

Consolidated Financial Results for the Six Months Ended December 31, 2020 [Japanese GAAP]



February 12, 2021

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: February 12, 2021

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes (for investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended December 31, 2020 (July 1, 2020 to December 31, 2020)

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

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | |
|------------------------------------|-------------|-------|------------------|---|-----------------|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Six months ended December 31, 2020 | 46,675 | (5.0) | (18) | - | (426) | - | (2,461) | - |
| December 31, 2019 | 49,148 | 25.6 | (1,427) | - | (1,185) | - | (910) | - |

(Note) Comprehensive income: Six months ended December 31, 2020: ¥(1,678) million [- %]

Six months ended December 31, 2019: ¥(160) million [- %]

| | Net income per share | Diluted net income per share |
|------------------------------------|----------------------|------------------------------|
| Six months ended December 31, 2020 | Yen (162.81) | Yen - |
| December 31, 2019 | (59.89) | - |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|-------------------------|------------------------|-----------------------|--------------|
| As of December 31, 2020 | Million yen 140,226 | Million yen 56,915 | 39.7 % |
| June 30, 2020 | 130,215 | 59,470 | 44.7 |

(Reference) Equity: As of December 31, 2020 : ¥55,656 million

As of June 30, 2020 : ¥58,245 million

2. Dividends

| | Annual dividends | | | | |
|---|------------------|-----------------|-----------------|--------------|--------------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| Fiscal year ended June 30, 2020 | Yen - | Yen - | Yen - | Yen 75.00 | Yen 75.00 |
| Fiscal year ending June 30, 2021 | - | - | - | - | - |
| Fiscal year ending June 30, 2021 (Forecast) | - | - | - | 75.00 | 75.00 |

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2021 (July 1, 2020 to June 30, 2021)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | | Net income per share |
|------------------------------|-------------|-----|------------------|-----|-----------------|------|---|--------|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| [Japanese GAAP] Full year | 117,600 | 4.8 | 4,900 | 6.8 | 5,400 | 17.3 | 1,300 | (52.3) | 85.98 |

| | Revenue | | Operating income | | Income before Tax | | Income attributable to owners of parent | | Basic earnings per share |
|---------------------|-------------|---|------------------|---|-------------------|---|---|---|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| [IFRS] Full year | 117,600 | - | 4,600 | - | 4,200 | - | 2,000 | - | 132.27 |

(Note) 1. Revision to the financial results forecast announced most recently: Yes

2. The Company has decided to voluntarily apply International Financial Reporting Standards (IFRS) from the year-end of fiscal year ending June 30, 2021. Accordingly, in addition to the consolidated financial results forecast based on Japanese GAAP, the Company discloses financial estimates based on IFRS. The percentage change from the fiscal year ended June 30, 2020, for which the Japanese GAAP was applied, is not shown in the above table.

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury stock)

As of December 31, 2020 : 15,948,054 shares

As of June 30, 2020 : 15,933,058 shares

2) Total number of treasury stock at the end of the period

As of December 31, 2020 : 779,612 shares

As of June 30, 2020 : 861,023 shares

3) Average number of shares during the period

Six months ended December 31, 2020 : 15,120,529 shares

Six months ended December 31, 2019 : 15,207,546 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

(Caution regarding forward-looking statements)

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 certain assumptions deemed reasonable. Actual results, etc. may differ significantly due to a wide range of factors.

The Company is scheduled to hold a financial results briefing session for investors and analysts on February 18, 2021. The financial briefing materials to be distributed at this briefing session will be subsequently posted on the Company's website.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended December 31, 2020 (July 1, 2020 to December 31, 2020), the Japanese economy remained in a difficult position due to COVID-19. However, the trend toward economic recovery is expected to continue. That said, it is necessary to pay sufficient attention to the risk that the impact of the spread of the disease on socioeconomic activities could exert downward pressure on the Japanese and overseas economies. Similarly, 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”), the Domestic Consulting Business is expected to remain strong since the Japanese government’s budget for public works projects in fiscal year 2020 is expected to maintain at the same level as the previous fiscal year. On the other hand, the future of the International Consulting Business is uncertain due to the travel restrictions accompanying the spread of COVID-19, although it is expected that the Japanese government will continue with its high-quality infrastructure system export strategy. In the Power Engineering Business, new business opportunities and competition are expected to arise as a result of the reform of the electric power system, while the severe business environment is expected to continue as customers continue to request cost reductions when upgrading existing electric power facilities. In the Urban & Spatial Development Business, while the impact of Brexit on demand for architectural design in the U.K. is a continuing concern, demand for infrastructure development is expected to increase as urbanization progresses in Asian countries. In the Energy Business, demand for renewable energy is expected to grow as the world shifts to development of low-carbonization and energy resource decentralization.

Under these circumstances, based on the Medium-Term Management Plan “NK-Innovation 2021” (from July 2018 to June 2021), with the fundamental principles of “Continue evolution into global consulting and engineering firm,” the Group tackled the five business strategies of “Enhancement of operating system for Railways Business,” “Overseas expansion of Urban & Spatial Development Business,” “Establishment of Energy Business,” “Creation of businesses and overseas expansion of Consulting Business,” and “Product development and overseas expansion of Power Engineering Business.” Moreover, as group-wide measures to realize these goals, the Group actively advanced “Establishment of one-stop marketing system,” “Investment in technologies and human resources,” and “Enhancement of group governance.”

On the other hand, 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. We are taking measures to secure sufficient cash reserves in order to prepare for uncertainty in business activities, such as long-term borrowing of funds and increasing working capital line of credit and commitment lines. However, some businesses have been affected by the spread of COVID-19.

As a result, the Group ended the six months of the current fiscal year with orders received having decreased 11.3% year on year to ¥51,796 million, and net sales decreased 5.0% year on year to ¥46,675 million. Meanwhile, as travel restrictions in the Domestic and International Consulting Businesses contributed to lower costs, operating loss decreased 98.7% year on year to ¥18 million and ordinary loss decreased 64.0% year on year to ¥426 million. Net loss attributable to owners of parent increased 170.3% year on year to ¥2,461 million due to an impairment loss of ¥1,821 million recorded for a hydroelectric power plant in Java, Indonesia, that is under construction by PT. CIKAENGAN TIRTA ENERGI, a consolidated subsidiary, owing to repair work and business plan review as a result of ground deformation caused by abnormal rainfall.

Net sales for the six months ended December 31, 2020 were ¥46,675 million, an achievement rate of 39.6% against the net sales forecast of ¥117,600 million for the fiscal year ending June 30, 2021 (six months ended December 31, 2019: 38.5%). 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 net sales. On the other hand, because expenses such as selling, general and administrative expenses were generated fairly evenly

throughout the year, the Group recorded an operating loss, an ordinary loss and loss attributable to owners of parent for the six months ended December 31, 2020.

Business results for each segment are as follows:

[Domestic Consulting]

As for the Domestic Consulting Business, we worked thoroughly to manage costs related to indirect operations, while promoting the assignment of human resources engaged in the International Consulting Business to work within Japan and receiving orders jointly. At the same time, we worked to support the promotion of the global strategy through collaboration with the International Consulting Business and the R&D Center, and to develop new businesses by utilizing management knowhow, as the core, to improve the value of infrastructure.

As a result, orders received increased 10.2% year on year to ¥27,002 million and net sales increased 2.0% year on year to ¥19,656 million. Operating income was ¥70 million due to cost reduction through travel expense control, etc. and operational efficiency improvement (operating loss of ¥1,338 million for the six months ended December 31, 2019) and ordinary loss decreased 68.5% year on year to ¥426 million.

[International Consulting]

In the International Consulting Business, we worked on acquiring and developing human resources, mainly in the railways business, while enhancing project management capabilities to strengthen the operating system and practicing strict management of profit, risks, and safety. However, there were travel restrictions and delays in operations due to the spread of COVID-19.

As a result, orders received decreased 30.8% year on year to ¥12,194 million and net sales decreased 14.7% year on year to ¥10,253 million. Meanwhile, promoting working in Japan in response to travel restrictions contributed to lower costs, causing operating income to increase 103.8% year on year to ¥352 million and ordinary income to increase 56.8% year on year to ¥302 million.

[Power Engineering]

In the Power Engineering Business, we expanded the mechanical and electrical consulting business into new areas including traffic and transportation, as well as maintenance and management in view of global development, and strengthened group-wide cooperation. We also made efforts to increase price competitiveness with rigorous cost reductions and enhance the sales force. However, there were delays in operations due to the spread of COVID-19.

As a result, orders received increased 13.3% year on year to ¥6,225 million and net sales decreased 7.7% year on year to ¥6,997 million. Operating income decreased 76.9% year on year to ¥143 million due to mainly the provision for loss on construction contracts of ¥118 million resulting from budget overruns for the vertical water turbine projects. Ordinary income decreased 82.7% year on year to ¥100 million.

[Urban & Spatial Development]

In the Urban & Spatial Development Business, we responded to changes in the U.K. market and expanded our business in the Commonwealth markets, centering on Canada, while making efforts to expand our business in the Asian market through Group-wide collaboration by Singapore Representative Office. However, we received smaller orders and there were delays in contracting procedures due to the spread of COVID-19.

As a result, orders received decreased 30.1% year on year to ¥6,281 million, net sales decreased 0.5% year on year to ¥8,921 million, operating income decreased 16.9% year on year to ¥419 million and ordinary income decreased 28.7% year on year to ¥244 million.

[Energy Business]

In Energy Business, we worked to improve earnings from the power generation business such as renewable energy, formulate new projects, including PFI (Private Finance Initiative) business that utilize private funds, and promote the energy management business mainly in Europe.

As a result, orders received decreased 21.1% year on year to ¥44 million. Net sales decreased 47.9% to ¥369 million, compared with the previous fiscal year when sales for the U.K. storage battery EPC project were recorded. Operating loss increased 2.3% year on year to ¥179 million, and ordinary income was ¥117 million mainly due to share of income of entities accounted for using equity method (ordinary loss of ¥113 million for the six months ended December 31, 2019).

[Real Estate Leasing]

In the Real Estate Leasing Business, net sales increased 97.8% year on year to ¥429 million. Operating income increased 74.5% year on year to ¥354 million and ordinary income increased 74.6% year on year to ¥356 million.

(2) Explanation of Financial Position

Total assets as of the end of the second quarter of the fiscal year ending June 30, 2021, amounted to ¥140,226 million, an increase of ¥10,010 million from the end of the previous fiscal year.

In the Assets section, current assets were ¥73,151 million, an increase of ¥11,735 million from the end of the previous fiscal year. This was mainly due to a ¥3,442 million increase in cash and deposits and a ¥8,269 million increase in notes and accounts receivable-trade.

Non-current assets were ¥67,075 million, a decrease of ¥1,724 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥2,285 million in property, plant and equipment caused by an impairment loss on property, plant and equipment of ¥1,821 million and other factors, while investment securities included in other items of investments and other assets increased by ¥797 million.

In the Liabilities section, current liabilities were ¥52,435 million, an increase of ¥6,934 million from the end of the previous fiscal year. This was mainly due to a ¥4,000 million increase in short-term loans payable and a ¥5,480 million increase in current portion of long-term loans payable while a ¥1,380 million decrease in notes and accounts payable-trade, a ¥769 million decrease in income taxes payable and a ¥620 million decrease in provision for bonuses.

Non-current liabilities were ¥30,875 million, an increase of ¥5,630 million from the end of the previous fiscal year. This was mainly due to a ¥6,210 million increase in long-term loans payable.

Net assets were ¥56,915 million, a decrease of ¥2,554 million from the end of the previous fiscal year. This was mainly due to a ¥3,309 million decrease in shareholders' equity caused by a decrease in retained earnings, while a ¥720 million increase in accumulated other comprehensive income.

As a result, the shareholders' equity ratio decreased 5.0 percentage points from the end of the previous fiscal year to 39.7%.

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

The consolidated financial results forecast for the fiscal year ending June 30, 2021 announced on August 31, 2020 has been revised. For details, please refer to the "Notice of Revision of Consolidated Performance Forecast" announced on February 24, 2021.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

| | As of June 30, 2020 | As of December 31, 2020 |
|---------------------------------------|---------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 16,003 | 19,446 |
| Notes and accounts receivable - trade | 39,047 | 47,317 |
| Work in process | 1,725 | 2,079 |
| Other | 4,947 | 4,687 |
| Allowance for doubtful accounts | (308) | (379) |
| Total current assets | 61,415 | 73,151 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 15,565 | 15,420 |
| Land | 16,108 | 16,105 |
| Other, net | 9,082 | 6,944 |
| Total property, plant and equipment | 40,756 | 38,470 |
| Intangible assets | | |
| Goodwill | 7,398 | 7,558 |
| Other | 4,734 | 4,740 |
| Total intangible assets | 12,132 | 12,299 |
| Investments and other assets | | |
| Other | 16,068 | 16,459 |
| Allowance for doubtful accounts | (157) | (154) |
| Total investments and other assets | 15,910 | 16,305 |
| Total non-current assets | 68,800 | 67,075 |
| Total assets | 130,215 | 140,226 |

(Millions of yen)

| | As of June 30, 2020 | As of December 31, 2020 |
|---|---------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 5,724 | 4,344 |
| Short-term loans payable | 13,000 | 17,000 |
| Current portion of long-term loans payable | 2,780 | 8,261 |
| Income taxes payable | 1,266 | 496 |
| Advances received | 8,009 | 8,464 |
| Provision for bonuses | 2,201 | 1,580 |
| Provision for directors' bonuses | 52 | - |
| Provision for loss on construction contracts | 496 | 533 |
| Provision for compensation | - | 485 |
| Provision for business restructuring | 93 | - |
| Other | 11,876 | 11,269 |
| Total current liabilities | 45,500 | 52,435 |
| Non-current liabilities | | |
| Long-term loans payable | 14,922 | 21,133 |
| Provision for directors' retirement benefits | 17 | 3 |
| Provision for environmental measures | 34 | 34 |
| Liability for retirement benefits | 3,814 | 3,888 |
| Other | 6,456 | 5,816 |
| Total non-current liabilities | 25,245 | 30,875 |
| Total liabilities | 70,745 | 83,310 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 7,458 | 7,480 |
| Capital surplus | 6,509 | 6,531 |
| Retained earnings | 49,207 | 45,607 |
| Treasury shares | (2,415) | (2,168) |
| Total shareholders' equity | 60,760 | 57,451 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 298 | 397 |
| Foreign currency translation adjustments | (3,486) | (2,895) |
| Remeasurements of defined benefit plans | 672 | 703 |
| Total accumulated other comprehensive income | (2,515) | (1,794) |
| Non-controlling interests | 1,225 | 1,259 |
| Total net assets | 59,470 | 56,915 |
| Total liabilities and net assets | 130,215 | 140,226 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

For the Six months ended December 31, 2019 and 2020

(Millions of yen)

| | For the six months ended December 31, 2019 (From July 1, 2019 to December 31, 2019) | For the six months ended December 31, 2020 (From July 1, 2020 to December 31, 2020) |
|---|--|--|
| Net sales | 49,148 | 46,675 |
| Cost of sales | 36,447 | 33,283 |
| Gross profit | 12,700 | 13,392 |
| Selling, general and administrative expenses | 14,127 | 13,411 |
| Operating income (loss) | (1,427) | (18) |
| Non-operating income | | |
| Interest income | 111 | 99 |
| Dividend income | 62 | 59 |
| Gain on sales of investment securities | 186 | - |
| Share of income of entities accounted for using equity method | - | 172 |
| Other | 284 | 220 |
| Total non-operating income | 645 | 551 |
| Non-operating expenses | | |
| Interest expenses | 217 | 191 |
| Share of loss of entities accounted for using equity method | 18 | - |
| Foreign exchange losses | 124 | 96 |
| Provision for compensation | - | 485 |
| Other | 43 | 186 |
| Total non-operating expenses | 403 | 959 |
| Ordinary income (loss) | (1,185) | (426) |
| Extraordinary losses | | |
| Impairment losses | - | 1,821 |
| Total extraordinary losses | - | 1,821 |
| Income (loss) before income taxes | (1,185) | (2,248) |
| Income taxes – current | 521 | 575 |
| Income taxes – deferred | (811) | (474) |
| Total income taxes | (290) | 100 |
| Net income (loss) | (895) | (2,348) |
| Net income (loss) attributable to | | |
| Net income (loss) attributable to owners of parent | (910) | (2,461) |
| Net income (loss) attributable to non-controlling interests | 15 | 112 |
| Other comprehensive income (loss) | | |
| Valuation difference on available-for-sale securities | 84 | 99 |
| Foreign currency translation adjustments | 602 | 551 |
| Remeasurements of defined benefit plans, net of tax | 15 | 31 |
| Share of other comprehensive income of entities accounted for using equity method | 31 | (11) |
| Total other comprehensive income (loss) | 734 | 670 |
| Comprehensive income (loss) | (160) | (1,678) |
| Comprehensive income (loss) attributable to | | |
| Comprehensive income (loss) attributable to owners of parent | (197) | (1,740) |
| Comprehensive income (loss) attributable to non-controlling interests | 37 | 62 |

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

| | For the six months ended December 31, 2019 (From July 1, 2019 to December 31, 2019) | For the six months ended December 31, 2020 (From July 1, 2020 to December 31, 2020) |
|---|--|--|
| Cash flows from operating activities | | |
| Income (loss) before income taxes | (1,185) | (2,248) |
| Depreciation | 1,135 | 1,364 |
| Impairment losses | - | 1,821 |
| Amortization of goodwill | 278 | 264 |
| Loss (gain) on valuation of investment securities | - | (45) |
| Share of loss (gain) of entities accounted for using equity method | 18 | (172) |
| Increase (decrease) in allowance for doubtful accounts | 69 | 68 |
| Increase (decrease) in provision for bonuses | (307) | (670) |
| Increase (decrease) in provision for loss on construction contracts | (0) | 37 |
| Increase (decrease) in provision for compensation | - | 485 |
| Increase (decrease) in provision for business restructuring | (3) | (97) |
| Interest and dividend income | (173) | (158) |
| Interest expenses | 217 | 191 |
| Loss (gain) on derivatives | (148) | 111 |
| Decrease (increase) in notes and accounts receivable - trade | (11,635) | (8,069) |
| Decrease (increase) in inventories | 1,191 | (353) |
| Increase (decrease) in notes and accounts payable - trade | (867) | (1,379) |
| Increase (decrease) in accounts payable - other | (330) | (55) |
| Increase (decrease) in advances received | (202) | 466 |
| Increase (decrease) in consumption taxes receivable/payable | (1,841) | (174) |
| Other, net | (327) | 491 |
| Subtotal | (14,114) | (8,123) |
| Interest and dividend income received | 164 | 173 |
| Interest expenses paid | (223) | (202) |
| Income taxes paid | (1,282) | (1,303) |
| Net cash provided by (used in) operating activities | (15,457) | (9,456) |
| Cash flows from investing activities | | |
| Net decrease (increase) in time deposits | (208) | 111 |
| Purchase of property, plant and equipment | (849) | (747) |
| Purchase of intangible assets | (102) | (129) |
| Purchase of investment securities | (0) | (466) |
| Loan advances | (660) | (20) |
| Other, net | 369 | (150) |
| Net cash provided by (used in) investing activities | (1,451) | (1,404) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 21,000 | 4,000 |
| Proceeds from long-term loans payable | - | 15,000 |
| Repayments of long-term loans payable | (1,270) | (3,205) |
| Repayments of lease obligations | (360) | (405) |
| Proceeds from sales of treasury shares | 201 | 247 |
| Purchase of treasury shares | (2,001) | (0) |
| Cash dividends paid | (1,214) | (1,134) |
| Other, net | (2) | (9) |
| Net cash provided by (used in) financing activities | 16,352 | 14,491 |
| Effect of exchange rate change on cash and cash equivalents | 292 | (66) |
| Net increase (decrease) in cash and cash equivalents | (263) | 3,564 |
| Cash and cash equivalents at beginning of period | 12,663 | 14,771 |
| Cash and cash equivalents at end of period | 12,399 | 18,335 |

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Notes on Significant Changes in Shareholders' Equity)

(Issuance of restricted stock compensation)

In accordance with the resolution of the Extraordinary Board of Directors Meeting held on September 29, 2020, we issued new shares as restricted stock compensation for Directors on October 28, 2020. As a result, capital stock and capital reserve increased by ¥21 million, respectively, during the six months ended December 31, 2020.

Subsequently, capital stock and capital surplus at the end of the first six months of the fiscal year were ¥7,480 million and ¥6,531 million, respectively.

(Accounting Policies Adopted Specially for the Preparation of Quarterly Consolidated Financial Statements)

(Deferral of cost variance)

Cost variance caused by seasonal changes in operation rates, etc. is expected to be almost completely eliminated by the end of the cost accounting period, which is, therefore, deferred as other current liabilities.

(Segment Information, etc.)

[Segment Information]

For the six months ended December 31, 2019 (from July 1, 2019 to December 31, 2019)

1) Net sales and segment income or loss by reportable segment

(Millions of yen)

| | Reportable segment | | | | | | | Others (Note) | Total |
|------------------------------------|------------------------|-----------------------------|----------------------|-----------------------------------|--------------------|------------------------|----------|------------------|---------|
| | Domestic Consulting | International Consulting | Power Engineering | Urban & Spatial Development | Energy Business | Real Estate Leasing | Subtotal | | |
| Net sales | | | | | | | | | |
| Net sales to external customers | 19,267 | 12,025 | 7,583 | 8,963 | 710 | 216 | 48,767 | 380 | 49,148 |
| Intersegment sales or transfers | 205 | 23 | 274 | 77 | - | 82 | 663 | 441 | 1,105 |
| Total | 19,473 | 12,048 | 7,858 | 9,041 | 710 | 298 | 49,430 | 822 | 50,253 |
| Segment income (loss) | (1,354) | 192 | 580 | 343 | (113) | 203 | (148) | (1,011) | (1,159) |

(Note) "Others" refers to a group of operations from which no income is gained or that produce only incidental gains.

2) Differences between the total amount of income or loss of reportable segments and the amounts in quarterly consolidated statement of income and comprehensive income, and major breakdown of such differences (reconciliation)

(Millions of yen)

| Income | Amount |
|---|---------|
| Reportable segment total | (148) |
| Loss of "others" category | (1,011) |
| Elimination of intersegment transactions | (26) |
| Ordinary Income (loss) in the quarterly consolidated statement of income and comprehensive income | (1,185) |

For the six months ended December 31, 2020 (from July 1, 2020 to December 31, 2020)

1) Net sales and segment income or loss by reportable segment

(Millions of yen)

| | Reportable segment | | | | | | | Others (Note) | Total |
|------------------------------------|------------------------|-----------------------------|----------------------|-----------------------------------|--------------------|------------------------|----------|------------------|--------|
| | Domestic Consulting | International Consulting | Power Engineering | Urban & Spatial Development | Energy Business | Real Estate Leasing | Subtotal | | |
| Net sales | | | | | | | | | |
| Net sales to external customers | 19,656 | 10,253 | 6,997 | 8,921 | 369 | 429 | 46,627 | 48 | 46,675 |
| Intersegment sales or transfers | 433 | 31 | 129 | 0 | - | 69 | 664 | 336 | 1,000 |
| Total | 20,089 | 10,284 | 7,127 | 8,921 | 369 | 498 | 47,291 | 384 | 47,676 |
| Segment income (loss) | (426) | 302 | 100 | 244 | 117 | 356 | 695 | (1,111) | (416) |

(Note) "Others" refers to a group of operations from which no income is gained or that produce only incidental gains.

2) Differences between the total amount of income or loss of reportable segments and the amounts in quarterly consolidated statement of income and comprehensive income, and major breakdown of such differences (reconciliation)

(Millions of yen)

| Income | Amount |
|---|---------|
| Reportable segment total | 695 |
| Loss of "others" category | (1,111) |
| Elimination of intersegment transactions | (10) |
| Ordinary Income (loss) in the quarterly consolidated statement of income and comprehensive income | (426) |

3) Information on impairment loss on non-current assets or goodwill, etc. for each reportable segment

(Significant Impairment Loss on Non-current Assets)

In the 'Energy Business' segment, an impairment loss on business assets was recorded. The amount of the impairment loss recorded during the six months ended December 31, 2020 was ¥1,821 million.

(Significant Changes in the Amount of Goodwill)

There is no relevant information.

(Significant Gain on Negative Goodwill)

There is no relevant information.

(Significant Subsequent Events)

There is no relevant information.

3. Other Information

(1) Status of Orders and Sales

| By period | | For the six months ended December 31, 2019 | | For the six months ended December 31, 2020 | | For the fiscal year ended June 30, 2020 | |
|-----------------|-----------------------------|---|-----------|---|-----------|--|-----------|
| | | Amount (Millions of yen) | Ratio (%) | Amount (Millions of yen) | Ratio (%) | Amount (Millions of yen) | Ratio (%) |
| Orders received | Domestic Consulting | 24,495 | 41.9 | 27,002 | 52.2 | 56,184 | 39.7 |
| | International Consulting | 17,627 | 30.2 | 12,194 | 23.5 | 47,508 | 33.5 |
| | Power Engineering | 7,182 | 12.3 | 6,225 | 12.0 | 19,829 | 14.0 |
| | Urban & Spatial Development | 8,984 | 15.4 | 6,281 | 12.1 | 17,874 | 12.6 |
| | Energy Business | 56 | 0.1 | 44 | 0.1 | 156 | 0.1 |
| | Real Estate Leasing | - | - | - | - | - | - |
| | Others | 48 | 0.1 | 48 | 0.1 | 79 | 0.1 |
| | Total | 58,395 | 100.0 | 51,796 | 100.0 | 141,632 | 100.0 |
| Net sales 1 | Domestic Consulting | 20,296 | 41.3 | 21,320 | 45.7 | 53,853 | 48.0 |
| | International Consulting | 12,868 | 26.2 | 10,672 | 22.9 | 25,968 | 23.1 |
| | Power Engineering | 6,187 | 12.6 | 5,826 | 12.5 | 12,774 | 11.4 |
| | Urban & Spatial Development | 8,856 | 18.0 | 8,097 | 17.3 | 17,991 | 16.0 |
| | Energy Business | 670 | 1.4 | 280 | 0.6 | 1,090 | 1.0 |
| | Real Estate Leasing | 216 | 0.4 | 429 | 0.9 | 451 | 0.4 |
| | Others | 51 | 0.1 | 48 | 0.1 | 84 | 0.1 |
| | Total | 49,148 | 100.0 | 46,675 | 100.0 | 112,214 | 100.0 |
| Net sales 2 | Domestic Consulting | 19,267 | 39.3 | 19,656 | 42.1 | 51,333 | 45.8 |
| | International Consulting | 12,025 | 24.5 | 10,253 | 22.0 | 24,508 | 21.8 |
| | Power Engineering | 7,583 | 15.4 | 6,997 | 15.0 | 15,747 | 14.0 |
| | Urban & Spatial Development | 8,963 | 18.2 | 8,921 | 19.1 | 18,160 | 16.2 |
| | Energy Business | 710 | 1.4 | 369 | 0.8 | 1,187 | 1.1 |
| | Real Estate Leasing | 216 | 0.4 | 429 | 0.9 | 451 | 0.4 |
| | Others | 380 | 0.8 | 48 | 0.1 | 825 | 0.7 |
| | Total | 49,148 | 100.0 | 46,675 | 100.0 | 112,214 | 100.0 |

| By period | | As of December 31, 2019 | | As of December 31, 2020 | | As of June 30, 2020 | |
|--|-----------------------------|-----------------------------|-----------|-----------------------------|-----------|-----------------------------|-----------|
| | | Amount (Millions of yen) | Ratio (%) | Amount (Millions of yen) | Ratio (%) | Amount (Millions of yen) | Ratio (%) |
| Impact of foreign exchange fluctuations | Domestic Consulting | - | | - | | - | |
| | International Consulting | 398 | | (1,178) | | (540) | |
| | Power Engineering | - | | - | | - | |
| | Urban & Spatial Development | 758 | | 1,000 | | (542) | |
| | Energy Business | 19 | | - | | (12) | |
| | Real Estate Leasing | - | | - | | - | |
| | Others | - | | - | | - | |
| | Total | 1,175 | | (177) | | (1,095) | |
| Outstanding Orders | Domestic Consulting | 35,949 | 25.0 | 39,762 | 23.7 | 34,080 | 21.0 |
| | International Consulting | 72,997 | 50.9 | 89,183 | 53.2 | 88,840 | 54.9 |
| | Power Engineering | 15,999 | 11.1 | 22,458 | 13.4 | 22,059 | 13.6 |
| | Urban & Spatial Development | 18,565 | 12.9 | 16,205 | 9.7 | 17,019 | 10.5 |
| | Energy Business | 133 | 0.1 | 34 | 0.0 | 34 | 0.0 |
| | Real Estate Leasing | - | - | - | - | - | - |
| | Others | 2 | 0.0 | - | - | - | - |
| | Total | 143,647 | 100.0 | 167,644 | 100.0 | 162,034 | 100.0 |

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

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

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