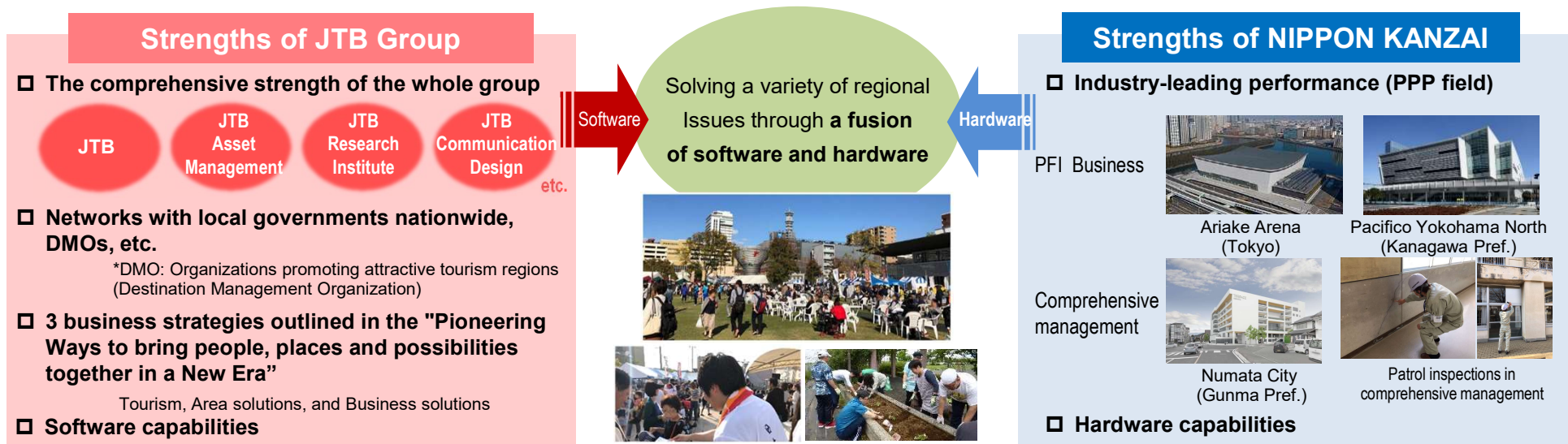
Expanding the Business in the Public Sector through the Cooperation with JTB Group Companies

NIPPON KANZAI invested 40% in JTB Asset Management Co., Ltd., a group company of JTB on July 1, 2022.

NIPPON KANZAI will not only share know-how and skills of the company's business offering solutions to spaces or locations where people gather and add them to NIPPON KANZAI's service menu but also enhance alliances with JTB group companies. This will lead to the further expansion of the "Area Solutions Business", which is one of the 3 pillars in the Group's medium-term management plan the "Pioneering Ways to bring people, places and possibilities together in a New Era," also help two companies achieve further development though the leveraging of their strengths.

Outline of JTB Asset Management Co., Ltd.

Address	10-12, Ueno 1-chome, Taito-ku, Tokyo
Representative	Yasushi Takahashi, Representative Director
Establishment	December 26, 2011
Share Capital	¥100 million (as of March 31, 2022)
Business Descriptions	Facility management, real estate consulting, planning, design and construction works, etc.
Shareholding Ratio	(After share acquisition) JTB Corporation (60%), NIPPON KANZAI Co., Ltd. (40%)
Share Acquisition Date	July 1, 2022 (scheduled)



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.

This facility was used as a competition venue at the 2020 Tokyo Olympic and Paralympic Games.

Consortium companies

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

Facilities overview

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



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 (pp. 21-26)

- Invest in overseas companies
- Reinforce our residential management business through cooperation with overseas group companies (pp. 28-31)

- Introduce IT into work management know-how and construction of facilities management database
- Standardize service quality and increase work efficiency (pp. 33-36)

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

Company Overview

PICA is the largest “Strata Management Company” in Australia and acts as an agent for Owners Corporations. Using multiple brand names, such as “BCS” (Body Corporate Services), PICA mainly provides services to support Owners Corporations 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. Currently 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 Owners Corporations as well as the shift to online meetings resulted in a decline in net sales, however the impact on profits was relatively limited 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 (JPY2,300 million) *AUD1=JPY83.43 (as of December 31, 2021)

Main Business

Strata management, debt collection

Head Office

Sydney

Major Branches

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

Employees

Approx. 708 as of December 31, 2021

No. of Lots under Management

Approx. 198,000 lots, 10,900 Plans (Owners Corporations) as of December 31, 2021

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



Company Overview

Keystone Pacific 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. Since 2019 onward, Keystone has made progress in expanding service area coverage through M&A.

Background

In January 2017, Nippon Kanzai’s subsidiary, Nippon Kanzai USA, Inc. acquired an interest from Keystone Pacific Property Management, LLC, 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

The impact of COVID-19 and variant viruses has had an impact by increasing inflation and employee turnover. This has led to increased client turnover and impacted overall growth. Revenue has grown year over year but been offset by increased expenses which has led to a decline in profitability. Cost cutting measures and new technology tools are being implemented to increase productivity and profitability.

Head Office



Properties under Management

**Company Name**

Keystone Pacific Property Management, LLC

Establishment

September 15, 2016

Main Business

Residential community management

Corporate Office

Irvine, California

Major Branches

Southern California, Denver, Colorado and Boise, Idaho

Employees

Approx. 255 as of December 31, 2021 (including Keystone Progressive)

No. of Units under Management

Approx. 86,804 units, approx. 387 associations as of December 31, 2021 (including the Company’s subsidiary, Keystone Progressive)

Business Opportunities (2): Overseas Development (Overview of Hawaiiana)



Properties under Management



Company Overview

Hawaiiana Holdings Incorporated (hereinafter “Hawaiiana”) is the largest AOA (“Association of Apartment Owners”) management company in the State of Hawaii. Hawaiiana provides apartment owners’ associations with support services including holding board meetings and annual general meetings, as well as providing accounting and financial reporting. Hawaiiana 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 Kauai.

Background

NIPPON KANZAI acquired shares of Hawaiiana from Swell International Inc., a locally operated real estate company, in March 2020 and through which Hawaiiana became an equity-method affiliate of NIPPON KANZAI. Hawaiiana 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

Pandemic-related challenges included staff demands for remote work capabilities, which were met by providing online meetings. While methods of doing business have mostly returned to normal, revenue opportunities related to sale and purchase of condominium units started to slow down in 2022 compared to unprecedented housing boom in the past couple of years.

Company Name	Hawaiiana Holdings Incorporated
Establishment	September 24, 2008
Capital	USD4.27 million (JPY490 million) *USD1=JPY115.01 (as of December 31, 2021)
Main Business	AOAO management
Head Office	Honolulu, Hawaii
Branches	Maui, West Maui, Kona, Kauai
Employees	Approx. 240 as of December 31, 2021
No. of Units under Management	Approx. 107,000 units, 680 associations as of December 31, 2021

Business Opportunities (2): Overseas Development (Overview of PPG, Inc.)



Company Overview

Located in Honolulu, Hawaii, Pacific Property Group (hereinafter “PPG”) provides property management, leasing and sales brokerage services to over 20 commercial properties including a shopping center in Waikiki that has well-known shops and restaurants as tenants. PPG is a small-sized yet excellent local company that provides quality services. PPG values personal relationship in marketing and due to this philosophy, PPG has many long-time and repeat clients.

Background

Our resident officer in Hawaii was introduced to PPG and after due consideration, Nippon Kanzai's subsidiary, Nippon Kanzai USA, Inc., acquired 90% of shares from founder/president in March 2022. PPG is an equity-method non-consolidated subsidiary of Nippon Kanzai.

Business Environment under the Pandemic

Overall business environment is starting to come back to normal. Although there is a general unpredictability and uncertainty for future, impact is limited due to low staff turnover and stable real estate market.

Company Name	Pacific Property Group, Inc.
Establishment	February 27, 2007
Capital	USD1,000 (JPY110,000) *USD1=JPY115.01 (as of December 31, 2021)
Main Business	Commercial Property Management
Head Office	Honolulu, Hawaii
Employees	12 as of December 31, 2021
No. of properties under Management	Approx. 20 as of December 31, 2021

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

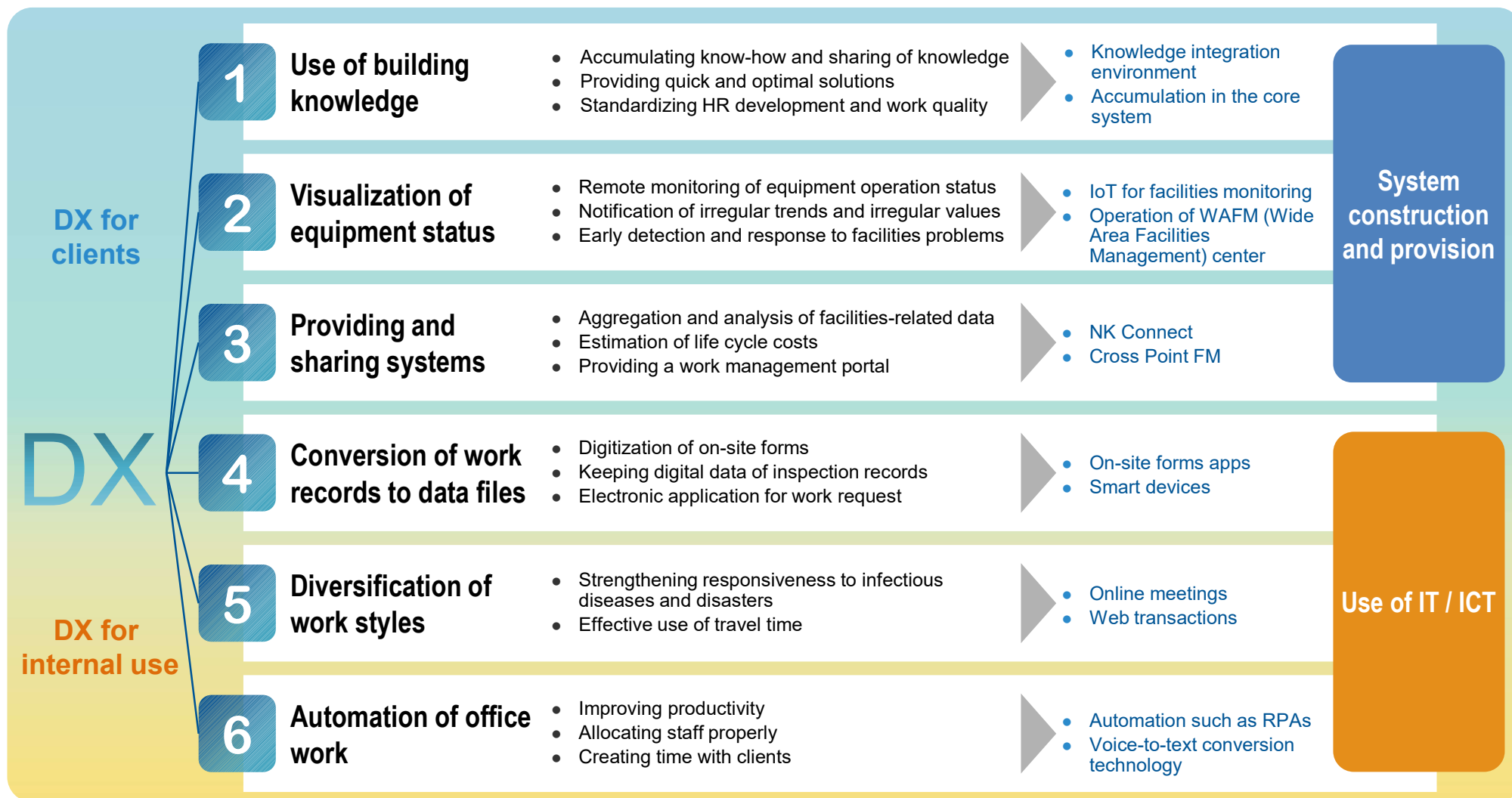
- Create business opportunities by strengthening PPP / PFI and designated manager systems (pp. 21-26)

- Invest in overseas companies
- Reinforce our residential management business through cooperation with overseas group companies (pp. 28-31)

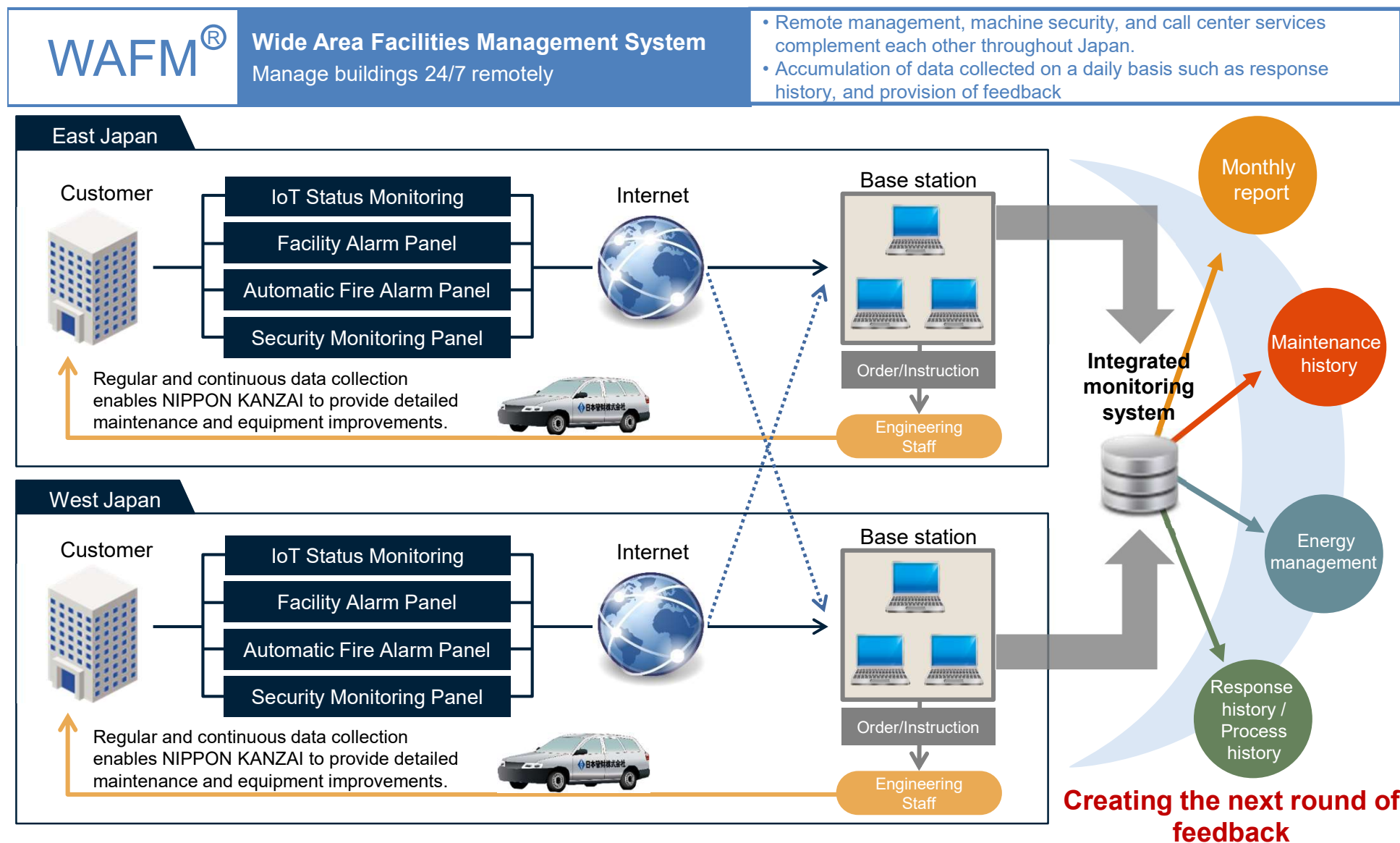
- Introduce IT into work management know-how and construction of facilities management database
- Standardize service quality and increase work efficiency (pp. 33-36)

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.



Business Opportunities (3): Remote Monitoring -Operation of Wide Area Facilities Management System-

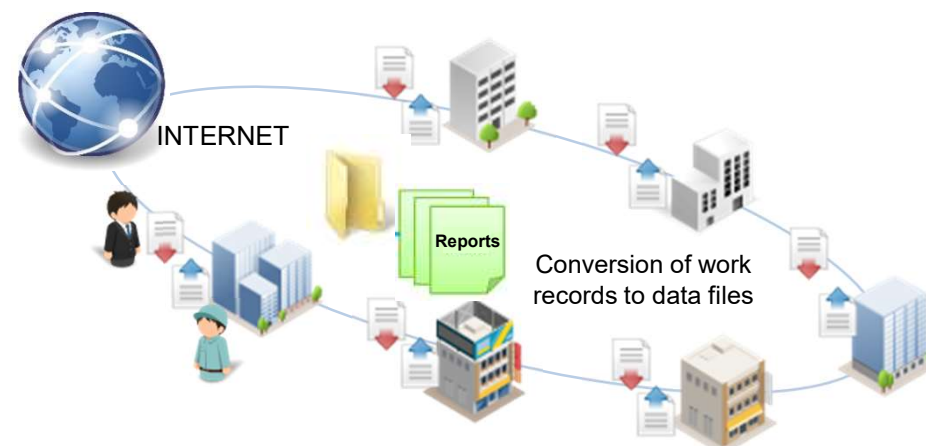


Business Opportunities (3): Shared Application -Update of Facilities Information Sharing System and Application-

NK Connect

Facilities 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

Input
at Web browser

Confirmation of work execution

Input
by Smartphone
Use of Application

Detailed work report

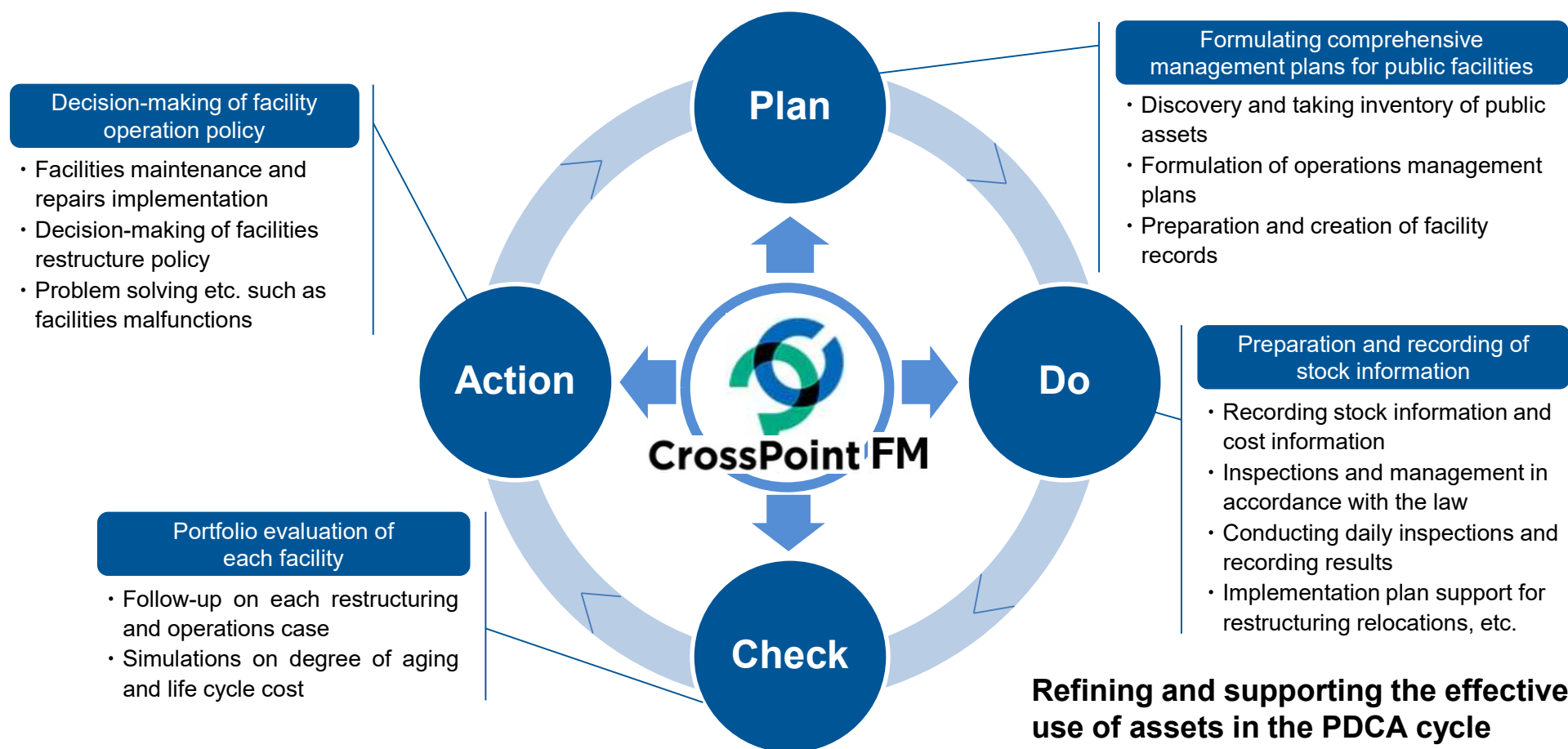
Input
by Smartphone
Use of Application

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

Business Opportunities (3):

Shared Application -Public Facilities Management Systems: Cross Point FM¹-

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.



¹ 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).

The Transition to a Holding Company Structure

Overview of the Transition to a Holding Company Structure

■ Purpose of the transition

- After the Group is split into the management function and the business operation function, a newly created holding company will be dedicated to the group management, with an aim to strengthen each function of the Group.
- The business operating companies themselves will be equipped with responsibilities and authorities so that they will be able to practice more speedy business operations.
Such operating companies will try to respond more quickly to clients' needs and execute business practices more closely rooted in the operational frontlines.
- Such operating companies under the holding company will be trained to accumulate management experiences, which will lead to the nurturing of human resources.

■ The method and summary of the transition

- A holding company, which will become a wholly owning parent company, will be established through the transferring of all the shares by a single stockholder.
- The holding company will apply for the listing of the shares on the “Prime Market” through the procedure of technical listing, and NIPPON KANZAI Co., Ltd. will be delisted.
- The date for the registration and listing of a newly established holding company is scheduled for Monday, April 3, 2023.

Current status	After reorganization															
<div><div>NIPPON KANZAI Co., Ltd.</div><div>Subsidiaries, etc.</div></div>	<div><div>NIPPON KANZAI Holdings Co.,Ltd.</div><div><div>NIPPON KANZAI Co., Ltd.</div><div>Subsidiaries, etc.</div></div></div>	<table><tr><td>Company Name</td><td>NIPPON KANZAI Holdings Co.,Ltd.</td></tr><tr><td>Address</td><td>(Headquarter) 2-1-10 Nihombashi, Chuo-ku, Tokyo, Japan (Registered office) 9-16 Rokutanji-cho, Nishinomiya City, Hyogo Pref., Japan</td></tr><tr><td>Title and Name of Representative</td><td>Shintaro Fukuda, President and Representative Director</td></tr><tr><td>Business Descriptions</td><td>The business management of the group companies and any other business activities associated thereto</td></tr><tr><td>Share Capital</td><td>¥3,000 million</td></tr><tr><td>Number of Shares Issued</td><td>41,180,306 shares</td></tr><tr><td>Fiscal Year End</td><td>March 31</td></tr></table>	Company Name	NIPPON KANZAI Holdings Co.,Ltd.	Address	(Headquarter) 2-1-10 Nihombashi, Chuo-ku, Tokyo, Japan (Registered office) 9-16 Rokutanji-cho, Nishinomiya City, Hyogo Pref., Japan	Title and Name of Representative	Shintaro Fukuda, President and Representative Director	Business Descriptions	The business management of the group companies and any other business activities associated thereto	Share Capital	¥3,000 million	Number of Shares Issued	41,180,306 shares	Fiscal Year End	March 31
Company Name	NIPPON KANZAI Holdings Co.,Ltd.															
Address	(Headquarter) 2-1-10 Nihombashi, Chuo-ku, Tokyo, Japan (Registered office) 9-16 Rokutanji-cho, Nishinomiya City, Hyogo Pref., Japan															
Title and Name of Representative	Shintaro Fukuda, President and Representative Director															
Business Descriptions	The business management of the group companies and any other business activities associated thereto															
Share Capital	¥3,000 million															
Number of Shares Issued	41,180,306 shares															
Fiscal Year End	March 31															

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 NIPPON KANZAI 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 Department.

Phone: +81-3-5299-0863

URL: <https://www.nkanzai.co.jp/en/contact/ir/>