

**Consolidated Financial Statements**  
**for the First Quarter of the Fiscal Year Ending March 31, 2024 [J-GAAP]**

August 3, 2023

**NIPPON KANZAI Holdings Co., Ltd.**

Listed exchange: Tokyo Stock Exchange, Prime Market  
 Securities code: 9347 URL: <https://www.nkanzaihd.co.jp/en/>  
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 Filing date of quarterly report: August 10, 2023  
 Date to start dividends distribution: —  
 Supplementary materials for quarterly results: None  
 Quarterly results briefing meeting held: None

\*Amounts below one million yen have been rounded down.

**1. Consolidated results for the first quarter ended June 30, 2023 (April 1, 2023 to June 30, 2023)**

**(1) Consolidated business results**

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

	Net Sales		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2023	27,603	—	2,010	—	2,378	—
Three months ended June 30, 2022	—	—	—	—	—	—

(Note) Comprehensive income: Three months ended June 30, 2023: ¥1,751 million [—%]  
 Three months ended June 30, 2022: ¥— million [—%]

	Profit Attributable to Owners of Parent		Profit per Share		Diluted Profit per Share	
	Millions of yen	%	Yen		Yen	
Three months ended June 30, 2023	1,533	—	41.03		—	
Three months ended June 30, 2022	—	—	—		—	

(Note) Since the Company was established on April 3, 2023, through a sole share transfer, there are no results for the same period of the previous fiscal year.

**(2) Consolidated financial position**

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	84,574	66,110	76.9
As of March 31, 2023	—	—	—

(Reference) Equity: As of June 30, 2023: ¥65,052 million  
 As of March 31, 2023: ¥— million

(Note) Since the Company was established on April 3, 2023, through a sole share transfer, there are no results for the previous fiscal year.

**2. Dividends**

	Annual dividends				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	—	—	—	—
Fiscal year ending March 31, 2024	—	—	—	—	—
Fiscal year ending March 31, 2024 (forecast)	—	27.00	—	27.00	54.00

(Note) 1. Revisions to the most recently announced forecast of cash dividends in the current quarter: None

2. Since the Company was established on April 3, 2023, through a sole share transfer, there are no results for the previous fiscal year.

**3. Consolidated business forecasts for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024)**

(Percentage figures for the full year indicate the rate of change from the previous fiscal year.)

Percentage figures for the first six months indicate the rate of change from the same period of the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Profit per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	55,800	—	3,900	—	4,200	—	2,750	—	73.56
Full year	118,600	—	8,600	—	9,100	—	6,000	—	160.50

(Note) 1. Revisions to the most recently announced consolidated business forecasts in the current quarter: None

2. Since the Company was established on April 3, 2023, through a sole share transfer, there is no rate of change from the previous fiscal year and that from the same period of the previous fiscal year.

**\* Notes**

**(1) Changes of significant subsidiaries during the period (changes in specific subsidiaries associated with changes in scope of consolidation):** None

**(2) Adoption of specific accounting methods for preparation of the quarterly consolidated financial statements:**  
None

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

- |   |      |
|---|------|
| 1) Changes in accounting policies due to revisions of accounting standards, etc.: | None |
| 2) Changes in accounting policies other than 1) above:                            | None |
| 3) Changes in accounting estimates:   | None |
| 4) Restatement of revisions:  | None |

**(4) Number of shares issued and outstanding (common stock)**

- 1) Number of shares issued and outstanding (including treasury stock)
- 2) Number of treasury stock
- 3) Average number of shares issued and outstanding

1)	As of June 30, 2023	41,180,306 shares	As of March 31, 2023	— shares
2)	As of June 30, 2023	3,797,260 shares	As of March 31, 2023	— shares
3)	Quarter ended June 30, 2023	37,383,123 shares	Quarter ended June 30, 2022	— shares

(Note) Since the Company was established on April 3, 2023, through a sole share transfer, there are no results for the previous fiscal year and the same period of the previous fiscal year.

**\* This quarterly financial report is not included in the quarterly review by certified public accountants or audit corporations**

**\* Explanation regarding the appropriate use of business forecasts and other notes**

(Notes to forward-looking statements)

The business forecasts reported herein were prepared based on information the Company had in its possession as of the time this report was prepared and on certain assumptions judged to be reasonable. Actual results may differ significantly from forecasts due to various factors. Please refer to the disclaimers provided under “1. Qualitative information on financial statements; (3) Explanation regarding information on future forecasts including consolidated business forecasts, etc.” on page 3 of the Attached Document of this quarterly financial report regarding assumptions upon which forecasts are based and the use of forecasts.

(Results for the previous fiscal year and the same period of the previous fiscal year)

Since the Company was established on April 3, 2023, through a sole share transfer of NIPPON KANZAI Co., Ltd., the current fiscal year will be its first fiscal year. Therefore, there are no results for the previous fiscal year and the same period of the previous fiscal year.

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## 1. Qualitative information on financial statements

The Company was established on April 3, 2023, through a sole share transfer of NIPPON KANZAI Co., Ltd. As for the scope of consolidation, there is no substantial change from the scope of consolidation of NIPPON KANZAI Co., Ltd.

In addition, the quarterly consolidated financial statements for the first quarter of the fiscal year ending March 31, 2024, are prepared by succeeding the quarterly consolidated financial statements of NIPPON KANZAI Co., Ltd., which has become a wholly owned subsidiary through the sole share transfer.

### (1) Explanation regarding business results

During the first quarter of the fiscal year ending March 31, 2024, the Japanese economy saw normalization due to the lifting of restrictions imposed because of the COVID-19 pandemic and the reclassification of COVID-19 as Class 5, but was faced with concerns of stagnation in economic activity due to the impact of surging raw material prices caused by the prolonged situation in Ukraine and currency exchange fluctuation risks. These factors still continue to cast uncertainty over the future.

The real estate services industry saw vacancy rates for office buildings and retail facilities in urban areas remain high as various work arrangements including remote working and satellite offices started to take hold. In addition, with surging raw material prices and rising labor costs leading to client companies becoming more conscious of reducing costs, a severe business environment is expected to continue going forward.

In such a business environment, the Nippon Kanzai Group (hereinafter the “Group”) has continued to pursue “optimal building management” through its advanced technologies and responsiveness in order to continuously provide high-quality services that match customer needs, endeavoring to enhance the asset value of buildings.

The Group has also endeavored to further strengthen and improve Building Management and Operations, its core business, while proactively implementing operations in peripheral fields such as private finance initiatives (PFI) and public facility management projects.

In the first quarter of the fiscal year ending March 31, 2024, our successful winning of new management contracts and renewing contracts resulted in net sales of 27,603 million yen, operating income of 2,010 million yen, ordinary income of 2,378 million yen, and profit attributable to owners of parent of 1,533 million yen.

The following are business results by segment.

Segment income has been adjusted to operating income described in quarterly consolidated statements of income.

#### Building Management and Operations

With regard to Building Management and Operations, the Group’s core business that focuses on building management and security services, smoothly winning new management contracts and renewing contracts resulted in net sales for the segment for the first quarter of the fiscal year ending March 31, 2024, of 18,079 million yen and segment income of 1,682 million yen.

#### Residential Management and Operations

With regard to Residential Management and Operations, which mainly consists of managing rental apartment buildings and condominiums as well as public housing, the robust renewing of existing management contracts and strong construction-related business orders contributed to the net sales for the segment for the first quarter of the fiscal year ending March 31, 2024, of 4,721 million yen and segment income of 443 million yen.

#### Environmental Facilities Management

With regard to Environmental Facilities Management, which mainly consists of managing water treatment, sewage disposal, and other public facilities related to the overall living environment, the robust renewing of existing management contracts and strong construction-related business orders contributed to the net sales for the segment for the first quarter of the fiscal year ending March 31, 2024, of 3,457 million yen and segment income of 604 million yen.

#### Real Estate Fund Management

With regard to Real Estate Fund Management, which mainly consists of asset management (i.e., arrangement and asset management of real estate funds) and handling of investments in silent partnership, smoothly implementing facility management and operation business resulted in net sales for the segment for the first quarter of the fiscal year ending March 31, 2024, of 796 million yen and segment income of 152 million yen.

#### Other Businesses

In Other Businesses, which consist mainly of event planning and management, design and payroll accounting services, smoothly winning event-related business contracts resulted in net sales for the segment for the first quarter of the fiscal year ending March 31, 2024, of 623 million yen and segment income of 83 million yen.

**(2) Explanation regarding financial position**

Total assets at the end of the first quarter of the fiscal year ending March 31, 2024, amounted to 84,574 million yen. The major breakdown is 48,064 million yen of current assets including 30,052 million yen of cash and deposits and 36,509 million yen of non-current assets including 20,392 million yen of investment securities.

Liabilities amounted to 18,463 million yen. The major breakdown is 13,085 million yen of current liabilities including 4,586 million yen of notes and accounts payable-trade and 5,378 million yen of non-current liabilities including 2,107 million yen of guarantee deposited.

Net assets amounted to 66,110 million yen. The major breakdown is 63,256 million yen of shareholders' equity including 59,245 million yen of retained earnings, 1,796 million yen of accumulated other comprehensive income including 2,436 million yen of valuation difference on available-for-sale securities, and 1,057 million yen of non-controlling interests. The equity ratio was 76.9%.

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

The Group remains cautious of the future business environment, which continues to be unpredictable.

The Group's business performance has been generally in line with the forecasts announced on May 9, 2023, and there are no changes to the full-year business forecasts.

**2. Quarterly consolidated financial statements and key notes****(1) Quarterly consolidated balance sheets**

	(Millions of yen)
	First quarter ended June 30, 2023 (As of June 30, 2023)
<b>ASSETS</b>	
Current assets	
Cash and deposits	30,052
Notes, accounts receivable — trade and contract assets	13,677
Investments in silent partnership for business purposes	59
Real estate for sale	2,122
Supplies	270
Income taxes receivable	306
Other	1,581
Allowance for doubtful accounts	(7)
Total current assets	48,064
Non-current assets	
Property, plant and equipment	
Buildings and structures, net	3,950
Machinery, equipment and vehicles, net	26
Tools, furniture and fixtures, net	619
Land	1,211
Leased assets, net	633
Total property, plant and equipment	6,442
Intangible assets	
Software	359
Leased assets	7
Goodwill	1,755
Telephone subscription right	48
Software in progress	169
Total intangible assets	2,340
Investments and other assets	
Investment securities	20,392
Long-term loans receivable	812
Deferred tax assets	184
Long-term prepaid expenses	17
Net defined benefit asset	801
Lease and guarantee deposits	3,417
Membership	355
Other	1,800
Allowance for doubtful accounts	(54)
Total investments and other assets	27,727
Total non-current assets	36,509
<b>TOTAL ASSETS</b>	<b>84,574</b>

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

	(Millions of yen)
	First quarter ended June 30, 2023 (As of June 30, 2023)
<b>LIABILITIES</b>	
Current liabilities	
Notes and accounts payable—trade	4,586
Current portion of long-term loans payable	281
Current portion of long-term non-recourse loans payable	678
Lease obligations	183
Accrued expenses	2,831
Income taxes payable	329
Accrued consumption taxes	1,433
Contract liabilities	1,769
Deposits received	828
Provision for bonuses	102
Other	62
Total current liabilities	13,085
Non-current liabilities	
Long-term non-recourse loans payable	289
Lease obligations	473
Deferred tax liabilities	1,159
Provision for retirement benefits for directors (and other officers)	0
Net defined benefit liability	227
Long-term guarantee deposited	2,107
Asset retirement obligations	448
Liabilities from application of equity method	7
Other	662
Total non-current liabilities	5,378
<b>TOTAL LIABILITIES</b>	<b>18,463</b>
<b>NET ASSETS</b>	
Shareholders' equity	
Capital stock	3,000
Capital surplus	11,339
Retained earnings	59,245
Treasury shares	(10,328)
Total shareholders' equity	63,256
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	2,436
Foreign currency translation adjustment	(396)
Remeasurements of defined benefit plans	(243)
Total accumulated other comprehensive income	1,796
Non-controlling interests	1,057
<b>TOTAL NET ASSETS</b>	<b>66,110</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>84,574</b>

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

**(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income**  
**Quarterly consolidated statements of income**

	(Millions of yen)
	Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)
Net sales	27,603
Cost of sales	21,263
Gross profit	6,339
Selling, general and administrative expenses	
Selling expenses	189
Personnel expenses	2,473
Provision for bonuses	49
Provision for retirement benefits for directors (and other officers)	0
Retirement benefit expenses	79
Transportation and communication expenses	289
Supplies expenses	132
Rent expenses	329
Insurance expenses	86
Depreciation	126
Taxes and dues	92
Enterprise tax	84
Provision of allowance for doubtful accounts	(0)
Amortization of goodwill	51
Other	344
Total selling, general and administrative expenses	4,329
Operating income	2,010
Non-operating income	
Interest and dividend income	73
Rent income	14
Share of profit of entities accounted for using equity method	16
Foreign exchange gains	288
Other	26
Total non-operating income	418
Non-operating expenses	
Interest expenses	6
Rent expenses	17
Loss on sales and retirement of non-current assets	17
Other	9
Total non-operating expenses	50
Ordinary income	2,378
Profit before income taxes	2,378
Income taxes — current	444
Income taxes — deferred	382
Total income taxes	827
Profit	1,550
Profit attributable to non-controlling interests	16
Profit attributable to owners of parent	1,533

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



**Quarterly consolidated statements of comprehensive income**

(Millions of yen)

	Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)
Profit	1,550
Other comprehensive income	
Valuation difference on available-for-sale securities	413
Foreign currency translation adjustment	(251)
Remeasurements of defined benefit plans, net of tax	20
Share of other comprehensive income of entities accounted for using equity method	17
Total other comprehensive income	200
Comprehensive income	1,751
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	1,721
Comprehensive income attributable to non-controlling interests	30

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

**(3) Notes on quarterly consolidated financial statements****(Notes on the going concern assumption)**

Not applicable.

**(Notes on significant changes in the amount of shareholders' equity)**

Not applicable.

**(Segment information, etc.)**

Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)

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

(Millions of yen)

	Reportable segment						Adjustments (Note 1)	Amount recorded on quarterly consolidated statements of income (Note 2)
	Building Management and Operations	Residential Management and Operations	Environmental Facilities Management	Real Estate Fund Management	Other Businesses	Total		
Net sales								
Net sales to external customers	18,079	4,721	3,457	796	548	27,603	—	27,603
Inter-segment net sales and transfer	—	—	—	—	75	75	(75)	—
Total	18,079	4,721	3,457	796	623	27,678	(75)	27,603
Segment income (loss)	1,682	443	604	152	83	2,967	(957)	2,010

(Note) 1. Adjustments of -957 million yen for segment income (loss) are elimination of inter-segment transactions and unallocated general administrative expenses.

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