NIPPON KOEI

Financial Report

Year ended June 30, 2015

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

Years Ended June 30	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars 2015
Net sales	**¥81,840**	¥79,193	**$667,864**
Net income	**4,261**	2,998	**34,772**
Net income per share (yen/dollars)	**56.01**	39.61	**0.46**
As of June 30			
Total assets	**84,110**	76,145	**686,388**
Equity	**52,982**	47,835	**432,365**

Nonconsolidated

Years Ended June 30	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars 2015
Net sales	**¥60,471**	¥59,308	**$493,480**
Net income	**5,714**	2,199	**46,630**
Net income per share (yen/dollars)	**75.11**	29.05	**0.61**
As of June 30			
Total assets	**73,391**	68,439	**598,915**
Equity	**48,691**	43,536	**397,348**

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 ¥122.54 = US$1, the rate of exchange at June 30, 2015.

Consolidated Business Report for Fiscal Year Ended June 30, 2015

1. Overview of Performance and Cash Flows

(1) Performance

During the fiscal year under review (from July 1, 2014 to June 30, 2015), the Japanese economy was on a moderate recovery path due to signs of recovery in personal consumption and private investment in plant and equipment as a result of the government's economic policies and monetary easing, despite weak movement in public works projects.

With regard to the business environment of Nippon Koei Co., Ltd. (the "Company") and its subsidiaries (together, the "Group"), our Domestic Consulting Operations and Power Engineering Operations both performed strongly, backed by factors including disaster prevention and disaster mitigation business based on the Fundamental Plan for National Resilience, maintenance and management business for facilities under the Plan for Extending the Lifespan of Infrastructure, an increase in demand for preparation of facilities for the Tokyo Olympics, investment aimed at putting in place distribution networks for electric power companies, and an increase in demand for renewal and new construction of hydroelectric power generation facilities taking advantage of the Feed-in Tariff ("FIT") Scheme. In our International Consulting Operations, the market performed steadily. Contributing factors included acceleration of government-led infrastructure exports to meet development demand among emerging markets in Asia and other parts of the world, reflecting the maintenance of a certain volume of Official Development Assistance ("ODA") projects by Japan despite changes in content, as well as support owing to strong demand for private investment in development.

Under such circumstances, based on the Medium-Term Management Plan (from April 2012 to June 2015), the Group aggressively engaged in the important initiatives mentioned below, and steady results were achieved during the fiscal year under review, which is the final fiscal year of the plan. The initiatives are, "Development and management of overseas bases, and introduction of multi-domestic management," "Enhancement of existing business sectors and expansion of business domains," "Exploration of new business models including new initiatives in project management," and "Enhancement of work-life balance." The Company was aggressively trying to extend business domains thorough the activities, such as, an aggressive effort intended to acquire overseas companies for further global expansion, acquisition of the business from Kisho Kurokawa Architect & Associates Co., Ltd. with the aim of full-scale entry into the area of urban development and architecture, and establishment of KOEI Energy Co., Ltd. in order for further expansion of the regenerated energy business, especially hydroelectric power generation.

As a result, for the fiscal year ended June 30, 2015, while orders received were ¥87,573 million, down 5.3% year-on-year, net sales were ¥81,840 million, up 3.3% year-on-year.

In terms of profit, operating income was ¥4,502 million, up 5.8% year-on-year. Net income was ¥4,261 million, up 42.1% year-on-year, which includes gain on sales of property, plant and equipment held by the Company.

Domestic Consulting Operations

Although consulting-related business for reconstruction following the Great East Japan Earthquake decreased, in which the Company has continuously engaged, steady results were obtained in certain key business areas, such as disaster prevention and mitigation including measures against tsunami and earthquake resistance, and maintenance and management projects for long-life and functional preservation at public facilities, by making condensed efforts for order-receiving from the above priority areas.

Compared to the previous fiscal year, which showed significant growth, orders received were ¥45,057 million, down 3.4% year-on-year, and net sales were slightly higher year-on-year, recording ¥41,846 million. Ordinary income was ¥2,728 million, up 8.0% year-on-year.

International Consulting Operations

The Group continued on its drive for global expansion through the activities, such as, accommodating the demand for infrastructure development in Southeast Asian countries including Myanmar, Southwest Asian countries, Latin America, the Middle East and Africa, improving organizational structures including overseas business hub functions, and participating in the development projects intended to improve urban functions in relation to ongoing urbanization in developing countries.

However, orders received were ¥28,890 million, down 3.8% year-on-year, partially due to delayed timing of signing of contracts for certain large-scale projects. Net sales were ¥20,174 million, slightly lower than the previous fiscal year. Ordinary income was ¥606 million, up 22.8% year-on-year.

Power Engineering Operations

Despite the competitive environment intensified due to cost reductions in capital expenditures and repairs at the major electric power companies, which are the Company's mainstay customers, the Company was successful in receiving orders for the projects, such as, countermeasures against deteriorating facilities at electric power companies and renewal-related projects for hydroelectric power generation facilities to take advantage of the FIT Scheme, by aggressively promoting enhancement of cost competitiveness and cultivation of new customers. The Company also established a business model for the small-scale hydroelectric power generation business, and successfully created a foundation for future business expansion.

Although orders received were ¥13,596 million, down 14.1% as compared to the previous fiscal year in which large-scale contracts of private sector projects were concluded, net sales were ¥17,858 million, up 26.0% year-on-year, mainly due to contributions from the large-scale projects. As a result, along with contribution from cost reductions, ordinary income significantly increased, and reached to ¥2,801 million, up 123.0% year-on-year.

Real Estate Leasing Operations

Net sales in the Real Estate Leasing Operations were ¥821 million, down 27.1% year-on-year, mainly due to disposal of its certain property, plant and equipment by sale. Ordinary income was ¥591 million, also down 30.2% year-on-year.

(2) Cash Flows

Cash and cash equivalents at the end of the fiscal year under review was ¥11,673 million, an increase of ¥3,208 million from the end of the previous fiscal year. The primary factors were as follows.

Net cash provided by operating activities was ¥882 million (a net inflow of ¥1,340 million during the previous fiscal year). This cash inflow was primarily due to income before income taxes and minority interests of ¥7,564 million, an increase of ¥3,002 million compared to the end of the previous fiscal year, which was partially offset by an increase in trade accounts receivable by ¥2,668 million.

Net cash provided by investing activities was ¥2,702 million (a net outflow of ¥4,559 million during the previous fiscal year). This cash inflow was primarily due to proceeds from sales of property, plant and equipment.

Net cash used in financing activities was ¥746 million (a net inflow of ¥62 million during the previous fiscal year). This cash outflow was primarily due to a payment of cash dividends.

Trends in cash flow indicators for the Group are as follows.

(Reference) Trends in Cash Flow-related Indicators

	Fiscal Year Ended March 2012	**Fiscal Year Ended March 2013**	**Fiscal Period Ended June 2013**	**Fiscal Year Ended June 2014**	**Fiscal Year Ended June 2015**
Capital-to-asset ratio (%)	54.5	55.0	60.8	62.4	62.6
Capital-to-asset ratio on market value basis (%)	27.4	34.5	39.2	50.0	43.7
Intearest-bearing debt-to-cash flow ratio (years)	—	3.1	0.2	1.8	1.9
Interest coverage ratio (times)	—	73.7	1,519.0	29.3	18.0

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

(1) New Orders

Business Segment	**For the fiscal year ended June 30, 2015** (Millions of yen)	**Change on Previous Year** (%)
New Orders		
Domestic consulting operations	¥45,057	-3.4
International consulting operations (Note.1)	28,890	-3.8
Power engineering operations	13,596	-14.1
Other business operations	30	131.6
Total new orders	87,573	-5.3
Outstanding orders		
Domestic consulting operations	27,974	2.4
International consulting operations	51,428	16.3
Power engineering operations	9,908	-11.7
Other business operations	6	85.8
Total orders on hand	¥89,316	7.9

Notes: 1. Includes ¥1,205 million, ¥427 million, and ¥246 million for NIPPON KOEI VIETNAM INTERNATIONAL CO., LTD., PHILKOEI INTERNATIONAL, INC., and PT. INDOKOEI INTERNATIONAL, respectively, as the amounts of outstanding orders at the beginning of consolidation for these companies, which were consolidated from the fiscal year under review.
2. The above amounts are exclusive of consumption taxes, etc.
3. The above amounts are for outside customers, and do not include inter-segment transactions or transfers.

(2) Sales Performance

Business Segment	**For the fiscal year ended June 30, 2015** (Millions of yen)	**Change on Previous Year** (%)
Domestic consulting operations	¥41,846	0.1
International consulting operations	20,174	-3.7
Power engineering operations	17,858	26.0
Real estate leasing operations	821	-27.1
Other business operations	1,141	0.7
Total sales	¥81,840	3.3

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	**This Consolidated Fiscal Year**		Previous Consolidated Fiscal Period	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Ministry of Land, Infrastructure, Transport and Tourism	**¥14,845**	**18.1**	¥16,632	21.0
Tokyo Electric Power Company, Incorporated	**7,675**	**9.4**	6,028	7.6
Japan International Cooperation Agency	**6,756**	**8.3**	9,004	11.4

3. Future Challenges

(1) Management Policy

To achieve further increases in corporate value, the Group formulated a new Long-Term Management Strategy (spanning six years from July 2015 to June 2021) in February 2015.
The Group, under the mission of realizing the value contained in the management philosophy of "Act with integrity & Contribute to society through technology and engineering," has defined the specific goals of the Group in the Group Vision of "To provide services that are of value in building safe and reliable social infrastructure and comfortable living space."
Under the Long-Term Management Strategy, based on the Group Vision, the Group will continue the fusion of consulting and engineering to evolve into a global company. Accordingly, the Group has defined its business targets for the fiscal year ending June 30, 2021, to be net sales of ¥140.0 billion, operating income of ¥14.0 billion, and a return on equity ("ROE") of 10%.
To realize the Long-Term Management Strategy targets, the Group has positioned the next three years (from July 2015 to June 2018) as an important period to serve as a springboard for the future. Therefore, it has formulated the "Medium-Term Management Plan (NK-AIM: Advance Globally, Make Intense Efforts in Japan, Demonstrate our True Merit)."
Under the Medium-Term Management Plan ("Plan"), based on the fundamental principles of "Sustainable long-term growth of existing business operations" and "Growth due to new business operations," the Group will engage in the three key challenges of "Further enhancement of global expansion," "Further expansion of business fields and improvement of profitability by intensifying existing mainstay businesses," and "Demonstrating merit of aggregated technological strength toward establishment of new business domains."
As companywide measures to realize these goals, the Group will actively engage in "Development of next-generation fundamental technologies and further improvement of productivity," "Securing human resources and enhancing its development," and "Promotion of collaboration and enhancement of corporate governance."
In terms of numerical targets, for the fiscal year ending June 30, 2018, the final fiscal year of the Plan, targets are set at net sales of ¥100.0 billion, operating income of ¥6.4 billion, and ROE of 7.5%.
Under the Plan, for the next fiscal year (from July 2015 to June 2016), which will be the first fiscal year of the Plan, the following key strategic business challenges and companywide measures will be implemented.

1) Key strategic business challenges

In the Domestic Consulting Operations, the Company will expand its business domain and share by defining priority businesses, proceed with restructuring of the operational processes for higher profitability, and enhance active utilization of alliances.
In the International Consulting Operations, the Company will secure a stable business foundation through expansion of share in the Japanese ODA, expand its business scale in urban development business and Public-Private Partnership ("PPP") business, and further strengthen its locally-based structures for order-receiving and construction.
In the Power Engineering Operations, the Company will increase cost competitiveness and strengthen sales and marketing capabilities, enhance cooperation within the group (e.g. fusion and cooperation among the business areas of consulting, products and construction), promote product and technology development, and reinforce the mechanical and electromechanical consulting division.
In the new operations, the Company will focus on entering new markets and make investments in, such as, formulation of asset holding-type business both in Japan and overseas, and promotion of the small-scale hydroelectric power generation business. The Company will also work to establish an urban space business by exploring the areas of urban development and architecture.

2) Companywide measures to support its growth

For "Development of next-generation fundamental technologies and further improvement of productivity," the Company will proceed to develop its technologies with taking global environmental change into account, develop fundamental technologies for the next-generation of Smart Society, make use of the external cutting-edge technologies, refine project management method, secure product quality and increase profitability through

improvement of production processes, and secure and develop human resources who are expected to work with next-generation technology.
For "Securing human resources and enhancing its development," the Company will adopt the limitation of work locale to support various work styles, organize a system of career paths and reestablish training systems, implement personnel rotations with considering a personal career formulation as well as business strategy, optimize evaluation systems, and implement appropriate compensation system.
For "Promotion of collaboration and enhancement of corporate governance," the Company will establish companywide marketing functions, improve the workplace especially through construction of new headquarters building, and establish a structure of corporate governance in order for establishment of a highly transparent management structure.

(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, 2015.

(1) Uneven Annual Distribution of Performance Results

The primary operations of the Group include the Domestic and International Consulting Operations, and the Power Engineering Operations. In particular, the Domestic Consulting 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, most of the Group's sales tend to occur during the period from January through March.

(2) Dependence on Major Customers

Our Domestic and International Consulting Operations highly rely on national and local government contracts and projects based on the Japanese ODA budget for 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 a large percentage of our Power Engineering Operations are for the Tokyo Electric Power Company, Incorporated (TEPCO), our sales performance is largely dictated by capital investments of 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 ¥84,110 million, up ¥7,965 million over the previous year.
The main causes for this increase were a ¥8,071 million increase in current assets, a ¥2,063 million decrease in property, plant and equipment, and a ¥1,957 million increase in investments and other assets.
The increase in current assets was due primarily to a ¥3,208 million increase in cash and cash equivalents, a ¥2,726 million increase in receivables, as well as a ¥1,657 million increase in inventories.
The decrease in property, plant and equipment was due primarily to a ¥3,330 million decrease in buildings and structures.
The increase in investments and other assets was due primarily to a ¥594 million increase in investment securities, a ¥417 million increase in investments in and advances to unconsolidated subsidiaries and associated companies, and a ¥750 million increase in deposit money, included in other assets under investments and other assets.

Meanwhile, liabilities amounted to ¥31,128 million, up ¥2,818 million over the previous year.
The main causes for this increase were an increase of ¥3,937 million in current liabilities, despite a ¥1,119 million decrease in long-term liabilities.
The increase in current liabilities was due primarily to a ¥2,380 million increase in payables, a ¥666 million increase in income taxes payable, and a ¥1,068 million increase in advances received.
The decrease in long-term liabilities was due primarily to a ¥1,119 million decrease in net defined benefit liability, a ¥1,129 million decrease in deposits received, and a ¥1,091 million increase in deferred tax liabilities.
Equity increased by ¥5,147 million from the previous year to ¥52,982 million.
The main causes of this increase were an increase of ¥3,403 million in retained earnings, a ¥294 million increase in unrealized gain on available-for-sale securities, and a ¥1,187 million increase in defined retirement benefit plans.

(2) Performance Analysis

Net sales for the fiscal year under review amounted to ¥81,840 million, an increase of ¥2,647 million (up 3.3%) from the previous fiscal year.
Operating income totaled ¥4,502 million, an increase of ¥246 million (up 5.8%) from the previous year. The cost of sales ratio decreased 1.4 points from the previous fiscal year to 73.4%, while the ratio of selling, general and administrative expenses to net sales was up 1.3 points to 21.1%. These results brought the ratio of operating income to net sales to 5.5%, an increase of 0.1 points.
The net amount of other income and expenses resulted in an excess earning of ¥3,062 million, due primarily to a ¥2,628 million proceeds in gain on sales of property, plant and equipment.
As a result of the above, income before income taxes and minority interests totaled ¥7,564 million, and net income amounted to ¥4,261 million, an increase of ¥1,263 million (up 42.1%) from the previous fiscal year.
Net income per share was ¥56.01, an increase of ¥16.40 from ¥39.61 in the previous fiscal year.

(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.

有元龍一
President:
Ryuichi Arimoto

Consolidated Balance Sheet

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
June 30, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2015**	2014	**2015**
CURRENT ASSETS:			
Cash and cash equivalents (Note 18)	**¥11,673**	¥ 8,465	**$ 95,259**
Receivables (Note 18):			
Trade notes	**21**	79	**171**
Trade accounts	**16,178**	13,693	**132,022**
Unconsolidated subsidiaries and associated companies	**609**	27	**4,970**
Other	**347**	645	**2,832**
Allowance for doubtful accounts	**(12)**	(27)	**(98)**
Inventories (Note 6)	**11,768**	10,111	**96,034**
Deferred tax assets (Note 15)	**1,423**	1,449	**11,612**
Prepaid expenses and other current assets	**2,814**	2,308	**22,964**
Total current assets	**44,821**	36,750	**365,766**
PROPERTY, PLANT AND EQUIPMENT (Notes 7, 8 and 12):			
Land	**17,333**	17,247	**141,448**
Buildings and structures	**17,869**	21,199	**145,822**
Machinery and equipment	**2,693**	2,486	**21,977**
Furniture and fixtures	**2,672**	2,676	**21,805**
Lease assets	**270**	265	**2,203**
Construction in progress	**251**	9	**2,048**
Total	**41,088**	43,882	**335,303**
Accumulated depreciation	**(16,563)**	(17,294)	**(135,164)**
Net property, plant and equipment	**24,525**	26,588	**200,139**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 18)	**8,881**	8,287	**72,474**
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 9 and 18(5)(b))	**1,896**	1,479	**15,472**
Goodwill		233	
Receivables in bankruptcy	**122**	123	**996**
Deferred tax assets (Note 15)	**1,218**	1,404	**9,940**
Other assets	**3,011**	1,623	**24,571**
Allowance for doubtful accounts	**(364)**	(342)	**(2,970)**
Total investments and other assets	**14,764**	12,807	**120,483**
TOTAL	**¥84,110**	¥76,145	**$686,388**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
CURRENT LIABILITIES:			
Short-term borrowings (Note 10)	¥	¥ 100	$
Current portion of long-term debt (Note 10)	**204**	181	**1,665**
Payables:			
Trade notes	**465**	303	**3,795**
Trade accounts	**3,983**	2,973	**32,504**
Unconsolidated subsidiaries and associated companies	**132**	104	**1,077**
Other	**2,992**	1,784	**24,417**
Accrued expenses	**1,952**	1,601	**15,929**
Income taxes payable	**1,509**	843	**12,314**
Advances received	**8,655**	7,587	**70,630**
Accrued bonuses	**2,844**	2,529	**23,209**
Allowance for anticipated project loss	**111**	205	**906**
Other current liabilities	**3,571**	3,920	**29,141**
Total current liabilities	**24,466**	20,529	**199,657**
LONG-TERM LIABILITIES:			
Long-term debt (Note 10)	**1,583**	1,768	**12,918**
Provision for directors' retirement benefits (Note 11)	**59**	59	**481**
Allowance for environmental measures	**34**	34	**278**
Liability for retirement benefits (Note 11)	**2,129**	3,248	**17,374**
Asset retirement obligations (Note 13)	**34**	54	**278**
Deposits received (Note 12)	**469**	1,598	**3,827**
Deferred tax liabilities (Note 15)	**2,111**	1,020	**17,227**
Other liabilities	**243**		**1,983**
Total long-term liabilities	**6,662**	7,781	**54,366**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 17, 19 and 20)			
EQUITY (Notes 14 and 22):			
Common stock, authorized, 189,580,000 shares; issued, 86,656,510 shares on June 30, 2015 and 2014	**7,393**	7,393	**60,331**
Capital surplus	**6,209**	6,209	**50,669**
Retained earnings	**39,770**	36,367	**324,547**
Treasury stock—at cost 10,370,910 shares on June 30, 2015 and 10,793,274 shares on June 30, 2014	**(3,205)**	(3,344)	**(26,155)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**1,659**	1,365	**13,539**
Deferred loss on derivatives under hedge accounting		(176)	
Foreign currency translation adjustments	**(100)**	(14)	**(816)**
Defined retirement benefit plans	**918**	(269)	**7,492**
Total	**52,644**	47,531	**429,607**
Minority interests	**338**	304	**2,758**
Total equity	**52,982**	47,835	**432,365**
TOTAL	**¥84,110**	¥76,145	**$686,388**

Consolidated Statement of Income and Comprehensive Income

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year ended June 30, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
NET SALES	**¥81,840**	¥79,193	**$667,864**
COST OF SALES	**60,055**	59,253	**490,085**
Gross profit	**21,785**	19,940	**177,779**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	**17,283**	15,684	**141,040**
Operating income	**4,502**	4,256	**36,739**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**441**	342	**3,599**
Interest expense	**(48)**	(45)	**(392)**
Gain on sales of property, plant and equipment	**2,628**	3	**21,446**
Foreign currency exchange gain (loss)	**527**	(130)	**4,301**
Head office transfer cost	**(549)**		**(4,480)**
Other-net	**63**	136	**514**
Other income-net	**3,062**	306	**24,988**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**7,564**	4,562	**61,727**
INCOME TAXES (Note 15):			
Current	**2,374**	1,340	**19,373**
Deferred	**892**	190	**7,280**
Total income taxes	**3,266**	1,530	**26,653**
NET INCOME BEFORE MINORITY INTERESTS	**4,298**	3,032	**35,074**
MINORITY INTERESTS IN NET INCOME	**37**	34	**302**
NET INCOME	**4,261**	2,998	**34,772**
MINORITY INTERESTS IN NET INCOME	**37**	34	**302**
NET INCOME BEFORE MINORITY INTERESTS	**4,298**	3,032	**35,074**
OTHER COMPREHENSIVE INCOME (Note 21):			
Unrealized gain on available-for-sale securities	**295**	477	**2,407**
Deferred gain on derivatives under hedge accounting	**176**	10	**1,436**
Foreign currency translation adjustment	**76**	9	**620**
Defined retirement benefit plans	**1,187**	694	**9,687**
Total other comprehensive income	**1,734**	1,190	**14,150**
COMPREHENSIVE INCOME	**¥ 6,032**	¥ 4,222	**$ 49,224**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥ 5,984**	¥ 4,186	**$ 48,833**
Minority interests	**¥ 48**	¥ 36	**$ 391**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2.t):			
Basic net income	**¥ 56.01**	¥ 39.61	**$ 0.46**
Cash dividends applicable to the year	**10.00**	7.50	**0.08**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year ended June 30, 2015

	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, 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 (JULY 1,2014, as previously reported)	**75,863**	**7,393**	**6,209**	**36,367**	**(3,344)**	**1,365**	**(176)**	**(14)**	**(269)**	**47,531**	**304**	**47,835**
Cumulative effect of accounting change				(645)						(645)		(645)
BALANCE, JULY 1, 2014 (as restated)	**75,863**	**7,393**	**6,209**	**35,722**	**(3,344)**	**1,365**	**(176)**	**(14)**	**(269)**	**46,886**	**304**	**47,190**
Adjustment for newly consolidated subsidiaries				366				(152)		214	55	269
Net income				4,261						4,261		4,261
Cash dividends, ¥7.50 per share				(579)						(579)		(579)
Purchase of treasury stock	(22)				(11)					(11)		(11)
Disposal of treasury stock	445				150					150		150
Net change in the year						294	176	66	1,187	1,723	(21)	1,702
BALANCE, JUNE 30, 2015	**76,286**	**¥7,393**	**¥6,209**	**¥39,770**	**¥(3,205)**	**¥1,659**	**¥**	**¥(100)**	**¥ 918**	**¥52,644**	**¥338**	**¥52,982**

	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, 2014 (JULY 1,2014, as previously reported)	**$60,331**	**$50,669**	**$296,777**	**$(27,289)**	**$11,139**	**$(1,436)**	**$ (114)**	**$(2,195)**	**$387,882**	**$2,480**	**$390,362**
Cumulative effect of accounting change			(5,264)						(5,264)		(5,264)
BALANCE, JULY 1, 2014 (as restated)											
Adjustment for newly consolidated subsidiaries			2,987				(1,241)		1,746	449	2,195
Net income			34,772						34,772		34,772
Cash dividends, $0.06 per share			(4,725)						(4,725)		(4,725)
Purchase of treasury stock				(90)					(90)		(90)
Disposal of treasury stock				1,224					1,224		1,224
Net change in the year					2,400	1,436	539	9,687	14,062	(171)	13,891
BALANCE, JUNE 30, 2015	**$60,331**	**$50,669**	**$324,547**	**$(26,155)**	**$13,539**	**$**	**$ (816)**	**$ 7,492**	**$429,607**	**$2,758**	**$432,365**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year ended June 30, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
OPERATING ACTIVITIES:	**2015**	2014	**2015**
Income before income taxes and minority interests	**¥ 7,564**	¥ 4,562	**$ 61,727**
Adjustments for:			
Income taxes – paid	**(1,610)**	(1,038)	**(13,139)**
Depreciation and amortization	**1,408**	997	**11,490**
Gain on sales of property, plant and equipment	**(2,628)**	(3)	**(21,446)**
Head office transfer cost	**549**		**4,480**
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Increase in trade accounts receivable	**(2,668)**	(5,178)	**(21,772)**
(Increase) decrease in inventories	**(1,407)**	1,907	**(11,482)**
Increase in trade accounts payable	**929**	835	**7,581**
Decrease in net defined benefit liability	**(332)**	(38)	**(2,709)**
Increase (decrease) in advance received	**741**	(1,740)	**6,047**
Other—net	**(1,664)**	1,036	**(13,579)**
Net cash provided by operating activities	**882**	1,340	**7,198**
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	**5,095**	4	**41,578**
Purchases of property, plant and equipment	**(1,256)**	(4,328)	**(10,250)**
Proceeds from sales and redemption of investment securities	**1,370**	1,060	**11,180**
Purchases of investment securities	**(1,116)**	(949)	**(9,107)**
Proceeds for purchase of newly consolidated subsidiaries, net of cash acquired	**43**		**351**
Increase in other assets	**(1,434)**	(346)	**(11,702)**
Net cash provided by (used in) investing activities	**¥ 2,702**	¥(4,559)	**$ 22,050**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
FINANCING ACTIVITIES:	**2015**	2014	**2015**
Net (decrease) increase in short-term borrowings	**¥ (100)**	¥ 90	**$ (816)**
Proceeds from long-term debt		300	
Repayments of long-term debt	**(130)**	(180)	**(1,061)**
Repayments of lease obligations	**(53)**	(44)	**(432)**
Purchase of treasury stock	**(11)**	(54)	**(90)**
Disposal of treasury stock	**150**	145	**1,224**
Dividends paid	**(580)**	(194)	**(4,733)**
Other—net	**(22)**	(1)	**(180)**
Net cash (used in) provided by financing activities	**(746)**	62	**(6,088)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**104**	8	**849**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,942**	(3,149)	**24,009**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	**266**		**2,171**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**8,465**	11,614	**69,079**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥11,673**	¥ 8,465	**$95,259**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year Ended June 30, 2015

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 2014 consolidated financial statements to conform to the classifications used in 2015.

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 ¥122.54 to $1, the rate of exchange at June 30, 2015. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*** — The consolidated financial statements as of June 30, 2015, include the accounts of the Company and its 14 significant (11 in 2014) subsidiaries (together, the "Group").

For the year ended June 30, 2015, the Company added NIPPON KOEI VIETNAM INTERNATIONAL CO., LTD., and PT. INDOKOEI INTERNATIONAL to the scope of consolidation due to their increased materiality. PHILKOEI INTERNATIONAL, INC., newly became a consolidated subsidiary from an associated company not accounted for by the equity method as a result of the additional acquisition of stocks.

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.

In May 2012, the Accounting Standards Board of Japan (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.

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

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period, are treated as reclassification adjustments (see Note 21).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, 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 and guidance for retirement benefits for (a) and (b) above, effective June 30, 2013, and for (c) above, effective July 1, 2014.

With respect to (c) above, the Group changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of July 1, 2014, in retained earnings. As a result, liability for retirement benefits as of July 1, 2014, increased by ¥985 million ($8,038 thousand), and retained earnings as of July 1, 2014, decreased by ¥645 million ($5,264 thousand). There was no significant effect on profit or loss and basic net income per share for the year ended June 30, 2015.

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. However, 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, 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. Employee Stock Ownership Plan — In December 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 the 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 Group applied this PITF effective July 1, 2014, retrospectively. As the method previously used by the Group is identical to those of the above PITF, there is no effect from this accounting change.

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

m. ***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.

n. ***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.

o. ***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.

p. ***Income Taxes*** — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income 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.

q. ***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 income and comprehensive income.

r. ***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).

s. ***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 income 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.

t. ***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 years ended June 30, 2015 and 2014, were 76,077,020 and 75,693,610, 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 years ended June 30, 2015 and 2014.

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

u. ***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.

3. CHANGES IN PRESENTATION

(1) "Income taxes for prior periods" (¥(5) million ($(41) thousand) in the current fiscal year and ¥(0) million in the previous fiscal year), which was presented separately in the consolidated statement of operations and comprehensive income until the previous fiscal year, is included in "Income Taxes – Current" due to its decreased materiality.

(2) "Gain (loss) on sales of investment securities" (¥1 million ($8 thousand) in the current fiscal year and ¥(10) million in the previous fiscal year), which was presented separately in the consolidated statement of cash flows until the previous fiscal year, is included in "Other-net" due to its decreased materiality.

4. ADDITIONAL INFORMATION

Employee Stock Ownership Plan Trust ("ESOP") — The Company maintains an the Employee Stock Ownership Plan for a part of its employees' welfare programs which includes transfers of the Company's own stock to the employees' stockholders association through a trust.

(1) Overview of the transaction
At the meeting of the Board of Directors held on February 12, 2013, the Company resolved to introduce an ESOP as a trust-type employee shareholding incentive plan to provide the Group's employees with incentives to improve medium- to long-term corporate value, enhance their welfare programs and encourage capital participation as a shareholder, thereby increasing the morale of the employees and promoting continued growth of the Group.

Under the trust-type employee shareholding incentive plan, the Company establishes the ESOP at a trust bank. The ESOP preliminarily acquires the total number of the Company's common shares expected to be acquired by the employees' stockholders association over five years in advance from the Company by third-party allotment, using borrowings as funds.

Subsequently, the ESOP sells these Company shares to the employees' stockholders association on a continual basis. If the ESOP has accumulated gains on sale of the Company shares when the ESOP is terminated, the ESOP's proceeds equivalent to the accumulated gains are distributed to eligible beneficiaries. The Company guarantees obligations for the ESOP's borrowing of funds to acquire the Company's common stock. Therefore, if the ESOP has accumulated losses upon sale of the Company shares when the ESOP is terminated, the ESOP's outstanding debt equivalent to the accumulated losses is repaid by the Company in accordance with a warranty clause included in the loan agreement, and there is no burden on the employees.

(2) The Company's shares remaining in the ESOP

Shares of the Company remaining in the ESOP are recognized at the ESOP's book value thereof (excluding the amount of ancillary expenses) as treasury stock under net assets. The book value and number of such treasury stock were ¥313 million ($2,554 thousand) and 930 thousand shares for the year ended June 30, 2015, and ¥463 million and 1,375 thousand shares for the year ended June 30, 2014.

(3) Book value of borrowings posted through the application of the gross price method

Book value of borrowings posted through the application of the gross price method was ¥520 million ($4,244 thousand) and ¥390 million for the years ended June 30, 2015 and 2014, respectively.

5. INVESTMENT SECURITIES

Investment securities as of June 30, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Non-current:			
Marketable equity securities	**¥7,473**	¥7,447	**$60,984**
Government and corporate bonds	**1,408**	800	**11,490**
Other		40	
Total	**¥8,881**	¥8,287	**$72,474**

The costs and aggregate fair values of investment securities at June 30, 2015 and 2014, were as follows:

	Millions of Yen			
June 30, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥4,683**	**¥2,294**	**¥36**	**¥6,941**
Debt securities	**1,068**	**195**		**1,263**
Other				
Total	**¥5,751**	**¥2,489**	**¥36**	**¥8,204**

	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

	Thousands of U.S. Dollars			
June 30, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$38,216**	**$18,721**	**$294**	**$56,643**
Debt securities	**8,716**	**1,591**		**10,307**
Other				
Total	**$46,932**	**$20,312**	**$294**	**$66,950**

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the years ended June 30, 2015 and 2014, were as follows:

	Millions of Yen		
June 30, 2015	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	**¥1,140**	**¥18**	**¥20**
Debt securities			
Other	**48**		
Total	**¥1,188**	**¥18**	**¥20**

	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

June 30, 2015	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	**$9,303**	**$147**	**$163**
Debt securities			
Other	**392**		
Total	**$9,695**	**$147**	**$163**

The carrying values of debt securities and other by contractual maturities for securities classified as available-for-sale at June 30, 2015, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due after 10 years	¥500	$4,080
Total	¥500	$4,080

6. INVENTORIES

Inventories at June 30, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Merchandise	**¥ 0**	¥ 0	**$ 0**
Work in process	**11,399**	9,800	**93,023**
Raw materials and supplies	**369**	311	**3,011**
Total	**¥11,768**	¥10,111	**$96,034**

7. 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 Tokyo metropolitan area. The net of rental income and operating expenses for those rental properties was ¥591 million ($4,823 thousand) and ¥846 million for the years ended June 30, 2015 and 2014, 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, 2014	Decrease	June 30, 2015	June 30, 2015
¥6,045	**¥(2,667)**	**¥3,378**	**¥6,900**

Millions of Yen			
Carrying Amount			Fair Value
July 30, 2013	Decrease	June 30, 2014	June 30, 2014
¥6,470	¥(424)	¥6,045	¥12,769

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
June 30, 2014	Decrease	June 30, 2015	June 30, 2015
$49,331	**$(21,764)**	**$27,567**	**$56,308**

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 year ended June 30, 2014, primarily represents transfers to assets for own use of ¥395 million ($3,223 thousand). Decrease during the fiscal year ended June 30, 2015, primarily represents sales of land and buildings for rental apartments and stores for rent of ¥2,566 million ($20,940 thousand). Furthermore, gain on sales of land and buildings for rental apartments and stores for rent was ¥2,628 million ($21,446 thousand).
3. Fair value of properties was measured by the Group in accordance with the Real-Estate Appraisal Standard.

8. REDUCTION ENTRY

Due to the acquisition expenses of the Group that have been subsidized by the national government, the amount of such subsidies, ¥147 million ($1,200 thousand), is offset against the acquisition cost of the machinery and equipment.

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

Investments in and advances to unconsolidated subsidiaries and associated companies at June 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Investments	**¥ 981**	¥ 924	**$ 8,005**
Advances	**915**	555	**7,467**
Total	**¥1,896**	¥1,479	**$15,472**

10. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

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

Long-term debt at June 30, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unsecured loans from banks due serially to 2023 with interest rates ranging from 0.680% to 0.870%	**¥1,690**	¥1,820	**$13,791**
Obligation under finance leases	**97**	129	**792**
Total	**1,787**	1,949	**14,583**
Less current portion	**(204)**	(181)	**(1,665)**
Long-term debt, less current portion	**¥1,583**	¥1,768	**$12,918**

Annual maturities of long-term debt at June 30, 2015, for the next 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
2016	¥ 164	¥40	$ 1,338	$327
2017	266	30	2,171	245
2018	266	19	2,171	155
2019	436	7	3,557	57
2020	136	1	1,110	8
2021 and thereafter	422		3,444	
Total	¥1,690	¥97	$13,791	$792

The Group had a commitment line contract of ¥10,000 million ($81,606 thousand) over three years with financial institutions in order to secure stable long-term funding. The contract included a restrictive financial covenant. At June 30, 2015, the Group had not utilized the commitment line. In addition, the Group had overdraft contracts of ¥24,500 million ($199,935 thousand) in total. At June 30, 2015, the Group had not utilized the overdraft.

11. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have 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 certain 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, 2015 and 2014, for directors and Audit & Supervisory Board members are ¥59 million ($481 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 years ended June 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year (as previously reported)	**¥14,277**	¥13,722	**$116,509**
Cumulative effect of accounting change	**985**		**8,038**
Balance at beginning of year (as restated)	**15,262**	13,722	**124,547**
Current service cost	**1,099**	966	**8,969**
Interest cost	**105**	216	**857**
Actuarial (gains) losses	**(71)**	292	**(580)**
Benefit paid	**(1,166)**	(987)	**(9,515)**
Past service cost		68	
Balance at end of year	**¥15,229**	¥14,277	**$124,278**

(2) The changes in plan assets for the years ended June 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year	**¥11,723**	¥10,064	**$ 95,667**
Expected return on plan assets	**234**	201	**1,910**
Actuarial losses	**1,374**	864	**11,212**
Contributions from the employer	**1,462**	1,437	**11,930**
Benefit paid	**(961)**	(843)	**(7,842)**
Balance at end of year	**¥13,832**	¥11,723	**$112,877**

(3) The changes in defined benefit obligation under the simplified method for the years ended June 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year	**¥692**	¥648	**$5,647**
Periodic benefit cost	**68**	58	**555**
Benefit paid	**(29)**	(14)	**(237)**
Balance at end of year	**¥731**	¥692	**$5,965**

(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, 2015 and 2014, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Funded defined benefit obligation	**¥11,858**	¥10,954	**$ 96,768**
Plan assets	**(13,832)**	(11,723)	**(112,877)**
	(1,974)	(769)	**(16,109)**
Unfunded defined benefit obligation	**4,103**	4,017	**33,483**
Net liability arising from defined benefit obligation	**2,129**	3,248	**17,374**
Liability for retirement benefits	**2,129**	3,248	**17,374**
Net liability arising from defined benefit obligation	**¥ 2,129**	¥ 3,248	**$ 17,374**

(5) The components of net periodic benefit costs for the years ended June 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Service cost	**¥1,099**	¥ 966	**$ 8,969**
Interest cost	**105**	216	**857**
Expected return on plan assets	**(234)**	(201)	**(1,910)**
Recognized actuarial losses	**196**	361	**1,599**
Amortization of prior service cost	**28**	22	**229**
Recognized transition obligation	**101**	135	**824**
Periodic benefit cost under simplified method	**68**	58	**555**
Others	**56**	27	**457**
Net periodic benefit costs	**¥1,419**	¥1,584	**$11,580**

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended June 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Prior service cost	**¥ 28**	¥ (46)	**$ 228**
Actuarial losses	**1,642**	933	**13,400**
Recognized transition obligation	**101**	135	**824**
Total	**¥1,771**	¥1,022	**$14,452**

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of June 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unrecognized prior service cost	**¥ 283**	¥312	**$ 2,309**
Unrecognized actuarial (gains) losses	**(1,639)**	2	**(13,375)**
Unrecognized transition obligation		101	
Total	**¥(1,356)**	¥415	**$(11,066)**

(8) Plan assets

a. Components of plan assets

Plan assets as of June 30, 2015 and 2014, consisted of the following:

	2015	2014
Debt investments	**34%**	35%
Equity investments	**46**	44
Cash and cash equivalents	**17**	18
Others	**3**	3
Total	**100%**	100%

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

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 years ended June 30, 2015 and 2014, are set forth as follows:

	2015	2014
Discount rate	**Principally 0.7%**	Principally 1.5%
Expected rate of return on plan assets	**2.0**	2.0
Lump-sum election rate	**90.0**	80.0

(10) Multiemployer pension plan

The Company and certain consolidated subsidiaries participate in a multi-employer plan for which the Company cannot reasonably calculate the amount of plan assets corresponding to the contributions made by the Company. Therefore, it is accounted for using the same method as a defined contribution plan.

The contributions to such multi-employer plan were ¥562 million ($4,586 thousand) and ¥887 million for the years ended June 30, 2015 and 2014, respectively.

a. The funded status of the multi-employer plan as of June 30, 2015 and 2014, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Plan assets	**¥179,786**	¥162,116	**$1,467,162**
Sum of actuarial liabilities of pension plan and minimum actuarial reserve *	**199,166**	188,180	**1,625,314**
Net balance	**¥ (19,380)**	¥ (26,064)	**$ (158,152)**

* This item was presented as "Pension benefit obligation recorded by pension fund" as of June 30, 2014.

The net balance above is mainly caused by past service cost of ¥22,129 million ($180,586 thousand) for 2015 and ¥23,463 million for 2014, and a deficiency brought forward of ¥2,600 million ($21,218 thousand) for 2015 and ¥6,400 million for 2014. Past service cost under the plan is amortized on a straight-line basis over 15 years, and the special contributions of ¥280 million ($2,285 thousand) for 2015 and ¥337 million for 2014, which are utilized for such amortization, were expensed in the consolidated statement of income of the Group.

b. The contribution ratio of the Group in the multi-employer plan for the years ended June 30, 2015 and 2014, was as follows:

	2015	2014
The contribution ratio of the Group in the multi-employer plan	**12.8%**	12.6%

The ratios above do not represent the actual actuarial liability ratio of the Group.

12. DEPOSITS RECEIVED

Liabilities secured by collateral at June 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Deposits received from tenants	**¥**	¥1,333	**$**

Property, plant and equipment pledged as collateral at June 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Land, building and structures for rent	**¥**	¥1,286	**$**

13. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended June 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year	**¥54**	¥55	**$441**
Reconciliation associated with passage of time	**4**	2	**32**
Reduction associated with sale	**(3)**		**(24)**
Reduction associated with meeting asset retirement obligations		(3)	
Balance at end of year	**¥55**	¥54	**$449**

14. 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 being prescribed as one year rather than the normal two-year 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 within equity 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.

15. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 34.4% and 36.8% for the years ended June 30, 2015 and 2014, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at June 30, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Deferred tax assets:			
Accrued bonuses	**¥ 915**	¥ 854	**$ 7,467**
Tax loss carryforwards	**91**	310	**743**
Liability for retirement benefits for directors and Audit & Supervisory Board members	**20**	21	**163**
Liability for retirement benefits for employees	**703**	1,170	**5,737**
Allowance for anticipated project loss	**37**	71	**302**
Loss on impairment of long-lived assets	**67**	72	**547**
Head office transfer cost	**87**		**710**
Overdepreciation	**230**	43	**1,877**
Other	**645**	692	**5,263**
Less valuation allowance	**(562)**	(440)	**(4,586)**
Total	**2,233**	2,793	**18,223**
Deferred tax liabilities:			
Reserve for deferred gains on sale of property	**839**	170	**6,847**
Unrealized gain on available-for-sale securities	**790**	716	**6,447**
Other	**74**	74	**604**
Total	**1,703**	960	**13,898**
Net deferred tax assets	**¥ 530**	¥1,833	**$ 4,325**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income and comprehensive income for the year ended June 30, 2015, with the corresponding figures for 2014, is as follows:

	2015	2014
Normal effective statutory tax rate	**34.4%**	36.8%
Per capita levy of local tax	**1.8**	2.9
Expenses not deductible for tax purposes	**1.1**	1.9
Foreign income tax	**5.6**	8.0
Tax credit	**(2.7)**	(0.5)
Valuation allowance	**2.2**	(20.3)
Effect of reduction of income tax rates on deferred tax assets and deferred tax liabilities	**1.7**	2.4
Other – net	**(0.9)**	2.3
Actual effective tax rate	**43.2%**	33.5%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after July 1, 2015, to approximately 33.1% and for the fiscal year beginning on or after July 1, 2016, to approximately 32.3%. The effect of these changes was to decrease deferred tax assets by ¥184 million ($1,502 thousand) and deferred tax liabilities by ¥137 million ($1,118 thousand) and to increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥52 million ($424 thousand) and defined retirement benefit plans by ¥27 million ($220 thousand) in the consolidated balance sheet as of June 30, 2015, and to increase income taxes—deferred in the consolidated statement of income and comprehensive income for the year then ended by ¥126 million ($1,028 thousand).

At June 30, 2015, certain subsidiaries have tax loss carryforwards aggregating approximately ¥231 million ($1,885 thousand) which are 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
June 30, 2017	¥ 92	$ 751
June 30, 2019	35	286
June 30, 2020	65	530
June 30, 2023	39	318
Total	**¥231**	**$1,885**

16. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥595 million ($4,856 thousand) and ¥403 million for the years ended June 30, 2015 and 2014, respectively.

17. LEASES

(1) Lessee

The minimum rental commitments under noncancelable operating leases at June 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Due within one year	**¥ 413**	¥2	**$ 3,370**
Due after one year	**961**	3	**7,842**
Total	**¥1,374**	¥5	**$11,212**

(2) Lessor

The minimum rental commitments under noncancelable operating leases at June 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Due within one year	**¥**	¥ 333	**$**
Due after one year		955	
Total	**¥**	¥1,288	**$**

18. 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 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 19 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, 2015.

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.

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

The basic principles of derivative transactions have been 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 commitment line and overdraft contracts, along with adequate financial planning by the corporate treasury department.

(4) Concentration of Credit Risk

23.8% of total receivables are from two major customers of the Group as of June 30, 2015.

(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, 2015	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**¥11,673**	**¥11,673**	**¥**
Receivables	**17,143**	**17,143**	
Investment securities	**8,204**	**8,204**	
Total	**¥37,020**	**¥37,020**	**¥**
Payables	**¥ 7,572**	**¥ 7,572**	**¥**
Total	**¥ 7,572**	**¥ 7,572**	**¥**

	Millions of Yen		
June 30, 2014	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 8,465	¥ 8,465	¥
Receivables	14,417	14,417	
Investment securities	7,854	7,854	
Total	¥30,736	¥30,736	¥
Payables	¥ 5,164	¥ 5,164	¥
Total	¥ 5,164	¥ 5,164	¥

	Thousands of U.S. Dollars		
June 30, 2015	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**$ 95,259**	**$ 95,259**	**$**
Receivables	**139,897**	**139,897**	
Investment securities	**66,950**	**66,950**	
Total	**$302,106**	**$302,106**	**$**
Payables	**$ 61,793**	**$ 61,793**	
Total	**$ 61,793**	**$ 61,793**	**$**

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. Fair value information for investment securities by classification is included in Note 5.

Payables

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

Derivatives

Fair value information for derivatives is included in Note 19.

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

	Millions of Yen		Thousands of U.S. Dollars
June 30, 2015 and 2014	**2015**	2014	**2015**
Investments in equity instruments that do not have a quoted market price in an active market	**¥1,512**	¥1,212	**$12,339**
Investments in debt instruments that do not have a quoted market price in an active market	**¥ 145**	¥ 145	**$ 1,183**

The impairment loss on investments in equity instruments that do not have a quoted market price in an active market for the year ended June 30, 2015, was ¥37 million ($302 thousand).

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

	Millions of Yen			
June 30, 2015	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	**¥11,673**	**¥**	**¥**	
Receivables	**17,143**			
Investment securities				
Available-for-sale securities with contractual maturities				**¥500**
Total	**¥28,476**	**¥**	**¥**	**¥500**

	Millions of Yen			
June 30, 2014	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	14,417			
Investment securities				
Available-for-sale securities with contractual maturities				¥550
Total	¥22,256	¥	¥	¥550

June 30, 2015	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	**$ 95,259**	**$**	**$**	
Receivables	**139,897**			
Investment securities				
Available-for-sale securities with contractual maturities				**$4,080**
Total	**$232,381**	**$**	**$**	**$4,080**

Please see Note 10 for annual maturities of long-term debt.

19. DERIVATIVES

The Group uses derivative financial instruments to manage its exposure 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

June 30, 2015	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain
Foreign currency forward contracts: Selling British Pounds	**¥691**	**¥**	**¥(78)**	**¥(78)**
Foreign currency forward contracts: Buying U.S. Dollars	**¥658**	**¥**	**¥ (4)**	**¥ (4)**

June 30, 2015	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain
Foreign currency forward contracts: Selling British Pounds	**$5,639**	**$**	**$(637)**	**$(637)**
Foreign currency forward contracts: Buying U.S. Dollars	**$5,370**	**$**	**$ (33)**	**$ (33)**

June 30, 2014	Millions of Yen		
	Contract Amount	Fair Value	Unrealized Gain
Foreign currency forward contracts: Selling Euros	¥416	¥136	¥136

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.

20. CONTINGENT LIABILITIES

At June 30, 2015, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans related to employees	¥69	$563

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 due to liability for tort. The amount of the damages claimed, which includes a 5% per annum delinquency charge, is ¥750 million ($6,120 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.
Due to the court petition by Osaka Prefecture, a decision was made to execute a provisional seizure concerning said claims. Therefore, NCC deposited the money for release from a provisional seizure of ¥750 million ($6,120 thousand), which is included in other assets under investments and other assets of the consolidated balance sheet, in July 2014 with the Legal Affairs Bureau.

21. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended June 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unrealized gain on available-for-sale securities:			
Gains arising during the year	**¥ 722**	¥ 717	**$ 5,892**
Reclassification adjustments to profit or loss	**(353)**	13	**(2,881)**
Amount before income tax effect	**369**	730	**3,011**
Income tax effect	**(74)**	(253)	**(604)**
Total	**¥ 295**	¥ 477	**$ 2,407**
Deferred gain (loss) on derivatives under hedge accounting:			
Gains arising during the year	**¥ (87)**	¥ 15	**$ (710)**
Reclassification adjustments to profit or loss	**355**		**2,897**
Amount before income tax effect	**268**	15	**2,187**
Income tax effect	**(92)**	(5)	**(751)**
Total	**¥ 176**	¥ 10	**$ 1,436**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ 76**	¥ 9	**$ 620**
Reclassification adjustments to profit or loss			
Amount before income tax effect	**76**	9	**620**
Income tax effect			
Total	**¥ 76**	¥ 9	**$ 620**
Defined retirement benefit plans:			
Adjustments arising during the year	**¥1,446**	¥ 504	**$11,800**
Reclassification adjustments to profit or loss	**325**	518	**2,652**
Amount before income tax effect	**1,771**	1,022	**14,452**
Income tax effect	**(584)**	(328)	**(4,765)**
Total	**¥1,187**	¥ 694	**$ 9,687**
Total other comprehensive income	**¥1,734**	¥1,190	**$14,150**

22. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

On August 12, 2015, the following appropriation of retained earnings at June 30, 2015, was resolved by the Board of Directors:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10 ($0.08) per share	¥772	$6,300

The total amount of the dividends above includes ¥9 million ($73 thousand) in dividends on the Group's shares owned by the ESOP.

23. 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, International, Power Engineering and Real Estate Leasing segments. Domestic consists of consulting services in public and private sectors related mainly to infrastructure development in Japan. International 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 transactions within the 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

2015

	Reportable Segment					Others	Total	Reconciliations	Consolidated
	Domestic	International	Power Engineering	Real Estate Leasing	Total				
Sales									
Sales to customers	**¥41,846**	**¥20,174**	**¥17,858**	**¥ 821**	**¥80,699**	**¥ 1,141**	**¥81,840**		**¥81,840**
Intersegment sales	**371**	**23**	**235**	**124**	**753**	**2**	**755**	**¥ (755)**	
Total sales	**42,217**	**20,197**	**18,093**	**945**	**81,452**	**1,143**	**82,595**	**(755)**	**81,840**
Segment profit (loss)	**¥ 2,728**	**¥ 606**	**¥ 2,801**	**¥ 591**	**¥ 6,726**	**¥(1,244)**	**¥ 5,482**	**¥ (5)**	**¥ 5,477**
Segment assets	**¥18,153**	**¥20,893**	**¥ 9,314**	**¥4,241**	**¥52,601**	**¥37,873**	**¥90,474**	**¥(6,364)**	**¥84,110**
Other:									
Depreciation	**¥ 170**	**¥ 79**	**¥ 223**	**¥ 100**	**¥ 572**	**¥ 836**	**¥ 1,408**		**¥ 1,408**
Amortization of goodwill	**233**	**47**			**280**		**280**		**280**
Interest income	**27**	**44**	**4**	**3**	**78**	**231**	**309**	**¥ (231)**	**78**
Interest expense	**46**	**129**	**53**	**6**	**234**	**46**	**280**	**(231)**	**49**
Increase in property, plant and intangible assets	**109**	**102**	**415**	**12**	**638**	**1,166**	**1,804**		**1,804**

Millions of Yen

2014

	Reportable Segment					Others	Total	Reconciliations	Consolidated
	Domestic	International	Power Engineering	Real Estate Leasing	Total				
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

	Thousands of U.S. Dollars								
	2015								
	Reportable Segment					Others	Total	Reconciliations	Consolidated
	Domestic	International	Power Engineering	Real Estate Leasing	Total				
Sales									
Sales to customers	$341,488	$164,632	$145,732	$ 6,700	$658,552	$ 9,312	$667,864		$667,864
Intersegment sales	3,028	188	1,918	1,012	6,146	15	6,161	$ (6,161)	
Total sales	344,516	164,820	147,650	7,712	664,698	9,327	674,025	(6,161)	667,864
Segment profit (loss)	$ 22,262	$4,945	$ 22,858	$ 4,823	$ 54,888	$ (10,152)	$ 44,736	$ (40)	$ 44,696
Segment assets	$148,139	$170,500	$ 76,008	$34,609	$429,256	$309,066	$738,322	$(51,934)	$686,388
Other:									
Depreciation	$ 1,387	$ 645	$ 1,820	$ 816	$ 4,668	$ 6,822	$ 11,490		$ 11,490
Amortization of goodwill	1,901	384			2,285		2,285		2,285
Interest income	220	359	33	25	637	1,885	2,522	$ (1,885)	637
Interest expense	375	1,053	433	49	1,910	375	2,285	(1,885)	400
Increase in property, plant and intangible assets	890	832	3,387	98	5,207	9,515	14,722		14,722

Note:
The differences between total amounts for reportable segments and amounts in the consolidated balance sheets or consolidated statements of income and comprehensive income and the main details of these differences, which are related to difference adjustments at June 30, 2015 and 2014, were as follows:

Net sales

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Reportable segment total	**¥81,452**	¥78,848	**$664,698**
Other net sales	**1,143**	1,141	**9,327**
Elimination of intersegment transactions	**(755)**	(796)	**(6,161)**
Net sales in the consolidated statements of income and comprehensive income	**¥81,840**	¥79,193	**$667,864**

Profit

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Reportable segment total	**¥6,726**	¥5,122	**$54,888**
Other loss	**(1,244)**	(575)	**(10,152)**
Elimination of intersegment transactions	**(5)**	(4)	**(40)**
Non-operating items	**(975)**	(287)	**(7,957)**
Operating income in the consolidated statements of income and comprehensive income	**¥4,502**	¥4,256	**$36,739**

Assets

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Reportable segment total	**¥52,601**	¥52,707	**$429,256**
Other property	**37,873**	34,094	**309,066**
Elimination of intersegment transactions	**(6,364)**	(10,656)	**(51,934)**
Total assets in the consolidated balance sheets	**¥84,110**	¥76,145	**$686,388**

Other items

	Millions of Yen			
	2015			
	Reportable Segment	Others	Reconciliations	Total
Depreciation	**¥572**	**¥ 836**		**¥1,408**
Amortization of goodwill	**280**			**280**
Interest income	**78**	**231**	**¥(231)**	**78**
Interest expense	**234**	**46**	**(231)**	**49**
Increase in property, plant and intangible assets	**638**	**1,166**		**1,804**

	Millions of Yen			
	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

	Thousands of U.S. Dollars			
	2015			
	Reportable Segment	Others	Reconciliations	Total
Depreciation	**$4,668**	**$6,822**		**$11,490**
Amortization of goodwill	**2,285**			**2,285**
Interest income	**637**	**1,885**	**$(1,885)**	**637**
Interest expense	**1,910**	**375**	**(1,885)**	**400**
Increase in property, plant and intangible assets	**5,207**	**9,515**		**14,722**

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

The information about geographical areas at June 30, 2015, was as follows:

Sales

Millions of Yen						
2015						
Japan	Asia	Middle East	Africa	Latin America	Other	Total
¥60,203	**¥12,670**	**¥1,447**	**¥3,443**	**¥3,896**	**¥181**	**¥81,840**

Thousands of U.S. Dollars						
2015						
Japan	Asia	Middle East	Africa	Latin America	Other	Total
$491,293	**$103,395**	**$11,808**	**$28,097**	**$31,794**	**$1,477**	**$667,864**

Note:
Sales are classified by country or region based on the location of customers.

The information about major customers at June 30, 2015, was as follows:

	Millions of Yen	
	2015	
Name of Customers	Sales	Related Segment Name
Ministry of Land, Infrastructure, Transport and Tourism ..	**¥14,845**	Domestic
Tokyo Electric Power Company, Incorporated	**7,675**	Power Engineering
Japan International Cooperation Agency	**6,756**	International

	Thousands of U.S. Dollars	
	2015	
Name of Customers	Sales	Related Segment Name
Ministry of Land, Infrastructure, Transport and Tourism ..	**$121,144**	Domestic
Tokyo Electric Power Company, Incorporated	**62,633**	Power Engineering
Japan International Cooperation Agency	**55,133**	International

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/en

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, 2015, and the related consolidated statements of income 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, 2015, 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 29, 2015

Member of
Deloitte Touche Tohmatsu Limited

Nonconsolidated Balance Sheet

Nippon Koei Co., Ltd.
June 30, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2015**	2014	**2015**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 8,155**	¥ 5,539	**$ 66,550**
Receivables:			
Trade notes	**18**	76	**147**
Trade accounts	**11,967**	10,798	**97,658**
Subsidiaries and associated companies	**755**	36	**6,161**
Other	**242**	549	**1,975**
Allowance for doubtful accounts	**(8)**	(6)	**(65)**
Short-term loan receivables	**1,607**	1,286	**13,114**
Inventories (Note 5)	**8,237**	7,198	**67,219**
Deferred tax assets (Note 11)	**1,099**	980	**8,968**
Prepaid expenses and other current assets	**1,884**	1,517	**15,375**
Total current assets	**33,956**	27,973	**277,102**
PROPERTY, PLANT AND EQUIPMENT (Notes 7 and 9):			
Land	**15,219**	15,137	**124,196**
Buildings and structures	**15,599**	18,951	**127,297**
Machinery and equipment	**2,344**	2,174	**19,128**
Furniture and fixtures	**2,162**	2,245	**17,643**
Construction in progress	**251**		**2,048**
Lease assets	**122**	131	**996**
Total	**35,697**	38,638	**291,308**
Accumulated depreciation	**(14,815)**	(15,712)	**(120,899)**
Net property, plant and equipment	**20,882**	22,926	**170,409**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	**8,772**	8,140	**71,585**
Investments in and long-term loans to subsidiaries and associated companies (Note 6)	**6,963**	6,501	**56,822**
Other assets	**2,970**	3,051	**24,237**
Allowance for doubtful accounts	**(152)**	(152)	**(1,240)**
Total investments and other assets	**18,553**	17,540	**151,404**
TOTAL	**¥73,391**	¥68,439	**$598,915**

See notes to nonconsolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2015	2014	Thousands of U.S. Dollars (Note 1) 2015
CURRENT LIABILITIES:			
Short-term borrowings (Note 8)	**¥ 3,700**	¥ 6,480	**$ 30,194**
Current portion of long-term debt (Note 8)	**189**	160	**1,542**
Payables:			
Trade notes	**465**	303	**3,795**
Trade accounts	**2,593**	2,164	**21,160**
Subsidiaries and associated companies	**538**	359	**4,390**
Other	**2,575**	1,396	**21,014**
Accrued expenses	**1,376**	787	**11,229**
Income taxes payable	**1,174**	149	**9,580**
Advances received	**4,726**	4,495	**38,567**
Accrued bonuses	**2,205**	1,580	**17,994**
Allowance for anticipated project loss	**85**	171	**694**
Other current liabilities	**2,629**	3,119	**21,454**
Total current liabilities	**20,879**	20,376	**170,385**
LONG-TERM LIABILITIES:			
Long-term debt (Note 8)	**1,556**	1,738	**12,698**
Liability for retirement benefits (Note 2.h)	**188**	216	**1,534**
Allowance for environmental measures	**25**	25	**204**
Asset retirement obligations	**29**	50	**237**
Deposits received (Note 9)	**469**	1,598	**3,827**
Deferred tax liabilities (Note 11)	**1,554**	900	**12,682**
Total long-term liabilities	**3,821**	4,527	**31,182**
COMMITMENTS AND CONTINGENT LIABILITIES (Note 12)			
EQUITY (Notes 10 and 13):			
Common stock, authorized, 189,580,000 shares; issued, 86,656,510 shares on June 30, 2014 and 2015	**7,393**	7,393	**60,331**
Capital surplus:			
Additional paid-in capital	**6,093**	6,093	**49,723**
Other capital surplus	**115**	115	**938**
Retained earnings:			
Legal reserve	**1,546**	1,546	**12,616**
Retained earnings - unappropriated	**35,050**	30,497	**286,029**
Unrealized gain on available-for-sale securities	**1,629**	1,342	**13,294**
Deferred loss on derivatives under hedge accounting		(176)	
Treasury stock—at cost 10,370,910 shares on June 30, 2015 and 10,793,274 shares on June 30, 2014	**(3,135)**	(3,274)	**(25,583)**
Total equity	**48,691**	43,536	**397,348**
TOTAL	**¥73,391**	¥68,439	**$598,915**

Nonconsolidated Statement of Income

Nippon Koei Co., Ltd.
Year ended June 30, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
NET SALES	**¥60,471**	¥59,308	**$493,480**
COST OF SALES	**44,250**	44,478	**361,107**
Gross profit	**16,221**	14,830	**132,373**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**13,030**	11,733	**106,333**
Operating income	**3,191**	3,097	**26,040**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**2,607**	960	**21,275**
Interest expense	**(68)**	(77)	**(555)**
Foreign currency exchange gain (loss)	**286**	(175)	**2,334**
Gain on sales of property, plant and equipment	**2,628**		**21,446**
Head office transfer cost	**(549)**		**(4,480)**
Other-net	**92**	212	**751**
Other income-net	**4,996**	920	**40,771**
INCOME BEFORE INCOME TAXES	**8,187**	4,017	**66,811**
INCOME TAXES (Note 11):			
Current	**1,797**	703	**14,664**
Deferred	**676**	1,115	**5,517**
Total income taxes	**2,473**	1,818	**20,181**
NET INCOME	**¥ 5,714**	¥ 2,199	**$ 46,630**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2.t):			
Basic net income	**¥ 75.11**	¥ 29.05	**$ 0.61**
Cash dividends applicable to the year	**10.00**	7.50	**0.08**

See notes to nonconsolidated financial statements.

Nonconsolidated Statement of Changes in Equity

Nippon Koei Co., Ltd.
Year ended June 30, 2015

	Thousands	Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus		Retained Earnings		Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Treasury Stock	Total Equity
			Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated				
BALANCE, JULY 1, 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 (JULY 1, 2014, as previously reported)	75,863	7,393	6,093	115	1,546	30,497	1,342	(176)	(3,274)	43,536
Comulative effect of accounting change						(582)				(582)
BALANCE, JULY 1, 2014 (as restated)	75,863	7,393	6,093	115	1,546	29,915	1,342	(176)	(3,274)	42,954
Net income						5,714				5,714
Cash dividends, ¥7.50 per share						(579)				(579)
Purchase of treasury stock	(22)								(11)	(11)
Disposal of treasury stock	445								150	150
Net change in the year							287	176		463
BALANCE, JUNE 30, 2015	76,286	¥7,393	¥6,093	¥115	¥1,546	¥35,050	¥1,629	¥	¥(3,135)	¥48,691

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus		Retained Earnings		Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Treasury Stock	Total Equity
		Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated				
BALANCE, JUNE 30, 2014 (JULY 1, 2014, as previously reported)	$60,331	$49,723	$938	$12,616	$248,874	$10,952	$(1,436)	$(26,718)	$355,280
Comulative effect of accounting change					(4,750)				(4,750)
BALANCE, JULY 1, 2014 (as restated)	$60,331	$49,723	$938	$12,616	$244,124	$10,952	$(1,436)	$(26,718)	$350,530
Net income					46,630				46,630
Cash dividends, $0.06 per share					(4,725)				(4,725)
Purchase of treasury stock								(89)	(89)
Disposal of treasury stock								1,224	1,224
Net change in the year						2,342	1,436		3,778
BALANCE, JUNE 30, 2015	$60,331	$49,723	$938	$12,616	$286,029	$13,294	$	$(25,583)	$397,348

See notes to nonconsolidated financial statements.

Notes to Nonconsolidated Financial Statements

Nippon Koei Co., Ltd.
Year Ended June 30, 2015

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 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.

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 2014 nonconsolidated financial statements to conform to the classifications used in 2015.

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 ¥122.54 to $1, the approximate rate of exchange at June 30, 2015. 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.

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 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 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 Company'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.

In May 2012, the Accounting Standards Board of Japan (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.

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

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period, are treated as reclassification adjustments.

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

(d) Treatment in the nonconsolidated financial statements
In the nonconsolidated financial statements, the new requirements for (a) and (b) above would not be applied, with the current requirements remaining applicable.

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 nonconsolidated financial statements in prior periods is required.

The Company has applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above effective June 30, 2013, and for (c) above, effective July 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of July 1, 2014, in retained earnings. As a result, asset for retirement benefits as of July 1, 2014, decreased by ¥887 million ($7,238 thousand), and retained earnings as of July 1, 2014, decreased by ¥582 million ($4,749 thousand). There was no significant effect on profit or loss and basic net income per share for the year ended June 30, 2015.

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. However, 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. Such amount is included in liability for retirement benefits in the nonconsolidated balance sheets for the years ended June 30, 2015 and 2014, and was ¥27 million ($220 thousand) for both years.

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. ***Employee Stock Ownership Plan*** — In December 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 the 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 applied this PITF effective July 1, 2014, retrospectively. As the method previously used by the Company is identical to those of the above PITF, there is no effect from this accounting change.

The note regarding the transfer of treasury stock to the employees' stockholders association is omitted in this section because it is provided as additional information in the footnotes to the consolidated financial statements.

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

m. ***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 recognize 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.

n. ***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.

o. ***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.

p. ***Income Taxes*** — The provision for income taxes is computed based on the pretax income included in the nonconsolidated statements of 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.

q. ***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 income.

r. ***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).

s. ***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 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.

t. ***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 years ended June 30, 2015 and 2014, were 76,077,020 and 75,693,610, respectively.

Diluted net income per share of common stock is not disclosed because the Company has nothing that might dilute the per share information for the years ended June 30, 2015 and 2014.

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

u. ***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.

3. CHANGE IN PRESENTATION

"Income taxes for prior periods" (¥(6) million ($(49) thousand) in the current fiscal year and ¥(1) million in the previous fiscal year), which was presented separately in the nonconsolidated statement of operations until the previous fiscal year, is included in "Income Taxes – Current" due to its decreased materiality.

4. INVESTMENT SECURITIES

Investment securities as of June 30, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Non-current:			
Marketable equity securities	**¥7,364**	¥7,345	**$60,095**
Government and corporate bonds	**1,408**	756	**11,490**
Other		39	
Total	**¥8,772**	¥8,140	**$71,585**

5. INVENTORIES

Inventories at June 30, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Work in process	**¥7,868**	¥6,888	**$64,208**
Raw materials and supplies	**369**	310	**3,010**
Total	**¥8,237**	¥7,198	**$67,218**

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

Investments in and advances to subsidiaries and associated companies as of June 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Investments	**¥5,869**	¥5,732	**$47,894**
Long-term loans	**1,094**	769	**8,928**
Total	**¥6,963**	¥6,501	**$56,822**

The value of the investment securities of subsidiaries and associated companies is measured at the original acquisition costs, as their fair value cannot be reliably determined at June 30, 2015, since market value and estimated future cash flows are not available.

7. REDUCTION ENTRY

Due to the acquisition expenses of the Company that have been subsidized by the national government, the amount of such subsidies, ¥147 million ($1,200 thousand), is offset against the acquisition cost of the machinery and equipment.

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at June 30, 2015 and 2014, consisted of loans from subsidiaries. The annual interest rates applicable to the short-term borrowings ranged from 0.684% to 0.720% and 0.720% to 0.739% at June 30, 2015 and 2014, respectively.

Long-term debt at June 30, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unsecured loans from banks due serially to 2023 with interest rates ranging from 0.680% to 0.870%	**¥1,690**	¥1,820	**$13,791**
Obligation under finance leases	**55**	78	**449**
Total	**1,745**	1,898	**14,240**
Less current portion	**(189)**	(160)	**(1,542)**
Long-term debt, less current portion	**¥1,556**	¥1,738	**$12,698**

Annual maturities of long-term debt at June 30, 2015, 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
2016	¥ 164	¥25	$ 1,338	$205
2017	266	20	2,171	163
2018	266	8	2,171	65
2019	436	2	3,557	16
2020	136		1,110	
2021 and thereafter	422		3,444	
Total	¥1,690	¥55	$13,791	$449

The Company had a commitment-line contract of ¥10,000 million ($81,606 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, 2015, the Company had not utilized the commitment-line. In addition, the Company had overdraft contracts of ¥24,500 million ($199,935 thousand) in total. At June 30, 2015, the Company had not utilized the overdraft.

9. DEPOSITS RECEIVED

Liabilities secured by collateral at June 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Deposits received from tenants	**¥**	¥1,333	**$**

Property, plant and equipment pledged as collateral at June 30, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Land, building and structures for rent	**¥**	¥1,286	**$**

10. 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 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 within equity 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, 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.

11. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 34.4% and 36.8% for the years ended June 30, 2015 and 2014, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at June 30, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Deferred tax assets:			
Accrued bonuses	**¥ 701**	¥ 516	**$ 5,721**
Tax loss carryforwards		208	
Liability for retirement benefits for directors and Audit & Supervisory Board members	**9**	9	**74**
Liability for retirement benefits for employees	**52**	65	**424**
Allowance for anticipated project loss	**28**	59	**228**
Allowance for doubtful accounts	**52**	54	**424**
Loss on impairment of long-lived assets	**50**	54	**408**
Head office transfer cost	**87**		**710**
Overdepreciation	**229**	43	**1,869**
Deferred loss on derivatives under hedge accounting		92	
Investment in subsidiaries	**338**	347	**2,758**
Other	**387**	317	**3,158**
Less valuation allowance	**(635)**	(500)	**(5,182)**
Total	**1,298**	1,264	**10,592**
Deferred tax liabilities:			
Reserve for deferred gains on sale of property	**839**	170	**6,847**
Unrealized gain on available-for-sale securities	**776**	704	**6,333**
Prepaid pension	**133**	304	**1,085**
Other	**5**	5	**41**
Total	**1,753**	1,183	**14,306**
Net deferred tax assets	**¥ (455)**	¥ 81	**$ (3,714)**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying nonconsolidated statement of income for the year ended June 30, 2015, with the corresponding figures for 2014, was as follows:

	2015	2014
Normal effective statutory tax rate	**34.4%**	36.8%
Per capita levy of local tax	**1.0**	2.1
Expenses not deductible for tax purposes	**0.9**	1.8
Foreign income tax	**2.4**	8.3
Valuation allowance	**2.2**	10.2
Income not included for tax purposes	**(10.1)**	(15.3)
Effect of reduction of income tax rates on deferred tax assets and deferred tax liabilities	**(0.1)**	1.8
Other – net	**(0.5)**	(0.4)
Actual effective tax rate	**30.2%**	45.3%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after July 1, 2015, to approximately 33.1% and for the fiscal year beginning on or after July 1, 2016, to approximately 32.3%. The effect of these changes was to decrease deferred tax assets by ¥44 million ($359 thousand) and deferred tax liabilities by ¥104 million ($849 thousand) and to increase unrealized gain on available-for-sale securities by ¥51 million ($416 thousand) in the nonconsolidated balance sheet as of June 30, 2015, and to decrease income taxes—deferred in the nonconsolidated statement of income for the year then ended by ¥8 million ($65 thousand).

12. CONTINGENT LIABILITIES

At June 30, 2015, the Company had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans related to employees	¥ 69	$ 563
Refundment bonds of subsidiaries	474	3,868
Performance bond of a subsidiary	25	204

13. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

On August 12, 2015, the following appropriation of retained earnings at June 30, 2015, was resolved by the Board of Directors:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10 ($0.08) per share	¥772	$6,300

The total amount of the dividends above includes ¥9 million ($73 thousand) in dividends on the Company's shares owned by the employee stock ownership plan trust.

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/en

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, 2015, and the related nonconsolidated statements of income, 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, 2015, 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 29, 2015

Member of
Deloitte Touche Tohmatsu Limited

Corporate Information

Board of Directors, Officers and Audit & Supervisory Board Members

Director and Chairman:
Noriaki Hirose*

Director and President:
Ryuichi Arimoto*

Director and Executive Vice President:
Asao Yamakawa
Akira Mizukoshi
Noboru Takano*

Director and Managing Executive Officer:
Hiroyuki Akiyoshi
Takashi Seki

Director and Executive Officer:
Naoki Honjo
Hiroshi Tanaka

Director:
Hiizu Ichikawa (Outside)
Kazumasa Kusaka (Outside)

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

Senior Managing Executive Officer:
Takashi Karasaki
Hiromichi Sekine

Managing Executive Officer:
Yoshikimi Inoue
Masanao Nishimura
Haruyoshi Takura

Executive Officer:
Hiroyuki Kasahara
Masanobu Sakamoto
Takayasu Tsuyusaki
Shuichi Ueda
Yasushi Sugo
Akichika Ishibashi
Noriaki Yoshida
Haruhiko Kanai
Kevin Tynes
Akimitsu Arai
Hitoshi Nagasaki
Hiroaki Shinya
Hiroshi Matsuda
Hideyuki Sakunaka

*Representative Directors As of September 29, 2015

Stock Information

Shares authorized	189,580,000
Shares issued	86,656,510
Stockholders of minimum tradable stock unit	5,018

As of June 30, 2015

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
The Master Trust Bank of Japan, Ltd. (trust a/c)	3,204,000	3.70
The Koei Employees' Stockholders Association	3,157,078	3.64
Japan Trustee Services Bank, Ltd. (Trustee)	2,244,000	2.59
Japan Trustee Services Bank, Ltd. (Trust Account No.4)	2,196,000	2.53
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	1,433,000	1.65
CREDIT SUISSE SECURITIES (EUROPE) LIMITED PB OMNIBUS CLIENT ACCOUNT	1,308,363	1.51

As of June 30, 2015

Besides the above, the Company owns 9,440,910 shares of treasury stock (10.89%)

Major Offices and Facilities

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

Kudan Office
1-14-6 Kudankita, Chiyoda-ku,
Tokyo 102-8539, 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

Consolidated Subsidiaries

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 associated companies 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 2015, the total number of employees of the Group companies came to about 3,320.

The consolidated subsidiaries 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.

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.

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.

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
http://www.n-koei.co.jp **E-mail:** info@n-koei.co.jp

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