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

August 6, 2024

### 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  
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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 first quarter ended June 30, 2024 (April 1, 2024, to June 30, 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	%
Three months ended June 30, 2024	31,463	14.0	2,062	2.6	2,282	(4.0)
Three months ended June 30, 2023	27,603	—	2,010	—	2,378	—

(Note) Comprehensive income: Three months ended June 30, 2024: ¥2,237 million [27.7%]  
 Three months ended June 30, 2023: ¥1,751 million [—%]

	Profit Attributable to Owners of Parent		Profit per Share	Diluted Profit per Share
	Millions of yen	%	Yen	Yen
Three months ended June 30, 2024	429	(72.0)	11.49	—
Three months ended June 30, 2023	1,533	—	41.03	—

(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 three months ended June 30, 2023.

#### (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	91,963	69,154	72.1
As of March 31, 2024	92,645	69,152	73.5

(Reference) Equity: As of June 30, 2024: ¥66,326 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
Fiscal year ended March 31, 2024	Yen —	Yen 27.00	Yen —	Yen 27.00	Yen 54.00
Fiscal year ending March 31, 2025	—	—	—	—	—
Fiscal year ending March 31, 2025 (forecast)	—	27.00	—	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 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	64,300	12.8	3,500	(12.4)	3,700	(17.5)	2,400	(21.2)	64.20
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 June 30, 2024	41,180,306 shares	As of March 31, 2024	41,180,306 shares
2)	As of June 30, 2024	3,797,412 shares	As of March 31, 2024	3,797,412 shares
3)	Quarter ended June 30, 2024	37,382,894 shares	Quarter ended June 30, 2023	37,383,123 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: August 13, 2024

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## 1. Overview of business results, etc.

### (1) Overview of business results for the cumulative period of the current quarter on a consolidated basis

During the first quarter 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.

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, increasing commodity 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 quarter 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 14.0% year on year to 31,463 million yen.

In terms of profit, efforts to secure profits such as by revising fees and reviewing specifications and operational efficiency resulted in operating income increasing by 2.6% year on year to 2,062 million yen, but foreign exchange gains decreasing resulted in ordinary income decreasing by 4.0% year on year to 2,282 million yen, which coupled with recognition of loss on litigation resulted in profit attributable to owners of parent decreasing by 72.0% year on year to 429 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 quarter of the fiscal year ending March 31, 2025, increasing by 7.2% year on year to 19,375 million yen.

In terms of profit, efforts to revise fees, review specifications, and reduce costs resulted in segment income increasing by 5.6% year on year to 1,777 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 Hawaiiiana 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 first quarter of the fiscal year ending March 31, 2025, resulted in net sales for the segment for the first quarter of the fiscal year ending March 31, 2025, increasing by 53.9% year on year to 7,264 million yen and segment income increasing by 11.1% year on year to 492 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 quarter of the fiscal year ending March 31, 2025, increasing by 0.5% year on year to 3,475 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 5.2% year on year to 635 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, income from sublease contracts decreasing resulted in net sales for the segment for the first quarter of the fiscal year ending March 31, 2025, decreasing by 2.1% year on year to 780 million yen.

In terms of profit, personnel expenses and other costs increasing resulted in segment income decreasing by 18.0% year on year to 125 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, 2025, increasing by 3.1% year on year to 642 million yen.

In terms of profit, despite efforts to reduce costs, highly profitable contracts decreasing resulted in segment income decreasing by 50.9% year on year to 41 million yen.

**(2) Overview of financial position for the cumulative period of the current quarter on a consolidated basis**

Total assets at the end of the first quarter of the fiscal year ending March 31, 2025, decreased by 681 million yen, or 0.7%, from the end of the previous fiscal year to 91,963 million yen, mainly due to collection of trade receivables leading to accounts receivable - trade decreasing and investment securities decreasing.

Liabilities decreased by 683 million yen, or 2.9%, from the end of the previous fiscal year to 22,809 million yen, mainly due to payment of accounts payable - trade.

Net assets increased by 1 million yen, or 0.0%, from the end of the previous fiscal year to 69,154 million yen, mainly due to non-controlling interests increasing. 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)	First quarter ended June 30, 2024 (As of June 30, 2024)
<b>ASSETS</b>		
Current assets		
Cash and deposits	31,239	32,441
Notes and accounts receivable—trade and contract assets	18,664	15,216
Investments in silent partnership for business purposes	154	147
Real estate for sale	1,455	1,451
Supplies	289	325
Income taxes receivable	22	36
Other	3,690	5,297
Allowance for doubtful accounts	(6)	(18)
<b>Total current assets</b>	<b>55,509</b>	<b>54,899</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,808	3,784
Machinery, equipment and vehicles, net	61	58
Tools, furniture and fixtures, net	657	696
Land	1,211	1,211
Leased assets, net	1,210	1,490
<b>Total property, plant and equipment</b>	<b>6,948</b>	<b>7,242</b>
Intangible assets		
Software	318	301
Goodwill	2,830	5,625
Trademark right	320	337
Customer-related intangible assets	264	2,044
Software in progress	185	274
Other	54	62
<b>Total intangible assets</b>	<b>3,974</b>	<b>8,645</b>
Investments and other assets		
Investment securities	18,865	15,399
Long-term loans receivable	839	864
Deferred tax assets	400	155
Long-term prepaid expenses	16	18
Retirement benefit asset	965	998
Leasehold and guarantee deposits	3,063	3,064
Membership	333	333
Other	1,800	414
Allowance for doubtful accounts	(71)	(71)
<b>Total investments and other assets</b>	<b>26,212</b>	<b>21,176</b>
<b>Total non-current assets</b>	<b>37,136</b>	<b>37,064</b>
<b>TOTAL ASSETS</b>	<b>92,645</b>	<b>91,963</b>

\*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)	First quarter ended June 30, 2024 (As of June 30, 2024)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable—trade	8,015	4,955
Current portion of long-term non-recourse loans payable	227	226
Lease obligations	261	336
Accrued expenses	3,565	2,843
Income taxes payable	822	460
Accrued consumption taxes	1,177	1,501
Contract liabilities	1,416	1,713
Deposits received	784	936
Provision for bonuses	892	101
Other	751	3,215
<b>Total current liabilities</b>	<b>17,914</b>	<b>16,290</b>
Non-current liabilities		
Long-term non-recourse loans payable	285	284
Lease obligations	981	1,212
Deferred tax liabilities	1,219	1,279
Provision for retirement benefits for directors (and other officers)	4	5
Retirement benefit liability	220	199
Long-term guarantee deposits	1,793	1,793
Asset retirement obligations	437	447
Liabilities from application of equity method	34	64
Other	601	1,231
<b>Total non-current liabilities</b>	<b>5,578</b>	<b>6,518</b>
<b>TOTAL LIABILITIES</b>	<b>23,492</b>	<b>22,809</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Share capital	3,000	3,000
Capital surplus	11,339	9,801
Retained earnings	62,382	61,886
Treasury shares	(10,328)	(10,328)
<b>Total shareholders' equity</b>	<b>66,393</b>	<b>64,358</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,511	2,347
Foreign currency translation adjustment	(606)	(229)
Remeasurements of defined benefit plans	(166)	(150)
<b>Total accumulated other comprehensive income</b>	<b>1,738</b>	<b>1,967</b>
Non-controlling interests	1,020	2,827
<b>TOTAL NET ASSETS</b>	<b>69,152</b>	<b>69,154</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>92,645</b>	<b>91,963</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)	Three months ended June 30, 2024 (April 1, 2024, to June 30, 2024)
Net sales	27,603	31,463
Cost of sales	21,263	22,396
Gross profit	6,339	9,066
Selling, general and administrative expenses		
Selling expenses	189	144
Personnel expenses	2,473	4,202
Provision for bonuses	49	59
Provision for retirement benefits for directors (and other officers)	0	1
Retirement benefit expenses	79	113
Transportation and communication expenses	289	391
Supplies expenses	132	314
Rent expenses	329	439
Insurance expenses	86	205
Depreciation	126	151
Taxes and dues	92	258
Enterprise tax	84	97
Provision of allowance for doubtful accounts	(0)	—
Amortization of goodwill	51	106
Other	344	517
Total selling, general and administrative expenses	4,329	7,004
Operating income	2,010	2,062
Non-operating income		
Interest and dividend income	73	71
Rent income	14	15
Commission income	—	173
Share of profit of entities accounted for using equity method	16	—
Foreign exchange gains	288	8
Other	26	25
Total non-operating income	418	293
Non-operating expenses		
Interest expenses	6	11
Rent expenses	17	16
Share of loss of entities accounted for using equity method	—	16
Loss on sales and retirement of non-current assets	17	0
Other	9	26
Total non-operating expenses	50	72
Ordinary income	2,378	2,282
Extraordinary income		
Gain on sales of investment securities	—	448
Total extraordinary income	—	448
Extraordinary losses		
Loss on litigation	—	1,322
Total extraordinary losses	—	1,322
Profit before income taxes	2,378	1,408
Income taxes—current	444	520
Income taxes—deferred	382	372
Total income taxes	827	892
Profit	1,550	516
Profit attributable to non-controlling interests	16	86
Profit attributable to owners of parent	1,533	429

\*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)	Three months ended June 30, 2024 (April 1, 2024, to June 30, 2024)
Profit	1,550	516
Other comprehensive income		
Valuation difference on available-for-sale securities	413	(173)
Foreign currency translation adjustment	(251)	1,765
Remeasurements of defined benefit plans, net of tax	20	16
Share of other comprehensive income of entities accounted for using equity method	17	111
Total other comprehensive income	200	1,721
Comprehensive income	1,751	2,237
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,721	1,952
Comprehensive income attributable to non-controlling interests	30	285

\*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.)**

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	1,682	443	604	152	83	2,967	(957)	2,010

(Note) 1. Adjustments of -957 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.

Three months ended June 30, 2024 (April 1, 2024, to June 30, 2024)

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	19,375	7,264	3,475	780	567	31,463	—	31,463
Inter-segment net sales and transfer	—	—	—	—	75	75	(75)	—
Total	19,375	7,264	3,475	780	642	31,538	(75)	31,463
Segment income	1,777	492	635	125	41	3,072	(1,010)	2,062

(Note) 1. Adjustments of -1,010 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.

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

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 the balance of capital surplus at the beginning of the period decreasing by 1,076 million yen and retained earnings increasing by 83 million yen.

In addition, Nippon Kanzai USA, Inc., a consolidated subsidiary, increased its stake in the Company. This resulted in capital surplus decreasing by 461 million yen.

As a result, capital surplus stood at 9,801 million yen and retained earnings at 61,886 million yen at the end of the first quarter of the fiscal year ending March 31, 2025.

**(Notes on the going concern assumption)**

Not applicable.