

Consolidated Financial Results for the Three Months Ended September 30, 2022 [IFRS]



November 14, 2022

Company name: Nippon Koei Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 1954

URL: <https://www.n-koei.co.jp/english/>

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Scheduled date of filing quarterly securities report: November 14, 2022

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: None

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended September 30, 2022 (from July 1, 2022 to September 30, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended September 30, 2022	26,782	11.8	1,405	-	1,555	-	1,528	-	584	-
September 30, 2021	23,960	13.8	(320)	-	(209)	-	(220)	-	(264)	-

	Basic earnings per share	Diluted earnings per share
Three months ended September 30, 2022	Yen 38.84	Yen 38.84
September 30, 2021	(17.58)	(17.58)

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
As of September 30, 2022	Million yen 189,124	Million yen 81,565	Million yen 76,544	40.5 %
June 30, 2022	173,926	81,969	78,088	44.9 %

2. Dividends

	Dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended June 30, 2022	Yen -	Yen -	Yen -	Yen 125.00	Yen 125.00
Fiscal year ending June 30, 2023	-	-	-	-	-
Fiscal year ending June 30, 2023(Forecast)	-	-	-	125.00	125.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2023 (July 1, 2022 to June 30, 2023)

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	145,000	11.0	11,300	24.6	6,700	1.8	444.93

(Note) Revision to the financial results forecast announced most recently: None

*** Notes:**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None
New companies: None
Excluded companies: None
- (2) Changes in accounting policies and changes in accounting estimates
1) Changes in accounting policies required by IFRS: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
- (3) Total number of issued shares (ordinary shares)
- | | | | |
|---|---|-------------------|-------------------|
| 1) Total number of issued shares at the end of the period (including treasury shares) | | | |
| As of September 30, 2022 | : | 15,060,314 shares | |
| As of June 30, 2022 | : | 15,060,314 shares | |
| 2) Total number of treasury shares at the end of the period | | | |
| As of September 30, 2022 | : | 2,010 shares | |
| As of June 30, 2022 | : | 1,811 shares | |
| 3) Average number of shares during the period | | | |
| Three months ended September 30, 2022 | : | | 15,058,412 shares |
| Three months ended September 30, 2021 | : | | 15,048,080 shares |

* These consolidated financial results are not subject to audit procedures by certified public accountants or the audit firm.

* Explanation of the proper use of financial results forecast and other notes
The earnings forecasts and other forward-looking statements disclosed herein are based on information available to the Company as of the publication date of this document and it is not intended to guarantee the Company's future performance. Actual results may significantly differ from the forecasts due to a wide range of factors.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended September 30, 2022 (July 1, 2022 to September 30, 2022), the Japanese economy is expected to recover due to the effects of various policies as the transition to a new stage of life with COVID-19 progresses. However, while global monetary tightening, etc. continues, we need to pay close attention to the effects of price increases, supply-side constraints, and fluctuations in the financial and capital markets in addition to the risk that the downside in overseas economies would hold down the Japanese economy.

With regard to the business environment surrounding NIPPON KOEI CO., LTD. (the “Company”) and its subsidiaries (together, the “Group”), we recognize that the situation is unpredictable. There is an increasing risk of uncertainty in the international situation such as global inflation and a weak yen triggered by the COVID-19 pandemic and Russia’s invasion of Ukraine while we are facing global issues that require immediate action, such as climate change and income disparities. In the Consulting Business, the domestic market is expected to continue to secure public work budgets for national resilience and regional revitalization and the market is expected to expand especially in the field of disaster prevention and mitigation. In the overseas market, the Japanese government is aiming to strengthen budgets with “Infrastructure System Overseas Promotion Strategy 2025” as an axis, but business operations are expected to be difficult due to the delay in formation of some projects caused by the impact of COVID-19 and review of the business in association with inflation and yen depreciation. In the Urban & Spatial Development Business, the need for sustainable urban restructuring, which attracts ESG investment, is increasing in Japan, Europe and the United States. Also, the need for the urban development business including preparation and maintenance of transportation-related facilities and peripheral infrastructures is strong in developing countries. In the Energy Business, new opportunities are expected to be created leading to competition toward the target of carbon neutrality in 2050 in addition to the demand for updating the aging existing equipment in Japan. However, it is necessary to agilely cope with policy change due to the rising global energy cost although the trend of shifting to renewable energy remains unchanged.

The Group is taking steps to prevent COVID-19 with an active defense system. In addition, to achieve work-life balance and improve productivity, we are promoting telework and other work style reforms.

Under such a market environment, we have drawn up the medium-term management plan “Building Resilience 2024” to implement three resilience policies, and positioned the period from July 2021 to June 2024, which is first step of the “NKG Global Strategy 2030,” as a transformation period to make the Group resilient.

As the first resilience policy, we reorganized the conventional five business operations into three domains (Consulting, Urban & Spatial Development, and Energy) to strengthen the business axis. As the second resilience policy, we will aim to realize matrix management by transitioning to a holding company structure and preparing and maintaining a regional management system. As the third resilience policy, we aim to strengthen technological development and human resource development toward the establishment of “NKG brand” and “NKG quality.” Also, we will promote “well-being management” as a basis for that.

As a result, the Group ended the three months of the current fiscal year with orders received increased 25.7% year on year to ¥31,836 million due to strong performance in each segment. Revenue having increased 11.8% year on year to ¥26,782 million, mainly due to steady progress in the Consulting Business. Operating profit increased to ¥1,405 million (loss of ¥320 million yen in the same period of the previous fiscal year) due to gains on sales of shares of associated company and gains on investment securities in the Energy Business. As a result, profit attributable to owners of parent amounted to ¥584 million (loss of ¥264 million in the same period of the previous fiscal year).

Revenue for the three months ended September 30, 2022 were ¥26,782 million, an achievement rate of 18.5% against the revenue forecast of ¥145,000 million for the current fiscal year (same period of previous fiscal year: 18.3%). This is due to the fact that, as the Group's business structure, a large proportion of operations is progressing in the second half of the fiscal year and there are seasonal fluctuations in the recording of revenue. On the other hand, expenses such as selling, general and administrative expenses were generated evenly throughout the year.

Business results for each segment are as follows: As some of our subsidiaries have changed their reportable segments, effective from the three months ended September 30, 2022, comparisons with the first three months of the previous fiscal year are based on the figures that have been reclassified into the new segments. For details of this change in reporting segments, please refer to "2. Condensed Quarterly Consolidated Financial Statements and Primary Notes (5) Primary Notes to Condensed Quarterly Consolidated Financial Statements (Segment Information) 2. Changes in reportable segments".

[Consulting]

In the Consulting Business, we worked to utilize new technologies, assure quality and safety and increase productivity. We also promoted cross-sectional co-creation projects such as those related to river basin flood control, climate change, SDGs, renewable energy and multi-hazards.

As a result, orders received increased 1.0% year on year to ¥16,838 million and revenue increased 17.8% year on year to ¥14,842 million due to steady progress in the domestic projects and operating loss increased 43.6% year on year to ¥347 million due to the impact of increased expenses in overseas business.

[Urban & Spatial Development]

In the Urban & Spatial Development Business, we worked to form urban (re-)development projects centering on NIPPON KOEI URBAN SPACE CO., LTD., which was established by consolidating the Urban & Spatial Development Business of the Company and our group company TAMANO CONSULTANTS CO., LTD. (on July 1, 2022).

We also worked to expand business in the U.K. and North American markets and to establish a business foundation in the Asian market through group-wide collaboration.

As a result, orders received increased 81.3% year on year to ¥11,795 million due to the strong performance of BDP HOLDINGS LIMITED and its subsidiaries, revenue increased 6.6% year on year to ¥7,719 million and operating loss amounted to ¥157 million (same period of previous fiscal year: operating profit of ¥154 million) due to prior investment in building a foundation for business expansion.

[Energy]

In the Energy Business, we worked to strengthen the structure of the existing energy-related consulting and engineering projects, build a foundation for energy management projects such as battery storage and aggregation and stabilize the manufacturing projects by strengthening core products and developing new ones.

As a result, orders received increased 46.7% year on year to ¥3,128 million, revenue increased 1.7% year on year to ¥3,991 million, and operating profit increased 788.7% year on year to ¥2,312 million by gain on sale of shares of PT. ARKORA HYDRO, a former associated company of the Group, and gain on investment in securities.

(2) Explanation of Financial Position

Total assets at the end of the first three months of the fiscal year, amounted to ¥189,124 million, an increase of ¥15,198 million from the end of the previous fiscal year. This was mainly due to a ¥6,508 million increase in cash and cash equivalents and a ¥6,871 million increase in contract assets.

Total liabilities were ¥107,558 million, an increase of ¥15,602 million from the end of the previous fiscal year. This was mainly due to a ¥18,373 million increase in borrowings.

Total equity was ¥81,565 million, a decrease of ¥403 million from the end of the previous fiscal year. This was mainly due to a ¥1,296 million decrease in retained earnings.

As a result, ratio of equity attributable to owners of parent to total assets decreased 4.4 percentage points from the end of the previous fiscal year to 40.5%.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Statements

The full-year forecasts remain unchanged from those announced on August 12, 2022 since the performance of Group for the first three months of the current fiscal year is generally progressing within the range of the forecast of Group at the beginning of the fiscal year in each segment.

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	<u>As of June 30, 2022</u>	<u>As of September 30, 2022</u>
Assets		
Current assets		
Cash and cash equivalents	17,971	24,480
Trade and other receivables	27,042	25,281
Contract assets	26,450	33,322
Other financial assets	3,779	3,622
Other current assets	8,290	7,707
Total current assets	<u>83,535</u>	<u>94,414</u>
Non-current assets		
Property, plant and equipment	41,403	43,867
Right-of-use assets	9,067	10,232
Goodwill	10,207	10,616
Intangible assets	7,025	6,840
Investment property	6,250	6,215
Investments accounted for using equity method	2,434	1,723
Retirement benefit asset	3,624	3,637
Other financial assets	6,423	8,126
Deferred tax assets	2,429	2,658
Other non-current assets	1,523	791
Total non-current assets	<u>90,390</u>	<u>94,710</u>
Total assets	<u><u>173,926</u></u>	<u><u>189,124</u></u>

(Millions of yen)

	<u>As of June 30, 2022</u>	<u>As of September 30, 2022</u>
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	13,148	32,214
Lease liabilities	2,729	2,687
Trade and other payables	10,400	8,803
Contract liabilities	8,837	8,989
Other financial liabilities	4,561	4,256
Income taxes payable	2,551	118
Provisions	653	1,323
Other current liabilities	12,957	13,345
Total current liabilities	<u>55,840</u>	<u>71,737</u>
Non-current liabilities		
Borrowings	19,288	18,595
Lease liabilities	6,556	7,773
Other financial liabilities	665	668
Retirement benefit liability	3,896	3,908
Provisions	674	74
Deferred tax liabilities	4,683	4,518
Other non-current liabilities	351	280
Total non-current liabilities	<u>36,116</u>	<u>35,820</u>
Total liabilities	<u>91,956</u>	<u>107,558</u>
Equity		
Share capital	7,501	7,501
Capital surplus	6,454	6,426
Treasury shares	(34)	(6)
Other components of equity	5,252	5,005
Retained earnings	58,914	57,617
Total equity attributable to owners of parent	<u>78,088</u>	<u>76,544</u>
Non-controlling interests	3,881	5,021
Total equity	<u>81,969</u>	<u>81,565</u>
Total liabilities and equity	<u>173,926</u>	<u>189,124</u>

(2) Condensed Quarterly Consolidated Statements of Profit or Loss and Comprehensive Income

(Condensed Quarterly Consolidated Statement of Profit or Loss)

(Millions of yen)

	For the three months ended September 30, 2021 (From July 1, 2021 to September 30, 2021)	For the three months ended September 30, 2022 (From July 1, 2022 to September 30, 2022)
Revenue	23,960	26,782
Cost of sales	(17,542)	(19,679)
Gross profit	6,418	7,103
Selling, general and administrative expenses	(6,946)	(8,033)
Share of profit of investments accounted for using equity method	105	8
Other income	161	2,492
Other expenses	(59)	(166)
Operating profit (loss)	(320)	1,405
Finance income	218	421
Finance costs	(107)	(271)
Profit (loss) before tax	(209)	1,555
Income tax expense	(11)	(26)
Profit (loss)	(220)	1,528
Profit (loss) attributable to		
Owners of parent	(264)	584
Non-controlling interests	44	943
Profit (loss)	(220)	1,528
Earnings (loss) per share		
Basic earnings (loss) per share	(17.58)	38.84
Diluted earnings (loss) per share	(17.58)	38.84

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(Millions of yen)

	For the three months ended September 30, 2021 (From July 1, 2021 to September 30, 2021)	For the three months ended September 30, 2022 (From July 1, 2022 to September 30, 2022)
Profit (loss)	(220)	1,528
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity financial assets measured at fair value through other comprehensive income	175	(19)
Remeasurements of defined benefit plans	0	1
Share of other comprehensive income of investments accounted for using equity method	176	(18)
Total of items that will not be reclassified to profit or loss		
Items that may be reclassified to profit or loss		
Cash flow hedges	1	1
Exchange differences on translation of foreign operations	(280)	83
Share of other comprehensive income of investments accounted for using equity method	(16)	(7)
Total of items that may be reclassified to profit or loss	(295)	77
Other comprehensive income	(119)	59
Comprehensive income	(339)	1,588
Comprehensive income attributable to		
Owners of parent	(377)	430
Non-controlling interests	38	1,157
Comprehensive income	(339)	1,588

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

For the three months Ended September 30, 2021 (From July 1, 2021 to September 30, 2021)

(Millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Equity financial assets measured at fair value through other comprehensive income
Balance as of July 1, 2021	7,480	6,428	(0)	1,982	(30)	867
Profit (loss)	-	-	-	-	-	-
Other comprehensive income	-	-	-	(290)	1	175
Total comprehensive income	-	-	-	(290)	1	175
Change in scope of consolidation	-	-	-	-	-	-
Purchase of treasury shares	-	-	(2)	-	-	-
Dividends	-	-	-	-	-	-
Purchase and disposal of non-controlling interests	-	(4)	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-
Total transactions with owners	-	(4)	(2)	-	-	-
Balance as of September 30, 2021	7,480	6,423	(2)	1,692	(28)	1,043

	Equity attributable to owners of parent					
	Other components of equity		Retained earnings	Total	Non-controlling interests	Total
	Remeasurements of defined benefit plans	Total				
Balance as of July 1, 2021	-	2,820	53,996	70,725	1,569	72,294
Profit (loss)	-	-	(264)	(264)	44	(220)
Other comprehensive income	0	(113)	-	(113)	(5)	(119)
Total comprehensive income	0	(113)	(264)	(377)	38	(339)
Change in scope of consolidation	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	(2)	-	(2)
Dividends	-	-	(1,128)	(1,128)	(15)	(1,143)
Purchase and disposal of non-controlling interests	-	-	-	(4)	(65)	(69)
Transfer to retained earnings	(0)	(0)	0	-	-	-
Total transactions with owners	(0)	(0)	(1,128)	(1,135)	(80)	(1,215)
Balance as of September 30, 2021	-	2,706	52,603	69,211	1,527	70,739

For the three months Ended September 30, 2022 (From July 1, 2022 to September 30, 2022)

(Millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Equity financial assets measured at fair value through other comprehensive income
Balance as of July 1, 2022	7,501	6,454	(34)	4,620	(24)	656
Profit	-	-	-	-	-	-
Other comprehensive income	-	-	-	(137)	1	(19)
Total comprehensive income	-	-	-	(137)	1	(19)
Change in scope of consolidation	-	-	-	(91)	-	-
Purchase of treasury shares	-	-	(0)	-	-	-
Dividends	-	-	-	-	-	-
Purchase and disposal of non-controlling interests	-	(28)	28	(0)	-	-
Transfer to retained earnings	-	-	-	-	-	-
Total transactions with owners	-	(28)	27	(91)	-	-
Balance as of September 30, 2022	7,501	6,426	(6)	4,391	(22)	636

	Equity attributable to owners of parent					
	Other components of equity		Retained earnings	Total	Non-controlling interests	Total
	Remeasurements of defined benefit plans	Total				
Balance as of July 1, 2022	-	5,252	58,914	78,088	3,881	81,969
Profit	-	-	584	584	943	1,528
Other comprehensive income	0	(154)	-	(154)	213	59
Total comprehensive income	0	(154)	584	430	1,157	1,588
Change in scope of consolidation	-	(91)	-	(91)	14	(77)
Purchase of treasury shares	-	-	-	(0)	-	(0)
Dividends	-	-	(1,882)	(1,882)	(31)	(1,914)
Purchase and disposal of non-controlling interests	-	(0)	-	(0)	-	(0)
Transfer to retained earnings	(0)	(0)	0	-	-	-
Total transactions with owners	(0)	(92)	(1,881)	(1,974)	(17)	(1,992)
Balance as of September 30, 2022	-	5,005	57,617	76,544	5,021	81,565

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	For the three months ended September 30, 2021 (From July 1, 2021 to September 30, 2021)	For the three months ended September 30, 2022 (From July 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Profit (loss) before tax	(209)	1,555
Depreciation and amortization	1,177	1,268
Loss (gain) on financial assets measured at fair value through profit or loss	55	(1,030)
Gain on sale of shares of associates	-	(1,357)
Interest and dividend income	(107)	(113)
Interest expenses	107	118
Loss (gain) on derivatives	(78)	(337)
Decrease (increase) in trade and other receivables	836	1,879
Decrease (increase) in contract assets	(5,574)	(6,924)
Decrease (increase) in insurance claims receivable	(1,500)	-
Increase (decrease) in trade and other payables	(2,543)	(1,595)
Increase (decrease) in contract liabilities	(453)	218
Increase (decrease) in consumption taxes payable	(2,512)	(864)
Increase (decrease) in deposits received	(842)	(300)
Increase (decrease) in accrued expenses	1,464	1,568
Increase (decrease) in provisions	1,416	69
Other	(197)	(238)
Sub total	(8,961)	(6,083)
Dividends received	35	41
Interest received	71	605
Interest paid	(101)	(139)
Head office relocation expenses paid	-	(74)
Income taxes paid	(2,174)	(2,628)
Net cash provided by (used in) operating activities	(11,131)	(8,278)
Cash flows from investing activities		
Payments into time deposits	(194)	(0)
Proceeds from withdrawal of time deposits	105	22
Purchase of property, plant and equipment and investment property	(274)	(2,124)
Purchase of intangible assets	(187)	(87)
Purchase of other financial assets	(50)	(57)
Proceeds from sale and redemption of other financial assets	71	-
Proceeds from sale of shares of associates	-	1,632
Payments for acquisition of subsidiaries	(216)	(851)
Collection of loans receivable	6	556
Other	1	0
Net cash provided by (used in) investing activities	(738)	(908)
Cash flows from financing activities		
Proceeds from short-term borrowings	32,000	91,000
Repayments of short-term borrowings	(16,072)	(72,000)
Repayments of long-term borrowings	(959)	(971)
Repayments of lease liabilities	(504)	(768)
Dividends paid	(1,119)	(1,855)
Other	(71)	(0)
Net cash provided by (used in) financing activities	13,273	15,402
Net increase (decrease) in cash and cash equivalents	1,404	6,215
Cash and cash equivalents at beginning of period	17,838	17,971
Effect of exchange rate changes on cash and cash equivalents	(111)	293
Cash and cash equivalents at end of period	19,131	24,480

(5) Primary Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Notes on Significant Changes in Shareholders' Equity)

There is no relevant information.

(Segment Information)

1. Outline of reportable segments

(1) Method of determination of reportable segments

Reportable segments of the Group are determined as segments whose separate financial information is accessible from among the constituent units of the Group and are periodically used by the Board of Directors to determine the allocation of management resources and to evaluate achievements.

The Group has business management divisions separated by type of products and services at the head office. Each business management division formulates a comprehensive strategy based on the products and services and engages in conducting business activities.

In line with the above, the Group is composed of segments divided by products and services, with each business management division serving as the foundation, and the three reportable segments are "Consulting", "Urban & Spatial Development" and "Energy."

(2) Types of products and services by reportable segment

The "Consulting" engages in business within and outside Japan such as site surveying, planning, evaluation/assessment, designing, and construction management. It operates in the fields of rivers and water resources, water and sewage, agricultural and rural development, dams and power generation, transportation (roads, railroads, ports and airports), urban and regional development, geology, disaster prevention, sand control, environment, information systems, etc.

"Urban & Spatial Development" engages in the structuring, planning, design, and operation of urban and spatial development business.

The "Energy" engages in manufacturing and sale of electric power equipment and control devices, planning, design, construction and construction management of mechanical, electrical and communication facilities as well as the energy management business utilizing distributed energy resources.

2. Changes in reportable segments

On July 1, 2022, the Urban & Spatial Development Business of the Company was transferred by succession to our consolidated subsidiary TAMANO CONSULTANTS CO., LTD. through a company split (simplified absorption-type split), and the trade name of the said company was changed to NIPPON KOEI URBAN SPACE CO., LTD. ("NIPPON KOEI URBAN SPACE"). In association with the organizational restructuring due to the relevant company split, NIPPON KOEI URBAN SPACE and its subsidiary TAMANO ECOST CO., LTD. and our consolidated subsidiary NAKAZE KAMP CO., LTD. have had their segment classification changed from the "Consulting Business" to the "Urban & Spatial Development Business."

Please note that segment information for the first quarter of the previous fiscal year is provided based on the new reporting segments.

3. Information about reportable segments

The internal intersegment revenue or transfers are based on the transaction price determined after price negotiations taking into consideration the market price, etc.

For the three months ended September 30, 2021 (from July 1, 2021 to September 30, 2021)

(Millions of yen)

	Reportable Segments			
	Consulting	Urban & Spatial Development	Energy	Total
Revenue				
Revenue from external customers	12,597	7,237	3,925	23,761
Intersegment revenue and transfers	63	34	59	157
Total	12,661	7,272	3,984	23,918
Segment profit (loss)	(242)	154	260	172
Finance income				
Finance costs				
Profit (loss) before tax				

	Others (Note1)	Total	Adjustments (Note 2)	Consolidated
Revenue				
Revenue from external customers	199	23,960	-	23,960
Intersegment revenue and transfers	143	300	(300)	-
Total	343	24,261	(300)	23,960
Segment profit (loss)	(494)	(322)	1	(320)
Finance income				218
Finance costs				(107)
Profit (loss) before tax				(209)

Notes: 1. The category of "Others" includes revenues from constituent units that have not earned revenues or earn only incidental revenues.

2. "Adjustments" is mainly elimination of transaction between segments.

For the three months ended September 30, 2022 (from July 1, 2022 to September 30, 2022)

(Millions of yen)

	Reportable Segments			
	Consulting	Urban & Spatial Development	Energy	Total
Revenue				
Revenue from external customers	14,842	7,719	3,991	26,553
Intersegment revenue and transfers	168	62	60	291
Total	15,010	7,781	4,052	26,844
Segment profit (loss)	(347)	(157)	2,312	1,807
Finance income				
Finance costs				
Profit before tax				

	Others (Note1)	Total	Adjustments (Note 2)	Consolidated
Revenue				
Revenue from external customers	229	26,782	-	26,782
Intersegment revenue and transfers	177	469	(469)	-
Total	407	27,251	(469)	26,782
Segment profit (loss)	(405)	1,401	3	1,405
Finance income				421
Finance costs				(271)
Profit before tax				1,555

Notes: 1. The category of "Others" includes revenues from constituent units that have not earned revenues or earn only incidental revenues.

2. "Adjustments" is mainly elimination of transaction between segments.

(Significant Subsequent Events)

(Issuance of new shares as restricted stock compensation)

The Board of Directors resolved to issue new shares for restricted stock compensation at the extraordinary Board of Directors' meeting held on September 29, 2022, as follows. This is a system whereby an eligible person has the right to issue or dispose of the Company's common stock by paying all the monetary claims provided by the Company as in-kind contribution in accordance with provisions of the Companies Act, Article 208, Paragraph 2. The transfer-restricted share allotment agreement between each eligible person and the Company stipulates:

1. Purpose and reason for issuance

The Company aims to have the directors (not including outside directors; "Eligible Directors") share benefits and risks of stock price fluctuations with shareholders and further enhance their willingness to contribute to improving stock prices and enhancing corporate value. Therefore, the Company decided, at the Board of Directors' meeting held on August 14, 2017, to introduce a restricted stock compensation system (the "System"), which will issue restricted stock to Eligible Directors.

Furthermore, the 73rd Annual General Meeting of Shareholders held on September 28, 2017, approved, under the System, setting the total amount of monetary compensation claims payable to the Eligible Directors as compensation related to restricted stock at a level where it does "not exceed an annual amount of ¥60 million." In addition, the total number of 50,000 shares, which are restricted stock to be allotted to Eligible Directors will be the upper limit of the number of restricted shares to be allotted in each fiscal year, and the transfer restriction period of restricted stock will be between one year to five years, determined by the Board of Directors.

Also, in the 78th Annual General Meeting of Shareholders which was held on September 29, 2022, the Company partially amended the current system to newly establish provisions for handling the issuance of transfer-restricted stocks after approval of a proposal for organizational restructuring such as stock transfer plans at the General Meeting of Shareholders of the Company, and it was approved.

2. Issuance overview

(a) Payment date	October 28, 2022
(b) Class and number of shares to be issued	8,634 shares of common stock of the Company
(c) Issue price	¥3,605 per share
(d) Total issue price of shares to be issued	¥31,125,570
(e) Capitalization amount	¥1,803 per share
(f) Total capitalization amount	¥15,567,102
(g) Method of offer or allotment	Allotment of specified restricted stocks
(h) Method of contribution	In-kind contribution of monetary compensation claims
(i) Allottees, number thereof and number of shares to be allotted	8,634 shares to eight directors of the Company (excluding outside directors)
(j) Transfer restriction period	October 28, 2022 to October 27, 2025
(k) Others	Issue of new shares to be allotted is conditioned on the securities registration statement taking effect in accordance with the Financial Instruments and Exchange Act.

(Litigation)

On June 19, 2014, NIPPON CIVIC CONSULTING ENGINEERS CO., LTD. (“NCC”), a consolidated subsidiary of the Company, was sued by Osaka Prefecture for damages resulting from a project related to designing a shield tunnel under tort liability. Due to the court's provisional seizure decision on the above claim in June 2014, NCC has deposited a provisional seizure of ¥750 million (other current assets) in July 2014 with the Legal Affairs Bureau. The Osaka High Court rendered a judgement on September 29, 2022, acknowledging damages of ¥623 million and delinquency charges from July 6, 2022 for ¥394 million out of total damages. The judgement became final as neither a final appeal nor a petition for acceptance of an appeal was filed by either party by the designated deadline, October 14, 2022. NCC has paid the amount of judgement to the Osaka Prefecture in October 2022.

(Changes from Subsidiary to Associate)

On November 14, 2022, the Company resolved to transfer partial ownership interest in IRONMONT HYDRO PTE. LTD. (“IH”), a consolidated subsidiary of the Company, to IH. The Company plans to complete the transfer by the end of December 2022. After the transfer, the proportion of voting rights held by the Company will be changed from 62.2% to 43.0% and IH will be classified as the Company’s associate under the equity method, and will no longer be a consolidated subsidiary. The impact on the Group’s consolidated statement of profit or loss is not expected to be material.

3. Other Information

(1) Status of Orders and Revenue

Category/Segment		By period		For the three months ended September 30, 2021		For the three months ended September 30, 2022		For the fiscal year ended June 30, 2022	
		Amount (Millions of yen)	Composition (%)	Amount (Millions of yen)	Composition (%)	Amount (Millions of yen)	Composition (%)		
Orders received	Consulting	16,664	65.8	16,838	52.9	84,551	64.5		
	Urban & Spatial Development	6,504	25.7	11,795	37.1	32,147	24.5		
	Energy	2,133	8.4	3,128	9.8	14,343	10.9		
	Others	17	0.1	72	0.2	123	0.1		
	Total	25,319	100.0	31,836	100.0	131,166	100.0		
Revenue 1	Consulting	13,440	56.1	15,587	58.2	80,299	61.5		
	Urban & Spatial Development	7,085	29.6	7,719	28.8	34,787	26.6		
	Energy	3,235	13.5	3,246	12.1	14,804	11.3		
	Others	199	0.8	229	0.9	783	0.6		
	Total	23,960	100.0	26,782	100.0	130,674	100.0		
Revenue 2	Consulting	12,597	52.6	14,842	55.4	75,000	57.4		
	Urban & Spatial Development	7,237	30.2	7,719	28.8	36,091	27.6		
	Energy	3,925	16.4	3,991	14.9	18,799	14.4		
	Others	199	0.8	229	0.9	783	0.6		
	Total	23,960	100.0	26,782	100.0	130,674	100.0		

Category/Segment		By period		For the three months ended September 30, 2021		For the three months ended September 30, 2022		For the fiscal year ended June 30, 2022	
		Amount (Millions of yen)	Composition (%)	Amount (Millions of yen)	Composition (%)	Amount (Millions of yen)	Composition (%)		
Foreign exchange and other adjustments	Consulting	880		2,251		6,761			
	Urban & Spatial Development	(335)		(735)		1,758			
	Energy	(1)		84		(2)			
	Others	-		-		-			
	Total	543		1,600		8,518			
Outstanding Orders	Consulting	133,710	71.7	144,317	71.6	140,734	72.4		
	Urban & Spatial Development	30,734	16.5	34,111	16.9	30,769	15.8		
	Energy	22,025	11.8	23,093	11.5	23,004	11.8		
	Others	-	-	-	-	-	-		
	Total	186,469	100.0	201,522	100.0	194,508	100.0		

Notes: 1. The above amounts are for external customers, and do not include inter-segment transactions or transfers.

2. Revenue 1 is by segment which received orders. Revenue 2 is by segment which provided services.

3. Foreign exchange and other adjustments include those related to exchange differences and outstanding order revisions.

4. As disclosed in "2. Condensed Quarterly Consolidated Financial Statements and Primary Notes (5) Primary Notes to Condensed Quarterly Consolidated Financial Statements (Segment information)," the Group has changed its reportable segments since the first quarter of the current fiscal year. The figures for the three months ended September 30, 2021 and for the previous fiscal year have been provided based on the new reporting segments.