

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

February 6, 2024

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: February 13, 2024
 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 third quarter ended December 31, 2023 (April 1, 2023, to December 31, 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	%
Nine months ended December 31, 2023	88,041	—	6,081	—	6,695	—
Nine months ended December 31, 2022	—	—	—	—	—	—

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥5,406 million [—%]
 Nine months ended December 31, 2022: ¥ — million [—%]

	Profit Attributable to Owners of Parent		Profit per Share	Diluted Profit per Share
	Millions of yen	%	Yen	Yen
Nine months ended December 31, 2023	4,635	—	123.99	—
Nine months ended December 31, 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 December 31, 2023	89,135	68,615	75.9
As of March 31, 2023	—	—	—

(Reference) Equity: As of December 31, 2023: ¥67,626 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 December 31, 2023	41,180,306 shares	As of March 31, 2023	— shares
2)	As of December 31, 2023	3,797,286 shares	As of March 31, 2023	— shares
3)	Nine months ended December 31, 2023	37,383,056 shares	Nine months ended December 31, 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.

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) Notes on quarterly consolidated financial statements	8
(Notes on the going concern assumption)	8
(Notes on significant changes in the amount of shareholders' equity)	8
(Segment information, etc.)	8

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 nine months 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 nine months 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, 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 nine months of the fiscal year ending March 31, 2024, successful procurement of new management contracts and renewing contracts resulted in net sales of 88,041 million yen, operating income of 6,081 million yen, ordinary income of 6,695 million yen, and profit attributable to owners of parent of 4,635 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 nine months of the fiscal year ending March 31, 2024, of 57,598 million yen and segment income of 5,376 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 nine months of the fiscal year ending March 31, 2024, of 14,628 million yen and segment income of 911 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 nine months of the fiscal year ending March 31, 2024, of 10,614 million yen and segment income of 1,511 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, selling assets under management and smoothly implementing facility management and operation business resulted in net sales for the segment for the first nine months of the fiscal year ending March 31, 2024, of 3,186 million yen and segment income of 443 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 nine months of the fiscal year ending March 31, 2024, of 2,246 million yen and segment income of 425 million yen.

(2) Explanation regarding financial position

Total assets at the end of the third quarter of the fiscal year ending March 31, 2024, amounted to 89,135 million yen. The major breakdown is 51,390 million yen of current assets including 28,733 million yen of cash and deposits, and 37,745 million yen of non-current assets including 19,723 million yen of investment securities.

Liabilities amounted to 20,519 million yen. The major breakdown is 15,067 million yen of current liabilities including 5,010 million yen of notes and accounts payable-trade, and 5,451 million yen of non-current liabilities including 2,102 million yen of long-term guarantee deposits.

Net assets amounted to 68,615 million yen. The major breakdown is 65,348 million yen of shareholders' equity including 61,337 million yen of retained earnings, 2,278 million yen of accumulated other comprehensive income including 2,324 million yen of valuation difference on available-for-sale securities, and 989 million yen of non-controlling interests. The equity ratio was 75.9%.

(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)
	Third quarter ended December 31, 2023 (As of December 31, 2023)
ASSETS	
Current assets	
Cash and deposits	28,733
Notes and accounts receivable—trade and contract assets	16,889
Investments in silent partnership for business purposes	54
Real estate for sale	1,408
Supplies	288
Income taxes receivable	458
Other	3,563
Allowance for doubtful accounts	(6)
Total current assets	51,390
Non-current assets	
Property, plant and equipment	
Buildings and structures, net	3,864
Machinery, equipment and vehicles, net	51
Tools, furniture and fixtures, net	638
Land	1,211
Leased assets, net	842
Total property, plant and equipment	6,609
Intangible assets	
Software	335
Leased assets	6
Goodwill	3,428
Telephone subscription right	48
Software in progress	186
Total intangible assets	4,005
Investments and other assets	
Investment securities	19,723
Long-term loans receivable	874
Deferred tax assets	175
Long-term prepaid expenses	21
Retirement benefit asset	881
Lease and guarantee deposits	3,387
Membership	333
Other	1,805
Allowance for doubtful accounts	(71)
Total investments and other assets	27,130
Total non-current assets	37,745
TOTAL ASSETS	89,135

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

	(Millions of yen)
	Third quarter ended December 31, 2023 (As of December 31, 2023)
LIABILITIES	
Current liabilities	
Notes and accounts payable—trade	5,010
Current portion of long-term loans payable	93
Current portion of long-term non-recourse loans payable	675
Lease obligations	224
Accrued expenses	3,742
Income taxes payable	292
Accrued consumption taxes	1,188
Contract liabilities	1,955
Deposits received	941
Provision for bonuses	83
Asset retirement obligations	18
Other	840
Total current liabilities	15,067
Non-current liabilities	
Long-term non-recourse loans payable	287
Lease obligations	659
Deferred tax liabilities	1,156
Provision for retirement benefits for directors (and other officers)	2
Retirement benefit liability	193
Long-term guarantee deposits	2,102
Asset retirement obligations	436
Liabilities from application of equity method	12
Other	600
Total non-current liabilities	5,451
TOTAL LIABILITIES	20,519
NET ASSETS	
Shareholders' equity	
Capital stock	3,000
Capital surplus	11,339
Retained earnings	61,337
Treasury shares	(10,328)
Total shareholders' equity	65,348
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	2,324
Foreign currency translation adjustment	157
Remeasurements of defined benefit plans	(203)
Total accumulated other comprehensive income	2,278
Non-controlling interests	989
TOTAL NET ASSETS	68,615
TOTAL LIABILITIES AND NET ASSETS	89,135

*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)
	Nine months ended December 31, 2023 (April 1, 2023, to December 31, 2023)
Net sales	88,041
Cost of sales	68,710
Gross profit	19,330
Selling, general and administrative expenses	
Selling expenses	523
Personnel expenses	7,771
Provision for bonuses	50
Provision for retirement benefits for directors (and other officers)	2
Retirement benefit expenses	232
Transportation and communication expenses	873
Supplies expenses	439
Rent expenses	1,018
Insurance expenses	269
Depreciation	387
Taxes and dues	151
Enterprise tax	276
Provision of allowance for doubtful accounts	16
Amortization of goodwill	162
Other	1,072
Total selling, general and administrative expenses	13,248
Operating income	6,081
Non-operating income	
Interest and dividend income	205
Rent income	35
Share of profit of entities accounted for using equity method	249
Foreign exchange gains	187
Other	87
Total non-operating income	765
Non-operating expenses	
Interest expenses	31
Rent expenses	38
Loss on sales and retirement of non-current assets	32
Loss on valuation of membership	23
Other	26
Total non-operating expenses	152
Ordinary income	6,695
Extraordinary income	
Gain on sales of investment securities	176
Gain on step acquisitions	91
Total extraordinary income	267
Profit before income taxes	6,963
Income taxes—current	1,817
Income taxes—deferred	426
Total income taxes	2,244
Profit	4,718
Profit attributable to non-controlling interests	83
Profit attributable to owners of parent	4,635

*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)
	Nine months ended December 31, 2023 (April 1, 2023, to December 31, 2023)
Profit	4,718
Other comprehensive income	
Valuation difference on available-for-sale securities	305
Foreign currency translation adjustment	177
Remeasurements of defined benefit plans, net of tax	62
Share of other comprehensive income of entities accounted for using equity method	143
Total other comprehensive income	688
Comprehensive income	5,406
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	5,304
Comprehensive income attributable to non-controlling interests	101

*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.)

Nine months ended December 31, 2023 (April 1, 2023, to December 31, 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	57,598	14,628	10,614	3,186	2,012	88,041	—	88,041
Inter-segment net sales and transfer	—	—	—	—	233	233	(233)	—
Total	57,598	14,628	10,614	3,186	2,246	88,275	(233)	88,041
Segment income	5,376	911	1,511	443	425	8,669	(2,587)	6,081

(Note) 1. Adjustments of -2,587 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.