NIPPON KOEI

Financial Report

Year ended June 30, 2014

NIPPON KOEI CO.,LTD.

Company Profile

Nippon Koei Co., Ltd. established in 1946, specializes in engineering consulting and electric power engineering. Since its foundation, the Company has adhered to a policy of contributing to society through technology.
Our engineering consulting services, provided by the Consulting Administration Group, draws on the technical expertise of specialists in diverse fields. Since our first overseas venture, a hydroelectric power project in Myanmar in 1954, we have participated in a broad variety of sophisticated development projects worldwide.
The Engineering Administration Group spearheads the Company's electric power engineering business. Here, we provide a complete engineering package, from surveys and designs to the installation of a wide range of equipment, including power stations and substations, transmission lines, and end-user equipment. We are active both in Japan and overseas.
Committed to responsible corporate citizenship, Nippon Koei and its employees dedicate their efforts to creating comfortable living environments for people around the world.

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Financial Highlights

Consolidated

	Millions of Yen		Thousands of U.S. Dollars
	12-month	3-month	**12-month**
	June 30, 2014	June 30, 2013	**June 30, 2014**
Net sales	**¥79,193**	¥ 6,897	**$781,304**
Net income (loss)	**2,998**	(1,914)	**29,578**
Net income (loss) per share (yen/dollars)	**39.61**	(25.35)	**0.39**
As of June 30			
Total assets	**76,145**	71,451	**751,233**
Equity	**47,835**	43,671	**471,932**

Nonconsolidated

	Millions of Yen		Thousands of U.S. Dollars
	12-month	3-month	**12-month**
	June 30, 2014	June 30, 2013	**June 30, 2014**
Net sales	**¥59,308**	¥ 5,326	**$585,122**
Net income (loss)	**2,199**	(1,233)	**21,695**
Net income (loss) per share (yen/dollars)	**29.05**	(16.33)	**0.29**
As of June 30			
Total assets	**68,439**	66,340	**675,207**
Equity	**43,536**	40,933	**429,519**

Notes: 1. Per share amounts are based on the weighted average number of shares outstanding during each period.
2. The dollar amounts in this report represent translations of yen, for convenience only, at the rate of ¥101.36 = US$1, the rate of exchange at June 30, 2014.
3. The Company, in accordance with the resolution of the 68th general shareholders' meeting held on June 27, 2013, changed its fiscal year-end from the previous March 31 to June 30. Consequently, the previous fiscal period represents an irregular 3-month accounting period from April 1, 2013 to June 30, 2013.

Consolidated Business Report for Fiscal Year Ended June 30, 2014

1. Overview of Performance and Cash Flows

(1) Performance

Due to the change of the fiscal year-end, the previous fiscal year was an irregular 3-month accounting period, and thus no comparative information with the previous fiscal year has been stated.

During the consolidated fiscal year under review (from July 1, 2013 to June 30, 2014), the Japanese economy remained on a recovery trend marked by increasing public investment projects and signs of improvement in corporate production activities backed by steadily growing domestic demand led by personal consumption.

The Nippon Koei Group's domestic consulting operations remained favorable thanks to growing demand mainly for large-scale management projects focused on PPP (Public-Private Partnership) and CM (Construction Management), nationwide disaster prevention and disaster mitigation projects, and maintenance and management operations for deteriorated social infrastructure – all in spite of declining demand for existing post-quake reconstruction efforts in the Tohoku region. Our overseas operations remained steady, benefiting from growing demand for infrastructure projects in Asia, Latin America, and other developing countries. In our electric power engineering operations, business conditions continued to be harsh mainly due to a national energy policy revision and reduced new capital expenditure by electric power companies, our main customers.

Against this backdrop, the Group, under the Medium-term Management Plan (From April 2012 to June 2015), which sets as its basic policies (1) enhancement of global operations, and (2) exploration and formulation of new business domains, continued to maintain the current scale of its existing operations while engaging in new initiatives including "the development and management of overseas bases and the introduction of multi-domestic operations," "the enhancement of the existing business sectors and expansion of business domains," and "the exploration of new business models including new initiatives in business operations," in addition to steadily putting new and necessary measures into practice. Additionally, we have achieved some positive results in our "assurance of work-life balance" initiative.

As a result, for the fiscal year ended June 30, 2014, consolidated orders received were ¥92,486 million, while consolidated net sales were ¥79,193 million.

In terms of profit, domestic consulting operations showed significant improvement associated with increasing net sales. Operating income stood at ¥4,256 million, however, due to a rising cost-to-sales ratio in overseas consulting operations and higher selling, general and administrative expenses, along with a severe order-receiving environment in electric power engineering operations in the first half of the fiscal period under review and intensified cost competition. Net income was ¥2,998 million, because subsidiaries recorded negative figures for income taxes-deferred following the application of tax effect accounting.

The performance for each segment is outlined below.

Domestic Consulting Operations

With orders received remaining steady as stated above, we received steady orders for post-quake reconstruction efforts and duly conducted them. In addition, increase was seen in orders received for disaster prevention and disaster mitigation projects, including nationwide measures against tsunami and earthquake resistance. Orders received also increased for administrative support type projects focused on post-quake reconstruction and maintenance and management projects for long-life and functional preservation at public facilities. As a result, for the fiscal year ended June 30, 2014, orders received were ¥46,618 million, while net sales were ¥41,817 million. Segment profit totaled ¥2,526 million.

Overseas Consulting Operations

The Company continued to pursue global expansion thanks to steadily growing demand for infrastructure development in Myanmar and other Southeast Asian countries, India, Latin America, Middle East, African countries, and other developing countries. With the conclusion of the large-scale railway project contracts in Bangladesh and India, orders received were ¥30,023 million and net sales were ¥20,947 million. Segment profit came to ¥494 million.

Power Engineering Operations

While harsh conditions prevailed among the electric power companies, our main customers, as stated above, the Company stepped up its sales efforts, resulting in the receipt of orders for works such as repair projects for a deteriorated hydropower station and a full scale renewal of a hydropower station taking advantage of the Feed-in Tariff Scheme from a new domestic customer. With the Company's strengthened efforts for the mini-hydro projects in Japan and overseas in addition to the above, orders received amounted to ¥15,832 million. However, as orders received rebounded in the second half of the fiscal period under review, net sales were ¥14,170 million. Segment profit came to ¥1,256 million.

Real Estate Leasing Operations

Net sales from our real estate leasing operations reached ¥1,126 million, while segment profit was ¥846 million.

(2) Cash Flows

Cash and cash equivalents at the end of the fiscal year under review totaled ¥8,465 million, decreasing ¥3,149 million over the previous fiscal period. The factors behind this increase included the following.

Net cash provided by operating activities totaled ¥1,340 million (compared to a net inflow of ¥14,357 million during the previous fiscal period). This was due to factors such as income before income taxes and minority interests was ¥4,562 million despite an increase of ¥5,178 million in trade accounts receivable.

Net cash used in investing activities totaled ¥4,559 million (compared to a net outflow of ¥772 million during the previous fiscal period). This was due primarily to purchases of property, plant and equipment.

Net cash provided by financing activities amounted to ¥62 million (compared to a net outflow of ¥8,539 million during the previous fiscal period). This was due primarily to proceeds from long-term debt, etc.

The table below shows trends in cash flow-related indicators for the Group.

Reference: Trends in Cash Flow-related Indicators

	Fiscal Year Ended March 2011	Fiscal Year Ended March 2012	Fiscal Year Ended March 2013	Fiscal Period Ended June 2013	Fiscal Year Ended June 2014
Capital-to-asset ratio (%)	58.1	54.5	55.0	60.8	62.4
Capital-to-asset ratio on market value basis (%)	32.0	27.4	34.5	39.2	50.0
Interest-bearing debt-to-cash flow ratio (years)	1.6	—	3.1	0.2	1.8
Interest coverage ratio (times)	52.3	—	73.7	1,519.0	29.3

Capital-to-asset ratio: shareholders' equity / total assets
Capital-to-asset ratio on market value basis: market capitalization / total assets
Interest-bearing debt-to-cash flow ratio: interest-bearing debts / cash flow
Interest coverage ratio: cash flow / interest payment

Notes: 1. All figures are calculated on the basis of consolidated financial figures.
2. Market capitalization is computed on the basis of the number of shares issued, excluding treasury stocks.
3. Cash flow here means operating cash flow.
4. Interest-bearing debt here comprises all debts included in the balance sheet on which interest is paid.
5. The interest-bearing debt-to-cash flow and interest coverage ratios for the fiscal year ended March 31, 2012, were negative as indicated by "—."
6. Due to the change of the fiscal year-end, the consolidated fiscal period ended June 30, 2013 is an irregular 3-month accounting period. Accordingly, the interest-bearing debt-to-cash flow ratio and interest coverage ratio are based on cash flows and interest payments for the 3-month period.

2. Production, New Orders and Sales

Due to the change of the fiscal year-end, the previous fiscal year was an irregular 3-month accounting period, and thus no comparative information with the previous fiscal year has been stated.

(1) New Orders

Business Segment	**Current Consolidated Fiscal Year** (Millions of yen)	**Change on Previous Year** (%)
New Orders		
Domestic consulting operations	¥46,618	—
Overseas consulting operations	30,023	—
Power engineering operations	15,832	—
Real estate leasing operations	—	—
Other business operations	13	—
Total new orders	92,486	—
Outstanding orders		
Domestic consulting operations	27,323	—
Overseas consulting operations	44,218	—
Power engineering operations	11,216	—
Real estate leasing operations	—	—
Other business operations	4	—
Total orders on hand	¥82,761	—

Notes: 1. Figures above do not include consumption tax.
2. The above figures are related to transactions with non-Group organizations; they do not include internal transactions between Group segments or the transfer amounts involved.

(2) Sales Performance

Business Segment	**Current Consolidated Fiscal Year** (Millions of yen)	**Change on Previous Year** (%)
Domestic consulting operations	¥41,817	—
Overseas consulting operations	20,947	—
Power engineering operations	14,169	—
Real estate leasing operations	1,126	—
Other business operations	1,134	—
Total sales	¥79,193	—

Notes: 1. Production status is not stated due to difficulties in defining consolidated group production performance.
2. Transactions between business segments are offset and eliminated.
3. Amounts above do not include consumption tax.
4. Sales to major customers as a proportion of total sales are given as follows.

Customer	**Current Consolidated Fiscal Year**		Previous Consolidated Fiscal Year	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Ministry of Land, Infrastructure, Transport and Tourism	**¥16,632**	**21.0**	¥246	3.6
Japan International Cooperation Agency	**9,004**	**11.4**	508	7.4
Tokyo Electric Power Company, Incorporated	**6,028**	**7.6**	873	12.7

3. Future Challenges

(1) Management Policy

The Nippon Koei Group takes the management philosophy "Act with integrity & Contribute to society through technology and engineering." Guided by the slogan "Challenging mind, Changing dynamics," the Group is aiming to realize its management philosophy.
Looking ahead, under this management philosophy and slogan, we see that the domestic market environment is expected to stay strong in the short term and that the growth of emerging markets in Asia and other parts of the world is likely to fuel demand for overseas infrastructure construction over a medium- and long-term perspective. Amid this environment, we will continue to make further inroads into the global market.
Accordingly, while maintaining a secure technical foundation in Japan (construction consulting and engineering businesses), the Group will focus on the expanding infrastructure development market in emerging markets to significantly expand its businesses. On the other hand, to attain sustainable growth, the overseas bases should take the initiative of exploring and forming new business domains.

In line with this long-term goal, the NK Group has been addressing the key challenges listed below, based on the three-year Medium-Term Management Plan (from April 2012 to June 2015).

(1) Development and management of overseas bases (introduction of multi-domestic management)
(2) Enhancement of the existing business sectors and expansion of business domains
(3) Exploration of new business models including new initiatives in project management
(4) Enhancement of the work-life balance

In view of the Medium-Term Management Plan, we will address the key challenges in the next fiscal year (from July 2014 to June 2015), the last fiscal year of the plan.

1) Development and management of overseas offices and/or group companies (introduction of multidomestic management)

Overseas offices and/or group companies will be established and/or enhanced in the four major regional markets (Asia, the Middle East and North Africa, Latin America, and Sub-Saharan Africa), and the business will be promoted based on the sales and production structure focusing on region-based marketing. We will also promote our business not only by supporting the technology, quality, and safety sides, but also by striving to strengthen governance, thorough implementation of risk management, procurement of global human resources, and reinforcement of management from our central base in Tokyo, while making efforts to aggressively engage in the non-ODA market.

2) Enhancement of the existing business sectors and expansion of business domains

In response to drastic changes occurring in the existing business sectors where the Group operates, we intend to identify business domains to expand each business operation, develop technologies, and employ, train and strengthen human resources, in order to steadily expand our businesses. Specifically, our domestic consulting operations will focus on disaster prevention and disaster mitigation projects and maintenance and management operations associated with the long-life of social infrastructure, while overseas consulting operations will concentrate on railway and urban development projects in emerging countries and power engineering operations on expanding the mechanical and electromechanical consulting and projects to renew deteriorated facilities.

3) Exploration of new business models including new initiatives in project management

We will promote the development of new businesses led by the Business Promotion Headquarters by taking advantage of the Group's one-stop service in an attempt to build up an energy segment focused on hydroelectric projects as our key new business model. We will also work on developing a new assets-held-type technical service model, such as a model for investment in overseas infrastructure funds and the provision of technical advisory services to the funds.

4) Enhancement of the work-life balance

We will continue with our past measures led by the Work-Life Balance Promotion Committee, while addressing new issues, as well. We will also further strengthen our efforts to develop a working environment appropriate to each workplace in each segment, raise the awareness of employees centering on managerial personnel, and revise operation processes to improve the balance between work and other aspects of employees' lives.

Based on the above policies, the Group will proactively engage in business operations and address these issues in an effort to improve our performance further.

(2) Basic Policy Governing Corporate Decision-Makers on Financial Affairs and Operations

Our basic policy governing corporate decision-makers on financial affairs and operations (Governance Principles) is as detailed below.

1) Governance Principles

As a publicly listed company allowing its shares to be traded freely, we believe that whether or not we will sell shares in response to a particular person's attempt to acquire a large number of shares (an attempt to acquire a large number of shares) should be determined ultimately by our shareholders.

However, we are proud of our company's track record as a good corporate citizen. The Company has been charged with fulfilling a social mission and public works projects, including construction consulting. The power of our brand is backed by a wide range of technological expertise, years of experience, and a rock-solid performance record. It would be impossible to manage the Company, improve its corporate value, or bring profit to its shareholders without a good understanding of everything the brand stands for or without the relationship of mutual trust that has been built between the Company and its customers, employees, suppliers, and other stakeholders in Japan and abroad.

We believe that, in the event of a takeover bid, any party attempting to acquire a large number of shares (the bidder) should provide shareholders with all the information necessary for them to make a sound decision.

2) Special measures for realization of the Basic Policy

At the Company, we implement the following special measures in line with the Governance Principles described in 1) above

(i) Medium-term goals

Our medium-term goals and specific measures under our Medium-Term Management Plan are as described in the section entitled "(1) Management Policy."

(ii) Enhancing corporate governance

Working to boost the corporate value of the Company and the Group as a whole, we are continually improving corporate governance by strengthening management oversight, ensuring transparency, and establishing a system that will enable us to quickly perform our operations. We also focus on compliance as well as risk management to enhance the effectiveness of internal controls and have adopted a corporate auditor system. The Board of Directors provides oversight of our operations, while the Board of Corporate Auditors audits the directors' activities.

3) Preventing an undesirable takeover in accordance with the Basic Policy

In line with the Governance Principles described in 1) above, we maintain an anti-takeover policy (hereinafter the "Policy on Substantial Acquisition of Shares") that is intended to prevent undesirable control over decisions on our financial and operational policies.

The Policy on Substantial Acquisition of Shares generally applies to any bidder attempting to acquire a large number of Nippon Koei shares in a bid to control 20% or more of the voting rights held by a certain group of shareholders or acquiring enough shares to change the balance of power to ensure that a certain group of shareholders has 20% or more of the voting rights. The Policy requires the bidder to (1) provide the Board of Directors with all relevant information including written notification 6 declaring his/her exact intentions in advance, and (2) begin purchasing shares only after the elapse of a tender assessment period to be specified by the Company's Board of Directors.

The Policy on Substantial Acquisition of Shares was first introduced upon resolution by the Board of Directors

in May 2006, after which the Board voted to partially revise and continue it in June 2007. The Policy was later partially revised upon approval of shareholders at the 63rd general shareholders' meeting held in June 2008, and was again partially revised upon approval of shareholders at the 66th general shareholders' meeting held in June 2011 and at the 69th general shareholders' meeting held in September 2013.
The details of the Policy on Substantial Acquisition of Shares have been made available on the Company website (http://www.n-koei.co.jp/).

4) Board of Directors' decision concerning the measures described in 2) and 3) above and the reason

The measures described in 2) above are in line with the Governance Principles described in 1) above, since they were implemented for the purpose of enhancing corporate value and carried out in the common interests of our shareholders. These measures emphasize protecting the interests of our shareholders over protecting the corporate directors from being replaced.
The measures described in 3) above (the Policy on Substantial Acquisition of Shares) are in line with the Governance Principles described in 1) above. It protects the interests of our shareholders over protecting the corporate directors from being replaced in the following ways:

a. The Policy on Substantial Acquisition of Shares meets the three basic requirements set forth in the Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests published by the Ministry of Economy, Trade and Industry (METI) and the Ministry of Justice on May 27, 2005. It also incorporates a June 30, 2008, report entitled "Proper Role of Takeover Defense Measures in Light of Changes in Various Environments" published by METI's Corporate Value Study Group.
b. The Policy enables our shareholders to make an informed decision on whether a takeover would be beneficial, prevents any apparent infringement on the Company's corporate value and is in the best interest of Nippon Koei and its shareholders.
c. The Rules on Substantial Acquisition of Shares and the necessary conditions for taking countermeasures are reasonable in light of our aim to maintain and enhance the Company's corporate value and protect the interests of its shareholders.
d. The Rules on Substantial Acquisition of Shares and the necessary conditions for taking countermeasures are concrete and clear enough to make it possible for the shareholders, investors and potential bidders to make fair predictions about the future.
e. The policy was enacted by a vote of the shareholders at a shareholders' meeting. The Company's Board of Directors can convene a shareholders' meeting to verify the shareholders' intentions to implement a countermeasure or not. Decisions about whether to maintain, rescind or alter the policy, made in the form of a resolution to be voted on at a general shareholders' meeting, will ensure that the wishes of the shareholders are reflected in company policy.
f. The policy establishes objective and clear conditions for taking countermeasures. It also establishes prior conditions needed to implement countermeasures, requiring that the Company's Board of Directors consult its independently established ad hoc committee in advance concerning the initiation of countermeasures.
   Only after carefully considering the recommendations of the committee will the Board make its final decision on implementing counter-takeover measures. The Policy on Substantial Acquisition of Shares ensures that all decisions of the Board regarding countermeasures are objective and reasonable.
g. The policy empowers the ad hoc committee to seek the advice of independent experts at the Company's expense. The policy goes to such great lengths that it leaves no room for doubt about the fairness and objectivity of the ad hoc committee's recommendations.
h. The Policy on Substantial Acquisition of Shares is not intended to be a dead-hand takeover defense and may be abolished subject to a vote at the Company's shareholders' meeting or at a Board of Directors' meeting comprised of directors elected at a shareholders' meeting. It is not a slow-hand takeover defense either, since the term of the Company's Board members is one year.

4. Business Risks

The following are matters that could significantly affect the judgment of investors, from among matters related to Overview of Performance and Cash Flows and Financial Section, etc. stated in the Consolidated Business Report. Items related to future events within the text are the Group's judgment as of June 30, 2014.

(1) Uneven Annual Distribution of Performance Results

The primary operations of the Group include domestic and overseas construction consultancy and power engineering and equipment manufacturing. In particular, the domestic construction consultancy operations entail national and local government projects whose orders come in as a cluster toward the end of their fiscal year (March). As a result, approximately 70% of Group sales tend to occur during the period from January through March.

(2) Dependence on Major Customers

Our domestic and overseas construction consultancy operations rely on national and local government contracts and projects based on the Japanese ODA budget for some 90% of sales. Sales performance on the domestic front tends to be affected by trends in government spending, while our international orders are a reflection of the Japanese ODA budget.

Since about 50% of our power engineering operations are for the Tokyo Electric Power Company, Incorporated (TEPCO), our sales performance is largely dictated by capital investments by TEPCO.

(3) Defect Liability for Deliverables

The Group has introduced ISO9001 Quality Assurance System under the management philosophy of "Act with integrity & Contribute to society through technology and engineering," to ensure that the Group will always strive to secure and improve quality. If the Group assumes gross responsibility attributable to defects in deliverables it has delivered to a customer, the Group's performance could be affected.

(4) Legal Restrictions

The Group strives for strict legal compliance and internal education under the "Code of Conduct" and is subject to legal restrictions under the Antimonopoly Act, Construction Business Act, Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, etc. in Japan, and various relevant laws and regulations overseas. If any situation entailing a potential breach of laws and regulations arises, the Group's performance could be affected.

5. Operationally Significant Contracts

The Group reports no operationally significant contracts.

6. Analysis of Financial Status, Management Performance and Cash Flow Status

Below is an analysis of the Group's financial status and management performance as well as its cash flow status for the consolidated fiscal year under review.

(1) Analysis of Financial Status

Total assets under review amounted to ¥76,145 million, up ¥4,694 million over the previous period.

The main causes for this increase were a ¥263 million increase in current assets and a ¥3,459 million increase in property, plant and equipment and a ¥972 million increase in investments and other assets.

The increase in current assets was due primarily to a ¥3,149 million decrease in cash and cash equivalents, a ¥5,196 million increase in trade notes receivable and trade accounts receivable, a ¥1,906 million decrease in inventories, and a ¥1,097 million decrease in deferred tax assets, as well as a ¥121 million increase in advance payments-trade, a ¥371 million increase in accounts receivable-other, and a ¥93 million increase in prepaid expenses, included in other of current assets.

The increase in property, plant and equipment was due primarily to a ¥3,291 million increase in land. The increase in investments and other assets was due primarily to a ¥503 million increase in investment securities, and a ¥652 million increase in deferred tax assets.

Liabilities under review amounted to ¥28,310 million, up ¥530 million over the previous period.
The main causes for this increase were an increase of ¥1,152 million in current liabilities, despite a ¥622 million decrease in long-term liabilities.
The increase in current liabilities was due primarily to an ¥848 million increase in trade notes payable and trade accounts payable, a ¥1,533 million decrease in accrued expenses, a ¥681 million increase in income taxes payable, a ¥1,730 million decrease in advances received, and a ¥100 million increase in allowance for anticipated project loss as well as a ¥296 million increase in accounts payable-other, a ¥1,708 million increase in accrued consumption tax, and a ¥587 million increase in deposits received, included in other of current liabilities.
The decrease in long-term liabilities was due primarily to a ¥207 million increase in long-term debt, a ¥331 million increase in deferred tax liabilities and a ¥1,058 million decrease in net defined benefit liability.
Equity (net assets) increased by ¥4,164 million from the total of previous period to ¥47,835 million.
The main causes behind this increase were an increase of ¥2,844 million in retained earnings, a ¥475 million increase in unrealized gain on available-for-sale securities and a ¥694 million increase in defined retirement benefit plans.

(2) Performance Analysis

Due to the change of the fiscal year-end, the previous fiscal year was an irregular 3-month accounting period, and thus no comparative information with the previous fiscal year has been stated.
Net sales for the fiscal year under review came to ¥79,193 million.
Operating income came to ¥4,256 million. The cost of sales ratio was 74.8%, while the ratio of selling, general and administrative expenses to net sales was 19.8%. These results brought the ratio of operating income to net sales to 5.4%.
Other income—net amounted to ¥306 million, due mainly to income primarily from interest income and dividend income exceeding expenses including interest expense and foreign currency exchange loss.
As a result, income before income taxes and minority interests totaled ¥4,562 million, and net income after deducting current income taxes, income taxes for prior periods, deferred income taxes, and minority interests, reached ¥2,998 million.
Net income per share came to ¥39.61.

(3) Analysis of Cash Flow Status

An analysis of cash flow status for the fiscal year under review is provided in the section entitled “(2) Cash flows” under “1. Overview of Performance and Cash Flows” in the Consolidated Business Report.

Noriaki Hirose
President:

Consolidated Balance Sheet

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
June 30, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**June 30, 2014**	June 30, 2013	**June 30, 2014**
CURRENT ASSETS:			
Cash and cash equivalents (Note 16)	**¥ 8,465**	¥11,614	**$ 83,514**
Receivables (Note 16):			
Trade notes	**79**	75	**779**
Trade accounts	**13,712**	8,520	**135,280**
Allowance for doubtful accounts	**(27)**	(181)	**(266)**
Inventories (Note 4)	**10,111**	12,017	**99,753**
Deferred tax assets (Note 13)	**1,449**	2,546	**14,296**
Prepaid expenses and other current assets	**2,961**	1,896	**29,213**
Total current assets	**36,750**	36,487	**362,569**
PROPERTY, PLANT AND EQUIPMENT (Notes 5, 6, and 10):			
Land	**17,247**	13,956	**170,156**
Buildings and structures	**21,199**	20,393	**209,146**
Machinery and equipment	**2,486**	2,607	**24,526**
Furniture and fixtures	**2,676**	2,695	**26,401**
Lease assets	**265**	227	**2,614**
Construction in progress	**9**	13	**89**
Total	**43,882**	39,891	**432,932**
Accumulated depreciation	**(17,294)**	(16,762)	**(170,619)**
Net property, plant and equipment	**26,588**	23,129	**262,313**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 16)	**8,287**	7,784	**81,758**
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 7 and 16(5)(b))	**1,479**	1,286	**14,592**
Goodwill	**233**	542	**2,299**
Receivables in bankruptcy	**123**	123	**1,213**
Deferred tax assets (Note 13)	**1,404**	752	**13,852**
Other assets	**1,623**	1,525	**16,011**
Allowance for doubtful accounts	**(342)**	(177)	**(3,374)**
Total investments and other assets	**12,807**	11,835	**126,351**
TOTAL	**¥76,145**	¥71,451	**$751,233**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen June 30, 2014	June 30, 2013	Thousands of U.S. Dollars (Note 1) June 30, 2014
CURRENT LIABILITIES:			
Short-term borrowings (Note 8)	**¥ 100**	¥ 10	**$ 987**
Current portion of long-term debt (Note 8)	**181**	211	**1,786**
Payables			
Trade notes	**303**	490	**2,989**
Trade accounts	**3,058**	2,023	**30,170**
Accrued expenses	**1,601**	3,134	**15,795**
Income taxes payable	**843**	162	**8,317**
Advances received	**7,587**	9,317	**74,852**
Accrued bonuses	**1,061**	895	**10,468**
Allowance for anticipated project loss	**205**	105	**2,022**
Other current liabilities	**5,590**	3,030	**55,150**
Total current liabilities	**20,529**	19,377	**202,536**
LONG-TERM LIABILITIES:			
Long-term debt (Note 8)	**1,768**	1,561	**17,443**
Provision for directors' retirement benefits (Note 9)	**59**	59	**582**
Allowance for environmental measures	**34**	34	**335**
Net defined benefit liability (Note 9)	**3,248**	4,306	**32,044**
Asset retirement obligations (Note 11)	**54**	55	**533**
Deposits received (Note 10)	**1,598**	1,699	**15,766**
Deferred tax liabilities (Note 13)	**1,020**	689	**10,063**
Total long-term liabilities	**7,781**	8,403	**76,766**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 15, 17 and 18)			
EQUITY (Notes 12 and 20):			
Common stock, authorized, 189,580,000 shares; issued, 86,656,510 shares on June 30, 2014 and 2013	**7,393**	7,393	**72,938**
Capital surplus	**6,209**	6,209	**61,257**
Retained earnings	**36,367**	33,523	**358,790**
Treasury stock—at cost 10,793,274 shares on June 30, 2014 and 11,085,421 shares on June 30, 2013	**(3,344)**	(3,435)	**(32,991)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**1,365**	890	**13,467**
Deferred loss on derivatives under hedge accounting	**(176)**	(186)	**(1,736)**
Foreign currency translation adjustments	**(14)**	(21)	**(138)**
Defined retirement benefit plans	**(269)**	(963)	**(2,654)**
Total	**47,531**	43,410	**468,933**
Minority interests	**304**	261	**2,998**
Total equity	**47,835**	43,671	**471,931**
TOTAL	**¥76,145**	¥71,451	**$751,233**

Consolidated Statement of Operations and Comprehensive Income

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year ended June 30, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	12-month	3-month	**12-month**
	June 30, 2014	June 30, 2013	**June 30, 2014**
NET SALES	**¥79,193**	¥ 6,897	**$781,304**
COST OF SALES	**59,253**	6,138	**584,579**
Gross profit	**19,940**	759	**196,725**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	**15,684**	3,973	**154,736**
Operating income (loss)	**4,256**	(3,214)	**41,989**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**342**	89	**3,374**
Interest expense	**(45)**	(10)	**(444)**
Foreign currency exchange loss	**(130)**	(59)	**(1,283)**
Other-net	**139**	37	**1,372**
Other income-net	**306**	57	**3,019**
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	**4,562**	(3,157)	**45,008**
INCOME TAXES (Note 13):			
Current	**1,340**	129	**13,220**
Income taxes for prior periods	**(0)**	(230)	**(0)**
Deferred	**190**	(1,119)	**1,875**
Total income taxes	**1,530**	(1,220)	**15,095**
NET INCOME (LOSS) BEFORE MINORITY INTERESTS	**3,032**	(1,937)	**29,913**
MINORITY INTERESTS IN NET INCOME (LOSS)	**34**	(23)	**335**
NET INCOME (LOSS)	**2,998**	(1,914)	**29,578**
MINORITY INTERESTS IN NET INCOME (LOSS)	**34**	(23)	**335**
NET INCOME (LOSS) BEFORE MINORITY INTERESTS	**3,032**	(1,937)	**29,913**
OTHER COMPREHENSIVE INCOME (Note 19):			
Unrealized gain on available-for-sale securities	**477**	275	**4,706**
Deferred loss on derivatives under hedge accounting	**10**	(54)	**99**
Foreign currency translation adjustment	**9**	(28)	**89**
Defined retirement benefit plans	**694**		**6,847**
Total other comprehensive income	**1,190**	193	**11,741**
COMPREHENSIVE INCOME	**¥ 4,222**	¥(1,744)	**$ 41,654**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥ 4,186**	¥(1,719)	**$ 41,299**
Minority interests	**¥ 36**	¥ (25)	**$ 355**

	Yen		U.S.Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2.s):			
Basic net income (loss)	**¥ 39.61**	¥(25.35)	**$ 0.39**
Cash dividends applicable to the year	**7.50**	2.00	**0.07**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year ended June 30, 2014

	Thousands	Millions of Yen										
						Accumulated Other Comprehensive Income						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2013	**75,471**	**¥7,393**	**¥6,209**	**¥36,018**	**¥(3,468)**	**¥ 615**	**¥(132)**	**¥ 3**		**¥46,638**	**¥291**	**¥46,929**
Net loss				(1,914)						(1,914)		(1,914)
Cash dividends, ¥7.50 per share				(581)						(581)		(581)
Purchase of treasury stock	(8)				(3)					(3)		(3)
Disposal of treasury stock	108				36					36		36
Net change in the fiscal period (3 months)						275	(54)	(24)	¥(963)	(766)	(30)	(796)
BALANCE, JUNE 30, 2013	**75,571**	**7,393**	**6,209**	**33,523**	**(3,435)**	**890**	**(186)**	**(21)**	**(963)**	**43,410**	**261**	**43,671**
Net income				2,998						2,998		2,998
Cash dividends, ¥2.00 per share				(154)						(154)		(154)
Purchase of treasury stock	(136)				(54)					(54)		(54)
Disposal of treasury stock	428				145					145		145
Net change in the year						475	10	7	694	1,186	43	1,229
BALANCE, JUNE 30, 2014	**75,863**	**¥7,393**	**¥6,209**	**¥36,367**	**¥(3,344)**	**¥1,365**	**¥(176)**	**¥(14)**	**¥(269)**	**¥47,531**	**¥304**	**¥47,835**

	Thousands of U.S. Dollars (Note 1)										
					Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, JUNE 30, 2013	**$72,938**	**$61,257**	**$330,732**	**$(33,889)**	**$ 8,781**	**$(1,835)**	**$(208)**	**$(9,501)**	**$428,275**	**$2,575**	**$430,850**
Net income			29,578						29,578		29,578
Cash dividends, $0.02 per share			(1,520)						(1,520)		(1,520)
Purchase of treasury stock				(533)					(533)		(533)
Disposal of treasury stock				1,431					1,431		1,431
Net change in the year					4,686	99	70	6,847	11,702	423	12,125
BALANCE, JUNE 30, 2014	**$72,938**	**$61,257**	**$358,790**	**$(32,991)**	**$13,467**	**$(1,736)**	**$(138)**	**$(2,654)**	**$468,933**	**$2,998**	**$471,931**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year ended June 30, 2014

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	12-month	3-month	12-month
OPERATING ACTIVITIES:	**June 30, 2014**	June 30, 2013	**June 30, 2014**
Income (loss) before income taxes and minority interests	**¥ 4,562**	¥(3,157)	**$ 45,008**
Adjustments for:			
Income taxes – paid	**(1,038)**	(1,608)	**(10,241)**
Depreciation and amortization	**997**	221	**9,836**
Gain on sales of property, plant and equipment	**(3)**	(2)	**(30)**
Loss on sales of investment securities	**(10)**	(16)	**(99)**
(Increase) decrease in trade accounts receivable	**(5,178)**	24,658	**(51,085)**
Decrease (increase) in inventories	**1,907**	(4,551)	**18,814**
Increase (decrease) in trade accounts payable	**835**	(4,546)	**8,238**
Decrease in net defined benefit liability	**(38)**	(19)	**(375)**
(Decrease) increase in advanced received	**(1,740)**	3,138	**(17,167)**
Other—net	**1,046**	239	**10,321**
Net cash provided by operating activities	**1,340**	14,357	**13,220**
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	**4**	3	**39**
Purchases of property, plant and equipment	**(4,328)**	(228)	**(42,699)**
Proceeds from sales and redemption of investment securities	**1,060**	200	**10,458**
Purchases of investment securities	**(949)**	(117)	**(9,363)**
Increase in other assets	**(346)**	(630)	**(3,413)**
Net cash used in investing activities	**¥(4,559)**	¥ (772)	**$(44,978)**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	12-month	3-month	12-month
FINANCING ACTIVITIES:	**June 30, 2014**	June 30, 2013	**June 30, 2014**
Net increase (decrease) in short-term borrowings	**¥ 90**	¥ (8,990)	**$ 888**
Proceeds from long-term debt	**300**	1,000	**2,960**
Repayments of long-term debt	**(180)**	(30)	**(1,776)**
Repayments of lease obligations	**(44)**	(10)	**(434)**
Purchase of treasury stock	**(54)**	(3)	**(533)**
Disposal of treasury stock	**145**	36	**1,431**
Dividends paid	**(194)**	(539)	**(1,914)**
Other—net	**(1)**	(3)	**(10)**
Net cash provided by (used in) financing activities	**62**	(8,539)	**612**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**8**	(11)	**78**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(3,149)**	5,035	**(31,068)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (PERIOD)	**11,614**	6,579	**114,582**
CASH AND CASH EQUIVALENTS, END OF YEAR (PERIOD)	**¥ 8,465**	¥11,614	**$ 83,514**

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the consolidated financial statements for the 3-month fiscal period ended June 30, 2013 to conform to the classifications used in the consolidated financial statements for the year ended June 30, 2014.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nippon Koei Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥101.36 to $1, the rate of exchange at June 30, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Change in fiscal year-end
The Company changed its fiscal year-end from March 31 to June 30 by the resolution of the 68th Annual General Shareholders' Meeting held on June 27, 2013, in order to make operations more efficient and decrease the work load which becomes heavy in March with the cluster of projects requiring completion. Due to this change, the fiscal period ended June 30, 2013 is the 3-month period from April 1 to June 30, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*** — The consolidated financial statements as of June 30, 2014, include the accounts of the Company and its 11 significant (11 in 2013) subsidiaries (together, the "Group").

Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiaries at the date of acquisition.

Goodwill is amortized using the straight-line method over 5 to 10 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. ***Cash Equivalents*** — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and investment trusts, all of which mature or become due within three months of the date of acquisition.

c. ***Inventories*** — Work in process is stated at the lower of cost, mainly determined by the specific identification cost method or net selling value.

d. ***Investment Securities*** — Investment securities are classified and accounted for, depending on management's intent, as follows:
(1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and (2) available-for-sale securities, which are not

classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. ***Property, Plant and Equipment*** — Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998, and lease assets as well as other equipment for rent. The range of useful lives is principally from 3 to 50 years for buildings and structures, from 2 to 15 years for machinery and equipment and from 2 to 20 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

f. ***Long-Lived Assets*** — The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

g. ***Allowance for Doubtful Accounts*** — The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

h. ***Retirement and Pension Plans*** — The Group has contributory defined benefit pension plans and unfunded retirement benefit plans for the benefit of its employees.

Effective April 1, 2000, the Group adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over mainly 13 years within the average remaining service period. Past service costs are amortized on a straight-line basis over mainly 13 years within the average remaining service period. The transitional obligation of ¥2,016 million for the subsidiaries, determined as of April 1, 2000, is being amortized over 15 years.

Hitherto, retirement benefits for directors and Audit & Supervisory Board members were provided at the amount which would be required if all directors and Audit & Supervisory Board members retired at the balance sheet date, but currently, the Group abolished benefit pension plans for directors and Audit & Supervisory Board members. The balance in the consolidated balance sheet is the estimated amount for directors and Audit & Supervisory Board members who have belonged to the Group since when the plans were effective.

i. ***Allowance for Anticipated Project Loss*** — The Group has made a provision for anticipated losses on uncompleted project contracts.

j. ***Asset Retirement Obligations*** — In March 2008, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

k. ***Research and Development Costs*** — Research and development costs are charged to income as incurred.

l. ***Leases*** — In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be measured at the amount of obligation under finance leases less interest expense at the transition date and recorded as acquisition cost of lease assets.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the amount of obligation under finance leases at the transition date.

All other leases are accounted for as operating leases.

m. ***Accrued Bonuses*** — Bonuses to employees, directors and Audit & Supervisory Board members are accrued at the end of the year to which such bonuses are attributable.

n. ***Allowance for Environmental Measures*** — The Group has made a provision for the treatment of Polychlorinated Biphenyl (PCB) Wastes based on the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

o. ***Income Taxes*** — The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations and comprehensive income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

p. ***Foreign Currency Transactions*** — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of operations and comprehensive income.

q. ***Revenue Recognition*** — If the outcome of a construction contract can be estimated reliably, the contract revenue is recognized by the percentage-of-completion method which is measured by reference to the percentage of total cost incurred to date to estimated total cost.

All other construction projects, except the aforementioned, are recorded using the completed-contract method (including the partially completed-contract method).

r. ***Derivatives and Hedging Activities*** — The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Group to reduce its exposures to fluctuations in foreign currency exchange rates. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of operations and comprehensive income and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign exchange forward contracts are measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

s. ***Per Share Information*** — Basic net income per share is computed by dividing net income available to shareholders of common stock by the weighted-average number of shares of common stock outstanding for the period. The weighted-average numbers of shares of common stock for the year ended June 30, 2014 and the period ended June 30, 2013, were 75,693,610 and 75,517,610, respectively.

Diluted net income per share of common stock is not disclosed because the Group had no securities outstanding which might dilute the per share information for the year ended June 30, 2014, and the period ended June 30, 2013.

Cash dividends per share presented in the accompanying consolidated statement of operations and comprehensive income are dividends applicable to the respective years including dividends to be paid after the end of the fiscal year.

t. ***Accounting Changes and Error Corrections*** — In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies:
When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in Presentation:
When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates:
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors:
When an error in prior-period financial statements is discovered, those statements are restated.

u. ***New Accounting Pronouncements and accounting change***
Accounting Standard for Retirement Benefits — On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) *Treatment in the balance sheet*

Under the current requirements, actuarial gains and losses, past service costs and transitional obligation that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses, past service costs and transitional obligation that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) *Treatment in the statement of operations and comprehensive income*

The revised accounting standard does not change how to recognize actuarial gains and losses, past service costs and transitional obligation in profit or loss. Those amounts would be recognized in profit or loss over a certain period. However, actuarial gains and losses, past service costs and transitional obligation that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income, and actuarial gains and losses, past service costs and transitional obligation that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) *Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases*

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group has applied the revised accounting standard for (a) and (b) above effective June 30, 2013, and expects to apply (c) above from July 1, 2014. As a result, retained earnings as of July 1, 2014 will decrease by ¥645 million.

Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts — On December 25, 2013, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 30, “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts.” This PITF is effective for the beginning of annual periods beginning on or after April 1, 2014, with earlier application permitted from the beginning of annual periods first ending after the date of issuance of this PITF, and applied retrospectively.

In accordance with the PITF, upon transfer of treasury stock to the employee stockownership trust (the “Trust”) by the entity, any difference between the book value and fair value of the treasury stock shall be recorded in capital surplus. At year end, the entity shall record (1) the entity stock held by the Trust as treasury stock in equity, (2) all other assets and liabilities of the Trust on a line-by-line basis, and (3) a liability/asset for the net of (i) any gain or loss on delivery of the stock by the Trust to the employee shareholding association, (ii) dividends received from the entity for the stock held by the Trust, and (iii) any expenses relating to the Trust.

The Company expects to apply PITF No. 30, from the beginning of the annual period beginning on July 1, 2014, and there are no effects of applying the PITF in future applicable periods.

v. Additional Information

Employee Stock Ownership Plan Trust (“ESOP”) — The Company has introduced an employee incentive plan, ESOP. Acquisition and sales of the Company’s shares are accounted for under the assumption that the Company and ESOP are the same entity, and its liabilities are guaranteed by the Company. Accordingly, the Company’s shares owned by ESOP are accounted for as treasury stock in the Company’s consolidated balance sheet, and consolidated statement of changes in equity. Also, assets and liabilities, and profits and losses of ESOP are included in the Company’s consolidated balance sheet, consolidated statement of operations and comprehensive income and consolidated statement of changes in equity.

3. INVESTMENT SECURITIES

Investment securities as of June 30, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2014	June 30, 2013	**June 30, 2014**
Non-current:			
Marketable equity securities	**¥7,447**	¥6,457	**$73,471**
Government and corporate bonds	**800**	779	**7,893**
Other	**40**	548	**394**
Total	**¥8,287**	¥7,784	**$81,758**

The carrying amounts and aggregate fair values of investment securities at June 30, 2014, were as follows:

	Millions of Yen			
June 30, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥5,171**	**¥2,033**	**¥44**	**¥7,160**
Debt securities	**550**	**110**	**5**	**655**
Other	**48**		**9**	**39**
Total	**¥5,769**	**¥2,143**	**¥58**	**¥7,854**

	Millions of Yen			
June 30, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥4,822	¥1,382	¥ 35	¥6,169
Debt securities	550	96	12	634
Other	624	12	88	548
Total	¥5,996	¥1,490	¥135	¥7,351

	Thousands of U.S. Dollars			
June 30, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$51,016**	**$20,057**	**$434**	**$70,639**
Debt securities	**5,426**	**1,085**	**49**	**6,462**
Other	**474**		**89**	**385**
Total	**$56,916**	**$21,142**	**$572**	**$77,486**

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the year ended June 30, 2014, and the period ended June 30, 2013, were as follows:

	Millions of Yen		
June 30, 2014	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	**¥ 444**	**¥ 9**	**¥37**
Debt securities			
Other	**591**	**53**	**38**
Total	**¥1,035**	**¥62**	**¥75**

	Millions of Yen		
June 30, 2013	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	¥69	¥15	¥0
Debt securities			
Other			
Total	¥69	¥15	¥0

	Thousands of U.S. Dollars		
June 30, 2014	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	**$ 4,380**	**$ 89**	**$365**
Debt securities			
Other	**5,831**	**523**	**375**
Total	**$10,211**	**$612**	**$740**

The carrying values of debt securities and other by contractual maturities for securities classified as available-for-sale at June 30, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due after 10 years	¥550	$5,426
Total	¥550	$5,426

4. INVENTORIES

Inventories at June 30, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2014	June 30, 2013	**June 30, 2014**
Merchandise	**¥ 0**	¥ 42	**$ 0**
Work in process	**9,800**	11,805	**96,685**
Raw materials and supplies	**311**	170	**3,068**
Total	**¥10,111**	¥12,017	**$99,753**

5. INVESTMENT PROPERTY

On November 2008, the ASBJ issued ASBJ Statement No. 20, "Accounting Standard for Investment Property and Related Disclosures" and issued ASBJ Guidance No. 23, "Guidance on Accounting Standard for Investment Property and Related Disclosures."

The Group owns some rental properties such as office buildings and land in the metropolitan area. The net of rental income and operating expenses for those rental properties was ¥846 million ($8,346 thousand) and ¥210 million for the year ended June 30, 2014 and for the period ended 2013, respectively.

In addition, the carrying amounts, changes in such balances and market prices of such properties are as follows:

Millions of Yen			
Carrying Amount			Fair Value
June 30, 2013	Decrease	June 30, 2014	June 30, 2014
¥7,096	**¥(425)**	**¥6,671**	**¥12,769**

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2013	Decrease	June 30, 2013	June 30, 2013
¥7,133	¥(37)	¥7,096	¥13,235

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
June 30, 2013	Decrease	June 30, 2014	June 30, 2014
$70,008	**$(4,193)**	**$65,815**	**$125,977**

Notes:
1. Carrying amount recognized in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses, if any.
2. Decrease during the fiscal period ended June 30, 2013, primarily represents the recognition of depreciation. Decrease during the fiscal year ended June 30, 2014, primarily represents transfers to assets for own use of ¥395 million ($3,897 thousand).
3. Fair value of properties was measured by the Group in accordance with its Real-Estate Appraisal Standard.

6. REDUCTION ENTRY

Due to the acquisition expenses of the Group that have been subsidized by the national government, the amount of such subsidies, ¥148 million ($1,460 thousand), is offset against the acquisition cost of the machinery and equipment.

7. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and associated companies at June 30, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2014	June 30, 2013	**June 30, 2014**
Investments	**¥ 924**	¥ 801	**$ 9,116**
Advances	**555**	485	**5,476**
Total	**¥1,479**	¥1,286	**$14,592**

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at June 30, 2014 and 2013 consisted of notes to banks and loan from an unconsolidated subsidiary. The annual interest rates applicable to the short-term borrowings were 0.739% at June 30, 2014, and 0.640% at June 30, 2013.

Long-term debt at June 30, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2014	June 30, 2013	**June 30, 2014**
Unsecured loan from bank due serially to 2023 with interest rates ranging from 0.680% to 0.870%	**¥1,820**	¥1,650	**$17,956**
Loan from bank due serially to 2013 with interest rate of 1.250%		50	
Obligation under finance leases	**129**	72	**1,273**
Total	**1,949**	1,772	**19,229**
Less current portion	**(181)**	(211)	**(1,786)**
Long-term debt, less current portion	**¥1,768**	¥1,561	**$17,443**

Annual maturities of long-term debt at June 30, 2014, for the five years and thereafter were as follows:

Years Ending June 30	Millions of Yen		Thousands of U.S. Dollars	
	Long-Term Debt	Lease Obligations	Long-Term Debt	Lease Obligations
2015	¥ 130	¥ 51	$ 1,283	$ 503
2016	164	35	1,618	345
2017	266	26	2,625	257
2018	266	14	2,625	138
2019	436	3	4,301	30
2020 and thereafter	558		5,504	
Total	¥1,820	¥129	$17,956	$1,273

The Group had a commitment line contract of ¥8,000 million ($78,927 thousand) over three years with financial institutions in order to secure the stability of long-term funding. The contract included a restrictive financial covenant. At June 30, 2014, the Group had not utilized the commitment line. In addition, the Group had overdraft contracts of ¥16,000 million ($157,853 thousand) in total. At June 30, 2014, the Group had not utilized the overdraft.

9. RETIREMENT AND PENSION PLANS

The Group has severance payment plans for employees, directors and Audit & Supervisory Board members.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from its consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liabilities for retirement benefits at June 30, 2014 and 2013, for directors and Audit & Supervisory Board members were ¥59 million ($582 thousand) and ¥59 million, respectively. The retirement benefits for directors and Audit & Supervisory Board members are paid subject to the approval of the shareholders.

(1) The changes in defined benefit obligation for the year ended June 30, 2014 and the period ended June 30, 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	12-month	3-month	**12-month**
	June 30, 2014	June 30, 2013	**June 30, 2014**
Balance at beginning of year (period)	**¥13,722**	¥13,849	**$135,379**
Current service cost	**966**	238	**9,530**
Interest cost	**216**	55	**2,131**
Actuarial (gains) losses	**292**	(6)	**2,881**
Benefit paid	**(987)**	(414)	**(9,738)**
Past service cost	**68**		**671**
Balance at end of year (period)	**¥14,277**	¥13,722	**$140,854**

(2) The changes in plan assets for the year ended June 30, 2014 and the period ended June 30, 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	12-month	3-month	**12-month**
	June 30, 2014	June 30, 2013	**June 30, 2014**
Balance at beginning of year (period)	**¥10,064**	¥ 9,795	**$ 99,290**
Expected return on plan assets	**201**	49	**1,983**
Actuarial losses	**864**	237	**8,524**
Contributions from the employer	**1,437**	359	**14,177**
Benefit paid	**(843)**	(376)	**(8,317)**
Balance at end of year (period)	**¥11,723**	¥10,064	**$115,657**

(3) The changes in defined benefit obligation for the simplified method for the year ended June 30, 2014 and the period ended June 30, 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	12-month	3-month	**12-month**
	June 30, 2014	June 30, 2013	**June 30, 2014**
Balance at beginning of year (period)	**¥648**	¥657	**$6,393**
Periodic benefit cost	**58**	14	**572**
Benefit paid	**(14)**	(23)	**(138)**
Balance at end of year (period)	**¥692**	¥648	**$6,827**

(4) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of June 30, 2014 and 2013, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2014	June 30, 2013	**June 30, 2014**
Funded defined benefit obligation	**¥10,954**	¥10,760	**$108,070**
Plan assets	**(11,723)**	(10,064)	**(115,657)**
	(769)	696	**(7,587)**
Unfunded defined benefit obligation	**4,017**	3,610	**39,631**
Net liability for defined benefit obligation	**3,248**	4,306	**32,044**
Liability for retirement benefits	**3,248**	4,306	**32,044**
Net liability for defined benefit obligation	**¥ 3,248**	¥ 4,306	**$ 32,044**

(5) The components of net periodic benefit costs for the year ended June 30, 2014 and the period ended June 30, 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	12-month	3-month	**12-month**
	June 30, 2014	June 30, 2013	**June 30, 2014**
Service cost	**¥ 966**	¥238	**$ 9,530**
Interest cost	**216**	55	**2,131**
Expected return on plan assets	**(201)**	(49)	**(1,983)**
Recognized actuarial losses	**361**	104	**3,562**
Amortization of prior service cost	**22**	5	**217**
Recognized transition obligation	**135**	34	**1,332**
Periodic benefit cost in simplified method	**58**	14	**572**
Others	**27**	3	**266**
Net periodic benefit costs	**¥1,584**	¥404	**$15,627**

(6) The amount of reconciliation of the retirement benefit for the year ended June 30, 2014 and the period ended June 30, 2013, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	12-month	3-month	**12-month**
	June 30, 2014	June 30, 2013	**June 30, 2014**
Past service cost	**¥ 22**	¥	**$ 217**
Actuarial losses	**361**		**3,561**
Recognized transition obligation	**135**		**1,332**
Total	**¥518**	¥	**$5,110**

(7) Accumulated other comprehensive income on defined retirement benefit plans as of June 30, 2014 and 2013, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2014	June 30, 2013	**June 30, 2014**
Unrecognized prior service cost	**¥(312)**	¥ (265)	**$(3,078)**
Unrecognized actuarial losses	**(2)**	(936)	**(20)**
Unrecognized transilation obligation	**(101)**	(236)	**(996)**
Total	**¥(415)**	¥(1,437)	**$(4,094)**

(8) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	June 30, 2014	June 30, 2013
Debt investments	**35%**	36%
Equity investments	**44**	43
Cash and cash equivalents	**18**	18
Others	**3**	3
Total	**100%**	100%

b. Method of determining the expected rate of return on plan assts

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used for the year ended June 30, 2014 and the period ended June 30, 2013, were set forth as follows:

	June 30, 2014	June 30, 2013
Discount rate	**1.5%**	1.5%
Expected rate of return on plan assets	**2.0**	2.0
Lump-sum election rate	**80.0**	80.0

(10) Multiemployer pension plan

a. Required contribution amount

The Group's required contribution amount for the year ended June 30, 2014 and the period ended June 30, 2013, was ¥887 million ($8,750 thousand) and ¥193 million, respectively.

b. Funded status

The funded status of the multiemployer pension plan at June 30, 2014 (available information as of March 31, 2014), and at June 30, 2013 (available information as of March 31, 2013), to which contributions were recorded as net periodic retirement benefit costs, was as follows:

	Millions of Yen	Millions of Yen
	March 31, 2014	March 31, 2013
Fair value of plan assets	**¥162,116**	¥145,345
Pension benefit obligation recorded by pension fund	**188,180**	176,729
Difference	**¥ (26,064)**	¥ (31,384)

c. Contribution ratio

The Group's contribution percentage for its multiemployer pension plan at June 30, 2014 and 2013, was 12.6% and 12.5%, respectively.

Note:
1. The difference in *b.* above mainly resulted from prior service cost of ¥(23,463) million, adjustment of asset valuation of ¥(6,400) million and surplus of ¥3,800 million for the year ended June 30, 2014, and from prior service cost of ¥(24,984) million, adjustment of asset valuation of ¥(8,337) million and surplus of ¥1,937 million for the period ended June 30, 2013.
2. Prior service cost is amortized over 15 years.
3. The Group expensed special contributions of ¥337 million in the consolidated statement of operations and comprehensive income for the year ended June 30, 2014, and ¥81 million in the consolidated statement of operations and comprehensive income for the period ended June 30, 2013.
4. The contribution ratio in *c.* above does not conform to the actual ratio applied to the Group.

10. DEPOSITS RECEIVED

Deposits received from tenants amounted to ¥1,333 million ($13,151 thousand) at June 30, 2014, and ¥1,501 million at June 30, 2013.

At June 30, 2014, land, building and structures for rent of ¥1,286 million ($12,687 thousand) were pledged as collateral for these deposits.

11. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the year ended June 30, 2014 and the period ended June 30, 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2014	June 30, 2013	**June 30, 2014**
Balance at beginning of year (period)	**¥55**	¥53	**$543**
Additional provisions associated with the acquisition of property, plant and equipment		1	
Reconciliation associated with passage of time	**2**	1	**20**
Reduction associated with meeting asset retirement obligations	**3**		**30**
Balance at end of year (period)	**¥54**	¥55	**$533**

12. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Audit & Supervisory Board members, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. The Company meets all the above criteria.
Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in statutory tax rate of approximately 36.8% for the year ended June 30, 2014, and the period ended June 30, 2013.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at June 30, 2014, and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2014	June 30, 2013	**June 30, 2014**
Deferred tax assets:			
Accrued bonuses	**¥ 854**	¥1,431	**$ 8,425**
Tax loss carryforwards	**310**	966	**3,058**
Liability for retirement benefits for directors and Audit & Supervisory Board members	**21**	21	**207**
Net defined benefit liability	**1,170**	1,509	**11,543**
Allowance for anticipated project loss	**71**	39	**700**
Loss on impairment of long-lived assets	**72**	73	**710**
Other	**735**	757	**7,253**
Less valuation allowance	**(440)**	(1,476)	**(4,341)**
Total	**¥2,793**	¥3,320	**$27,555**

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2014	June 30, 2013	**June 30, 2014**
Deferred tax liabilities:			
Reserve for deferred gains on sale of property	**¥ 170**	¥ 174	**$ 1,677**
Unrealized gain on available-for-sale securities	**716**	463	**7,064**
Other	**74**	74	**730**
Total	**¥ 960**	¥ 711	**$ 9,471**
Net deferred tax assets	**¥1,833**	¥2,609	**$18,084**

A reconciliation between the statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of operations and comprehensive income for the year ended June 30, 2014, and the period ended June 30, 2013, is as follows:

	June 30, 2014	June 30, 2013
Statutory tax rate	**36.8%**	(36.8)%
Per capita levy of local tax	**2.9**	1.0
Expenses not deductible for tax purposes	**1.9**	0.5
Foreign income tax	**8.0**	2.2
Valuation allowance	**(20.3)**	1.3
Income taxes for prior periods	**0.0**	(7.3)
Other – net	**4.2**	0.4
Actual effective tax rate	**33.5%**	(38.7)%

As of June 30, 2014, the Company and its certain subsidiaries had tax loss carryforwards aggregating approximately ¥933 million ($9,205 thousand) which were available to be offset against taxable income of these companies in future years. These tax loss carryforwards, if not utilized, will expire as follows:

	Millions of Yen	Thousands of U.S. Dollars
March 31, 2015	¥ 92	$ 908
March 31, 2016	99	977
March 31, 2018	35	345
March 31, 2019	65	641
June 30, 2020	603	5,949
June 30, 2021	39	385
Total	**¥933**	**$9,205**

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 36.8% to 34.4%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of June 30, 2014, by ¥108 million ($1,066 thousand) and to increase income taxes—deferred in the consolidated statement of operations and comprehensive income for the year then ended by ¥108 million ($1,066 thousand).

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥403 million ($3,976 thousand) and ¥92 million for the year ended June 30, 2014, and the period ended June 30, 2013, respectively.

15. LEASES

(1) Lessee

The minimum rental commitments under noncancelable operating leases at June 30, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2014	June 30, 2013	**June 30, 2014**
Due within one year	**¥2**	¥2	**$20**
Due after one year	**3**	5	**29**
Total	**¥5**	¥7	**$49**

(2) Lessor

The minimum rental commitments under noncancelable operating leases at June 30, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2014	June 30, 2013	**June 30, 2014**
Due within one year	**¥ 333**	¥ 604	**$ 3,285**
Due after one year	**955**	1,288	**9,422**
Total	**¥1,288**	¥1,892	**$12,707**

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments (mainly bank loans) based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below. To clarify the accountability for transactions, the Group set up an investment committee that it examines basic principles of transactions and each financial instrument.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of a portion of payables in foreign currencies, is hedged by using forward foreign currency contracts. Marketable and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year.

Derivatives mainly include forward foreign currency contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables and investment securities. Please see Note 17 for more details about derivatives.

(3) Risk Management for Financial Instruments

Credit Risk Management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers at an early stage. With respect to held-to-maturity financial investments, the Group manages exposure to credit risk by limiting investments to high credit rating bonds in accordance with its internal guidelines.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of June 30, 2014.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Marketable and investment securities are managed by monitoring market values and the financial position of issuers on a regular basis.

The basic principles of derivative transactions are approved by the investment committee based on the internal guidelines which prescribe the authority and the limits for each transaction by the corporate treasury department. Reconciliation of the transaction and balances with customers is made, and the transaction data is reported to the chief financial officer on a monthly basis.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on its maturity dates. The Group manages its liquidity risk by concluding the commitment line and overdraft contracts, along with adequate financial planning by the corporate treasury department.

(4) Concentration of Credit Risk

35.7% of total receivables are from two major customers of the Group as of June 30, 2014.

(5) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(a) Fair value of financial instruments

	Millions of Yen		
June 30, 2014	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**¥ 8,465**	**¥ 8,465**	**¥**
Receivables	**13,791**		
Allowance for doubtful accounts	**(27)**		
	13,764	**13,764**	
Investment securities	**7,854**	**7,854**	
Total	**¥30,083**	**¥30,083**	**¥**

	Millions of Yen		
June 30, 2013	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥11,614	¥11,614	¥
Receivables	8,595		
Allowance for doubtful accounts	(181)		
	8,414	8,414	
Investment securities	7,350	7,350	
Total	¥27,378	¥27,378	¥

	Thousands of U.S. Dollars		
June 30, 2014	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**$ 83,514**	**$ 83,514**	**$**
Receivables	**136,059**		
Allowance for doubtful accounts	**(266)**		
	135,793	**135,793**	
Investment securities	**77,486**	**77,486**	
Total	**$296,793**	**$296,793**	**$**

Cash and cash equivalents and receivables

The carrying values of these financial instruments approximate fair value because of their short maturities.

Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the investment securities by classification is included in Note 3.

Derivatives

Fair value information for derivatives is included in Note 17.

(b) Carrying amount of financial instruments whose fair values cannot be reliably determined

June 30, 2014 and 2013	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Investments in equity instruments that do not have a quoted market price in an active market	**¥1,212**	¥1,089	**$11,957**
Investments in debt instruments that do not have a quoted market price in an active market	**¥ 145**	¥ 145	**$ 1,431**

(6) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

June 30, 2014	Millions of Yen			
	Due in one Year or Less	Due after one Year through five Years	Due after five Years through ten Years	Due after ten Years
Cash and cash equivalents	**¥ 8,465**	**¥**	**¥**	
Receivables	**13,791**			
Investment securities				
Available-for-sale securities with contractual maturities				**¥550**
Total	**¥22,256**	**¥**	**¥**	**¥550**

June 30, 2013	Millions of Yen			
	Due in one Year or Less	Due after one Year through five Years	Due after five Years through ten Years	Due after ten Years
Cash and cash equivalents	¥11,614	¥	¥	
Receivables	8,595			
Investment securities				
Available-for-sale securities with contractual maturities				¥550
Total	¥20,209	¥	¥	¥550

June 30, 2014	Thousands of U.S. Dollars			
	Due in one Year or Less	Due after one Year through five Years	Due after five Years through ten Years	Due after ten Years
Cash and cash equivalents	**$ 83,514**	**$**	**$**	
Receivables	**136,059**			
Investment securities				
Available-for-sale securities with contractual maturities				**$5,426**
Total	**$219,573**	**$**	**$**	**$5,426**

Please see Note 8 for annual maturities of long-term debt.

17. DERIVATIVES

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risk.

It is the Group's policy to use derivatives only for the purpose of reducing risks, not for trading or speculative purposes.

Because the counterparties to these derivatives are limited to highly reputable domestic banks, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of Yen			
June 30, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain
Foreign currency forward contracts: Selling Euros	**¥416**	**¥416**	**¥(136)**	**¥(136)**

	Thousands of U.S. Dollars			
June 30, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain
Foreign currency forward contracts: Selling Euros	**$4,104**	**$4,104**	**$(1,342)**	**$(1,342)**

	Millions of Yen		
June 30, 2013	Contract Amount	Fair Value	Unrealized Gain
Foreign currency forward contracts: Selling Euros	¥416	¥(96)	¥(96)

Derivative Transactions to Which Hedge Accounting Is Applied

	Millions of Yen			
June 30, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts: Selling U.S. dollars	Investment securities	**¥357**	**¥357**	**¥ (99)**
Foreign currency forward contracts: Selling Euros	Investment securities	**¥521**	**¥521**	**¥(169)**

	Thousands of U.S. Dollars			
June 30, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts: Selling U.S. dollars	Investment securities	**$3,522**	**$3,522**	**$ (977)**
Foreign currency forward contracts: Selling Euros	Investment securities	**$5,140**	**$5,140**	**$(1,667)**

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

18. CONTINGENT LIABILITIES

At June 30, 2014, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans related to employees	¥85	$839

On June 19, 2014, Nippon Civic Consulting Engineers Co., Ltd ("NCC"), one of the consolidated subsidiaries, was sued by Osaka prefecture for damages resulting from a project related to designing a shield tunnel. The amount of the claimed damages is ¥750 million ($7,399 thousand). NCC has concluded that it did not engage in an illegal act in the course of the project, and intends to contest the claims brought forth by Osaka prefecture in court.

19. COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended June 30, 2014, and the period ended June 30, 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	12-month	3-month	**12-month**
	June 30, 2014	June 30, 2013	**June 30, 2014**
Unrealized gain on available-for-sale securities:			
Gains arising during the year	**¥ 717**	¥434	**$7,074**
Reclassification adjustments to profit or loss	**13**	(15)	**128**
Amount before income tax effect	**730**	419	**7,202**
Income tax effect	**(253)**	(144)	**(2,496)**
Total	**¥ 477**	¥275	**$4,706**
Deferred gain (loss) on derivatives under hedge accounting:			
Gains arising during the year	**¥ 15**	¥(82)	**$ 148**
Reclassification adjustments to profit or loss			
Amount before income tax effect	**15**	(82)	**148**
Income tax effect	**(5)**	28	**(49)**
Total	**¥ 10**	¥(54)	**$ 99**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ 9**	¥(28)	**$ 89**
Reclassification adjustments to profit or loss			
Amount before income tax effect	**9**	(28)	**89**
Income tax effect			
Total	**¥ 9**	¥(28)	**$ 89**
Defined retirement benefit plans:			
Gains arising during the year	**¥ 504**		**$ 4,973**
Reclassification adjustments to profit or loss	**518**		**5,110**
Amount before income tax effect	**1,022**		**10,083**
Income tax effect	**(328)**		**(3,236)**
Total	**¥ 694**		**$ 6,847**
Total other comprehensive income	**¥1,190**	¥193	**$11,741**

20. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

On August 11, 2014, the following appropriation of retained earnings at June 30, 2014, was resolved by the board of directors:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥7.5 ($0.07) per share	¥569	$5,614

The total amount of the dividends above does not include ¥10 million ($99 thousand) in dividends to the ESOP because the Group's shares owned by the ESOP are included in the Group's treasury stock.

21. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available, and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of the Domestic, Overseas, Power Engineering and Real estate leasing segments. Domestic consists of consulting services in public and private sectors related mainly to infrastructure development in Japan. Overseas consists of consulting services related mainly to development projects funded by Official Development Assistance ("ODA"). Power Engineering consists of manufacturing of products and appliances related to electric production and distribution systems and engineering services related to construction and maintenance of public and private electric power facilities. Real estate leasing consists of sales of our Group's real estate leasing operation.

(2) Methods of Measurement for the Amount of Sales, Profit (Loss), Assets, Liabilities and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about Sales, Profit (Loss), Assets, Liabilities and Other Items

Millions of Yen

12-month

June 30, 2014

	Reportable Segment: Domestic	Reportable Segment: Overseas	Reportable Segment: Power Engineering	Reportable Segment: Real Estate Leasing	Reportable Segment: Total	Others	Total	Reconciliations	Consolidated
Sales									
Sales to customers	**¥41,817**	**¥20,947**	**¥14,170**	**¥1,126**	**¥78,060**	**¥ 1,133**	**¥79,193**		**¥79,193**
Intersegment sales	**454**		**210**	**124**	**788**	**8**	**796**	**¥ (796)**	
Total sales	**42,271**	**20,947**	**14,380**	**1,250**	**78,848**	**1,141**	**79,989**	**(796)**	**79,193**
Segment profit (loss)	**¥ 2,526**	**¥ 494**	**¥ 1,256**	**¥ 846**	**¥ 5,122**	**¥ (575)**	**¥ 4,547**	**¥ (4)**	**¥ 4,543**
Segment assets	**¥19,345**	**¥17,832**	**¥ 7,839**	**¥7,691**	**¥52,707**	**¥34,094**	**¥86,801**	**¥(10,656)**	**¥76,145**
Other:									
Depreciation	**¥ 169**	**¥ 58**	**¥ 233**	**¥ 145**	**¥ 605**	**¥ 392**	**¥ 997**		**¥ 997**
Amortization of goodwill	**309**	**8**			**317**		**317**		**317**
Interest income	**38**	**19**	**4**	**9**	**70**	**198**	**268**	**¥ (217)**	**51**
Interest expense	**40**	**100**	**42**	**14**	**196**	**66**	**262**	**(217)**	**45**
Increase in property, plant and intangible assets	**141**	**81**	**179**	**2**	**403**	**4,126**	**4,529**		**4,529**

Millions of Yen

3-month

June 30, 2013

	Reportable Segment: Domestic	Reportable Segment: Overseas	Reportable Segment: Power Engineering	Reportable Segment: Real Estate Leasing	Reportable Segment: Total	Other	Total	Reconciliations	Consolidated
Sales									
Sales to customers	¥ 1,354	¥ 2,863	¥2,353	¥ 283	¥ 6,853	¥ 44	¥ 6,897		¥ 6,897
Intersegment sales	68		44	31	143		143	¥ (143)	
Total sales	1,422	2,863	2,397	314	6,996	44	7,040	(143)	6,897
Segment profit (loss)	¥(2,451)	¥ (748)	¥ (103)	¥ 210	¥(3,092)	¥ (73)	¥(3,165)	¥ 8	¥(3,157)
Segment assets	¥17,506	¥14,200	¥8,014	¥9,803	¥49,523	¥31,590	¥81,113	¥(9,662)	¥71,451
Other:									
Depreciation	¥ 37	¥ 13	¥ 68	¥ 37	¥ 155	¥ 66	¥ 221		¥ 221
Amortization of goodwill	77				77		77		77
Interest income	14	5	3	4	26	32	58	¥ (48)	10
Interest expense	8	23	8	4	43	15	58	(48)	10
Increase in property, plant and intangible assets	54	14	23	12	103	15	118		118

	Thousands of U.S. Dollars								
	12-month								
	June 30, 2014								
	Reportable Segment					Others	Total	Reconciliations	Consolidated
	Domestic	Overseas	Power Engineering	Real Estate Leasing	Total				
Sales									
Sales to customers	**$412,559**	**$206,659**	**$139,799**	**$11,109**	**$770,126**	**$ 11,178**	**$781,304**		**$781,304**
Intersegment sales	**4,480**		**2,072**	**1,223**	**7,775**	**78**	**7,853**	**$ (7,853)**	
Total sales	**417,039**	**206,659**	**141,871**	**12,332**	**777,901**	**11,256**	**789,157**	**(7,853)**	**781,304**
Segment profit (loss)	**$ 24,922**	**$ 4,874**	**$ 12,391**	**$ 8,346**	**$ 50,533**	**$ (5,673)**	**$ 44,860**	**$ (40)**	**$ 44,820**
Segment assets	**$190,855**	**$175,927**	**$ 77,338**	**$75,878**	**$519,998**	**$336,365**	**$856,363**	**$(105,130)**	**$751,233**
Other:									
Depreciation	**$ 1,667**	**$ 572**	**$ 2,299**	**$ 1,431**	**$ 5,969**	**$ 3,867**	**$ 9,836**		**$ 9,836**
Amortization of goodwill	**3,048**	**79**			**3,127**		**3,127**		**3,127**
Interest income	**376**	**187**	**39**	**89**	**691**	**1,953**	**2,644**	**$ (2,141)**	**503**
Interest expense	**395**	**987**	**414**	**138**	**1,934**	**651**	**2,585**	**(2,141)**	**444**
Increase in property, plant and intangible assets	**1,391**	**799**	**1,766**	**20**	**3,976**	**40,706**	**44,682**		**44,682**

Notes:
The differences between total amounts for reportable segments and amounts in the consolidated balance sheets or consolidated statement of operations and comprehensive income and the main details of these differences, which are related to difference adjustments at June 30, 2014 and 2013, were as follows:

Net sales

	Millions of Yen		Thousands of U.S. Dollars
	12-month	3-month	**12-month**
	June 30, 2014	June 30, 2013	**June 30, 2014**
Reportable segment total	**¥78,848**	¥6,996	**$777,901**
Other net sales	**1,141**	44	**11,256**
Elimination of intersegment transactions	**(796)**	(143)	**(7,853)**
Net sales in the consolidated statements of operations and comprehensive income	**¥79,193**	¥6,897	**$781,304**

Profit

	Millions of Yen		Thousands of U.S. Dollars
	12-month	3-month	**12-month**
	June 30, 2014	June 30, 2013	**June 30, 2014**
Reportable segment total	**¥5,122**	¥(3,092)	**$50,533**
Other loss	**(575)**	(73)	**(5,673)**
Elimination of intersegment transactions	**(4)**	8	**(40)**
Non-operating items	**(287)**	(57)	**(2,831)**
Operating income in the consolidated statements of operations and comprehensive income	**¥4,256**	¥(3,214)	**$41,989**

Assets

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2014	June 30, 2013	**June 30, 2014**
Reportable segment total	**¥52,707**	¥49,523	**$519,998**
Other property	**34,094**	31,590	**336,365**
Elimination of intersegment transactions	**(10,656)**	(9,662)	**(105,130)**
Total assets in the consolidated balance sheets	**¥76,145**	¥71,451	**$751,233**

Other items

	Millions of Yen			
	June 30, 2014			
	Reportable Segment	Others	Reconciliations	Total
Depreciation	**¥605**	**¥ 392**		**¥ 997**
Amortization of goodwill	**317**			**317**
Interest income	**70**	**198**	**¥(217)**	**51**
Interest expense	**196**	**66**	**(217)**	**45**
Increase in property, plant and intangible assets	**403**	**4,126**		**4,529**

	Millions of Yen			
	June 30, 2013			
	Reportable Segment	Others	Reconciliations	Total
Depreciation	¥155	¥66		¥221
Amortization of goodwill	77			77
Interest income	26	32	¥(48)	10
Interest expense	43	15	(48)	10
Increase in property, plant and intangible assets	103	15		118

	Thousands of U.S. Dollars			
	June 30, 2014			
	Reportable Segment	Others	Reconciliations	Total
Depreciation	**$5,969**	**$ 3,867**		**$ 9,836**
Amortization of goodwill	**3,127**			**3,127**
Interest income	**691**	**1,953**	**$(2,141)**	**503**
Interest expense	**1,934**	**651**	**(2,141)**	**444**
Increase in property, plant and intangible assets	**3,976**	**40,706**		**44,682**

Note:
The main reconciling items of interest income and expense are eliminations of corporate interest in accounting for control.

The information about geographical areas for the fiscal year ended June 30, 2014, was as follows:

Sales

Millions of Yen						
12-month						
June 30, 2014						
Japan	Asia	Middle East	Africa	Latin America	Other	Total
¥56,265	**¥13,216**	**¥1,317**	**¥4,462**	**¥3,552**	**¥381**	**¥79,193**

Thousands of U.S. Dollars						
12-month						
June 30, 2014						
Japan	Asia	Middle East	Africa	Latin America	Other	Total
$555,101	**$130,387**	**$12,993**	**$44,021**	**$35,043**	**$3,759**	**$781,304**

The information about major customers for the fiscal year ended June 30, 2014, was as follows:

	Millions of Yen	
	12-month	
	June 30, 2014	
Name of Customers	Sales	Related Segment Name
Ministry of Land, Infrastructure, Transport and Tourism ..	**¥16,632**	Domestic
Japan International Cooperation Agency	**9,004**	Overseas
Tokyo Electric Power Company, Incorporated	**6,028**	Power Engineering

	Thousands of U.S. Dollars	
	12-month	
	June 30, 2014	
Name of Customers	Sales	Related Segment Name
Ministry of Land, Infrastructure, Transport and Tourism ..	**$164,088**	Domestic
Japan International Cooperation Agency	**88,832**	Overseas
Tokyo Electric Power Company, Incorporated	**59,471**	Power Engineering

The information about goodwill for the fiscal year ended June 30, 2014, was as follows:

	Millions of Yen							
	12-month							
	June 30, 2014							
	Reportable Segment					Others	Elimination/ Corporate	Consolidated
	Domestic	Overseas	Power Engineering	Real Estate Leasing	Total			
Amortization of goodwill	**¥309**	**¥8**	**¥**	**¥**	**¥317**	**¥**	**¥**	**¥317**
Goodwill at June 30, 2014	**233**				**233**			**233**

	Thousands of U.S. Dollars							
	12-month							
	June 30, 2014							
	Reportable Segment					Others	Elimination/ Corporate	Consolidated
	Domestic	Overseas	Power Engineering	Real Estate Leasing	Total			
Amortization of goodwill	**$3,048**	**$79**	**$**	**$**	**$3,127**	**$**	**$**	**$3,127**
Goodwill at June 30, 2014	**2,299**				**2,299**			**2,299**

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3, Konan
Minato-ku, Tokyo 108-6221
Japan

Tel:+81 (3) 6720 8200
Fax:+81 (3) 6720 8205
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nippon Koei Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Nippon Koei Co., Ltd. and its consolidated subsidiaries as of June 30, 2014, and the related consolidated statements of operations and comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Koei Co., Ltd. and its consolidated subsidiaries as of June 30, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

September 25, 2014

Member of
Deloitte Touche Tohmatsu Limited

Nonconsolidated Balance Sheet

Nippon Koei Co., Ltd.
June 30, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**June 30, 2014**	June 30, 2013	**June 30, 2014**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 5,697**	¥ 9,189	**$ 56,206**
Receivables:			
Trade notes	**76**	75	**750**
Trade accounts	**10,816**	6,731	**106,709**
Allowance for doubtful accounts	**(6)**	(154)	**(59)**
Short-term loan receivables	**1,286**	1,217	**12,687**
Inventories (Note 4)	**7,198**	8,830	**71,014**
Deferred tax assets (Note 10)	**980**	2,063	**9,669**
Prepaid expenses and other current assets	**1,926**	1,472	**19,001**
Total current assets	**27,973**	29,423	**275,977**
PROPERTY, PLANT AND EQUIPMENT (Notes 6 and 8):			
Land	**15,137**	11,884	**149,339**
Buildings and structures	**18,951**	18,125	**186,968**
Machinery and equipment	**2,174**	2,285	**21,448**
Furniture and fixtures	**2,245**	2,193	**22,149**
Construction in progress		12	
Lease assets	**131**	124	**1,292**
Total	**38,638**	34,623	**381,196**
Accumulated depreciation	**(15,712)**	(15,149)	**(155,013)**
Net property, plant and equipment	**22,926**	19,474	**226,183**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**8,140**	7,639	**80,308**
Investments in and long-term loans to subsidiaries and associated companies (Note 5)	**6,501**	7,053	**64,138**
Other assets	**3,051**	2,753	**30,101**
Allowance for doubtful accounts	**(152)**	(2)	**(1,500)**
Total investments and other assets	**17,540**	17,443	**173,047**
TOTAL	**¥68,439**	¥66,340	**$675,207**

See notes to nonconsolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen June 30, 2014	Millions of Yen June 30, 2013	Thousands of U.S. Dollars (Note 1) June 30, 2014
CURRENT LIABILITIES:			
Short-term borrowings (Note 7)	**¥ 6,480**	¥ 7,090	**$ 63,931**
Current portion of long-term debt (Note 7)	**160**	198	**1,579**
Payables:			
Trade notes	**303**	490	**2,989**
Trade accounts	**2,434**	1,588	**24,013**
Accrued expenses	**787**	2,543	**7,764**
Income taxes payable	**149**	29	**1,470**
Advances received	**4,495**	5,965	**44,347**
Accrued bonuses	**841**	757	**8,297**
Allowance for anticipated project loss	**171**	60	**1,687**
Other current liabilities	**4,556**	2,511	**44,948**
Total current liabilities	**20,376**	21,231	**201,025**
LONG-TERM LIABILITIES:			
Long-term debt (Note 7)	**1,738**	1,544	**17,147**
Liability for retirement benefits	**216**	238	**2,131**
Allowance for environmental measures	**25**	25	**247**
Asset retirement obligations	**50**	48	**493**
Deposits received (Note 8)	**1,598**	1,699	**15,766**
Deferred tax liabilities (Note 10)	**900**	622	**8,879**
Total long-term liabilities	**4,527**	4,176	**44,663**
COMMITMENTS AND CONTINGENT LIABILITIES (Note 11)			
EQUITY (Notes 9 and 12):			
Common stock, authorized, 189,580,000 shares; issued, 86,656,510 shares on June 30, 2013 and 2014	**7,393**	7,393	**72,938**
Capital surplus:			
Additional paid-in capital	**6,093**	6,093	**60,112**
Other capital surplus	**115**	115	**1,135**
Retained earnings:			
Legal reserve	**1,546**	1,546	**15,253**
Retained earnings - unappropriated	**30,497**	28,453	**300,878**
Unrealized gain on available-for-sale securities	**1,342**	884	**13,240**
Deferred loss on derivatives under hedge accounting	**(176)**	(186)	**(1,736)**
Treasury stock—at cost 10,793,274 shares on June 30, 2014 and 11,085,421 shares on June 30, 2013	**(3,274)**	(3,365)	**(32,301)**
Total equity	**43,536**	40,933	**429,519**
TOTAL	**¥68,439**	¥66,340	**$675,207**

Nonconsolidated Statement of Operations

Nippon Koei Co., Ltd.
Year ended June 30, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	12-month	3-month	**12-month**
	June 30, 2014	June 30, 2013	**June 30, 2014**
NET SALES	**¥59,308**	¥ 5,326	**$585,122**
COST OF SALES	**44,478**	4,770	**438,812**
Gross profit	**14,830**	556	**146,310**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**11,733**	2,889	**115,756**
Operating income (loss)	**3,097**	(2,333)	**30,554**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**960**	211	**9,471**
Interest expense	**(77)**	(20)	**(760)**
Foreign currency exchange loss	**(175)**	(60)	**(1,727)**
(Loss) gain on sales of investment securities	**(21)**	16	**(207)**
Provision of allowance for doubtful accounts of subsidiaries and associated companies		(152)	
Other-net	**233**	44	**2,300**
Other income-net	**920**	39	**9,077**
INCOME (LOSS) BEFORE INCOME TAXES	**4,017**	(2,294)	**39,631**
INCOME TAXES (Note 10):			
Current	**704**	88	**6,946**
Income taxes for prior periods	**(1)**	(230)	**(10)**
Deferred	**1,115**	(919)	**11,000**
Total income taxes	**1,818**	(1,061)	**17,936**
NET INCOME (LOSS)	**¥ 2,199**	¥(1,233)	**$ 21,695**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2.s):			
Basic net income (loss)	**¥ 29.05**	¥ (16.33)	**$ 0.29**
Cash dividends applicable to the year	**7.50**	2.00	**0.07**

See notes to nonconsolidated financial statements.

Nonconsolidated Statement of Changes in Equity

Nippon Koei Co., Ltd.
Year ended June 30, 2014

	Thousands	Millions of Yen								
			Capital Surplus		Retained Earnings					
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Treasury Stock	Total Equity
BALANCE, APRIL 1, 2013	**75,471**	**¥7,393**	**¥6,093**	**¥115**	**¥1,546**	**¥30,266**	**¥ 612**	**¥(132)**	**¥(3,398)**	**¥42,495**
Net loss						(1,233)				(1,233)
Cash dividends, ¥7.50 per share						(580)				(580)
Purchase of treasury stock	(8)								(3)	(3)
Disposal of treasury stock	108								36	36
Net change in the fiscal period (3 months)							272	(54)		218
BALANCE, JUNE 30, 2013	**75,571**	**7,393**	**6,093**	**115**	**1,546**	**28,453**	**884**	**(186)**	**(3,365)**	**40,933**
Net income						2,199				2,199
Cash dividends, ¥2.00 per share						(155)				(155)
Purchase of treasury stock	(136)								(54)	(54)
Disposal of treasury stock	428								145	145
Net change in the year							458	10		468
BALANCE, JUNE 30, 2014	**75,863**	**¥7,393**	**¥6,093**	**¥115**	**¥1,546**	**¥30,497**	**¥1,342**	**¥(176)**	**¥(3,274)**	**¥43,536**

	Thousands of U.S. Dollars (Note 1)								
		Capital Surplus		Retained Earnings					
	Common Stock	Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Treasury Stock	Total Equity
BALANCE, JUNE 30, 2013	**$72,938**	**$60,112**	**$1,135**	**$15,253**	**$280,712**	**$ 8,721**	**$(1,835)**	**$(33,199)**	**$403,837**
Net income					21,695				21,695
Cash dividends, $0.02 per share					(1,529)				(1,529)
Purchase of treasury stock								(533)	(533)
Disposal of treasury stock								1,431	1,431
Net change in the year						4,519	99		4,618
BALANCE, JUNE 30, 2014	**$72,938**	**$60,112**	**$1,135**	**$15,253**	**$300,878**	**$13,240**	**$(1,736)**	**$(32,301)**	**$429,519**

See notes to nonconsolidated financial statements.

1. BASIS OF PRESENTATION OF NONCONSOLIDATED FINANCIAL STATEMENTS

The accompanying nonconsolidated financial statements have been prepared from the accounts maintained by Nippon Koei Co., Ltd. (the "Company") in accordance with the provisions set forth in the Companies Act of Japan (the "Companies Act") and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

As consolidated statements of cash flows and certain disclosures are presented in the consolidated financial statements of the Company, nonconsolidated statements of cash flows and certain disclosures are not presented herein in accordance with accounting principles generally accepted in Japan.

Effective for the year ended March 31, 2014, the Japanese Financial Instruments and Exchange Act and its related accounting regulations were amended to allow an entity to not disclose certain designated footnote information in its nonconsolidated financial statements if the entity prepares and discloses consolidated financial statements. Accordingly, the Company has omitted disclosure of certain footnote information in the accompanying nonconsolidated financial statements.

In preparing these nonconsolidated financial statements, certain reclassifications and rearrangements have been made to the Company's nonconsolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the nonconsolidated financial statements for the 3-month fiscal period ended June 30, 2013 to conform to the classifications used in nonconsolidated financial statements for the year ended June 30, 2014.

The nonconsolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥101.36 to $1, the approximate rate of exchange at June 30, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Change in fiscal year-end
The Company changed its fiscal year-end from March 31 to June 30 by the resolution of the 68th Annual General Shareholders' Meeting held on June 27, 2013, in order to make operations more efficient and decrease the work load which becomes heavy in March with the cluster of projects requiring completion. Due to this change, the fiscal period ended June 30, 2013, is the 3-month fiscal period from April 1 to June 30, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Nonconsolidation* — The nonconsolidated financial statements do not include the accounts of subsidiaries. Investments in subsidiaries and associated companies are stated at cost.

b. *Cash Equivalents* — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and investment trusts, all of which mature or become due within three months of the date of acquisition.

c. *Inventories* — Work in process is stated at the lower of cost, mainly determined by the specific identification cost method or net selling value.

d. *Investment Securities* — Investment securities are classified and accounted for, depending on management's intent, as follows:
(1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost; (2) available-for-sale securities, which are not

classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity and (3) investments in subsidiaries and associated companies are reported at cost.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to operations.

e. ***Property, Plant and Equipment*** — Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998, and lease assets as well as other equipment for rent. The range of useful lives is principally from 3 to 50 years for buildings and structures, from 2 to 15 years for machinery and equipment and from 2 to 20 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

f. ***Long-Lived Assets*** — The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

g. ***Allowance for Doubtful Accounts*** — The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

h. ***Retirement and Pension Plans*** — The Company has a contributory defined benefit pension plan and unfunded retirement benefit plan for the benefit of its employees.

Effective April 1, 2000, the Company adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 13 years within the average remaining service period. Past service costs are amortized on a straight-line basis over 13 years within the average remaining service period. Accounting treatments for unrecognized actuarial gains and losses and unrecognized past service costs in the nonconsolidated financial statements are different from those in the consolidated financial statements.

Hitherto, retirement benefits for directors and Audit & Supervisory Board members were provided at the amount which would be required if all directors and Audit & Supervisory Board members retired at the balance sheet date, but currently, the Company abolished benefit pension plans for directors and Audit & Supervisory Board members. The balance in the nonconsolidated balance sheet is the estimated amount for directors and Audit & Supervisory Board members who have belonged to the Company since when the plans were effective.

i. ***Allowance for Anticipated Project Loss*** — The Company has made a provision for anticipated losses on uncompleted project contracts.

j. ***Asset Retirement Obligations*** — In March 2008, the ASBJ issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

k. ***Research and Development Costs*** — Research and development costs are charged to income as incurred.

l. ***Leases*** — In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be measured at the amount of obligation under finance leases less interest expense at the transition date and recorded as acquisition cost of lease assets.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the amount of obligation under finance leases at the transition date.

All other leases are accounted for as operating leases.

m. ***Accrued Bonuses*** — Bonuses to employees, directors and Audit & Supervisory Board members are accrued at the end of the year to which such bonuses are attributable.

n. ***Allowance for Environmental Measures*** — The Company has made a provision for the treatment of PCB Wastes based on the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

o. ***Income Taxes*** — The provision for income taxes is computed based on the pretax income included in the nonconsolidated statement of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

p. ***Foreign Currency Transactions*** — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the nonconsolidated statement of operations.

q. ***Revenue Recognition*** — If the outcome of a construction contract can be estimated reliably, the contract revenue is recognized by the percentage-of-completion method which is measured by reference to the percentage of total cost incurred to date to estimated total cost.
All other construction projects, except the aforementioned, are recorded using the completed-contract method (including the partially completed-contract method).

r. ***Derivatives and Hedging Activities*** — The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the

Company to reduce its exposures to fluctuations in foreign currency exchange rates. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the nonconsolidated statement of operations and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign exchange forward contracts are measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

s. ***Per Share Information*** — Basic net operations per share is computed by dividing net operations available to shareholders of common stock by the weighted-average number of shares of common stock outstanding for the period. The weighted-average numbers of shares of common stock for the year ended June 30, 2014, and the period ended June 30, 2013, were 75,693,610 and 75,517,610, respectively.

Diluted net operations per share of common stock are not disclosed because the Company has nothing that might dilute the per share information for the year ended June 30, 2014, and the period ended June 30, 2013.

Cash dividends per share presented in the accompanying nonconsolidated statement of operations are dividends applicable to the respective years including dividends to be paid after the end of the fiscal period.

t. ***Accounting Changes and Error Corrections*** — In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies: When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in Presentation: When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates: A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors: When an error in prior-period financial statements is discovered, those statements are restated.

u. ***Additional Information***
Employee Stock Ownership Plan Trust ("ESOP") — The Company has introduced an employee incentive plan, ESOP. Acquisition and sales of the Company's shares are accounted for under the assumption that the Company and ESOP are the same entity. Accordingly, the Company's shares owned by ESOP are accounted for as treasury stock in the Company's nonconsolidated balance sheet, and nonconsolidated statement of changes in equity. Also, assets and liabilities, and profits and losses of ESOP are included in the Company's nonconsolidated balance sheet, nonconsolidated statement of operations and comprehensive income and nonconsolidated statement of changes in equity.

3. INVESTMENT SECURITIES

Investment securities as of June 30, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2014	June 30, 2013	**June 30, 2014**
Non-current:			
Marketable equity securities	**¥7,345**	¥6,350	**$72,464**
Government and corporate bonds	**756**	741	**7,459**
Other	**39**	548	**385**
Total	**¥8,140**	¥7,639	**$80,308**

4. INVENTORIES

Inventories at June 30, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2014	June 30, 2013	**June 30, 2014**
Work in process	**¥6,888**	¥8,661	**$67,956**
Raw materials and supplies	**310**	169	**3,058**
Total	**¥7,198**	¥8,830	**$71,014**

5. INVESTMENTS IN AND LONG-TERM LOANS TO SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in and advances to subsidiaries and associated companies as of June 30, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2014	June 30, 2013	**June 30, 2014**
Investments	**¥5,732**	¥6,320	**$56,551**
Long-term loans	**769**	733	**7,587**
Total	**¥6,501**	¥7,053	**$64,138**

The value of the investment securities of subsidiaries and associated companies are measured at the original acquisition costs, as their fair value cannot be reliably determined at June 30, 2014, since market value and estimated future cash flows are not available.

6. REDUCTION ENTRY

Due to the acquisition expenses of the Company that have been subsidized by the national government, the amount of such subsidies, ¥148 million ($1,460 thousand), is offset against the acquisition cost of the machinery and equipment.

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at June 30, 2014 and 2013 consisted of notes to banks and loan from subsidiaries. The annual interest rates applicable to the short-term borrowings were ranged from 0.720% to 0.739% and 0.640% to 0.850% at June 30, 2014 and 2013, respectively.

Long-term debt at June 30, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2014	June 30, 2013	**June 30, 2014**
Unsecured loan from bank due serially to 2023 with interest rates ranging from 0.680% to 0.870%	**¥1,820**	¥1,650	**$17,956**
Loan from bank due serially to 2013 with interest rate of 1.250%		50	
Obligation under finance leases	**78**	42	**770**
Total	**1,898**	1,742	**18,726**
Less current portion	**(160)**	(198)	**(1,579)**
Long-term debt, less current portion	**¥1,738**	¥1,544	**$17,147**

Annual maturities of long-term debt at June 30, 2014, for the five years and thereafter were as follows:

Period Ending June 30	Millions of Yen		Thousands of U.S. Dollars	
	Long-Term Debt	Lease Obligations	Long-Term Debt	Lease Obligations
2015	¥ 130	¥31	$ 1,283	$306
2016	164	23	1,618	227
2017	266	18	2,624	178
2018	266	6	2,624	59
2019	436	0	4,301	0
2020 and thereafter	558		5,506	
Total	¥1,820	¥78	$17,956	$770

The Company had a commitment-line contract of ¥8,000 million ($78,927 thousand) over three years with financial institutions in order to secure the stability of long-term funding. The contract included a restrictive financial covenant. At June 30, 2014, the Company had not utilized the commitment-line. In addition, the Company had overdraft contracts of ¥16,000 million ($157,853 thousand) in total. At June 30, 2014, the Company had not utilized the overdraft.

8. DEPOSITS RECEIVED

Deposits received from tenants amounted to ¥1,333 million ($13,151 thousand) at June 30, 2014, and ¥1,501 million at June 30, 2013.

At June 30, 2014, land, building and structures for rent of ¥1,286 million ($12,687 thousand) were pledged as collateral for these deposits.

9. EQUITY

Japanese companies are subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.
Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. INCOME TAXES

The Company is subject to Japanese national and local operations taxes which, in the aggregate, resulted in statutory tax rates of approximately 36.8% for the year ended June 30, 2014 and the period ended June 30, 2013.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at June 30, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2014	June 30, 2013	**June 30, 2014**
Deferred tax assets:			
Accrued bonuses	**¥ 516**	¥1,175	**$ 5,091**
Tax loss carryforwards	**208**	626	**2,052**
Liability for retirement benefits for directors and Audit & Supervisory Board members	**9**	9	**89**
Liability for retirement benefits for employees	**65**	74	**641**
Allowance for anticipated project loss	**59**	22	**582**
Allowance for doubtful accounts	**54**	57	**533**
Loss on impairment of long-lived assets	**54**	54	**533**
Deferred loss on derivatives under hedge accouning	**92**	98	**908**
Investment in subsidiaries	**347**		**3,423**
Other	**360**	446	**3,551**
Less valuation allowance	**(500)**	(248)	**(4,933)**
Total	**¥1,264**	¥2,313	**$12,470**
Deferred tax liabilities:			
Reserve for deferred gains on sale of property	**¥ 170**	¥ 174	**$ 1,677**
Unrealized gain on available-for-sale securities	**704**	463	**6,946**
Prepaid pension cost	**304**	229	**2,999**
Other	**5**	5	**49**
Total	**¥1,183**	¥ 871	**$11,671**
Net deferred tax assets	**¥ 81**	¥1,442	**$ 799**

A reconciliation between the statutory tax rate and the actual effective tax rate reflected in the accompanying nonconsolidated statement of operations for the year ended June 30, 2014 and the period ended June 30, 2013, was as follows:

	June 30, 2014	June 30, 2013
Statutory tax rate	**36.8%**	(36.8)%
Per capita levy of local tax	**2.1**	0.9
Expenses not deductible for tax purposes	**1.8**	0.5
Valuation allowance	**10.2**	(0.5)
Income taxes for prior periods	**(0.0)**	(10.0)
Other – net	**(5.6)**	(0.3)
Actual effective tax rate	**45.3%**	(46.2)%

As of June 30, 2014, the Company had tax loss carryforwards aggregating approximately ¥603 million ($5,949 thousand) which were available to be offset against taxable income of the Company in future years. These tax loss carryforwards, if not utilized, will expire in 2020.

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 36.8% to 34.4%. The effect of this change was to decrease deferred tax assets in the noconsolidated balance sheet as of June 30, 2014, by ¥74 million ($730 thousand) and to increase income taxes—deferred in the nonconsolidated statement of income for the year then ended by ¥74 million ($730 thousand).

11. CONTINGENT LIABILITIES

At June 30, 2014, the Company had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans related to employees	¥ 85	$ 839
Refundment bonds of subsidiaries	¥398	$3,927

12. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

On August 11, 2014, the following appropriation of retained earnings at June 30, 2014, was resolved by the Board of Directors:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥7.5 ($0.07) per share	¥569	$5,614

The total amount of the dividends above does not include ¥10 million ($99 thousand) in dividends to the ESOP because the Group's shares owned by the ESOP are included in the Group's treasury stock.

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3, Konan
Minato-ku, Tokyo 108-6221
Japan

Tel:+81 (3) 6720 8200
Fax:+81 (3) 6720 8205
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nippon Koei Co., Ltd.:

We have audited the accompanying nonconsolidated balance sheet of Nippon Koei Co., Ltd. as of June 30, 2014, and the related nonconsolidated statements of operations, and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these nonconsolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these nonconsolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the nonconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the nonconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the nonconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the nonconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the nonconsolidated financial statements referred to above present fairly, in all material respects, the financial position of Nippon Koei Co., Ltd. as of June 30, 2014, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the nonconsolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

September 25, 2014

Member of
Deloitte Touche Tohmatsu Limited

Corporate Information

Board of Directors, Officers and Audit & Supervisory Board Members

Director and Chairman:
Noriaki Hirose*

Director and Vice Chairman:
Katsumi Yoshida

Director and President:
Ryuichi Arimoto*

Director and Counselor:
Yoshihiko Tsunoda

Director and Executive Vice Presidents:
Asao Yamakawa

Director and Senior Managing Executive Officer:
Akira Mizukoshi

Director and Senior Managing Executive Officer:
Noboru Takano*

Director and Managing Executive Officers:
Yoshikimi Inoue

Director and Executive Officer:
Hiroyuki Akiyoshi
Naoki Honjo
Hiroshi Tanaka

Director:
Masahisa Naito
Hiizu Ichikawa

Audit & Supervisory Board Member:
Toshiaki Shimizu
Izumi Arai
Mineo Enomoto

Senior Managing Executive Officer:
Takashi Karasaki
Hiromichi Sekine

Executive Officers:
Masanao Nishimura
Takashi Seki
Hiroyuki Kasahara
Haruyoshi Takura
Yoshikatsu Inada
Shingo Ono
Masanobu Sakamoto
Takayasu Tsuyusaki
Shuichi Ueda
Yasushi Sugo
Akichika Ishibashi
Noriaki Yoshida
Haruhiko Kanai
Kevin Tynes

*Representative Directors　　As of September 25, 2014

Stock Information

Shares authorized	189,580,000
Shares issued	86,656,510
Stockholders of minimum tradable stock unit	5,312

As of June 30, 2014

Major Shareholders

	Share owned	Percentage of total owned
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,699,263	4.27
Meiji Yasuda Life Insurance Company.	3,529,522	4.07
Japan Trustee Services Bank, Ltd. (Trustee)	3,297,000	3.80
The Koei Employees' Stockholders Association	2,892,078	3.34
The Master Trust Bank of Japan, Ltd. (trust a/c)	2,304,000	2.66
Mizuho Corporate Bank, Ltd.	1,910,634	2.20
Tsukishima Kikai Co.,Ltd	1,843,000	2.13
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	1,394,000	1.61
Japan Trustee Services Bank, Ltd. (ESOP trust a/c)	1,375,000	1.59
CREDIT SUISSE SECURITIES (EUROPE) LIMITED PB OMNIBUS CLIENT ACCOUNT	1,224,000	1.41

As of June 30, 2014

Besides the above, the Company owns 9,418,274 shares of treasury stock (10.9%)

Major Offices and Facilities

Head Office
4 Kojimachi 5-chome, Chiyoda-ku,
Tokyo 102-8539, Japan

Shin-Kojimachi Office
2 Kojimachi 4-chome, Chiyoda-ku,
Tokyo 102-0083, Japan

Hanzomon Office
5 Kojimachi 2-chome, Chiyoda-ku,
Tokyo 102-0083, Japan

Domestic Branch Offices
Tokyo, Sapporo, Sendai, Fukushima, Niigata, Nagoya, Osaka, Hiroshima, Shikoku, Fukuoka

Research Facility
Research and Development Center in Tsukuba Science City, Ibaraki

Overseas Offices (Liaison Office)
Jakarta, Manila, Hanoi(Ho Chi Minh), Bangkok (Vientiane, Phnom Penh), Yangon(Naypyidaw), New Delhi(Dhaka),
Colombo, Middle East(Amman, Baghdad, Tunis, Rabat, Cairo), Nairobi, Lima

Major Businesses

Consulting Administration

Field of activity
- Water Resources
- Energy
- Urban & Regional Development
- Transportation
- Agriculture & Rural Development
- Environment
- Climate Change
- Information & Communication Technology
- Geosphere Engineering
- Project and Program Management
- Public Private Partnership/Private Finance Initiative

Services
- Preliminary investigation, Planning, Feasibility studies, Assessment, Detailed design, Construction supervision , Operation and maintenance

Engineering Administration

Field of activity
- Electrical and civil works for electric power facilities (generation, transmission, substation, distribution schemes and wiring of buildings)
- Electric power utilities (turbines, generators, transformers, control deices and communications equipment)
- Electric equipment and devices
- Safety equipment
- Skin electric thermo-system heaters (SECT-heaters)
- Factory automation equipment

Services
- Surveys, Studies, Planning, Design, Construction, Installation, Sale

Major Nippon Koei Group Companies

While mainly focused on engineering consulting, electrical power engineering, and power generation, the Nippon Koei Group is also active in a wide range of related fields. The various businesses peripheral to the activities of Nippon Koei, the main company in the Group, are taken on by subsidiaries and affiliates located both at home and abroad.
These related companies, together with the principle corporation, make up the Nippon Koei Group.
The various firms maintain close cooperation based on relationships of interdependence that enhance the strength and cohesion of the Group as a whole.
As of June 2013, the total number of employees of the Group companies based in Japan came to about 2,919, of which over 1,200 were registered engineers. The Group truly has a wealth of highly skilled technical experts.

The subsidiary companies that comprise the major Nippon Koei Group are as follows:

Tamano Consultants Co., Ltd.
This company is headquartered in the city of Nagoya and provides engineering consulting services centered on the Chubu Region. The company boasts the most highly regarded urban and regional planning group in Japan.

Nippon Civic Consulting Engineers Co., Ltd.
This company provides consulting services centered on planning, design, and construction supervision of underground structures such as urban tunnels. The company specializes in shield tunneling technology and the development of new underground construction technology.

El Koei Co., Ltd.
This company conducts employment and staff supply for Nippon Koei Group. The company provides various fields of qualified human resources to support the activity of the Group Companies.

KRI International Corporation
This company has been established to enhance non-engineering consulting works of the Nippon Koei Group's activities. KRI provides the consulting services mainly in the fields of economic and industrial development including finance and management, education and human resources development, and regional and community development.

Nippon Koei U.K. Co., Ltd.
This company provides engineering consulting services to enforce Nippon Koei's overseas operation.

Nippon Koei Latin America-Caribbean Co., Ltd.
This company has been established to enhance Nippon Koei's operation in Latin America and Caribbean and provides consulting engineering and technical services for various development sectors in the region.

Nippon Koei LAC, Inc.
This company has been incorporated in Panama in order to promote further localization of Nippon Koei's operation in Latin America and Caribbean region.

Nippon Koei LAC do Brasil Ltda.
This company has been incorporated in Brasil in order to promote further localization of Nippon Koei's operation in Latin America.

Nippon Koei India Pvt. Ltd.
This company has been established to enhance Nippon Koei's operation in India and provides consulting engineering and technical services for various development sectors focusing on projects in India and other developing countries.

Nippon Koei Vietnam International Co., Ltd.
This company has been established to enhance Nippon Koei's operation in Vietnam and surrounding countries in the Greater Mekong Subregion and provides consulting services for various development sectors in the region.

PT. Indokoei International
This company has been incorporated in Indonesia by Nippon Koei Co., Ltd. and Indonesian partner company and provides the services of engineering and management consultancy to clients in Indonesia as well as overseas.

Philkoei International, Inc.
This company has been incorporated in the Philippines by Nippon Koei Co., Ltd. and Filipino investors and providing consulting engineering and technical services for various development sectors focusing on projects in the Philippines and other overseas countries.

Thaikoei International Co., Ltd.
This company has been incorporated in Thailand and providing consulting services for various development sectors focusing on projects in Thailand and other countries in Greater Mekong Subregion.

Myanmar Koei International Ltd.
This company has been incorporated in Myanmar by Nippon Koei Co., Ltd. and Myanmar partner company and provides consulting services for various development sectors in the region.

Nippon Koei Africa Pty. Ltd. / Nippon Koei Mozambique, Ltda.
This company has been established to enhance Nippon Koei's operation in Sub-Saharan Africa and provides consulting engineering and technical services for various development sectors in the region.

Koei System Inc.
This company develops software programs used in computer control applications, dispatches personnel, and provides support and software development for office automation systems on a consignment basis.

Nikki Corporation
This company conducts real estate management, leasing, and insurance services for Nippon Koei and other Group companies. It also sells, imports, and exports electrical power equipment and rents and leases various goods.

NIPPON KOEI CO.,LTD.

4, Kojimachi 5-chome, Chiyoda-ku, Tokyo 102-8539, Japan
Telephone: +81 3 3238 8027 **Facsimile:** +81 3 3238 8326
http://www.n-koei.co.jp **E-mail:** info@n-koei.co.jp

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