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Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2025 [J-GAAP]

February 4, 2025

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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 Date to start dividends distribution: —
 Supplementary materials for results: None
 Results briefing meeting held: None

*Amounts below one million yen have been rounded down.

1. Consolidated results for the third quarter ended December 31, 2024 (April 1, 2024, to December 31, 2024)

(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, 2024	99,826	13.4	5,816	(4.4)	5,737	(14.3)
Nine months ended December 31, 2023	88,041	—	6,081	—	6,694	—

(Note) Comprehensive income: Nine months ended December 31, 2024: ¥3,594 million [-33.5%]
 Nine months ended December 31, 2023: ¥5,406 million [— %]

	Profit Attributable to Owners of Parent		Profit per Share	Diluted Profit per Share
	Millions of yen	%	Yen	Yen
Nine months ended December 31, 2024	2,910	(37.2)	78.40	—
Nine months ended December 31, 2023	4,635	—	123.99	—

(Note) Since the Company was established on April 3, 2023, through a sole share transfer, there is no rate of change from the same period of the previous fiscal year for the nine months ended December 31, 2023.

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of December 31, 2024	90,582	68,051	72.1
As of March 31, 2024	92,645	69,152	73.5

(Reference) Equity: As of December 31, 2024: ¥65,266 million
 As of March 31, 2024: ¥68,131 million

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, 2024	—	27.00	—	27.00	54.00
Fiscal year ending March 31, 2025	—	27.00	—	—	—
Fiscal year ending March 31, 2025 (forecast)	—	—	—	27.00	54.00

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

3. Consolidated business forecasts for the fiscal year ending March 31, 2025 (April 1, 2024, to March 31, 2025)

(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	136,500	11.3	8,500	2.8	9,000	9.4	6,100	7.4	163.18

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

*** Notes**

(1) Significant changes in scope of consolidation during the period: Yes

Newly included: 1 company, Keystone Pacific Property Management, LLC

(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, 2024	41,180,306 shares	As of March 31, 2024	41,180,306 shares
2)	As of December 31, 2024	4,271,990 shares	As of March 31, 2024	3,797,412 shares
3)	Nine months ended December 31, 2024	37,129,259 shares	Nine months ended December 31, 2023	37,383,056 shares

*** Review by certified public accountants or audit corporations on the attached quarterly consolidated financial statements: None**

*** 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. Overview of business results, etc.; (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.

(Review by certified public accountants or audit corporations on the attached quarterly consolidated financial statements)
The Company plans to disclose the quarterly financial report with an accompanying review report after the review is completed.

Planned date of disclosure: February 10, 2025

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1. Overview of business results, etc.

(1) Overview of business results for the period

During the first nine months of the fiscal year ending March 31, 2025, the Japanese economy continued to be on a moderate recovery trend with the improving employment and income situation, but remained in severe economic conditions with the surging raw material prices caused by the unstable international situation, increasing commodity prices caused by the progress in depreciation of the yen, and other impact. These factors still continue to cast uncertainty over the future.

In the real estate services industry, while a gradual decline in vacancy rates for offices and commercial buildings is observed, primarily in urban areas, the rising costs of raw materials, inflation, and increased labor costs have heightened cost-cutting awareness among our business partners. Consequently, we anticipate that the challenging business environment will continue.

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, 2025, steady renewal of existing management contracts and orders for construction-related services resulted in net sales increasing by 13.4% year on year to 99,826 million yen.

In terms of profit, despite efforts to secure profits such as by revising fees and reviewing specifications and operational efficiency, personnel expenses and other expenses increasing resulted in operating income decreasing by 4.4% year on year to 5,816 million yen, and recognition of loss on investment attributable to the deterioration of business performance of entities accounted for using the equity method resulted in ordinary income decreasing by 14.3% year on year to 5,737 million yen, which coupled with recognition of loss on litigation resulted in profit attributable to owners of parent decreasing by 37.2% year on year to 2,910 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, steady renewal of existing management contracts and orders for construction-related services resulted in net sales for the segment for the first nine months of the fiscal year ending March 31, 2025, increasing by 7.5% year on year to 61,925 million yen.

In terms of profit, efforts to revise fees, review specifications, and reduce costs resulted in segment income increasing by 6.0% year on year to 5,700 million yen.

Residential Management and Operations

With regard to Residential Management and Operations, which mainly consists of managing rental apartment buildings and condominiums to own and public housing, contribution of the business performance of Hawaiiana Holdings Incorporated, which became a consolidated subsidiary at the end of the second quarter of the fiscal year ended March 31, 2024, and Keystone Pacific Property Management, LLC, which became a consolidated subsidiary from the third quarter of the fiscal year ending March 31, 2025, resulted in net sales for the segment for the first nine months of the fiscal year ending March 31, 2025, increasing by 54.9% year on year to 22,656 million yen and segment income increasing by 25.7% year on year to 1,144 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, steady renewal of existing management contracts resulted in net sales for the segment for the first nine months of the fiscal year ending March 31, 2025, increasing by 0.6% year on year to 10,677 million yen.

In terms of profit, in addition to improving the cost ratio by revising fees, efforts to reduce costs with a focus on realignment of personnel assignments resulted in segment income increasing by 7.8% year on year to 1,629 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, proceeds from sale of assets under management and income from sublease contracts decreasing resulted in net sales for the segment for the first nine months of the fiscal year ending March 31, 2025, decreasing by 10.5% year on year to 2,851 million yen.

In terms of profit, personnel expenses and other expenses increasing resulted in segment income decreasing by 19.1% year on year to 358 million yen.

Other Businesses

In Other Businesses, which consist mainly of event planning and management, design and payroll accounting services, the decrease in high-profit projects resulted in net sales for the segment for the first nine months of the fiscal year ending March 31, 2025, decreasing by 13.5% year on year to 1,941 million yen.

In terms of profit, personnel expenses and other expenses increasing resulted in segment income decreasing by 55.4% year on year to 189 million yen.

(2) Overview of financial position for the period

Total assets at the end of the third quarter of the fiscal year ending March 31, 2025, decreased by 2,062 million yen, or 2.2%, from the end of the previous fiscal year to 90,582 million yen, mainly due to investment securities decreasing.

Liabilities decreased by 961 million yen, or 4.1%, from the end of the previous fiscal year to 22,531 million yen, mainly due to payment of accounts payable - trade.

Net assets decreased by 1,101 million yen, or 1.6%, from the end of the previous fiscal year to 68,051 million yen, mainly due to purchase of treasury stock and capital surplus decreasing. The equity ratio decreased by 1.4 percentage points from the end of the previous fiscal year to 72.1%.

(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 8, 2024, 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)	
	Fiscal year ended March 31, 2024 (As of March 31, 2024)	Third quarter ended December 31, 2024 (As of December 31, 2024)
ASSETS		
Current assets		
Cash and deposits	31,239	32,319
Notes and accounts receivable—trade and contract assets	18,664	17,794
Investments in silent partnership for business purposes	154	143
Real estate for sale	1,455	987
Supplies	289	327
Income taxes refund receivable	22	45
Other	3,690	5,182
Allowance for doubtful accounts	(6)	(17)
Total current assets	55,509	56,782
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,808	3,791
Machinery, equipment and vehicles, net	61	48
Tools, furniture and fixtures, net	657	788
Land	1,211	1,211
Leased assets, net	1,210	1,701
Construction in progress	—	6
Total property, plant and equipment	6,948	7,548
Intangible assets		
Software	318	247
Goodwill	2,830	5,084
Trademark right	320	310
Customer-related intangible assets	264	2,080
Software in progress	185	205
Other	54	59
Total intangible assets	3,974	7,988
Investments and other assets		
Investment securities	18,865	12,550
Long-term loans receivable	839	775
Deferred tax assets	400	128
Long-term prepaid expenses	16	17
Retirement benefit asset	965	1,068
Leasehold and guarantee deposits	3,063	3,052
Membership	333	328
Other	1,800	412
Allowance for doubtful accounts	(71)	(71)
Total investments and other assets	26,212	18,262
Total non-current assets	37,136	33,799
TOTAL ASSETS	92,645	90,582

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

	(Millions of yen)	
	Fiscal year ended March 31, 2024 (As of March 31, 2024)	Third quarter ended December 31, 2024 (As of December 31, 2024)
LIABILITIES		
Current liabilities		
Notes and accounts payable—trade	8,015	5,781
Current portion of long-term non-recourse loans payable	227	5
Lease liabilities	261	379
Accrued expenses	3,565	2,897
Income taxes payable	822	1,514
Accrued consumption taxes	1,177	1,129
Contract liabilities	1,416	1,771
Deposits received	784	903
Provision for bonuses	892	96
Other	751	2,125
Total current liabilities	17,914	16,606
Non-current liabilities		
Long-term non-recourse loans payable	285	282
Lease liabilities	981	1,383
Deferred tax liabilities	1,219	886
Provision for retirement benefits for directors (and other officers)	4	8
Retirement benefit liability	220	178
Long-term guarantee deposits	1,793	1,781
Asset retirement obligations	437	482
Liabilities from application of equity method	34	53
Other	601	867
Total non-current liabilities	5,578	5,925
TOTAL LIABILITIES	23,492	22,531
NET ASSETS		
Shareholders' equity		
Share capital	3,000	3,000
Capital surplus	11,339	9,808
Retained earnings	62,382	63,300
Treasury shares	(10,328)	(11,539)
Total shareholders' equity	66,393	64,570
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,511	1,399
Foreign currency translation adjustment	(606)	(585)
Remeasurements of defined benefit plans	(166)	(117)
Total accumulated other comprehensive income	1,738	696
Non-controlling interests	1,020	2,784
TOTAL NET ASSETS	69,152	68,051
TOTAL LIABILITIES AND NET ASSETS	92,645	90,582

*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)	Nine months ended December 31, 2024 (April 1, 2024, to December 31, 2024)
Net sales	88,041	99,826
Cost of sales	68,710	72,436
Gross profit	19,330	27,389
Selling, general and administrative expenses		
Selling expenses	523	593
Personnel expenses	7,771	13,029
Provision for bonuses	50	58
Provision for retirement benefits for directors (and other officers)	2	4
Retirement benefit expenses	232	346
Travel, transportation and communication expenses	873	1,219
Supplies expenses	439	1,012
Rent expenses	1,018	1,337
Insurance expenses	269	598
Depreciation	390	471
Taxes and dues	151	625
Enterprise tax	276	307
Provision of allowance for doubtful accounts	16	—
Amortization of goodwill	160	341
Other	1,072	1,626
Total selling, general and administrative expenses	13,249	21,573
Operating income	6,081	5,816
Non-operating income		
Interest and dividend income	205	199
Rental income	35	46
Commission income	7	663
Share of profit of entities accounted for using equity method	249	—
Foreign exchange gains	187	19
Other	79	89
Total non-operating income	765	1,017
Non-operating expenses		
Interest expenses	31	38
Rental expenses	38	38
Share of loss of entities accounted for using equity method	—	951
Loss on sale and retirement of non-current assets	32	9
Loss on valuation of membership	23	4
Other	26	53
Total non-operating expenses	152	1,096
Ordinary income	6,694	5,737
Extraordinary income		
Gain on sale of investment securities	176	1,793
Gain on step acquisitions	91	—
Total extraordinary income	267	1,793
Extraordinary losses		
Loss on litigation	—	1,536
Total extraordinary losses	—	1,536
Profit before income taxes	6,962	5,994
Income taxes — current	1,817	2,340
Income taxes — deferred	426	410
Total income taxes	2,244	2,750
Profit	4,718	3,243
Profit attributable to non-controlling interests	83	332
Profit attributable to owners of parent	4,635	2,910

*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)	Nine months ended December 31, 2024 (April 1, 2024, to December 31, 2024)
Profit	4,718	3,243
Other comprehensive income		
Valuation difference on available-for-sale securities	305	(1,116)
Foreign currency translation adjustment	177	1,328
Remeasurements of defined benefit plans, net of tax	62	50
Share of other comprehensive income of entities accounted for using equity method	143	88
Total other comprehensive income	688	351
Comprehensive income	5,406	3,594
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,304	3,161
Comprehensive income attributable to non-controlling interests	101	432

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

(3) Notes to quarterly consolidated financial statements**(Notes on segment information, etc.)****I. 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	910	1,511	443	425	8,668	(2,587)	6,081

(Note) 1. Adjustments of -2,587 million yen for segment income are elimination of inter-segment transactions and unallocated general and administrative expenses.

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

II. Nine months ended December 31, 2024 (April 1, 2024, to December 31, 2024)

1. 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	61,925	22,656	10,677	2,851	1,716	99,826	—	99,826
Inter-segment net sales and transfer	—	—	—	—	225	225	(225)	—
Total	61,925	22,656	10,677	2,851	1,941	100,052	(225)	99,826
Segment income	5,700	1,144	1,629	358	189	9,023	(3,206)	5,816

(Note) 1. Adjustments of -3,206 million yen for segment income are elimination of inter-segment transactions and unallocated general and administrative expenses.

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

2. Information on assets for each reportable segment**(Residential Management and Operations)**

In the first quarter of the fiscal year ending March 31, 2025, Keystone Pacific Property Management, LLC, a non-consolidated subsidiary accounted for using the equity method to date, increased in significance and is thus included in the scope of consolidation. This resulted in segment assets increasing by 5,117 million yen from the end of the previous fiscal year at the end of the third quarter of the fiscal year ending March 31, 2025.

(Real Estate Fund Management)

In the third quarter of the fiscal year ending March 31, 2025, payment of loss on litigation was made. This resulted in segment assets decreasing by 1,536 million yen from the end of the previous fiscal year at the end of the third quarter of the fiscal year ending March 31, 2025.

3. Information on impairment loss of non-current assets or goodwill, etc. for each reportable assets**(Significant changes in the amount of goodwill)**

In the first quarter of the fiscal year ending March 31, 2025, Keystone Pacific Property Management, LLC, a non-consolidated subsidiary accounted for using the equity method to date, increased in significance and is thus included in the scope of consolidation. This resulted in goodwill in the “Residential Management and Operations” segment increasing.

The amount of increase in goodwill resulting from said event was 2,447 million yen for the first nine months of the fiscal year ending March 31, 2025.

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

In the first nine months of the fiscal year ending March 31, 2025, Keystone Pacific Property Management, LLC, a non-consolidated subsidiary accounted for using the equity method to date, increased in significance and is thus included in the scope of consolidation. This resulted in the balance of capital surplus at the beginning of the period decreasing by 1,126 million yen and retained earnings increasing by 13 million yen.

In addition, Nippon Kanzai USA, Inc., a consolidated subsidiary, increased and decreased its stake in the company. This resulted in capital surplus decreasing by 404 million yen.

Furthermore, the Company purchased 474,300 treasury shares as resolved at the meeting of the Board of Directors held on August 6, 2024. This resulted in treasury shares increasing by 1,209 million yen.

As a result, capital surplus stood at 9,808 million yen, retained earnings stood at 63,300 million yen, and treasury shares inclusive of the purchase through buyback of shares less than 1 unit stood at 11,539 million yen at the end of the third quarter of the fiscal year ending March 31, 2025.

(Notes on the going concern assumption)

Not applicable.

(Changes in presentation method)

“Commission income,” which was included in “Other” under “Non-operating income” in the first nine months of the fiscal year ended March 31, 2024, increased in significance in terms of money and thus is presented as a separate item from the first nine months of the fiscal year ending March 31, 2025. In order to reflect such change in presentation method, the consolidated financial statements for the first nine months of the fiscal year ended March 31, 2024, have been reclassified.

As a result, the 87 million yen recorded as “Other” under “Non-operating income” in the consolidated statements of income for the first nine months of the fiscal year ended March 31, 2024, is reclassified and included as 7 million yen in “Commission income” and 79 million yen in “Other.”