

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

November 7, 2023

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

Listed exchange: Tokyo Stock Exchange, Prime Market  
 Securities code: 9347 URL: <https://www.nkanzaihd.co.jp/en/>  
 Representative: Shintaro Fukuda, President and Representative Director  
 Contact: Shigeki Okamoto, Senior Executive Officer and Head of Finance & Accounting Dept.  
 Telephone: +81-3-5299-0863  
 Filing date of quarterly report: November 14, 2023  
 Date to start dividends distribution: December 4, 2023  
 Supplementary materials for quarterly results: Yes  
 Quarterly results briefing meeting held: Yes (for institutional investors and analysts)

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

**1. Consolidated results for the second quarter ended September 30, 2023 (April 1, 2023, to September 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	%
Six months ended September 30, 2023	57,003	—	3,997	—	4,482	—
Six months ended September 30, 2022	—	—	—	—	—	—

(Note) Comprehensive income: Six months ended September 30, 2023: ¥3,822 million [—%]  
 Six months ended September 30, 2022: ¥ — million [—%]

	Profit Attributable to Owners of Parent		Profit per Share		Diluted Profit per Share	
	Millions of yen	%	Yen		Yen	
Six months ended September 30, 2023	3,045	—	81.47		—	
Six months ended September 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 September 30, 2023	89,540	68,181	74.9
As of March 31, 2023	—	—	—

(Reference) Equity: As of September 30, 2023: ¥67,088 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
Fiscal year ended March 31, 2023	—	—	—	—	—
Fiscal year ending March 31, 2024	—	27.00	—	—	—
Fiscal year ending March 31, 2024 (forecast)	—	—	—	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 indicate the rate of change from 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
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): Yes**

(Changes in specific subsidiaries associated with changes in scope of consolidation)

Newly included: 1 company (Company name) Hawaiiana Holdings Incorporated

**(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 September 30, 2023	41,180,306 shares	As of March 31, 2023	— shares
2)	As of September 30, 2023	3,797,286 shares	As of March 31, 2023	— shares
3)	Six months ended September 30, 2023	37,383,074 shares	Six months ended September 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.

(How to obtain supplementary materials on financial results)

The Company plans to hold a financial results briefing for institutional investors and analysts on Friday, November 24, 2023. The presentation materials for the financial results briefing will be posted on the Company’s website after the briefing is over.

## Table of Contents for the Attached Document

1. Qualitative information on financial statements .....	2
(1) Explanation regarding business results .....	2
(2) Explanation regarding financial position .....	3
(3) Explanation regarding information on future forecasts including consolidated business forecasts, etc. ....	3
2. Quarterly consolidated financial statements and key notes .....	4
(1) Quarterly consolidated balance sheets .....	4
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income .....	6
Quarterly consolidated statements of income .....	6
Quarterly consolidated statements of comprehensive income .....	7
(3) Quarterly consolidated statements of cash flows .....	8
(4) Notes on quarterly consolidated financial statements .....	10
(Notes on the going concern assumption) .....	10
(Notes on significant changes in the amount of shareholders' equity) .....	10
(Segment information, etc.) .....	10

## 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 half 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 half of the fiscal year ending March 31, 2024, the Japanese economy saw normalization due to the lifting of restrictions imposed from the COVID-19 pandemic and the reclassification of COVID-19 to category 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 the impact of 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 meet customer needs, endeavoring to enhance the asset value of properties under management.

The Group also endeavors 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 half of the fiscal year ending March 31, 2024, successful procurement of new management contracts and renewing contracts resulted in net sales of 57,003 million yen, operating income of 3,997 million yen, ordinary income of 4,482 million yen, and profit attributable to owners of parent of 3,045 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 half of the fiscal year ending March 31, 2024, of 37,494 million yen and segment income of 3,333 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, robust renewing of existing management contracts and strong construction-related business orders resulted in net sales for the segment for the first half of the fiscal year ending March 31, 2024, of 9,571 million yen and segment income of 738 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, robust renewing of existing management contracts and strong construction-related business orders resulted in net sales for the segment for the first half of the fiscal year ending March 31, 2024, of 6,964 million yen and segment income of 1,016 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 half of the fiscal year ending March 31, 2024, of 1,682 million yen and segment income of 322 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 half of the fiscal year ending March 31, 2024, of 1,449 million yen and segment income of 331 million yen.

## **(2) Explanation regarding financial position**

### **(Analysis of financial position)**

Total assets at the end of the second quarter of the fiscal year ending March 31, 2024, amounted to 89,540 million yen. The major breakdown is 50,941 million yen of current assets including 29,721 million yen of cash and deposits, and 38,599 million yen of non-current assets including 20,257 million yen of investment securities.

Liabilities amounted to 21,359 million yen. The major breakdown is 15,564 million yen of current liabilities including 5,183 million yen of notes and accounts payable-trade, and 5,794 million yen of non-current liabilities including 2,106 million yen of long-term guarantee deposited.

Net assets amounted to 68,181 million yen. The major breakdown is 64,767 million yen of shareholders' equity including 60,756 million yen of retained earnings, 2,320 million yen of accumulated other comprehensive income including 2,711 million yen of valuation difference on available-for-sale securities, and 1,092 million yen of non-controlling interests. The equity ratio was 74.9%.

### **(Analysis of cash flows)**

Cash and cash equivalents (hereinafter "cash") at the end of the second quarter of the fiscal year ending March 31, 2024, was 29,376 million yen.

The status and main factors of cash flows for the first half of the fiscal year ending March 31, 2024, were as follows:

#### **[Cash flows from operating activities]**

In the first half of the fiscal year ending March 31, 2024, there was net cash provided by operating activities of 1,493 million yen.

This was mainly due to profit before income taxes (cash inflow of 4,572 million yen) and income taxes paid (cash outflow of 2,477 million yen year on year).

#### **[Cash flows from investing activities]**

In the first half of the fiscal year ending March 31, 2024, there was net cash used in investing activities of 2,789 million yen.

This was mainly due to purchase of investment securities (cash outflow of 1,170 million yen) and purchase of shares of subsidiaries resulting in change in scope of consolidation (cash outflow of 517 million yen).

#### **[Cash flows from financing activities]**

In the first half of the fiscal year ending March 31, 2024, there was net cash used in financing activities of 1,392 million yen.

This was mainly due to dividends paid (cash outflow of 1,108 million).

## **(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)
	Second quarter ended September 30, 2023 (As of September 30, 2023)
<b>ASSETS</b>	
Current assets	
Cash and deposits	29,721
Notes and accounts receivable—trade and contract assets	15,500
Investments in silent partnership for business purposes	59
Real estate for sale	2,115
Supplies	304
Income taxes receivable	267
Other	2,979
Allowance for doubtful accounts	(6)
Total current assets	50,941
Non-current assets	
Property, plant and equipment	
Buildings and structures, net	3,912
Machinery, equipment and vehicles, net	33
Tools, furniture and fixtures, net	667
Land	1,211
Leased assets, net	852
Construction in progress	23
Total property, plant and equipment	6,700
Intangible assets	
Software	363
Leased assets	6
Goodwill	3,436
Telephone subscription right	48
Software in progress	157
Total intangible assets	4,011
Investments and other assets	
Investment securities	20,257
Long-term loans receivable	860
Deferred tax assets	471
Long-term prepaid expenses	16
Net defined benefit asset	841
Lease and guarantee deposits	3,377
Membership	333
Other	1,799
Allowance for doubtful accounts	(71)
Total investments and other assets	27,887
Total non-current assets	38,599
<b>TOTAL ASSETS</b>	<b>89,540</b>

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

	(Millions of yen)
	Second quarter ended September 30, 2023 (As of September 30, 2023)
<b>LIABILITIES</b>	
Current liabilities	
Notes and accounts payable—trade	5,183
Current portion of long-term loans payable	187
Current portion of long-term non-recourse loans payable	456
Lease obligations	205
Accrued expenses	3,199
Income taxes payable	931
Accrued consumption taxes	1,048
Contract liabilities	1,783
Deposits received	1,274
Provision for bonuses	844
Other	449
Total current liabilities	15,564
Non-current liabilities	
Long-term non-recourse loans payable	509
Lease obligations	691
Deferred tax liabilities	1,242
Provision for retirement benefits for directors (and other officers)	1
Net defined benefit liability	190
Long-term guarantee deposited	2,106
Asset retirement obligations	449
Liabilities from application of equity method	1
Other	600
Total non-current liabilities	5,794
<b>TOTAL LIABILITIES</b>	<b>21,359</b>
<b>NET ASSETS</b>	
Shareholders' equity	
Capital stock	3,000
Capital surplus	11,339
Retained earnings	60,756
Treasury shares	(10,328)
Total shareholders' equity	64,767
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	2,711
Foreign currency translation adjustment	(167)
Remeasurements of defined benefit plans	(223)
Total accumulated other comprehensive income	2,320
Non-controlling interests	1,092
<b>TOTAL NET ASSETS</b>	<b>68,181</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>89,540</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)
	Six months ended September 30, 2023 (April 1, 2023, to September 30, 2023)
Net sales	57,003
Cost of sales	44,340
Gross profit	12,663
Selling, general and administrative expenses	
Selling expenses	406
Personnel expenses	4,677
Provision for bonuses	402
Provision for retirement benefits for directors (and other officers)	1
Retirement benefit expenses	154
Transportation and communication expenses	574
Supplies expenses	263
Rent expenses	655
Insurance expenses	169
Depreciation	253
Taxes and dues	101
Enterprise tax	187
Provision of allowance for doubtful accounts	16
Amortization of goodwill	103
Other	696
Total selling, general and administrative expenses	8,665
Operating income	3,997
Non-operating income	
Interest and dividend income	137
Rent income	23
Share of profit of entities accounted for using equity method	6
Foreign exchange gains	381
Other	49
Total non-operating income	599
Non-operating expenses	
Interest expenses	18
Rent expenses	28
Loss on sales and retirement of non-current assets	21
Loss on valuation of membership	23
Other	22
Total non-operating expenses	114
Ordinary income	4,482
Extraordinary income	
Gain on step acquisitions	89
Total extraordinary income	89
Profit before income taxes	4,572
Income taxes — current	1,397
Income taxes — deferred	79
Total income taxes	1,476
Profit	3,095
Profit attributable to non-controlling interests	50
Profit attributable to owners of parent	3,045

\*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)
	Six months ended September 30, 2023 (April 1, 2023, to September 30, 2023)
Profit	3,095
Other comprehensive income	
Valuation difference on available-for-sale securities	689
Foreign currency translation adjustment	(108)
Remeasurements of defined benefit plans, net of tax	41
Share of other comprehensive income of entities accounted for using equity method	104
Total other comprehensive income	726
Comprehensive income	3,822
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	3,756
Comprehensive income attributable to non-controlling interests	65

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

**(3) Quarterly consolidated statements of cash flows**

	(Millions of yen)
	Six months ended September 30, 2023 (April 1, 2023, to September 30, 2023)
<b>Cash flows from operating activities</b>	
Profit before income taxes	4,572
Depreciation	381
Amortization of goodwill	103
Increase (decrease) in provision for bonuses	32
Increase (decrease) in provision for retirement benefits for directors (and other officers)	1
Increase (decrease) in net defined benefit (asset) liability	(61)
Increase (decrease) in allowance for doubtful accounts	16
Interest and dividend income	(137)
Interest expenses	18
Foreign exchange losses (gains)	(366)
Share of loss (profit) of entities accounted for using equity method	(6)
Loss (gain) on step acquisitions	(89)
Loss (gain) on sales and retirement of non-current assets	21
Loss on valuation of membership	23
Decrease (increase) in notes and accounts receivable—trade	804
Decrease (increase) in inventories	(72)
Decrease (increase) in other assets	(780)
Increase (decrease) in notes and accounts payable—trade	(1,994)
Increase (decrease) in accrued consumption taxes	(204)
Increase (decrease) in other liabilities	1,582
Other, net	(14)
<b>Subtotal</b>	<b>3,830</b>
Interest and dividend income received	158
Interest expenses paid	(18)
Income taxes paid	(2,477)
<b>Net cash provided by (used in) operating activities</b>	<b>1,493</b>
<b>Cash flows from investing activities</b>	
Payments into time deposits	(30)
Proceeds from withdrawal of time deposits	30
Purchase of property, plant and equipment and intangible assets	(223)
Proceeds from sales of property, plant and equipment and intangible assets	0
Purchase of investment securities	(1,170)
Proceeds from sales of investment securities	435
Proceeds from redemption of investment securities	100
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(517)
Collection of loans receivable	16
Payments for lease and guarantee deposits	(427)
Proceeds from collection of lease and guarantee deposits	582
Guarantee deposits received	11
Refund of guarantee deposits received	(161)
Other, net	(1,433)
<b>Net cash provided by (used in) investing activities</b>	<b>(2,789)</b>

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

	(Millions of yen)
	Six months ended September 30, 2023 (April 1, 2023, to September 30, 2023)
Cash flows from financing activities	
Increase in short-term loans payable	3,750
Decrease in short-term loans payable	(3,750)
Repayments of long-term loans payable	(187)
Repayments of long-term non-recourse loans payable	(3)
Repayments of lease obligations	(91)
Purchase of treasury shares	(0)
Cash dividends paid	(1,009)
Dividends paid to non-controlling interests	(99)
Net cash provided by (used in) financing activities	(1,392)
Effect of exchange rate change on cash and cash equivalents	22
Net increase (decrease) in cash and cash equivalents	(2,665)
Cash and cash equivalents at beginning of period	32,041
Cash and cash equivalents at end of period	29,376

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

**(4) 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.)**

Six months ended September 30, 2023 (April 1, 2023, to September 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	37,494	9,571	6,964	1,682	1,290	57,003	—	57,003
Inter-segment net sales and transfer	—	—	—	—	158	158	(158)	—
Total	37,494	9,571	6,964	1,682	1,449	57,161	(158)	57,003
Segment income	3,333	738	1,016	322	331	5,743	(1,745)	3,997

(Note) 1. Adjustments of -1,745 million yen for segment income are elimination of inter-segment transactions and unallocated general administrative expenses.

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