

Consolidated Financial Results for the Three Months Ended September 30, 2021 [IFRS]



November 15, 2021

Company name: Nippon Koei Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 1954

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

Representative: Hiroaki Shinya, Representative Director and President

Contact: Yasushi Hirusaki, Director General of Corporate Management Headquarters, Director

Phone: +81-3-3238-8040

Scheduled date of filing quarterly securities report: November 15, 2021

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, 2021 (from July 1, 2021 to September 30, 2021)

(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, 2021	23,960	13.8	(320)	-	(209)	-	(220)	-	(264)	-
September 30, 2020	21,053	-	(1,112)	-	(1,295)	-	(1,132)	-	(1,158)	-

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended September 30, 2021	(17.58)		(17.58)	
September 30, 2020	(76.74)		(76.74)	

(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
	Million yen	Million yen	Million yen	%
As of September 30, 2021	164,485	70,739	69,211	42.1
June 30, 2021	156,137	72,294	70,725	45.3

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Fiscal year ended June 30, 2021	-	-	-	75.00	75.00
Fiscal year ending June 30, 2022	-	-	-	-	-
Fiscal year ending June 30, 2022 (Forecast)	-	-	-	100.00	100.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2022 (from July 1, 2021 to June 30, 2022)

(% 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	131,000	11.1	7,700	8.0	4,700	3.7	312.33

(Note) 1. Revision to the financial results forecast announced most recently: None

2. Given the growing repercussions of the novel coronavirus (COVID-19), this forecast was developed on the information available to the Company as of the date of publication of this document. Since the forecast may change significantly depending on when the COVID-19 is contained and other variables, the Company will disclose revised forecasts as soon as possible if any revisions become necessary based on its performance outlook.

* Notes:

- (1) Changes in significant subsidiaries during the period under review (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, 2021 : 15,048,568 shares
 As of June 30, 2021 : 15,048,568 shares
- 2) Total number of treasury shares at the end of the period
 As of September 30, 2021 : 815 shares
 As of June 30, 2021 : 60 shares
- 3) Average number of shares during the period
 Three months ended September 30, 2021 : 15,048,080 shares
 Three months ended September 30, 2020 : 15,092,490 shares

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

* 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 date of publication of this document and are not intended as a promise by the Company that they will be achieved. Actual results, etc. may differ significantly due to a wide range of factors.

Table of Contents of Attachment

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position.....	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Statements	4
2. Condensed Quarterly Consolidated Financial Statements and Primary Notes.....	5
(1) Condensed Quarterly Consolidated Statement of Financial Position	5
(2) Condensed Quarterly Consolidated Statements of Profit or Loss and Comprehensive Income.....	7
(3) Condensed Quarterly Consolidated Statement of Changes in Equity.....	9
(4) Condensed Quarterly Consolidated Statement of Cash Flows	11
(5) Primary Notes to Condensed Quarterly Consolidated Financial Statements.....	12
(Notes on Going Concern Assumption)	12
(Notes on Significant Changes in Shareholders' Equity)	12
(Segment Information, etc.).....	12
(Significant Subsequent Events).....	15
3. Other Information.....	16
(1) Status of Orders and Revenue.....	16

1. Qualitative Information on Quarterly Financial Results

The Group has been disclosing consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) since the end of the previous fiscal year, and the financial figures for the three months ended September 30, 2020 are also reclassified to IFRS for comparison and analysis.

(1) Explanation of Operating Results

During the three months ended September 30, 2021 (July 1, 2021 to September 30, 2021), the Japanese economy remained in a difficult position due to the impact of COVID-19. The business is expected to pick up due to the improvement of overseas economies as measures are taken to prevent the spread of infection and vaccinations are promoted. But we need to pay close attention to the trends of infectious diseases in Japan and overseas and increasing downside risks due to the impact of such diseases throughout the supply chain. Also, we need to closely monitor the impact of fluctuations in financial and capital markets.

With regard to the business environment surrounding Nippon Koei Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”), in the Consulting Business, the Japanese government is expected to maintain a high level of budget mainly for national resilience (building a national land, region, and economic society that can minimize damage and quickly recover in the event of a disaster). We expect to see acceleration of digital reform and growing needs from management business. In international markets, there are risks related to impact on the progress of the business as well as travel restrictions due to the spread of COVID-19. But strong demand is expected to continue as high targets for orders received are set in the Japanese government's “Infrastructure System Overseas Promotion Strategy 2025.” In the Urban & Spatial Development Business, there are strong needs for urban development projects including reconstruction of the urban structure in Japan, Europe, and the United States, etc. and urban infrastructure projects in developing countries. In the Energy Business, new opportunities have been created leading to competition toward the realization of carbon neutrality in 2050 in Japan and there are growing needs for renewable energy development and better efficiency of energy use worldwide.

The Group is taking steps to prevent COVID-19 with an active defense system to protect the lives and health of employees and their families and to minimize the impact on customers. Our internal policy is to promote telework and other work style reforms, developing relevant infrastructure and various rules, and achieving a work-life balance and improving productivity.

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” (management that values employees, organizations, and society) as a basis for that.

As a result, the Group ended the three months of the current fiscal year with orders received having decreased 6.5% year on year to ¥25,319 million, revenue increased 13.8% year on year to ¥23,960 million, operating loss decreased 71.2% year on year to ¥320 million and loss attributable to owners of parent decreased 77.2% year on year to ¥264 million.

Revenue for the three months ended September 30, 2021 were ¥23,960 million, an achievement rate of 18.3% against the revenue forecast of ¥131,000 million for the fiscal year ending June 30, 2022 (same period of previous fiscal year: 19.7%). 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, because expenses such as selling, general and administrative expenses were generated evenly

throughout the year, the Group recorded an operating loss, and loss attributable to owners of parent for the three months ended September 30, 2021.

Business results for each segment are as follows: Among the business segments, the “Domestic Consulting” segment and the “International Consulting” segment have been integrated into the “Consulting” segment, and also the “Power Engineering” segment and the “Energy” segment have been integrated into the “Energy” segment from the first quarter of the fiscal year ending June 30, 2022. The purpose is to strengthen the business which is the first resilience policy in the medium-term management plan “Building Resilience 2024”. Also, the “Real Estate Leasing” has been included in “Others” as it is no longer a business segment. Due to these changes, the conventional six segments of the “Domestic Consulting,” “International Consulting,” “Power Engineering,” “Urban & Spatial Development,” “Energy” and “Real Estate Leasing” have been transformed into the three segments of the “Consulting,” “Urban & Spatial Development” and “Energy.” Therefore, the following comparisons with the previous consolidated first quarter are based on the figures reclassified into the new segments.

[Consulting]

In the Consulting Business, we improved the productivity through DX promotion and thoroughly carried out revenue management, quality control, risk management and safety management. We also advanced and globally deployed disaster prevention and mitigation technologies, expanded the transportation-related business, promoted services contributing to decarbonization and deployed the management area on a full-scale basis.

As a result, orders received decreased 0.1% year on year to ¥20,318 million. Revenue was strong compared with the same period of the previous year when there were business delays and travel suspensions due to the impact of COVID-19. Revenue increased 14.2% year on year to ¥14,850 million and operating loss decreased 57.8% year on year to ¥403 million.

[Urban & Spatial Development]

In the Urban & Spatial Development Business, we promoted urban development and Smart City business, responded to changes in the UK market and expanded our business in the Canadian market while making efforts to expand our business in the Asian market through Group-wide collaboration.

As a result, orders received decreased 1.4% year on year to ¥2,868 million and revenue increased 11.4% year on year to ¥5,002 million and operating profit decreased 19.7% year on year to 316 million.

[Energy]

In the Energy Business, we strengthened the production framework of electric power equipment, which is our main force, developed new products, and formulated new projects in the power generation business such as renewable energy. We formulated infrastructures for the battery storage business mainly in Europe as well as the aggregation business (a business that provides energy services through electricity market transactions, etc. by aggregating distributed energy sources) in Japan in the energy management business.

As a result, revenue increased 16.1% year on year to ¥3,925 million while orders received decreased 43.9% year on year to ¥2,133 million due to a reactionary decrease from the previous fiscal year when orders for large-scale projects were received, as well as delays in the timing of orders for projects. Operating profit was ¥260 million (same period of previous fiscal year: operating loss of ¥107 million due to the provision for loss on construction contracts).

(2) Explanation of Financial Position

Total assets as of the end of the first quarter of the fiscal year ending June 30, 2022, amounted to ¥164,485 million, an increase of ¥8,347 million from the end of the previous fiscal year. This was mainly due to a ¥1,292 million increase in cash and cash equivalents and a ¥5,546 million increase in contract assets.

Total liabilities were ¥93,746 million, an increase of ¥9,902 million from the end of the previous fiscal year. This

was mainly due to a ¥15,089 million increase in borrowings while a ¥2,517 million decrease in trade and other payables.

Total equity was ¥70,739 million, a decrease of ¥1,555 million from the end of the previous fiscal year. This was mainly due to a decrease in retained earnings of ¥1,393 million.

As a result, ratio of equity attributable to owners of parent to total assets decreased 3.2 percentage points from the end of the previous fiscal year to 42.1%.

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

The business performance of the Group in the consolidated first quarter under review generally progressed as initially expected. As for the future outlook, the full-year earnings forecast for the fiscal year ending June 30, 2022 (from July 1, 2021 to June 30, 2022) remains unchanged from the forecast announced on August 13, 2021 taking into account the trends of each segment, etc. although there are uncertainties such as the situation in the control of COVID-19.

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, 2021</u>	<u>As of September 30, 2021</u>
Assets		
Current assets		
Cash and cash equivalents	17,838	19,131
Trade and other receivables	21,189	20,635
Contract assets	24,327	29,873
Other financial assets	1,315	1,484
Other current assets	3,900	3,634
Total current assets	<u>68,570</u>	<u>74,760</u>
Non-current assets		
Property, plant and equipment	40,832	40,871
Right-of-use assets	9,229	9,248
Goodwill	9,182	9,367
Intangible assets	6,502	6,554
Investment property	4,094	4,074
Investments accounted for using equity method	2,077	2,216
Retirement benefit asset	4,391	4,397
Other financial assets	7,434	7,609
Deferred tax assets	2,437	2,511
Other non-current assets	1,384	2,873
Total non-current assets	<u>87,566</u>	<u>89,725</u>
Total assets	<u><u>156,137</u></u>	<u><u>164,485</u></u>

(Millions of yen)

	<u>As of June 30, 2021</u>	<u>As of September 30, 2021</u>
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	8,320	24,331
Lease liabilities	2,678	2,637
Trade and other payables	9,076	6,559
Contract liabilities	10,645	10,121
Other financial liabilities	3,005	2,227
Income taxes payable	2,228	191
Provisions	818	737
Other current liabilities	12,115	11,312
Total current liabilities	<u>48,889</u>	<u>58,118</u>
Non-current liabilities		
Borrowings	18,712	17,790
Lease liabilities	6,699	6,769
Other financial liabilities	648	651
Retirement benefit liability	3,861	3,907
Provisions	375	1,872
Deferred tax liabilities	4,533	4,405
Other non-current liabilities	122	231
Total non-current liabilities	<u>34,953</u>	<u>35,627</u>
Total liabilities	<u>83,843</u>	<u>93,746</u>
Equity		
Share capital	7,480	7,480
Capital surplus	6,428	6,423
Treasury shares	(0)	(2)
Other components of equity	2,820	2,706
Retained earnings	53,996	52,603
Total equity attributable to owners of parent	<u>70,725</u>	<u>69,211</u>
Non-controlling interests	1,569	1,527
Total equity	<u>72,294</u>	<u>70,739</u>
Total liabilities and equity	<u>156,137</u>	<u>164,485</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, 2020 (From July 1, 2020 to September 30, 2020)	For the three months ended September 30, 2021 (From July 1, 2021 to September 30, 2021)
Revenue	21,053	23,960
Cost of sales	(15,257)	(17,542)
Gross profit	5,796	6,418
Selling, general and administrative expenses	(6,690)	(6,946)
Share of profit (loss) of investments accounted for using equity method	35	105
Other income	246	161
Other expenses	(500)	(59)
Operating profit (loss)	(1,112)	(320)
Finance income	62	218
Finance costs	(244)	(107)
Profit (loss) before tax	(1,295)	(209)
Income tax expense	163	(11)
Profit (loss)	(1,132)	(220)
Profit (loss) attributable to		
Owners of parent	(1,158)	(264)
Non-controlling interests	25	44
Profit (loss)	(1,132)	(220)
Earnings (loss) per share		
Basic earnings (loss) per share	(76.74)	(17.58)
Diluted earnings (loss) per share	(76.74)	(17.58)

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(Millions of yen)

	For the three months ended September 30, 2020 (From July 1, 2020 to September 30, 2020)	For the three months ended September 30, 2021 (From July 1, 2021 to September 30, 2021)
Profit (loss)	(1,132)	(220)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity financial assets measured at fair value through other comprehensive income	(44)	175
Share of other comprehensive income of investments accounted for using equity method	-	0
Total of items that will not be reclassified to profit or loss	(44)	176
Items that may be reclassified to profit or loss		
Cash flow hedges	1	1
Exchange differences on translation of foreign operations	222	(280)
Share of other comprehensive income of investments accounted for using equity method	(10)	(16)
Total of items that may be reclassified to profit or loss	213	(295)
Other comprehensive income	168	(119)
Comprehensive income	(963)	(339)
Comprehensive income attributable to		
Owners of parent	(960)	(377)
Non-controlling interests	(2)	38
Comprehensive income	(963)	(339)

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

For the Three Month Ended September 30, 2020 (From July 1, 2020 to September 30, 2020)

(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, 2020	7,458	6,498	(2,415)	(432)	(36)	471
Profit (loss)	-	-	-	-	-	-
Other comprehensive income	-	-	-	240	1	(44)
Total comprehensive income	-	-	-	240	1	(44)
Issuance of new shares	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Purchase of treasury shares	-	-	(0)	-	-	-
Disposal of treasury shares	-	(7)	122	-	-	-
Cancellation of treasury shares	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Purchase and disposal of non-controlling interests	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-
Total transactions with owners	-	(7)	122	-	-	-
Balance as of September 30, 2020	7,458	6,490	(2,293)	(192)	(34)	426

	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, 2020	-	1	52,675	64,219	1,502	65,721
Profit (loss)	-	-	(1,158)	(1,158)	25	(1,132)
Other comprehensive income	-	197	-	197	(28)	168
Total comprehensive income	-	197	(1,158)	(960)	(2)	(963)
Issuance of new shares	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	-	-	114	-	114
Cancellation of treasury shares	-	-	-	-	-	-
Dividends	-	-	(1,138)	(1,138)	(28)	(1,166)
Purchase and disposal of non-controlling interests	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-
Total transactions with owners	-	-	(1,138)	(1,023)	(28)	(1,052)
Balance as of September 30, 2020	-	199	50,379	62,234	1,470	63,705

For the Three Month 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
Issuance of new shares	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Purchase of treasury shares	-	-	(2)	-	-	-
Disposal of treasury shares	-	-	-	-	-	-
Cancellation of treasury shares	-	-	-	-	-	-
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)
Issuance of new shares	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	(2)	-	(2)
Disposal of treasury shares	-	-	-	-	-	-
Cancellation of treasury shares	-	-	-	-	-	-
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

(4) Condensed Quarterly Consolidated Statements of Cash Flows

	(Millions of yen)	
	For the three months ended September 30, 2020 (From July 1, 2020 to September 30, 2020)	For the three months ended September 30, 2021 (From July 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Profit (loss) before tax	(1,295)	(209)
Depreciation and amortization	1,135	1,177
Loss (gain) on financial assets measured at fair value through profit or loss	(54)	55
Interest and dividend income	(70)	(107)
Interest expenses	101	107
Share of loss (profit) of investments accounted for using equity method	(35)	(105)
Loss (gain) on derivatives	80	(78)
Decrease (increase) in trade and other receivables	2,349	836
Decrease (increase) in contract assets	(5,610)	(5,574)
Decrease (increase) in insurance claims receivable	-	(1,500)
Increase (decrease) in trade and other payables	(2,202)	(2,543)
Increase (decrease) in contract liabilities	957	(453)
Increase (decrease) in consumption taxes payable	(50)	(2,512)
Increase (decrease) in deposits received	(287)	(842)
Increase (decrease) in bonus payable	1,407	1,464
Increase (decrease) in provisions	489	1,416
Other	(158)	(91)
Sub total	(3,242)	(8,961)
Dividends received	17	35
Interest received	61	71
Interest paid	(102)	(101)
Income taxes paid	(1,045)	(2,174)
Net cash provided by (used in) operating activities	(4,311)	(11,131)
Cash flows from investing activities		
Payments into time deposits	(5)	(194)
Proceeds from withdrawal of time deposits	96	105
Purchase of property, plant and equipment, and investment property	(610)	(274)
Purchase of intangible assets	(83)	(187)
Purchase of other financial assets	(0)	(50)
Proceeds from sale and redemption of other financial assets	-	71
Payments for acquisition of subsidiaries	-	(216)
Other	9	8
Net cash provided by (used in) investing activities	(593)	(738)
Cash flows from financing activities		
Proceeds from short-term borrowings	120,000	32,000
Repayments of short-term borrowings	(121,000)	(16,072)
Proceeds from long-term borrowings	15,000	-
Repayments of long-term borrowings	(864)	(959)
Repayments of lease liabilities	(697)	(504)
Dividends paid	(1,134)	(1,119)
Other	122	(71)
Net cash provided by (used in) financing activities	11,425	13,273
Net increase (decrease) in cash and cash equivalents	6,520	1,404
Cash and cash equivalents at beginning of period	15,472	17,838
Effect of exchange rate changes on cash and cash equivalents	(125)	(111)
Cash and cash equivalents at end of period	21,868	19,131

(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, etc.)

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 divisions 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", "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 as well as planning and design of mechanical, electrical and communication facilities, construction and construction management as well as the energy management business utilizing distributed energy resources.

2. Changes in reportable segments

From the first quarter of the fiscal year ending June 30, 2022, the Company has integrated the "Domestic Consulting" and "International Consulting" segments into the "Consulting" segment, and the "Power Engineering" and "Energy" segments into the "Energy" segment to strengthen the business axis, which is the first resilience policy in the medium-term management plan "Building Resilience 2024." In addition, "Real Estate Leasing" is included in "Others" as it is no longer a business segment. As a result of these changes, the previous six segments of "Domestic Consulting," "International Consulting," "Power Engineering," "Urban & Spatial Development," "Energy," and "Real Estate Leasing" have been reclassified into three segments of "Consulting," "Urban & Spatial Development," and "Energy". Also, PT. CIKAENGAN TIRTA ENERGI, an affiliated company of the Company, has been reclassified from the "Energy" segment to the "Consulting" segment since the first quarter of the fiscal year ending June 30, 2022 as a result of reviewing the group management framework.

Please note that segment information for the first quarter of the previous fiscal year ended June 30, 2021 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, 2020 (from July 1, 2020 to September 30, 2020)

(Millions of yen)

	Reportable Segments			
	Consulting	Urban & Spatial Development	Energy	Total
Revenue				
Revenue from external customers	13,002	4,489	3,381	20,873
Intersegment revenue and transfers	75	14	57	147
Total	13,078	4,504	3,439	21,021
Segment profit (loss)	(956)	394	(107)	(669)
Finance income				
Finance costs				
Profit (loss) before tax				

	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated
Revenue				
Revenue from external customers	180	21,053	-	21,053
Intersegment revenue and transfers	172	320	(320)	-
Total	352	21,374	(320)	21,053
Segment profit (loss)	(450)	(1,120)	7	(1,112)
Finance income				62
Finance costs				(244)
Profit (loss) before tax				(1,295)

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, 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	14,850	5,002	3,925	23,779
Intersegment revenue and transfers	58	11	59	129
Total	14,909	5,014	3,984	23,908
Segment profit (loss)	(403)	316	260	172
Finance income				
Finance costs				
Profit (loss) before tax				

	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated
Revenue				
Revenue from external customers	181	23,960	-	23,960
Intersegment revenue and transfers	134	263	(263)	-
Total	316	24,224	(263)	23,960
Segment profit (loss)	(495)	(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.

(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, 2021, 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 of 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.

2. Issuance overview

(1) Payment date	October 28, 2021
(2) Class and number of shares to be issued	11,746 shares of common stock of the Company
(3) Issue price	¥3,595 per share
(4) Total issue price of shares to be issued	¥42,226,870
(5) Capitalization amount	¥1,798 per share
(6) Total capitalization amount	¥21,119,308
(7) Method of offer or allotment	Allotment of specified restricted stocks
(8) Method of contribution	In-kind contribution of monetary compensation claims
(9) Allottees, number thereof and number of shares to be allotted	11,746 shares to eight directors of the Company (excluding outside directors)
(10) Transfer restriction period	October 28, 2021 to October 27, 2024
(11) 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.

3. Other Information

(1) Status of Orders and Revenue

By period		For the three months ended September 30, 2020		For the three months ended September 30, 2021		For the fiscal year ended June 30, 2021	
		Amount (Millions of yen)	Composition (%)	Amount (Millions of yen)	Composition (%)	Amount (Millions of yen)	Composition (%)
Orders received	Consulting	20,331	75.2	20,318	80.3	97,769	73.3
	Urban & Spatial Development	2,910	10.7	2,868	11.3	21,457	16.1
	Energy	3,804	14.0	2,133	8.4	13,991	10.5
	Others	37	0.1	-	-	86	0.1
	Total	27,083	100.0	25,319	100.0	133,304	100.0
Revenue 1	Consulting	13,845	65.7	15,693	65.5	85,236	72.3
	Urban & Spatial Development	4,336	20.6	4,849	20.2	18,209	15.5
	Energy	2,691	12.8	3,235	13.5	13,548	11.5
	Others	180	0.9	181	0.8	865	0.7
	Total	21,053	100.0	23,960	100.0	117,859	100.0
Revenue 2	Consulting	13,002	61.7	14,850	61.9	80,098	68.0
	Urban & Spatial Development	4,489	21.3	5,002	20.9	20,274	17.2
	Energy	3,381	16.1	3,925	16.4	16,621	14.1
	Others	180	0.9	181	0.8	865	0.7
	Total	21,053	100.0	23,960	100.0	117,859	100.0

By period		For the three months ended September 30, 2020		For the three months ended September 30, 2021		For the fiscal year ended June 30, 2021	
		Amount (Millions of yen)	Composition (%)	Amount (Millions of yen)	Composition (%)	Amount (Millions of yen)	Composition (%)
Foreign exchange and other adjustments	Consulting	(791)		884		931	
	Urban & Spatial Development	468		(339)		2,800	
	Energy	-		(1)		(0)	
	Others	-		-		-	
	Total	(322)		543		3,731	
Outstanding Orders	Consulting	130,357	76.8	143,696	77.1	138,186	75.0
	Urban & Spatial Development	16,318	9.6	20,747	11.1	23,068	12.5
	Energy	23,135	13.6	22,025	11.8	22,994	12.5
	Others	-	-	-	-	0	0.0
	Total	169,811	100.0	186,469	100.0	184,250	100.0

Notes: 1. The above amounts are exclusive of consumption tax and other taxes.

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

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

4. As disclosed in "2. Condensed Quarterly Consolidated Financial Statements and Primary Notes (5) Primary Notes to Condensed Quarterly Consolidated Financial Statements (Segment information, etc.)," the Group has changed its reportable segments since the three months ended September 30, 2021. The figures for the three months ended September 30, 2020 and for the fiscal year ended June 30, 2021 have been provided based on the new reporting segments.