Future Unlimited

75th ANNIVERSARY

NIPPON KOEI

Financial Report

Year ended June 30, 2021

NIPPON KOEI CO.,LTD.

Company Profile

Nippon Koei Co., Ltd. is Japan's leading engineering consultant. In terms of human resources, we have the largest number of engineers and specialists in the industry capable of solving the most sophisticated and complex issues which nations face. Our business activities cover five market areas: namely, domestic infrastructure market, international infrastructure market, electric power engineering market, urban & spatial development market, and participant in energy business.

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【Financial Highlights】

Consolidated

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Revenue	**¥117,859**	¥108,441	**$1,066,459**
Profit attributable to owner of parent	**4,531**	3,099	**41,006**

	Yen		U.S. Dollars
Earnings per share			
Basic earnings per share	**¥300.00**	¥204.94	**$2.71**
Diluted earnings per share	**300.00**	204.94	**2.71**

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	**As of June 30, 2021**
Total assets	**¥156,137**	¥147,408	**$1,412,819**
Total equity	**72,294**	65,721	**654,159**

Nonconsolidated

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Net sales	**¥73,970**	¥69,431	**$669,326**
Net income	**2,480**	2,526	**22,447**
	Yen		U.S. Dollars
Net income per share	**¥164.23**	¥167.07	**$1.49**

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	**As of June 30, 2021**
Total assets	**¥110,295**	¥106,240	**$998,011**
Total equity	**55,043**	53,444	**498,061**

(Notes) 1. In Japan, a company can establish its fiscal year in accordance with the Companies Act and other related laws and regulations. By resolution of the 68th General Shareholders' Meeting held on June 27, 2013, the fiscal year of Nippon Koei Co., Ltd., has been established as July 1 to June 30.
2. Per share amounts are based on the weighted average number of shares outstanding during each year.
3. The dollar amounts in this report represent translations of yen, for convenience only, at the rate of ¥110.515 to $1, the approximate rate of exchange at June 30, 2021.
4. The Group has applied International Financial Reporting Standards (IFRS) from the year-end of fiscal year ended June 30, 2021. In addition, financial figures for the previous fiscal year are also disclosed in accordance with IFRS.

【Financial Information】

1. Basis of Presentation for the Consolidated and Nonconsolidated Financial Statements

(1) The Company's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board (hereinafter referred to as the "IFRS") pursuant to the provisions of Article 93 of the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28, 1976).

(2) The Company's nonconsolidated financial statements are prepared based on the "Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements, etc." (Ordinance of the Ministry of Finance No. 59, 1963; hereinafter referred to as the "Regulations on Financial Statements.").
Moreover, the Company is classified under a provision for a special company submitting financial statements, and prepares nonconsolidated financial statements, pursuant to the provisions of Article 127 of the Regulations on Financial Statements.

2. Audit Certification

The Company has undergone an audit by PricewaterhouseCoopers Aarata LLC on consolidated financial statements for the consolidated fiscal year (from July 1, 2020 to June 30, 2021) and nonconsolidated financial statements for the business year (from July 1, 2020 to June 30, 2021) in accordance with the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

3. Special Efforts for Ensuring Appropriateness of Consolidated Financial Statements and the Establishment of a System to Appropriately Prepare Consolidated Financial Statements in Accordance with IFRS

The Company makes special efforts to ensure appropriateness of consolidated financial statements and the establishment of a system to appropriately prepare consolidated financial statements in accordance with IFRS. The details are as follows.

(1) The Company is a member of the Financial Accounting Standards Foundation and participate in seminars held by the Foundation or the audit firm in order to appropriately grasp the details of accounting standards or to establish a system capable of accurately responding to changes in accounting standards.

(2) Regarding the application of the IFRS, the Company reviews press releases and standards published by the International Accounting Standards Board as necessary to understand and apply the standards completely and appropriately. Moreover, the Company establishes group accounting policies in accordance with the IFRS and has arranged its processes and controls based on accounting for those standards in order to prepare consolidated financial statements in accordance with IFRS.

4. Restatement of Financial Results for Fiscal Year Ended June 2020

From July to September 2020, it was discovered that it was highly likely that there was a significant budget overrun for four of the large-scale vertical axis hydroelectric power projects under construction. In response, we established a task force in mid-September 2020 to conduct internal investigations, and in early November established an external advisory team composed of Outside Audit & Supervisory Board Members and external attorneys to ensure objectivity. The results of the task force's investigation revealed that sales based on the percentage-of-completion method were recorded excessively and that provision for loss on construction contracts was not recorded in a timely manner. Accordingly, the Company determined that the consolidated and nonconsolidated financial statements previously released should be restated, and submitted a revised Annual Securities Report and a revised Internal Control Report on December 14, 2020 in accordance with the Financial Instruments and Exchange Act in Japan. As a result of restatements, net sales were reduced by ¥390 million, provision for loss on construction contracts of ¥396 million were recorded, operating profit was reduced by ¥781 million, and profit was reduced by ¥588 million.
As a result of the task force's investigation it was found out that the causes of these incidents were inadequate budgeting and cost management systems from the receipt of orders to sales for large-scale vertical axis hydroelectric power projects, and a lack of processes to identify timely the events causing cost overruns that occurred from the day following the end of the period to the submission date of the Annual Securities Report and to confirm the facts and determine the response policy. However, we have determined that there were no indications of intentional acts such as intentionally understating total estimated costs to completion, concealing the budget changes, or delaying the timely identification of cost overruns. In response to this material weakness in internal control, the Company developed a plan to remediate the weakness, by expanding the organization of its hydroelectric power department and strengthening its management organizational system. As a result, as of June 30, 2021, we have determined that internal control over the Company's financial reporting is effective, with material weaknesses remediated.
The Financial Report for the fiscal year ended June 2020 was prepared based on the restated figures.

【Consolidated Financial Statements】
Consolidated Statement of Financial Position

Nippon Koei Co., Ltd.
June 30, 2021

ASSETS	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
CURRENT ASSETS:				
Cash and cash equivalents (Note 8)	**¥17,838**	¥15,472	¥13,242	**$161,414**
Trade and other receivables (Note 9, 27, 35)	**21,189**	19,389	16,371	**191,733**
Contract assets (Note 27)	**24,327**	21,425	19,125	**220,127**
Other financial assets (Note 10, 35)	**1,315**	1,283	407	**11,899**
Other current assets (Note 11)	**3,900**	4,456	3,399	**35,291**
Total current assets	**68,570**	62,027	52,544	**620,466**
NON-CURRENT ASSETS:				
Property, plant and equipment (Note 12, 15)	**40,832**	42,039	38,852	**369,471**
Right-of-use assets (Note 12, 19)	**9,229**	9,603	10,410	**83,513**
Goodwill (Note 13, 15)	**9,182**	7,964	8,193	**83,088**
Intangible assets (Note 13)	**6,502**	5,480	5,871	**58,836**
Investment property (Note 14)	**4,094**	4,210	1,945	**37,053**
Investments accounted for using equity method (Note 6, 16)	**2,077**	1,974	2,440	**18,798**
Retirement benefit asset (Note 22)	**4,391**	3,817	3,279	**39,739**
Other financial assets (Note 10, 35)	**7,434**	6,721	6,448	**67,267**
Deferred tax assets (Note 17)	**2,437**	2,140	2,035	**22,058**
Other non-current assets (Note 11)	**1,384**	1,427	1,219	**12,524**
Total non-current assets	**87,566**	85,380	80,696	**792,352**
TOTAL ASSETS (Note 6)	**¥156,137**	¥147,408	¥133,241	**$1,412,819**

LIABILITIES AND EQUITY	Millions of Yen As of June 30, 2021	 As of June 30, 2020	 Transition Date As of July 1, 2019	Thousands of U.S. Dollars (Note 2) As of June 30, 2021
LIABILITIES				
CURRENT LIABILITIES:				
Borrowings (Note 18, 35)	**¥8,320**	¥15,778	¥2,581	**$75,288**
Lease liabilities (Note 19, 35)	**2,678**	2,445	2,858	**24,240**
Trade and other payables (Note 20, 35)	**9,076**	8,033	7,365	**82,128**
Contract liabilities (Note 27)	**10,645**	10,895	8,428	**96,327**
Other financial liabilities (Note 21, 35)	**3,005**	2,586	2,876	**27,198**
Income taxes payable	**2,228**	1,159	1,036	**20,165**
Provisions (Note 23)	**818**	589	123	**7,407**
Other current liabilities (Note 24)	**12,115**	8,475	8,402	**109,627**
Total current liabilities	**48,889**	49,963	33,673	**442,382**
NON-CURRENT LIABILITIES:				
Borrowings (Note 18, 35)	**18,712**	14,923	17,594	**169,318**
Lease liabilities (Note 19, 35)	**6,699**	7,240	7,551	**60,623**
Other financial liabilities (Note 21, 35)	**648**	639	223	**5,871**
Retirement benefit liability (Note 22)	**3,861**	3,965	3,967	**34,939**
Provisions (Note 23)	**375**	83	52	**3,396**
Deferred tax liabilities (Note 17)	**4,533**	4,709	4,796	**41,020**
Other non-current liabilities (Note 24)	**122**	161	149	**1,106**
Total non-current liabilities	**34,953**	31,723	34,335	**316,276**
Total liabilities	**83,843**	81,687	68,009	**758,659**
EQUITY:				
Share capital (Note 25)	**7,480**	7,458	7,437	**67,687**
Capital surplus (Note 25)	**6,428**	6,498	6,465	**58,166**
Treasury shares (Note 25)	**(0)**	(2,415)	(787)	**(1)**
Other components of equity	**2,820**	1	499	**25,517**
Retained earnings (Note 25)	**53,996**	52,675	50,292	**488,592**
Total equity attributable to owners of parent	**70,725**	64,219	63,907	**639,961**
Non-controlling interests	**1,569**	1,502	1,324	**14,198**
Total equity	**72,294**	65,721	65,232	**654,159**
TOTAL LIABILITIES AND EQUITY	**¥156,137**	¥147,408	¥133,241	**$1,412,819**

Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Nippon Koei Co., Ltd.
Year ended June 30, 2021

(Consolidated Statement of Profit or Loss)

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Revenue (Note 6, 27)	**¥117,859**	¥108,441	**$1,066,459**
Cost of sales (Note 28)	**(80,124)**	(75,202)	**(725,008)**
Gross profit	**37,735**	33,238	**341,451**
Selling, general and administrative expenses (Note 28)	**(29,173)**	(28,436)	**(263,981)**
Share of profit (loss) of investments accounted for using equity method (Note 6, 16)	**35**	144	**318**
Other income (Note 29)	**1,207**	571	**10,926**
Other expenses (Note 15,29)	**(2,675)**	(271)	**(24,211)**
Operating profit (Note 6)	**7,128**	5,245	**64,502**
Finance income (Note 6, 10, 30)	**519**	414	**4,702**
Finance costs (Note 6, 30)	**(471)**	(631)	**(4,266)**
Profit before tax (Note 6)	**7,176**	5,029	**64,938**
Income tax expense (Note 17)	**(2,657)**	(1,782)	**(24,050)**
Profit	**¥4,518**	¥3,246	**$40,887**
Profit attributable to:			
Owners of parent	**¥4,531**	¥3,099	**$41,006**
Non-controlling interests	**(13)**	146	**(119)**
Profit	**¥4,518**	¥3,246	**$40,887**
Earnings per share			
Basic earnings per share (Note 32)	**¥300.00**	¥204.94	**$2.71**
Diluted earnings per share	**300.00**	204.94	**2.71**

(Consolidated Statement of Comprehensive Income)

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Profit	**¥4,518**	¥3,246	**$40,887**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity financial assets measured at fair value through other comprehensive income (Note 31, 35)	**395**	47	**3,575**
Remeasurements of defined benefit plans (Note 22, 31)	**386**	321	**3,495**
Share of other comprehensive income of investments accounted for using equity method (Note 16, 31)	**6**	—	**60**
Total of items that will not be reclassified to profit or loss	**788**	369	**7,131**
Items that may be reclassified to profit or loss			
Cash flow hedges (Note 31)	**6**	6	**54**
Exchange differences on translation of foreign operations (Note 31)	**2,392**	(441)	**21,645**
Share of other comprehensive income of investments accounted for using equity method (Note 16, 31)	**33**	14	**306**
Total of items that may be reclassified to profit or loss	**2,432**	(420)	**22,006**
Other comprehensive income	**3,220**	(51)	**29,137**
Comprehensive income	**¥7,738**	¥3,194	**$70,025**

Consolidated Statement of Changes in Equity

Nippon Koei Co., Ltd.
Year ended June 30, 2021

	Millions of Yen											
	Equity attributable to owners of parent											
				Other components of equity								
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Equity financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total
BALANCE AS OF JULY 1, 2019	**¥7,437**	**¥6,465**	**¥(787)**	**¥—**	**¥(42)**	**¥541**	**¥—**	**¥499**	**¥50,292**	**¥63,907**	**¥1,324**	**¥65,232**
Profit (loss)	—	—	—	—	—	—	—	—	3,099	3,099	146	3,246
Other comprehensive income	—	—	—	(432)	6	47	330	(48)	—	(48)	(2)	(51)
Total comprehensive income	—	—	—	(432)	6	47	330	(48)	3,099	3,050	144	3,194
Issuance of new shares	21	21	—	—	—	—	—	—	—	42	—	42
Change in scope of consolidation	—	—	—	—	—	—	—	—	28	28	63	92
Purchase of treasury shares (Note 25)	—	—	(2,001)	—	—	—	—	—	—	(2,001)	—	(2,001)
Disposal of treasury shares (Note 25)	—	11	373	—	—	—	—	—	—	384	—	384
Cancellation of treasury shares (Note 25)	—	—	—	—	—	—	—	—	—	—	—	—
Dividends (Note 26)	—	—	—	—	—	—	—	—	(1,193)	(1,193)	(30)	(1,223)
Purchase and disposal of non-controlling interests	—	0	—	(0)	—	—	—	(0)	0	—	—	0
Transfer to retained earnings	—	—	—	—	—	(118)	(330)	(448)	448	—	—	—
Total transactions with owners	21	32	(1,628)	(0)	—	(118)	(330)	(448)	(716)	(2,739)	33	(2,706)
BALANCE AS OF JUNE 30, 2020	**7,458**	**6,498**	**(2,415)**	**(432)**	**(36)**	**471**	**—**	**1**	**52,675**	**64,219**	**1,502**	**65,721**
Profit (loss)	—	—	—	—	—	—	—	—	4,531	4,531	(13)	4,518
Other comprehensive income	—	—	—	2,415	6	395	390	3,207	—	3,207	12	3,220
Total comprehensive income	—	—	—	2,415	6	395	390	3,207	4,531	7,739	(0)	7,738
Issuance of new shares	21	21	—	—	—	—	—	—	—	43	—	43
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	—	115	115
Purchase of treasury shares (Note 25)	—	—	(429)	—	—	—	—	—	—	(429)	—	(429)
Disposal of treasury shares (Note 25)	—	(91)	382	—	—	—	—	—	—	291	—	291
Cancellation of treasury shares (Note 25)	—	—	2,462	—	—	—	—	—	(2,462)	—	—	—
Dividends (Note 26)	—	—	—	—	—	—	—	—	(1,138)	(1,138)	(47)	(1,186)
Purchase and disposal of non-controlling interests	—	(0)	—	(0)	—	—	—	(0)	—	(0)	—	(0)
Transfer to retained earnings	—	—	—	—	—	1	(390)	(389)	389	—	—	—
Total transactions with owners	21	(70)	2,415	(0)	—	1	(390)	(389)	(3,210)	(1,233)	67	(1,165)
BALANCE AS OF JUNE 30, 2021	**¥7,480**	**¥6,428**	**¥(0)**	**¥1,982**	**¥(30)**	**¥867**	**¥—**	**¥2,820**	**¥53,996**	**¥70,725**	**¥1,569**	**¥72,294**

	Thousands of U.S. Dollars (Note 2)											
	Equity attributable to owners of parent											
				Other components of equity								
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Equity financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total
BALANCE AS OF JUNE 30, 2020	**$67,491**	**$58,801**	**$(21,859)**	**$(3,917)**	**$(329)**	**$4,264**	**$—**	**$17**	**$476,638**	**$581,090**	**$13,591**	**$594,681**
Profit (loss)	—	—	—	—	—	—	—	—	41,006	41,006	(119)	40,887
Other comprehensive income	—	—	—	21,860	54	3,574	3,535	29,024	—	29,024	113	29,137
Total comprehensive income	—	—	—	21,860	54	3,574	3,535	29,024	41,006	70,031	(6)	70,025
Issuance of new shares	195	195	—	—	—	—	—	—	—	390	—	390
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	—	1,046	1,046
Purchase of treasury shares (Note 25)	—	—	(3,886)	—	—	—	—	—	—	(3,886)	—	(3,886)
Disposal of treasury shares (Note 25)	—	(828)	3,464	—	—	—	—	—	—	2,636	—	2,636
Cancellation of treasury shares (Note 25)	—	—	22,279	—	—	—	—	—	(22,279)	—	—	—
Dividends (Note 26)	—	—	—	—	—	—	—	—	(10,298)	(10,298)	(433)	(10,732)
Purchase and disposal of non-controlling interests	—	(2)	—	(0)	—	—	—	(0)	—	(2)	—	(2)
Transfer to retained earnings	—	—	—	—	—	10	(3,535)	(3,524)	3,524	—	—	—
Total transactions with owners	195	(634)	21,858	(0)	—	10	(3,535)	(3,525)	(29,053)	(11,159)	613	(10,546)
BALANCE AS OF JUNE 30, 2021	**$67,687**	**$58,166**	**$(1)**	**$17,942**	**$(274)**	**$7,848**	**$—**	**$25,517**	**$488,592**	**$639,961**	**$14,198**	**$654,159**

Consolidated Statement of Cash Flows

Nippon Koei Co., Ltd.
Year ended June 30, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES:	**Year ended June 30, 2021**	Year ended June 30, 2020	**Year ended June 30, 2021**
Profit (loss) before tax	**¥7,176**	¥5,029	**$64,938**
Depreciation and amortization	**4,566**	4,700	**41,320**
Impairment losses	**1,739**	—	**15,737**
Loss (gain) on financial assets measured at fair value through profit or loss	**(202)**	87	**(1,831)**
Interest and dividend income	**(397)**	(335)	**(3,597)**
Interest expenses	**424**	407	**3,844**
Share of loss (profit) of investments accounted for using equity method	**(35)**	(144)	**(318)**
Loss (gain) on derivatives	**(182)**	(134)	**(1,650)**
Loss (gain) on sale of fixed assets	**(7)**	(1)	**(68)**
Decrease (increase) in trade and other receivables	**(1,172)**	(2,966)	**(10,612)**
Decrease (increase) in contract assets	**(2,685)**	(2,468)	**(24,299)**
Increase (decrease) in trade and other payables	**1,242**	329	**11,241**
Increase (decrease) in contract liabilities	**(733)**	2,561	**(6,634)**
Increase (decrease) in provisions	**498**	513	**4,514**
Increase (decrease) in accrued expenses	**1,564**	85	**14,156**
Increase (decrease) in consumption taxes payable	**2,203**	(678)	**19,940**
Other	**660**	(534)	**5,975**
Sub total	**14,660**	6,450	**132,653**
Dividends received	**152**	137	**1,382**
Interest received	**251**	181	**2,271**
Interest paid	**(433)**	(400)	**(3,926)**
Income taxes paid	**(2,556)**	(2,003)	**(23,132)**
Net cash provided by (used in) operating activities	**12,073**	4,365	**109,249**

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
CASH FLOWS FROM INVESTING ACTIVITIES:	**Year ended June 30, 2021**	Year ended June 30, 2020	**Year ended June 30, 2021**
Payments into time deposits	**(284)**	(826)	**(2,576)**
Proceeds from withdrawal of time deposits	**199**	—	**1,801**
Purchase of property, plant and equipment, and investment property	**(2,220)**	(6,725)	**(20,090)**
Purchase of intangible assets	**(651)**	(272)	**(5,895)**
Purchase of other financial assets	**(32)**	(9)	**(296)**
Proceeds from sale and redemption of other financial assets	**1**	724	**17**
Payments for acquisition of subsidiaries	**—**	(143)	**—**
Other	**238**	124	**2,155**
Net cash provided by (used in) investing activities	**(2,750)**	(7,129)	**(24,885)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term borrowings (Note 33)	**244,000**	253,000	**2,207,845**
Repayments of short-term borrowings (Note 33)	**(257,000)**	(240,000)	**(2,325,476)**
Proceeds from long-term borrowings (Note 33)	**15,043**	—	**136,125**
Repayments of long-term borrowings (Note 33)	**(5,977)**	(2,508)	**(54,089)**
Repayments of lease liabilities (Note 33)	**(2,801)**	(3,097)	**(25,353)**
Purchase of treasury shares	**(429)**	(2,001)	**(3,886)**
Dividends paid (Note 26)	**(1,145)**	(1,228)	**(10,362)**
Other	**381**	365	**3,456**
Net cash provided by (used in) financing activities	**(7,928)**	4,529	**(71,739)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,395**	1,765	**12,624**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD (Note 8)	**15,472**	13,242	**140,007**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**970**	465	**8,782**
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 8)	**¥17,838**	¥15,472	**$161,414**

1. REPORTING ENTITY

Nippon Koei Co., Ltd. (hereinafter referred to as the "Company") is a stock company located in Japan. Addresses of the registered head office and major offices are disclosed on the Company website (https://www.n-koei.co.jp/english/). The Company's consolidated financial statements consist of accounts of the Company and its subsidiaries (hereinafter referred to as the "Group"), as well as the Group's interests in its associates and joint ventures. The Group's fiscal year end is June 30, 2021.
The Group's businesses are Domestic Consulting, International Consulting, Power Engineering, Urban & Spatial Development, Energy, and Real Estate Leasing. Details of each business are described in note "**6. SEGMENT INFORMATION**."

2. BASIS OF PREPARATION

(1) In Accordance with IFRS and Matters Related to First-time Adoption

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board pursuant to the provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976) as all the requirements of the "Specified Company for Designated IFRSs" set forth in Article 1-2 of said Ordinance have been fulfilled.
The consolidated financial statements were approved by Hiroaki Shinya, Representative Director and President, on September 29, 2021.
The Group applied IFRS for the first time to the consolidated fiscal year ended June 30, 2021. The transition date to IFRS was July 1, 2019. The impact of the transition to IFRS on the Group's financial position, operating results and cash flows, on the date of transition to IFRS and during years of comparison is described in the note "**41. FIRST-TIME ADOPTION.**"
The Group's accounting policies are in accordance with the IFRS effective on June 30, 2021, except for certain exemptions permitted by the provisions of IFRS 1 "First-time Adoption of International Financial Reporting Standards" (hereinafter referred to as "IFRS 1").
Applied exemption clauses are described in note "**41. FIRST-TIME ADOPTION.**"

(2) Basis of Measurements

As described in note "**3. SIGNIFICANT ACCOUNTING POLICIES**," the Group's consolidated financial statements are prepared based on the historical cost, excluding certain financial instruments which are measured at fair value.

(3) Functional Currency and Presentation Currency

The financial statements of Group companies are prepared using their respective functional currency. While Group companies mainly use the local currency as their functional currency, the companies designate another currency as the functional currency if the currency for the main economic environment in which they engage in business activities differs from the local currency.
The Group's consolidated financial statements are reported in Japanese yen in units of one million yen. Fractions less than one million yen are rounded down.
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 ¥110.515 to $1, the approximate rate of exchange on June 30, 2021.
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.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group's accounting policies are prepared based on the IFRS, except for certain exemptions permitted by the provisions of IFRS 1.
For the significant accounting policies applied to consolidated financial statements, the same accounting policies are applied to all the periods described in the consolidated financial statements (including the consolidated statement of financial position on the transition date), except for those which are otherwise noted.

(1) Basis of Consolidation

a. Subsidiaries

Subsidiaries refer to companies that are controlled by the Group. The Group is deemed to control the company when it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company.

Financial statements of subsidiaries are accounted for on a consolidated basis from the date when the Group obtains control to the date when it loses control.

If the accounting policies applied to a subsidiary differ from those applied to the Group, adjustments are made to the financial statements of the subsidiary as necessary. Intra-Group balances of receivables/liabilities and internal transactions, as well as unrealized gains and losses arising from intra-Group transactions are eliminated when preparing consolidated financial statements.

Comprehensive income of subsidiaries is accounted for in owners of parent and non-controlling interests, even if non-controlling interests become a negative balance.

If control continues when partly disposing of subsidiary interests, it is accounted for as an equity transaction. The difference between the adjusted amount of non-controlling interests and the fair value of the consideration is directly recognized in equity as equity attributable to owners of parent.

When control is lost, a gain or loss arising from the loss of control is recognized as a profit or loss in the current period.

The closing date of some subsidiaries differs from that of the Group. For subsidiaries with a different closing date, the accounts are settled provisionally as of the closing date of the Group.

b. Associates

Associates refer to companies that the Group does not control nor jointly control, while it has significant influence over their finance and business policies. If the Group has voting rights greater than 20% but less than 50%, the Group is presumed to have significant influence over such other companies.

Associates are accounted for under the equity method, from the date when the Group obtains significant influence until the date when it loses significant influence. Investments in associates include goodwill recognized at the time of acquisition (after deducting the accumulated amount of impairment losses).

If the accounting policies applied to an associate differ from those applied to the Group, adjustments are made to the results of the associate used in the equity method accounting as necessary.

The closing date of some associates differs from that of the Group. For associates with a different closing date, the accounts are settled provisionally as of the closing date of the Group.

c. Joint Ventures

Joint ventures refer to companies whose contractually-agreed control over economic activities is shared by multiple parties including the Group, and which require the agreement of all parties sharing control when making strategic decisions on finance and businesses related to their activities.

The joint ventures under the Group are accounted for using the equity method.

(2) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration for acquisition is measured as the total of the assets transferred in exchange for the control of the acquiree, the liabilities incurred by the Company to former owners of the acquiree, and the fair value of equity instruments issued by the Company on the acquisition date. If the consideration for acquisition exceeds the fair value of identifiable assets and liabilities, it is recorded as goodwill in the consolidated statement of financial position. Conversely, if it falls short, it is recorded as profit or loss in the consolidated statement of profit or loss.

We determine on an acquisition-by-acquisition basis whether to accounted for non-controlling interests at fair value or by the proportionate share of the recognized amount of identifiable assets if non-controlling interests in the acquired business exist.

Transaction costs that are incurred in relation to business combinations, including brokerage fees, legal fees, and due diligence expenses, are expensed as they are incurred.

If the initial accounting of a business combination is not completed by the end of the consolidated fiscal year when the business combination has occurred, accounts are reported provisionally. If the facts and situation that existed as of the acquisition date are obtained during the period that was deemed to have affected the measurement of the recognized amount (hereinafter referred to as the “Measurement Period”) if grasped initially on the acquisition date, the provisional amount recognized on the acquisition date is retroactively corrected by reflecting such information. If newly obtained information brings new recognition of assets and liabilities, additional assets and liabilities are recognized. The Measurement

Period is one year at the longest.
Since additional acquisitions of non-controlling interests after obtaining control are accounted for as equity transactions, goodwill is not recognized from such transactions.
Acquiree's identifiable assets and liabilities are measured at fair value on the acquisition date, except for the following:

- Deferred tax assets and liabilities as well as assets and liabilities related to employee benefit arrangements;
- Acquiree's share-based payment agreements; and
- Assets or disposal groups classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations."

interests in the acquiree held by the Group previous to the step transaction when control is obtained are remeasured at fair value on the date when control is obtained, while a gain or loss incurred is recognized as profit or loss.

(3) Foreign Currency Translation

a. Functional Currency and Presentation Currency

The consolidated financial statements of the Group are prepared using the yen, the functional currency of the Company. Moreover, individual companies in the Group determine functional currencies based on the primary currency in which operations occur, by which transactions of individual companies are measured.

b. Translation of Foreign Currency Transactions

Transactions in foreign currency are translated into the functional currency, by the spot exchange rate on the transaction date or an approximate rate to it.
Monetary assets and liabilities in foreign currency are translated into the functional currency by the spot exchange rate on the consolidated closing date. Exchange differences arising from such translation and closing of accounts are recognized as profit or loss. However, financial assets measured through other comprehensive income and exchange differences arising from cash flow hedges are recognized as other comprehensive income.

c. Translation of Foreign Operations

Assets and liabilities of foreign operations are translated into yen based on the spot rate as of the closing date, and income and expenses are by the spot rate on the transaction date or an approximate rate to it, and their exchange differences are recognized in other comprehensive income.
If a foreign operation is disposed of, this accumulated translation difference is recognized as a profit or loss during the period when the disposition occurs.

(4) Financial Instruments

a. Financial Assets

(i) Initial Recognition and Measurement

The Group measures changes in for certain financial assets at fair value and accounts for those changes in profit or loss. Other financial assets are measured at amortized cost and changes are recognized in other comprehensive income. This classification is determined at the time of initial recognition.
The Group recognizes financial instruments on the transaction date when it becomes a party to an agreement for the financial assets.
Financial assets are measured at amortized cost if they meet both of the following requirements:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets, other than those measured at amortized cost, are classified as financial assets which are measured at fair value.
For investments in some equity instruments, the Group has made an irrevocable choice to recognize fluctuations in the fair value not as profit or loss but through other comprehensive income.
All financial assets are measured at fair value less transaction costs, except for those classified into the categories that are measured at fair value through profit or loss.

(ii) Subsequent Measurement

Measurement after the initial recognition of financial assets is conducted as follows according to their classification:

(a) Financial Assets Measured at Amortized Cost

Financial assets measured at amortized cost are measured at amortized cost by the effective interest method.

Gain and loss in the case of amortization by the effective interest method and derecognition are recognized as profit or loss.

(b) Financial Assets Measured at Fair Value

Financial assets measured at fair value are in principle measured at fair value through profit or loss.

However, for those designated as measured at fair value through other comprehensive income among equity financial assets, fluctuations in the fair value are recognized as other comprehensive income. When an investment is disposed of, the accumulated amount of gains or losses recognized through other comprehensive income is transferred from "Other components of equity" to "Retained earnings."

Dividends are recognized as profit.

(iii) Derecognition of Financial Assets

The Group derecognizes financial assets when the contractual right to cash flows from financial assets expire, or the Group transfers financial assets to transfer substantially all the risks and rewards of ownership of the financial assets. If the Group retains control of the transferred financial assets, we recognize assets and related liabilities to the extent of its continuing involvement in the financial assets.

(iv) Impairment of Financial Assets

For financial assets measured at amortized cost, an allowance is recognized for the expected credit losses.

The Group evaluates at every end of the period whether the credit risk of each financial asset has significantly increased since the time of initial recognition, and if credit risk has not significantly increased since the time of initial recognition, we recognize the expected credit losses arising from possible events of default within 12 months from the end of the period as allowance for expected credit losses. On the other hand, if credit risk has significantly increased since the time of initial recognition, we recognize the amount equivalent to the lifetime expected credit losses as allowance for expected credit losses.

When evaluating whether credit risk has significantly increased, we consider information that is reasonably available and can be supported (such as internal or external ratings), in addition to past-due information.

The Group also ensures that no lifetime expected credit losses need to be recognized if the credit risk of financial assets was deemed to be low at the end of the period.

However, for trade receivables and contract assets, the amount equivalent to the lifetime expected credit losses is always recognized as an allowance for expected credit losses, regardless of whether credit risk has significantly increased since the time of initial recognition or not.

Expected credit losses are measured as the present value of the difference between all contractual cash flows to be paid to the Group in accordance with the contract and all cash flows expected to be received by the Group.

The Group estimates the expected credit losses of financial assets by a method that reflects the following:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- Time value of money;
- Information on past events, present circumstances, and forecasts of future economic circumstances that are available and reasonable, and can be supported without excess costs and labor at the end of the period.

If affected by a material economic change, we will make necessary judgmental adjustments to the expected credit losses measured in the above calculation.

If there is no reasonable forecast to recover all or part of a financial asset, the Group will directly decrease the book value for the total amount of financial assets.

Allowance for expected credit losses is recognized as profit or loss. If there is an event to decrease allowance for expected credit losses, a reversal of allowance for expected credit losses is recognized as profit or loss.

b. Financial Liabilities

(i) Initial Recognition and Measurement

The Group classifies financial liabilities either as financial liabilities measured at fair value through profit or loss, or those measured at amortized cost. This classification is determined at the time of initial recognition.

The Group recognizes financial instruments on the transaction date when it becomes a party to an agreement for the financial liabilities.

All financial liabilities are measured at the amount of fair value without transaction costs, except for those classified into categories that are measured at fair value through profit or loss.

(ii) Subsequent Measurement

Measurement after the initial recognition of financial liabilities is conducted as follows according to their classification:

(a) Financial Liabilities Measured at Fair Value through Profit or Loss

Financial liabilities measured at fair value through profit or loss are measured at fair value after the initial recognition, with its fluctuation recognized as profit or loss.

(b) Financial Liabilities Measured at Amortized Cost

Financial liabilities measured at amortized cost are measured at amortized cost by the effective interest method.

Gain and loss in the case of amortization by the effective interest method and derecognition are recognized as profit or loss.

(iii) Derecognition of Financial Liabilities

The Group derecognizes financial liabilities when only it is extinguished, i.e., when the obligation specified in the contract is discharged or cancelled or expires.

c. Presentation of Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position, only when the Group has the legal right to set off balances, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

d. Derivatives

The Group uses derivatives including interest rate and currency swap agreements in order to hedge foreign exchange risk and interest risk, respectively. These derivatives are initially recognized at fair value and are remeasured at each reporting period. Changes in the fair value of derivatives are recognized as profit or loss in the consolidated statement of profit or loss.

(5) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on-hand, deposits that can be withdrawn at any time, and short-term investments with contractual settlement dates within three months from the initial transaction date, which are readily convertible to the amount and which bear minimal risk of change in value.

(6) Property, Plant and Equipment

Property, plant and equipment is accounted for at acquisition cost less accumulated depreciation and impairment.

Acquisition cost includes expenses directly related to the acquisition of assets, expenses for demolition, removal and restoration costs of land, and capitalizable borrowing costs.

Depreciation for land and assets other than construction in progress is recorded by the straight-line method over their respective estimated useful life. The estimated useful lives for each major asset class are as follows:

- Buildings and structures: 2–50 years
- Machinery, equipment, and vehicles: 2–20 years
- Tools, furniture, and fixtures: 2–15 years

The estimated useful life, residual value, and depreciation method are reviewed at the end of each fiscal year, and if there are changes, they will be applied as changes in accounting estimates prospectively.

(7) Goodwill

Goodwill is presented in the consolidated statement of financial position based on initial recognition less accumulated impairment losses.

The measurement of goodwill at the time of initial recognition is described in "(2) Business Combinations."

Goodwill is not amortized, but undergoes an impairment test every period and more often when there are

indications of impairment.
Impairment losses are recognized in the consolidated statement of profit or loss, and are not subject to reversal.

(8) Intangible Assets
For individually acquired intangible assets, they are recorded at the acquisition cost at the time of initial recognition.
Except for those with indefinite useful lives and those which are not in the condition necessary for it to be capable of operating, intangible assets other than goodwill are amortized by the straight-line method over their respective estimated useful life, and presented as the acquisition cost less the accumulated amortization and impairment.
The estimated useful life, residual value, and amortization method are reviewed at the end of each fiscal year, and if there are changes, they will be applied as changes in accounting estimates prospectively.
For intangible assets with indefinite useful lives and those not yet available for use, they are not amortized but undergo an impairment test individually or by cash generating unit in every period and more often when there is an indicator of impairment.
Intangible assets with indefinite useful lives are measured at the acquisition cost less accumulated impairment losses.

(9) Investment Property
Investment property is the property held with intentions to generate leasing revenue or capital gains, or both. Investment property, which is presented as the acquisition cost less accumulated depreciation and impairment.
Depreciation for assets other than land is calculated by the straight-line method over their respective estimated useful life (3–50 years). Land is not subject to depreciation.
The estimated useful life, residual value, and depreciation method are reviewed at the end of each fiscal year, and if there are changes, they will be applied as changes in accounting estimates prospectively.

(10) Leases
(Lessee)
It is determined based on the substance of an agreement, even if it is not in the form of a lease legally, whether the agreement is a lease or not, or whether the agreement includes a lease. If an agreement transfers the right to control the use of a specified asset in exchange for consideration for a certain period of time, the transaction is deemed to be a lease.
The Group has chosen not to distinguish the non-lease component from the lease component to account for them as a single lease component.
Lease liabilities in lease transactions are measured at the discounted present value by discounting the unsettled amount of the total lease payments on the lease commencement date, using the interest rate implicit in the lease or the lessee's incremental borrowing rate of interest. The total lease payments include the following:

- Amounts of fixed lease payments less lease incentives receivable;
- Amounts of variable lease payments that depend on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- Exercise price of a purchase option if the lessee is reasonably certain that to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Right-of-use assets are initially measured at the amount of the initial measurement of lease liabilities by adjusting initial direct costs and prepaid lease payments, and adding the costs for restoration obligations based on lease agreements.
Right-of-use assets are depreciated over the shorter of either the useful life of the right-of-use assets or the lease period.
Lease payments are apportioned between a finance charge and a reduction of the outstanding obligation for future amounts payable to produce a constant periodic rate of interest on the remaining balance of the lease liability. Finance charges are presented separately from depreciation for the right-of-use assets in the consolidated statement of profit or loss.
Lease liabilities are remeasured when there are changes in the likelihood that the lease will be terminated of exercising the extension or termination option. When lease liabilities are remeasured, the remeasurement is recognized as an adjustment to right-of-use assets. However, if the decreased amount of liabilities by the remeasurement is greater than the book value of right-of-use assets, the amount after reducing the amount

of right-of-use assets to zero is recognized as profit or loss.
For leases where the lease period completing within 12 months or those with an immaterial value of underlying assets, lease payments related to the leases are recognized as expenses over the lease period either by the straight-line method or other regular basis.

(Lessor)
Leases for which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. For operating lease transactions, target assets are recorded in the consolidated statement of financial position, while lease payments received are recognized as revenue in the consolidated statement of profit or loss under the straight-line method over the lease period, including any free rent period.

(11) Impairment of Non-Financial Assets
For the Company's non-financial assets, excluding deferred tax assets, the Group determines whether there is an indicator of impairment. When there is an indicator of impairment, the recoverable amount of the related assets is estimated. Goodwill, intangible assets with indefinite useful lives, and those not yet available for use are tested for impairment annually, regardless of whether there is an indicator of impairment.
The recoverable amount of assets or cash generating unit is the larger of the value in use or the fair value less costs to sell. In calculating value in use, the estimated future cash flows are discounted to the present value using the time value of money and the pretax discount rate reflecting risks unique to the assets. Assets that are not individually tested in an impairment test are tested as part of cash generating units which, through continued use, generates largely cash flows which are largely independent of other assets or asset groups. Goodwill is allocated to the cash generating unit that is expected to have synergies arising from the business combination. Goodwill is tested for impairment at the cash generating unit level.
Corporate assets of the Group do not generate independent cash inflows. When there is an indicator of impairment for corporate assets, the recoverable amount of the cash generating unit to which corporate assets belong is estimated.
An impairment loss is recognized as profit or loss when the book value of assets or cash generating unit exceeds the estimated recoverable amount. The impairment loss recognized in relation to a cash generating unit first reduces the book value of goodwill which is allocated to the unit, and then, if goodwill is written off entirely, reduces the book value of other assets in the cash generating unit proportionally.
Goodwill-related impairment loss is not reversed. For other assets, any impairment loss recognized in the past is evaluated as to whether there are impairment indicators during each reporting period. Impairment loss is reversed when there is a change in the estimate used for deciding the recoverable amount. Impairment loss is reversed to the extent of book value after deducting depreciation and amortization from the book value as if there had been no impairment loss.

(12) Employee Benefits
a. Short-term Employee Benefits
Short-term employee benefits are recorded as expenses without discounting when a related service is provided. For bonuses and paid leave expenses, there are legal or constructive liabilities to pay them, and when reliable estimates are possible, the amounts estimated to be paid based on such programs are recognized as liabilities.

b. Post-Employment Benefits
The Group has established a defined benefit corporate pension plan and a lump sum retirement payment plan as employees' retirement benefit plans.
The Group calculates the present value of the defined benefit plan liabilities, and related current and past service costs, using the projected unit credit method.
Discount rates are calculated based on market yields on prime corporate bonds at the end of the period corresponding to the period of the estimated date of benefit payments for every future fiscal year.
Liabilities or assets for the defined benefit plans are calculated by deducting the fair value of plan assets from the present value of the defined benefit plan liabilities. However, if the defined benefit plan is more than fully funded, the net amount of defined benefit assets is recorded up to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Moreover, the amount of net interest on the net defined benefit liability (asset) is recognized as operating expense (Cost of sales, Selling, general and administrative expenses) in profit or loss.

The remeasured amounts of the defined benefit plan are recognized collectively as other comprehensive income in the accrual period, to be immediately transferred from "Other components of equity" to "Retained earnings."

Past service cost is accounted for as profit or loss in the accrual period.

The Group's parent company entity and its domestic subsidiaries are members of the Engineering Consultants Company Pension Fund (multi-companies fund) as a defined benefit plan. Since it is a plan that cannot reasonably calculate the amount of pension assets corresponding to any single participant's contributions, as with the defined contribution plan, the amount to be paid in exchange of services provided by employees to companies in the corresponding period is recognized as an expense.

The Group makes contributions to the public pension system in Japan. The contributions to the public pension system (defined contribution plan) are expensed at the time of accrual, and accounted for as employee benefits.

(13) Share-based Payments

The Company grants shares with restriction on transfer to directors under the equity-settled share-based compensation system. Shares with restriction on transfer are estimated at fair value on the grant date, and recorded as selling, general and administrative expenses over the vesting period, while a corresponding amount is recognized as equity in the consolidated statement of financial position.

As an incentive plan for the Group employees, an "Employee Stock Ownership Plan (ESOP) Trust System" is introduced. This is a cash-settled share-based payment transaction, in which if a gain or loss on sales of shares accrued from the initial acquisition of the Company shares by the ESOP Trust System to sales is a positive gain, trust income will be distributed in cash to the Group employees according to their contribution ratio during the trust period. Expenses for the ESOP Trust System are recognized as profit or loss, with the recognition of corresponding liabilities.

(14) Provisions

Provisions are recognized when the Group has present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. When the time value of money is material, the estimated future cash flows are discounted to the present value using the time value of money and the pre-tax interest rate reflecting risks specific to the liabilities. Any rebate of discount on a time basis is recognized as finance costs.

(15) Revenue

For agreements with customers, excluding rental income from real estate held in the "Real Estate Leasing" based on IFRS 16 "Leases," the Group recognizes revenue by applying the following steps:

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Sept 3: Determine the transaction price
Step 4: Allocate the transaction prices to performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

"Domestic Consulting," "International Consulting," "Urban & Spatial Development," and "Energy" are providing such services as planning, designing, and supervision mainly for civil engineering, architecture and electric power. "Power Engineering" engages in manufacturing and sale of electronic equipment and devices, as well as designing and implementation of construction works for electric power.

The Group's businesses are performance obligations to be satisfied over time, because they fall under either of the following cases where: (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Revenue is recognized based on progress toward complete satisfaction of the obligation and, if progress cannot be reliably measured, revenue is recognized to the extent of costs incurred until such time as progress of performance obligations can be reliably measured.

For the measurement of progress, costs include personnel expenses and outsourcing expenses that are in principle based on the cost budget and actual accrued costs.

Early-stage projects for work with which the Group has limited prior experience are subject to limited information, such as similar projects completed previously when estimating total costs, and include significant assumptions, such as outsourcing costs. Therefore, estimates of total costs are likely to change due to revisions in the estimate.
To ensure the accuracy of the estimate of total costs, the Group manages budgets by type of work and confirms the appropriateness of the estimated total costs for each accounting period, to find out outliers of costs at an early stage, and to review the cost budget in a timely manner.
Moreover, the measurement of progress in some large projects is based on output measures. When recording sales by expected billings, progressed is recognized based on incurred expense and other output measures used to measure progress after approval by the project manager.
Contract assets are the Group's rights to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time.
Contract liabilities are the Group's obligation to transfer goods or services to a customer for which the Group has received consideration or the amount is due from the customer.
Consideration is received by contractual milestones generally in line with the progress in satisfying performance obligations, with settlement generally occurring within 60 days from the complete satisfaction of performance obligations. Consideration generally does not include significant financing components.

(16) Government Subsidies
Government subsidies are recognized at fair value when incidental conditions for granting subsidies are satisfied and reasonable assurance is obtained for receiving subsidies.
When government subsidies are related to expense items, they are recognized as other income in the period in which related costs to be reimbursed by subsidies were recognized as expenses. Regarding subsidies for assets, the amount of the subsidies is deducted from the acquisition cost of assets.

(17) Income Tax
Income tax expenses consist of current tax and deferred tax. These are recognized as profit or loss, except for cases where they arise from items recognized as other comprehensive income or equity, and where they arise from business combinations.
Current tax is measured at the amount for which a payment to or refund from the tax authorities is expected. Tax rates and tax laws to be used for the calculation of tax amounts are those enacted or passed as law but not yet effective as of the end of the period.
Deferred tax is recognized for a temporary difference that is a difference between the tax base and the carrying amount of assets and liabilities, unused tax losses and unused tax credits.
Deferred tax liabilities are recognized for all taxable temporary differences, while deferred tax assets are recognized for all deductible temporary differences to the extent where it is probable that taxable profit will be available against which deductible temporary differences, unused tax losses carryforward and unused tax credits carryforward can be utilized.
Deferred tax assets and liabilities are not recorded for the following temporary differences:

- Taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of assets and liabilities in transactions which is not a business combination and affects neither accounting profit nor taxable profit (tax loss);
- Regarding deductible temporary differences arising from investments in subsidiaries and associates and interests in joint arrangements, cases where it is not probable that the temporary difference will reverse in the foreseeable future, or where it is not probable that taxable profit will be available against which the temporary difference can be utilized; and
- Regarding taxable temporary differences arising from investments in subsidiaries and associates and interests in joint agreements, cases where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed every period to reduce the carrying amount of the part for which it is no longer probable that sufficient taxable profit will be available to utilize all or some of the deferred tax assets. Unrecognized deferred tax assets are reviewed every period to recognize them to the extent where it is probable that deferred tax assets will be recovered by future taxable income.
Based on tax rates and tax laws enacted or substantially enacted by the end of the period, deferred tax assets and liabilities are measured by the tax rates and tax laws expected to be applied for the period to realize assets or to settle liabilities.
Deferred tax assets and liabilities are offset when there are legally enforceable rights attributable to the same taxable entity subject to the same tax authority to offset the current tax assets and liabilities.

(18) Earnings Per Share

Basic earnings per share is calculated by dividing profit or loss belonging to ordinary equity holders of the parent by the weighted average number of outstanding ordinary shares adjusted by treasury shares for the period. Diluted earnings per share is calculated by adjusting for the effect of all potential ordinary shares that have dilutive effects.

(19) Segment Information

A business segment is a constituent unit of business activities that earn revenue and accrue expenses, including transactions with other business segments. A business segment has operations for which financial information is separately available and the Company's Board of Directors regularly reviews them to allocate management resources to each segment and evaluate results.

(20) Treasury Shares

Treasury shares are recorded at acquisition cost and are accounted for as a reduction from equity. Profit or loss is not recognized for the purchase, sale, or cancellation of Company treasury shares. Rather, the difference between the book value and consideration paid to acquire the treasury shares is recognized in equity.

(21) Borrowing Cost

For assets that require a considerable period to enable the intended use or sale, borrowing costs directly arising from their acquisition, construction, and production are capitalized as part of the assets' acquisition costs.

Other borrowing costs are recognized as expenses in the period of their accrual.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT WITH ESTIMATES

In preparation of consolidated financial statements in accordance with IFRS, management is required to make judgements, estimates and assumptions that will affect the application of accounting policies, and the amount of assets, liabilities, revenue, and expenses. Actual earnings may differ from these estimates.

While the Group has made accounting estimates which assume that it will continue to be affected by the novel coronavirus (COVID-19) for a certain period of time, the Group believes that it has not had a significant impact in the current period. However, due to many continuing uncertainties regarding the future impact of COVID-19 on the economy and society as a whole, it may affect the Group's financial position and operating results for the next consolidated fiscal year.

Estimates and their underlying assumptions will continue to be revised. Any impact of a revision to accounting estimates will be recognized in the accounting period in which the estimates are revised, and applied prospectively to future accounting periods.

The judgements and estimates made by management that could have significant effects on the amounts in the consolidated financial statements are as follows:

- Revenue recognition (Note "**3. SIGNIFICANT ACCOUNTING POLICIES**, (15) Revenue," "**27. REVENUE**")
- Impairment of non-financial assets (Note "**3. SIGNIFICANT ACCOUNTING POLICIES**, (11) Impairment of Non-Financial Assets," "**15. IMPAIRMENT OF NON-FINANCIAL ASSETS**")

5. NEW STANDARDS NOT YET APPLIED

Among standards and new interpretations whose establishment or revision is published by the approval date of the consolidated financial statements, none of them are expected to have a significant effect on the Group's consolidated financial statements.

6. SEGMENT INFORMATION

(1) Overview of Reportable Segments

a. Method of Determination of Reportable Segments

A business segment has operations for which financial information is separately available and the Company's Board of Directors regularly reviews them to allocate management resources to each segment and evaluate results.

The Company identifies its businesses based on the type of products and services offered. Each business headquarters formulates a comprehensive strategy based on the products and services and engages in conducting business activities.

In line with the above, the Company is composed of segments based on products and services, with each business headquarters serving as the foundation, and the six reportable segments are "Domestic Consulting", "International Consulting", "Power Engineering", "Urban & Spatial Development", "Energy", and "Real Estate Leasing".

b. Types of Products and Services by Reportable Segments

"Domestic Consulting" engages in operations within Japan such as site surveying, planning, evaluation/assessment, designing, construction management, operational advice in the fields of water resources development, energy development, agricultural development, transportation, urban and regional development and management of natural and social environment.

"International Consulting" engages in businesses outside of Japan such as site surveying, planning, evaluation/assessment, designing, construction supervision, operational advice in the fields of water resources development, energy development, agricultural development, transportation, urban and regional development, social development and management of natural and social environment.

"Power Engineering" engages in manufacturing and sale of control devices and systems for power generating and transforming stations, water turbines, power generators, voltage converters, electric power related equipment such as line taps for power transmission and distribution networks. It also engages in designing and implementation of various construction works for electric power and general electric facilities, including construction for power generation/transformation/transmission/distribution and civil engineering.

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

"Energy" engages in research, development, design, construction, management, operation, support and system/technology development of power generation/energy management operations utilizing distributed energy resources.

"Real Estate Leasing" engages in the leasing of real estate within Japan.

(2) Calculation Methods for Revenue, Income or Loss, Assets, and Other Items by Reportable Segments

The accounting method for reportable segments is as disclosed in "**3. SIGNIFICANT ACCOUNTING POLICIES**".

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

(3) Revenue, Income or Loss, Assets, Liabilities, and Other Items by Reportable Segments

The Group's revenue and operating results by reportable segments are as follows:

Millions of Yen

Year ended June 30, 2021

	Reportable Segments							Others (Note 1)	Total	Adjustments (Note 3)	Consolidated
	Domestic Consulting	International Consulting	Power Engineering	Urban & Spatial Development	Energy	Real Estate Leasing	Subtotal				
Revenue:											
Revenue from external customers ...	¥55,345	¥24,753	¥15,831	¥20,274	¥790	¥778	¥117,773	¥86	¥117,859	¥ –	¥117,859
Intersegment revenue and transfers ...	879	306	341	1	–	158	1,687	666	2,353	(2,353)	–
Total	¥56,224	¥25,060	¥16,173	¥20,275	¥790	¥937	¥119,461	¥752	¥120,213	¥(2,353)	¥117,859
Segment profit (loss) ...	6,128	1,853	858	2,266	(1,919)	585	9,772	(2,639)	7,133	(4)	7,128
Finance income											519
Finance costs											(471)
Profit before tax											7,176
Other items:											
Depreciation and amortization ...	(1,549)	(349)	(394)	(1,190)	(154)	(91)	(3,729)	(853)	(4,582)	16	(4,566)
Impairment losses	—	—	—	—	(1,739)	—	(1,739)	–	(1,739)	–	(1,739)
Share of profit (loss) of investments accounted for using equity method ...	—	0	12	—	16	—	29	—	29	5	35
Segment assets	29,538	27,902	13,979	32,109	9,036	6,518	119,085	64,594	183,680	(27,542)	156,137
Increase in property, plant and equipment, and intangible assets(Note 2)	1,372	181	1,037	824	708	0	4,123	1,323	5,446	(44)	5,401
Investments accounted for using equity method	30	13	252	—	1,809	—	2,104	—	2,104	(27)	2,077

Thousands of U.S. Dollars

Year ended June 30, 2021

	Reportable Segments							Others (Note 1)	Total	Adjustments (Note 3)	Consolidated
	Domestic Consulting	International Consulting	Power Engineering	Urban & Spatial Development	Energy	Real Estate Leasing	Subtotal				
Revenue:											
Revenue from external customers ...	$500,793	$223,984	$143,249	$183,450	$7,152	$7,048	$1,065,679	$779	$1,066,459	$ —	$1,066,459
Intersegment revenue and transfers ...	7,954	2,777	3,094	11	—	1,431	15,269	6,030	21,299	(21,299)	—
Total	$508,748	$226,761	$146,343	$183,461	$7,152	$8,480	$1,080,948	$6,809	$1,087,758	$(21,299)	$1,066,459
Segment profit (loss) ...	55,451	16,771	7,764	20,510	(17,365)	5,298	88,430	(23,883)	64,546	(44)	64,502
Finance income											4,702
Finance costs											(4,266)
Profit before tax											64,938
Other items:											
Depreciation and amortization ...	(14,019)	(3,161)	(3,565)	(10,772)	(1,395)	(829)	(33,743)	(7,724)	(41,467)	147	(41,320)
Impairment losses	—	—	—	—	(15,737)	—	(15,737)	—	(15,737)	—	(15,737)
Share of profit (loss) of investments accounted for using equity method ...	—	1	115	—	151	—	268	—	268	49	318
Segment assets	267,284	252,477	126,493	290,548	81,769	58,978	1,077,552	584,488	1,662,041	(249,221)	1,412,819
Increase in property, plant and equipment, and intangible assets(Note 2)	12,420	1,637	9,383	7,459	6,407	2	37,311	11,971	49,282	(403)	48,879
Investments accounted for using equity method	271	118	2,288	—	16,369	—	19,046	—	19,046	(248)	18,798

(Notes)

1. The category of "Others" includes revenues from constituent units that have not earned revenues or (or earn only incidental revenues), expenses such as general and administrative expenses that do not belong to the reporting segment and corporate assets such as land, buildings, and investment securities.
2. The amount of increase in property, plant and equipment, and intangible assets includes the change as a result of changes in the balances in right-of-use assets and investment property.
3. "Adjustments" is mainly the elimination of transactions between segments.

	Millions of Yen										
	Year ended June 30, 2020										
	Reportable Segments							Others (Note 1)	Total	Adjustments (Note 3)	Consolidated
	Domestic Consulting	International Consulting	Power Engineering	Urban & Spatial Development	Energy	Real Estate Leasing	**Subtotal**				
Revenue:											
Revenue from external customers	¥49,958	¥22,635	¥15,382	¥18,142	¥1,070	¥451	¥107,640	¥800	¥108,441	¥ —	¥108,441
Intersegment revenue and transfers	531	60	463	103	—	156	1,314	814	2,128	(2,128)	—
Total	¥50,489	¥22,696	¥15,845	¥18,246	¥1,070	¥607	¥108,955	¥1,614	¥110,569	¥(2,128)	¥108,441
Segment profit (loss)	4,944	513	995	1,759	(355)	356	8,214	(2,888)	5,325	(79)	5,245
Finance income											414
Finance costs											(631)
Profit before tax											5,029
Other items:											
Depreciation and amortization	(1,525)	(491)	(382)	(1,126)	(138)	(79)	(3,744)	(969)	(4,713)	13	(4,700)
Impairment losses	—	—	—	—	—	—	—	—	—	—	—
Share of profit (loss) of investments accounted for using equity method	—	0	43	—	109	—	153	—	153	(9)	144
Segment assets	28,328	26,640	12,172	28,079	9,683	6,542	111,447	66,884	178,331	(30,923)	147,408
Increase in property, plant and equipment, and intangible assets(Note 2)	2,055	560	842	481	1,187	836	5,965	5,070	11,036	(163)	10,872
Investments accounted for using equity method	—	12	241	—	1,753	—	2,007	—	2,007	(32)	1,974

(Notes)
1. The category of "Others" includes revenues from constituent units that have not earned revenues or (or earn only incidental revenues), expenses such as general and administrative expenses that do not belong to the reporting segment and corporate assets such as land, buildings, and investment securities.
2. The amount of increase in property, plant and equipment, and intangible assets includes the change as a result of changes in the balances in right-of-use assets and investment property.
3. "Adjustments" is mainly the elimination of transactions between segments.

(4) Information by Product and Service

Statement is omitted, as similar information is disclosed in "(3) Revenue, Income or Loss, Assets, Liabilities, and Other Items by Reportable Segments."

(5) Information by Region

The breakdown by region of revenue and non-current assets is as follows:

Revenue from external customers

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Japan	**¥74,402**	¥66,732	**$673,232**
Asia	**19,456**	17,191	**176,050**
Europe	**13,648**	13,259	**123,497**
Africa	**3,111**	2,826	**28,156**
Latin America	**2,886**	3,160	**26,119**
Canada	**2,739**	2,824	**24,786**
Middle East	**1,300**	2,006	**11,770**
Others	**314**	437	**2,846**
Total	**¥117,859**	¥108,441	**$1,066,459**

Non-current assets

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Japan	**¥50,196**	¥50,650	¥45,773	**$454,202**
Europe	**16,858**	14,282	15,137	**152,548**
Canada	**2,183**	2,125	2,498	**19,759**
Others	**1,986**	3,668	3,083	**17,977**
Total	**¥71,225**	¥70,726	¥66,493	**$644,487**

(Notes)
1. "Revenue" and "Non-current assets" are classified based on service areas and their location, respectively.
2. "Non-current assets" do not include financial instruments, deferred tax assets and assets for retirement benefits.
3. Countries and regions are classified by geographical proximity.

(6) Information on Significant Customers

Customers that account greater than 10% of revenue in the consolidated statement of profit or loss are as follows:

	Millions of Yen	
	Year ended June 30, 2021	
Name of Customers	Sales	Related Segment Name
Ministry of Land, Infrastructure, Transport and Tourism	**¥22,561**	Domestic Consulting
Japan International Cooperation Agency	**6,206**	International Consulting
TEPCO Power Grid, Incorporated	**4,187**	Power Engineering

	Thousands of U.S. Dollars	
	Year ended June 30, 2021	
Name of Customers	Sales	Related Segment Name
Ministry of Land, Infrastructure, Transport and Tourism	**$204,147**	Domestic Consulting
Japan International Cooperation Agency	**56,162**	International Consulting
TEPCO Power Grid, Incorporated	**37,887**	Power Engineering

	Millions of Yen	
	Year ended June 30, 2020	
Name of Customers	Sales	Related Segment Name
Ministry of Land, Infrastructure, Transport and Tourism	¥18,739	Domestic Consulting
Japan International Cooperation Agency	6,103	International Consulting
TEPCO Power Grid, Incorporated	4,214	Power Engineering

7. BUSINESS COMBINATIONS

Statement is omitted due to its insignificance for the years ended June 30, 2021 and 2020.

8. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Cash and bank deposits except for time deposits with original term of more than three months ...	**¥17,838**	¥15,472	¥13,242	**$161,414**
Cash and cash equivalents in the consolidated statement of financial position	**17,838**	15,472	13,242	**161,414**
Cash and cash equivalents in the consolidated statement of cash flows	**17,838**	15,472	13,242	**161,414**

9. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Notes and accounts receivable - trade ...	**¥21,143**	¥18,954	¥15,637	**$191,319**
Others	**1,096**	914	1,021	**9,921**
Allowance for doubtful accounts	**(1,050)**	(479)	(287)	**(9,506)**
Total	**¥21,189**	¥19,389	¥16,371	**$191,733**

Trade and other receivables are classified as financial assets measured at amortized cost.

10. OTHER FINANCIAL ASSETS

(1) Breakdown of Other Financial Assets
The breakdown of other financial assets is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Financial assets measured at amortized cost:				
Time deposits with a deposit period of more than 3 months, etc	**¥3,596**	¥3,803	¥2,819	**$32,539**
Allowance for loss evaluation	**(89)**	(154)	(155)	**(808)**
Financial assets measured at fair value through profit or loss:				
Cross currency swap	**39**	—	—	**353**
Stocks	**1,041**	781	25	**9,423**
Bonds	**301**	284	228	**2,731**
Financial assets measured at fair value through other comprehensive income:				
Stocks and contribution	**3,860**	3,288	3,938	**34,928**
Total	**¥8,749**	¥8,004	¥6,855	**$79,167**
Current assets	**¥1,315**	¥1,283	¥407	**$11,899**
Non-current assets	**7,434**	6,721	6,448	**67,267**
Total	**¥8,749**	¥8,004	¥6,855	**$79,167**

(2) Equity Financial Assets Measured at Fair Value through Other Comprehensive Income
Fair values of significant equity financial assets measured at fair value through other comprehensive income are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Issue name:				
JESK HORIUCHI CO., LTD.	**¥572**	¥302	¥148	**$5,182**
Sumitomo Realty & Development Co., Ltd.	**545**	444	577	**4,939**
Yokogawa Bridge Holdings Corp.	**479**	509	395	**4,342**
OYO Corporation	**428**	476	367	**3,874**
Mitsubishi UFJ Financial Group, Inc.	**427**	300	365	**3,871**
OILES CORPORATION	**369**	333	376	**3,340**
MAEDA CORPORATION	**364**	310	325	**3,293**
Tsukishima Kikai Co., Ltd.	**—**	—	738	**—**

As these investments are held for the purpose of strategic cross-shareholding, they are designated as equity financial assets measured at fair value through other comprehensive income.

(3) Derecognition of Equity Financial Assets Measured at Fair Value through Other Comprehensive Income
For the purpose of streamlining assets and reviewing business relationships, the Group sells some equity financial assets measured at fair value through other comprehensive income and derecognizes them.

The fair value at the derecognition and cumulative gains and losses that have been previously recognized in equity as other comprehensive income are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	**As of June 30, 2021**
Fair value	**¥1**	¥724	**$17**
Cumulative gains or losses	**(1)**	176	**(10)**

For equity financial assets measured at fair value through other comprehensive income, when derecognized, cumulative gains or losses recognized as other comprehensive income are transferred to retained earnings. Cumulative gains or losses (after tax) of other comprehensive income transferred to retained earnings are ¥(1) million ($(10) thousand) and ¥118 million for the years ended June 30, 2021 and 2020, respectively.

The breakdown of dividend income recognized from equity instruments is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	**As of June 30, 2021**
Derecognized investments during the reporting period	**¥0**	¥ —	**$4**
Investments held at year-end	**90**	80	**816**

11. OTHER ASSETS

The breakdown of other assets is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Other current assets:				
Prepaid expenses	**¥2,211**	¥1,812	¥1,547	**$20,011**
Consumption taxes receivable	**384**	1,065	339	**3,478**
Others	**1,304**	1,578	1,511	**11,801**
Total	**¥3,900**	¥4,456	¥3,399	**$35,291**
Other non-current assets:				
Long-term prepaid expenses	**¥208**	¥214	¥53	**$1,883**
Others	**1,175**	1,212	1,165	**10,641**
Total	**¥1,384**	¥1,427	¥1,219	**$12,524**

12. PROPERTY, PLANT AND EQUIPMENT

(1) Schedule of Changes
The changes in acquisition cost, accumulated depreciation and impairment, and carrying amount of property, plant and equipment are as follows:

Acquisition cost

	Millions of Yen			
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures
BALANCE AS OF JULY 1, 2019	**¥24,204**	**¥13,314**	**¥3,961**	**¥4,986**
Acquisition	—	405	414	417
Acquisition through business combination	—	3	—	21
Sale or disposal	—	(947)	(72)	(250)
Account transfer	—	9,472	4	334
Exchange differences on translation of foreign operations	(0)	(2)	22	(66)
Others	(1,050)	(398)	—	(32)
BALANCE AS OF JUNE 30, 2020	**¥23,153**	**¥21,846**	**¥4,330**	**¥5,409**
Acquisition	—	408	58	322
Sale or disposal	—	(1,449)	(21)	(312)
Account transfer	—	940	193	134
Exchange differences on translation of foreign operations	0	16	3	339
Others	(0)	101	(0)	(0)
BALANCE AS OF JUNE 30, 2021	**¥23,153**	**¥21,863**	**¥4,564**	**¥5,892**

	Millions of Yen			
	Construction in progress	Total property, plant and equipment	Right-of-use assets	Total
BALANCE AS OF JULY 1, 2019	**¥7,995**	**¥54,463**	**¥10,583**	**¥65,047**
Acquisition	4,908	6,145	3,596	9,741
Acquisition through business combination	—	24	—	24
Sale or disposal	—	(1,271)	(1,431)	(2,702)
Account transfer	(9,811)	—	—	—
Exchange differences on translation of foreign operations	(16)	(63)	(146)	(210)
Others	(416)	(1,898)	1	(1,897)
BALANCE AS OF JUNE 30, 2020	**¥2,659**	**¥57,399**	**¥12,602**	**¥70,002**
Acquisition	1,764	2,554	2,733	5,288
Sale or disposal	—	(1,784)	(1,943)	(3,728)
Account transfer	(1,268)	—	—	—
Exchange differences on translation of foreign operations	31	392	653	1,046
Others	10	110	(6)	103
BALANCE AS OF JUNE 30, 2021	**¥3,198**	**¥58,672**	**¥14,039**	**¥72,712**

	Thousands of U.S. Dollars			
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures
BALANCE AS OF JUNE 30, 2020	**$209,505**	**$197,683**	**$39,180**	**$48,946**
Acquisition	—	3,691	532	2,919
Sale or disposal	—	(13,119)	(194)	(2,830)
Account transfer	—	8,511	1,749	1,218
Exchange differences on translation of foreign operations	8	145	31	3,075
Others	(7)	921	(1)	(7)
BALANCE AS OF JUNE 30, 2021	**$209,506**	**$197,833**	**$41,298**	**$53,320**

	Thousands of U.S. Dollars			
	Construction in progress	Total property, plant and equipment	Right-of-use assets	Total
BALANCE AS OF JUNE 30, 2020	**$24,068**	**$519,384**	**$114,035**	**$633,419**
Acquisition	15,969	23,113	24,734	47,848
Sale or disposal	—	(16,145)	(17,590)	(33,735)
Account transfer	(11,479)	—	—	—
Exchange differences on translation of foreign operations	287	3,548	5,916	9,464
Others	94	998	(58)	939
BALANCE AS OF JUNE 30, 2021	**$28,941**	**$530,900**	**$127,037**	**$657,937**

Accumulated depreciation and impairment

	Millions of Yen			
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures
BALANCE AS OF JULY 1, 2019	**¥ —**	**¥8,799**	**¥2,831**	**¥3,979**
Acquisition through business combination	—	0	—	7
Depreciation	—	460	160	337
Sale or disposal	—	(881)	(71)	(228)
Exchange differences on translation of foreign operations	—	(5)	(0)	(53)
Others	—	29	(0)	(4)
BALANCE AS OF JUNE 30, 2020	**¥ —**	**¥8,403**	**¥2,920**	**¥4,037**
Depreciation	—	596	173	395
Impairment losses	—	—	—	—
Sale or disposal	—	(547)	(20)	(175)
Exchange differences on translation of foreign operations	—	6	1	270
Others	—	(3)	(0)	(11)
BALANCE AS OF JUNE 30, 2021	**¥ —**	**¥8,454**	**¥3,074**	**¥4,517**

	Millions of Yen			
	Construction in progress	Total property, plant and equipment	Right-of-use assets	Total
BALANCE AS OF JULY 1, 2019	**¥ —**	**¥15,610**	**¥173**	**¥15,783**
Acquisition through business combination	—	7	—	7
Depreciation	—	959	3,183	4,143
Sale or disposal	—	(1,181)	(334)	(1,515)
Exchange differences on translation of foreign operations	—	(60)	(23)	(84)
Others	—	25	0	25
BALANCE AS OF JUNE 30, 2020	**¥ —**	**¥15,360**	**¥2,998**	**¥18,359**
Depreciation	—	1,165	2,857	4,023
Impairment losses	1,739	1,739	—	1,739
Sale or disposal	—	(742)	(1,187)	(1,930)
Exchange differences on translation of foreign operations	55	333	141	474
Others	—	(15)	—	(15)
BALANCE AS OF JUNE 30, 2021	**¥1,794**	**¥17,840**	**¥4,810**	**¥22,650**

	Thousands of U.S. Dollars			
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures
BALANCE AS OF JUNE 30, 2020	**$ —**	**$76,035**	**$26,421**	**$36,534**
Depreciation	—	5,392	1,572	3,579
Impairment losses	—	—	—	—
Sale or disposal	—	(4,955)	(182)	(1,584)
Exchange differences on translation of foreign operations	—	57	14	2,445
Others	—	(29)	(7)	(102)
BALANCE AS OF JUNE 30, 2021	**$ —**	**$76,500**	**$27,818**	**$40,872**

	Thousands of U.S. Dollars			
	Construction in progress	Total property, plant and equipment	Right-of-use assets	Total
BALANCE AS OF JUNE 30, 2020	**$ —**	**$138,992**	**$27,135**	**$166,127**
Depreciation	—	10,544	25,859	36,403
Impairment losses	15,737	15,737	—	15,737
Sale or disposal	—	(6,722)	(10,746)	(17,468)
Exchange differences on translation of foreign operations	500	3,017	1,276	4,293
Others	—	(139)	0	(139)
BALANCE AS OF JUNE 30, 2021	**$16,237**	**$161,428**	**$43,524**	**$204,953**

(Notes)
1. Depreciation for property, plant and equipment are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.
2. “Others” in acquisition cost for the year ended June 30, 2020 include the amount of transfer to “Investment property” (¥1,487 million).

Carrying amount

	Millions of Yen			
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures
As of July 1, 2019	¥24,204	¥4,515	¥1,129	¥1,007
As of June 30, 2020	23,153	13,443	1,410	1,371
As of June 30, 2021	**23,153**	**13,409**	**1,489**	**1,375**

	Millions of Yen			
	Construction in progress	Total property, plant and equipment	Right-of-use assets	Total
As of July 1, 2019	¥7,995	¥38,852	¥10,410	¥49,263
As of June 30, 2020	2,659	42,039	9,603	51,642
As of June 30, 2021	**1,403**	**40,832**	**9,229**	**50,061**

	Thousands of U.S. Dollars			
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures
As of June 30, 2021	**$209,506**	**$121,332**	**$13,479**	**$12,448**

	Thousands of U.S. Dollars			
	Construction in progress	Total property, plant and equipment	Right-of-use assets	Total
As of June 30, 2021	**$12,703**	**$369,471**	**$83,513**	**$452,984**

(Note)
The amount of borrowing costs capitalized during the period is ¥13 million ($126 thousands) and ¥58 million for the years ended June 30, 2021 and 2020, respectively. The capitalization rate used for calculating the amount of borrowing costs qualified for capitalization is 0.7% and 0.6% for the years ended June 30, 2021 and 2020, respectively.

(2) Right-of-Use Assets
The carrying amount of right-of-use assets by asset class is as follows:

	Millions of Yen			
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
As of July 1, 2019	¥9,246	¥471	¥693	¥10,410
As of June 30, 2020	8,605	394	604	9,603
As of June 30, 2021	**7,874**	**323**	**1,031**	**9,229**

	Thousands of U.S. Dollars			
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
As of June 30, 2021	**$71,256**	**$2,923**	**$9,333**	**$83,513**

13. GOODWILL AND INTANGIBLE ASSETS

(1) Schedule of Changes
The changes in acquisition cost, accumulated amortization and impairment, and carrying amount of goodwill and intangible assets are as follows:

Acquisition cost

	Millions of Yen			
		Intangible assets		
	Goodwill	Software	Trademarks	Customer relationships
BALANCE AS OF JULY 1, 2019	**¥8,193**	**¥4,182**	**¥3,715**	**¥1,484**
Acquisition	—	285	—	—
Acquisition through business combination	45	9	0	—
Sale or disposal	—	(360)	—	—
Exchange differences on translation of foreign operations	(273)	(9)	(121)	(54)
Others	—	(6)	—	—
BALANCE AS OF JUNE 30, 2020	**¥7,964**	**¥4,101**	**¥3,594**	**¥1,430**
Acquisition	—	234	—	—
Acquisition through business combination	—	0	—	—
Sale or disposal	—	(102)	—	—
Exchange differences on translation of foreign operations	1,217	41	553	211
Others	—	2	0	—
BALANCE AS OF JUNE 30, 2021	**¥9,182**	**¥4,276**	**¥4,148**	**¥1,641**

	Millions of Yen		
	Intangible assets		
	Contact-related intangible assets	Others	Total
BALANCE AS OF JULY 1, 2019	**¥ —**	**¥1,491**	**¥10,873**
Acquisition	—	14	300
Acquisition through business combination	—	—	9
Sale or disposal	—	(1)	(362)
Exchange differences on translation of foreign operations	—	(38)	(224)
Others	—	40	34
BALANCE AS OF JUNE 30, 2020	**¥ —**	**¥1,505**	**¥10,630**
Acquisition	507	—	742
Acquisition through business combination	—	—	0
Sale or disposal	—	—	(102)
Exchange differences on translation of foreign operations	30	162	998
Others	—	0	3
BALANCE AS OF JUNE 30, 2021	**¥537**	**¥1,668**	**¥12,272**

	Thousands of Dollars			
		Intangible assets		
	Goodwill	Software	Trademarks	Customer relationships
BALANCE AS OF JUNE 30, 2020	**$72,070**	**$37,109**	**$32,523**	**$12,940**
Acquisition	—	2,122	—	—
Acquisition through business combination	—	2	—	—
Sale or disposal	—	(931)	—	—
Exchange differences on translation of foreign operations	11,018	373	5,011	1,909
Others	—	23	1	—
BALANCE AS OF JUNE 30, 2021	**$83,088**	**$38,699**	**$37,535**	**$14,850**

	Thousands of Dollars		
	Intangible assets		
	Contact-related intangible assets	Others	Total
BALANCE AS OF JUNE 30, 2020	**$ —**	**$13,622**	**$96,194**
Acquisition	4,594	—	6,716
Acquisition through business combination	—	—	2
Sale or disposal	—	—	(931)
Exchange differences on translation of foreign operations	271	1,469	9,036
Others	—	3	27
BALANCE AS OF JUNE 30, 2021	**$4,865**	**$15,094**	**$111,046**

Accumulated amortization and impairment

	Millions of Yen			
		Intangible assets		
	Goodwill	Software	Trademarks	Customer relationships
BALANCE AS OF JULY 1, 2019	**¥ —**	**¥3,593**	**¥ —**	**¥350**
Amortization	—	240	—	139
Impairment losses	—	—	—	—
Reversal of impairment	—	—	—	—
Sale or disposal	—	(299)	—	—
Exchange differences on translation of foreign operations	—	(7)	—	(14)
Others	—	(1)	—	—
BALANCE AS OF JUNE 30, 2020	**¥ —**	**¥3,525**	**¥ —**	**¥474**
Amortization	—	231	—	146
Impairment losses	—	—	—	—
Reversal of impairment	—	—	—	—
Sale or disposal	—	(87)	—	—
Exchange differences on translation of foreign operations	—	34	—	81
Others	—	1	—	—
BALANCE AS OF JUNE 30, 2021	**¥ —**	**¥3,705**	**¥ —**	**¥702**

	Millions of Yen		
	Intangible assets		
	Contact-related intangible assets	Others	Total
BALANCE AS OF JULY 1, 2019	**¥ —**	**¥1,058**	**¥5,001**
Amortization	—	123	503
Impairment losses	—	—	—
Reversal of impairment	—	—	—
Sale or disposal	—	—	(299)
Exchange differences on translation of foreign operations	—	(31)	(53)
Others	—	(0)	(2)
BALANCE AS OF JUNE 30, 2020	**¥ —**	**¥1,149**	**¥5,150**
Amortization	—	59	436
Impairment losses	—	—	—
Reversal of impairment	—	—	—
Sale or disposal	—	—	(87)
Exchange differences on translation of foreign operations	—	152	269
Others	—	(0)	1
BALANCE AS OF JUNE 30, 2021	**¥ —**	**¥1,361**	**¥5,769**

	Thousands of Dollars			
		Intangible assets		
	Goodwill	Software	Trademarks	Customer relationships
BALANCE AS OF JUNE 30, 2020	**$ —**	**$31,905**	**$ —**	**$4,296**
Amortization	—	2,091	—	1,321
Impairment losses	—	—	—	—
Reversal of impairment	—	—	—	—
Sale or disposal	—	(790)	—	—
Exchange differences on translation of foreign operations	—	315	—	740
Others	—	11	—	—
BALANCE AS OF JUNE 30, 2021	**$ —**	**$33,533**	**$ —**	**$6,358**

	Thousands of Dollars		
	Intangible assets		
	Contact-related intangible assets	Others	Total
BALANCE AS OF JUNE 30, 2020	**$ —**	**$10,401**	**$46,602**
Amortization	—	539	3,953
Impairment losses	—	—	—
Reversal of impairment	—	—	—
Sale or disposal	—	—	(790)
Exchange differences on translation of foreign operations	—	1,378	2,435
Others	—	(2)	9
BALANCE AS OF JUNE 30, 2021	**$ —**	**$12,317**	**$52,209**

Carrying amount

	Millions of Yen			
		Intangible assets		
	Goodwill	Software	Trademarks	Customer relationships
As of July 1, 2019	¥8,193	¥588	¥3,715	¥1,134
As of June 30, 2020	7,964	575	3,594	955
As of June 30, 2021	**9,182**	**570**	**4,148**	**938**

	Millions of Yen		
	Intangible assets		
	Contact-related intangible assets	Others	Total
As of July 1, 2019	¥ —	¥432	¥5,871
As of June 30, 2020	—	355	5,480
As of June 30, 2021	**537**	**306**	**6,502**

	Thousands of U.S. Dollars			
		Intangible assets		
	Goodwill	Software	Trademarks	Customer relationships
As of June 30, 2021	**$83,088**	**$5,166**	**$37,535**	**$8,491**

	Thousands of U.S. Dollars		
	Intangible assets		
	Contact-related intangible assets	Others	Total
As of June 30, 2021	**$4,865**	**$2,777**	**$58,836**

(Notes)
1. The breakdown of the carrying amount of goodwill by segment is as described in "**15. IMPAIRMENT OF NON-FINANCIAL ASSETS.**"
2. Certain trademarks are expected to be used as long as the business continues; as such, they are deemed to have no foreseeable limit on the period with expected future economic benefits and are therefore classified as intangible assets with indefinite useful lives. The carrying amount of trademarks classified as intangible assets with indefinite useful lives is as described in "(2) Significant Goodwill and Intangible Assets."
3. Others include leasehold interests in land, outstanding orders, telephone subscription right, and right to use facilities.
4. Amortization for intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.
5. Research and development expenses recognized as an expense during the period are ¥1,070 million ($9,687 thousand) and ¥1,195 million for the years ended June 30, 2021 and 2020, respectively.

(2) Significant Goodwill and Intangible Assets

	Millions of Yen						Thousands of U.S. Dollars
	As of June 30, 2021		As of June 30, 2020		Transition Date As of July 1, 2019		**As of June 30, 2021**
	Carrying amount	Useful life (year)	Carrying amount	Useful life (year)	Carrying amount	Useful life (year)	Carrying amount
BDP HOLDINGS LIMITED							
Goodwill	**¥8,174**	**—**	¥7,072	—	¥7,301	—	**$73,965**
Trademarks (Note)	**3,769**	**—**	3,261	—	3,367	—	**34,109**

(Note)
Intangible assets with indefinite useful lives:
The above trademarks were acquired in connection with a business combination and are expected to be used as long as businesses continue; as such, it is deemed that their useful lives are indefinite.

14. INVESTMENT PROPERTY

The Company and some consolidated subsidiaries own office buildings (including land) for lease in the Tokyo metropolitan area. Main details include offices in Chiyoda-ku, Tokyo, and commercial stores in Yokohama City, Kanagawa. Target assets for operating leases (lessor side) are also included in investment property.
For profit or loss of lease, and impairment losses for the investment property in the fiscal year ended June 30, 2021, please refer to Real Estate Leasing under “**6. SEGMENT INFORMATION.**” Since the recorded amount of segment assets in Real Estate Leasing includes assets other than investment property such as cash and deposits, it is not consistent with the recorded amount of the investment property in the consolidated statement of financial position.

(1) Schedule of Changes
The changes in acquisition cost, and accumulated depreciation and impairment of investment property are as follows:

Acquisition cost

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Balance at beginning of period	**¥5,668**	¥3,350	**$51,287**
Acquisition	**16**	830	**146**
Transfer	**—**	1,487	**—**
Balance at end of period	**¥5,684**	¥5,668	**$51,434**

Accumulated depreciation and impairment

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Balance at beginning of period	**¥1,457**	¥1,404	**$13,190**
Depreciation	**106**	53	**959**
Others	**25**	—	**231**
Balance at end of period	**¥1,589**	¥1,457	**$14,380**

Carrying amount and fair values of investment property are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Carrying amount	**¥4,094**	¥4,210	¥1,945	**$37,053**
Fair value	**8,986**	9,085	5,573	**81,311**

The fair value of investment property is determined by the Group based on "Real Estate Appraisal Standards." On the transition date, investment property in development (¥1,483 million recorded in the consolidated statement of financial position) is not included in the above table because it is in the initial stage of development and its fair value cannot be reliably determined.
The fair value hierarchy of investment property is classified as Level 3 because unobservable inputs are included. The fair value hierarchy is described in "**35. FINANCIAL INSTRUMENTS** (8) 3."

(2) Revenue and Expenses from Investment Property
For the amount of rental income from investment property, please refer to "**6. SEGMENT INFORMATION.**" Direct operating cost accrued with rental income is not significant.

15. IMPAIRMENT OF NON-FINANCIAL ASSETS

(1) Impairment Losses
The Group makes grouping based on the minimum unit of asset groups identified to generate mostly independent cash flows in calculating impairment losses.
Impairment losses are recorded in "Other expenses" of the consolidated statement of profit or loss.

The breakdown of impairment losses is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Property, plant and equipment:			
Construction in progress	**¥1,739**	¥ —	**$15,737**
Total	**¥1,739**	¥ —	**$15,737**

For the year ended June 30, 2021, impairment loss of ¥1,739 million ($15,737 thousand) are recorded against construction in progress of ¥2,629 million ($23,792 thousand) for power generation facilities of PT. CIKAENGAN TIRTA ENERGI, a consolidated subsidiary of the Energy Business segment located in Indonesia.
While the company was constructing a hydroelectric power generation facility for the electric power selling business in Indonesia, there was damage to the facility under construction as a result of ground deformation caused by abnormal rainfall, and it decided to postpone the commencement of operations for about one year for repair and reinforcement works. After the commencement of operations, maintenance costs are expected to be incurred for measures against ground deformation. The above impairment loss was recorded as a result of an impairment test.
To determine the impairment loss, the value in use was used as the recoverable amount. The value in use was determined with the assistance of an independent appraiser using the 20-year revenue forecasts which were approved by management, including anticipated repair and reinforcement work, and assumed a discount rate of 11.0% which was based on the inflation rate and the weighted average of cost of capital.

(2) Goodwill and Intangible Assets with Indefinite Useful Lives
Goodwill arising from business combinations was allocated to cash generating units that would receive profits from those business combinations.
The breakdown of the carrying amount by segment of goodwill and intangible assets with indefinite useful lives is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Domestic Consulting	**¥45**	¥45	¥ —	**$407**
Urban & Spatial Development	**13,285**	11,513	11,908	**120,215**
Total	**¥13,330**	¥11,558	¥11,908	**$120,622**

Goodwill and intangible assets with indefinite useful lives of BDP HOLDINGS LIMITED and its group companies
For the goodwill of ¥9,137 million ($82,681 thousand) as well as trademarks as intangible assets with indefinite useful lives of ¥4,148 million ($37,534 thousand) recognized as a result of the acquisition of BDP HOLDINGS LIMITED and its group companies (which include Quadrangle Architects Limited), the Group conducts an impairment test annually or more often if indicators of impairment exist. The recoverable amount of the impairment test is determined based on the value in use, with the assistance of independent appraisers.
The value in use is determined by discounting the estimated future cash flows based on the business plans and growth rates for three years in the future approved by management, using the discount rate of 9.6% based on the weighted average of capital costs of the cash generating unit groups, reflecting past experience and external information.
The growth rate of 2% is assumed, taking into account the industry to which cash generating unit groups belong and the long-term average growth rate of the country, which does not exceed the long-term average growth rate of the market.

While the recoverable amount (value in use) exceeds the carrying amount by ¥697 million ($6,303 thousand), an impairment loss may be incurred when the discount rate increases 0.3% or the growth rate decreases 0.3% even if future cash flows remain at the current level.

16. INVESTMENTS AND JOINT OPERATIONS ACCOUNTED FOR USING THE EQUITY METHOD

(1) Investments in Associates and Joint Ventures
The Group has no significant associates and joint ventures.
The total carrying amount of investments in associates and joint ventures, which are not significant individually, is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Carrying amount in total	**¥2,077**	¥1,974	¥2,440	**$18,798**

The amount of equity shares in comprehensive income for these individually insignificant associates and joint ventures is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Equity shares in net income	**¥35**	¥144	**$318**
Equity shares in other comprehensive income	**40**	14	**366**
Equity shares in comprehensive income	**¥75**	¥158	**$685**

(2) Investments in Joint Operation
The Group has no significant joint operations.

17. INCOME TAXES

(1) Deferred Tax Assets and Liabilities
The breakdowns and changes of deferred tax assets and liabilities by major cause of accrual are as follows:

For the year ended June 30, 2021

	Millions of Yen				
	As of July 1, 2020	Recognized through profit or loss	Recognized in other comprehensive income	Business combinations	As of June 30, 2021
Deferred tax assets:					
Tax loss carryforward	**¥104**	**¥96**	**¥ —**	**¥ —**	**¥200**
Retirement benefit liability	**940**	**14**	**(178)**	**—**	**776**
Impairment losses	**145**	**(11)**	**—**	**—**	**133**
Other assets	**(108)**	**888**	**(2)**	**—**	**777**
Total deferred tax assets	**¥1,081**	**¥987**	**¥(180)**	**¥ —**	**¥1,888**
Deferred tax liabilities:					
Retained earnings of subsidiaries	**¥(177)**	**¥(38)**	**¥ —**	**¥ —**	**¥(216)**
Property, plant and equipment	**(1,310)**	**8**	**—**	**—**	**(1,301)**
Intangible asset	**(902)**	**714**	**—**	**—**	**(188)**
Financial assets measured at fair value	**(243)**	**(5)**	**(176)**	**—**	**(425)**
Retirement benefit asset	**(878)**	**(53)**	**—**	**—**	**(931)**
Other liabilities	**(138)**	**(762)**	**(19)**	**—**	**(920)**
Total deferred tax liabilities	**¥(3,650)**	**¥(137)**	**¥(196)**	**¥ —**	**¥(3,983)**
Net deferred tax assets	**¥(2,568)**	**¥850**	**¥(377)**	**¥ —**	**¥(2,095)**

	Thousands of Dollars				
	As of July 1, 2020	Recognized through profit or loss	Recognized in other comprehensive income	Business combinations	As of June 30, 2021
Deferred tax assets:					
Tax loss carryforward	**$946**	**$870**	**$ —**	**$ —**	**$1,816**
Retirement benefit liability	**8,507**	**129**	**(1,611)**	**—**	**7,025**
Impairment losses	**1,316**	**(104)**	**—**	**—**	**1,212**
Other assets	**(983)**	**8,039**	**(25)**	**—**	**7,031**
Total deferred tax assets	**$9,786**	**$8,935**	**$(1,636)**	**$ —**	**$17,085**
Deferred tax liabilities:					
Retained earnings of subsidiaries	**$(1,609)**	**$(347)**	**$ —**	**$ —**	**$(1,956)**
Property, plant and equipment	**(11,854)**	**76**	**—**	**—**	**(11,778)**
Intangible assets	**(8,166)**	**6,461**	**—**	**—**	**(1,704)**
Financial assets measured at fair value	**(2,200)**	**(48)**	**(1,599)**	**—**	**(3,848)**
Retirement benefit asset	**(7,945)**	**(484)**	**—**	**—**	**(8,429)**
Other liabilities	**(1,250)**	**(6,897)**	**(180)**	**—**	**(8,328)**
Total deferred tax liabilities	**$(33,027)**	**$(1,240)**	**$(1,779)**	**$ —**	**$(36,047)**
Net deferred tax assets	**$(23,240)**	**$7,695**	**$(3,416)**	**$ —**	**$(18,962)**

For the year ended June 30, 2020

	Millions of Yen				
	As of July 1, 2019	Recognized through profit or loss	Recognized in other comprehensive income	Business combinations	As of June 30, 2020
Deferred tax assets:					
Tax loss carryforward	¥112	¥(8)	¥ —	¥ —	¥104
Retirement benefit liability	1,055	39	(154)	—	940
Impairment losses	139	5	—	—	145
Other assets	(219)	85	(2)	27	(108)
Total deferred tax assets	¥1,088	¥122	¥(157)	¥27	¥1,081
Deferred tax liabilities:					
Retained earnings of subsidiaries	¥(157)	¥(20)	¥ —	¥ —	¥(177)
Property, plant and equipment	(1,310)	0	—	—	(1,310)
Intangible assets	(1,014)	111	—	—	(902)
Financial assets measured at fair value	(259)	41	(24)	—	(243)
Retirement benefit asset	(827)	(50)	—	—	(878)
Other liabilities	(280)	141	—	—	(138)
Total deferred tax liabilities	¥(3,849)	¥223	¥(24)	¥ —	¥(3,650)
Net deferred tax assets	¥(2,760)	¥346	¥(182)	¥27	¥(2,568)

The amounts of deductible temporary differences and unused tax losses carry forward without the recognition of deferred tax assets are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Deductible temporary differences	**¥2,643**	¥1,065	¥214	**$23,917**
Tax loss carryforward	**279**	708	300	**2,529**

Expiration year of unused tax losses carryforward without the recognition of deferred tax assets are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Due within one year	**¥ —**	¥ —	¥ —	**$ —**
Due after one year through two years	**30**	—	—	**276**
Due after two year through three years	**118**	52	—	**1,075**
Due after three year through four years	**71**	118	52	**650**
Due after five years	**58**	537	247	**528**
Total	**¥279**	¥708	¥300	**$2,529**

Deferred tax assets and liabilities on consolidated statement of financial position are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Deferred tax assets	**¥2,437**	¥2,140	¥2,035	**$22,058**
Deferred tax liabilities	**4,533**	4,709	4,796	**41,020**
Net deferred tax assets	**¥(2,095)**	¥(2,568)	¥(2,760)	**$(18,962)**

(2) Income Tax Expense
The breakdown of income tax expense is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Current tax expenses	**¥3,621**	¥2,095	**$32,766**
Deferred tax expenses	**(963)**	(312)	**(8,715)**
Total income tax expense	**¥2,657**	¥1,782	**$24,050**

The causes of differences between the effective statutory tax rates and the average effective tax rates are as follows:

	2021	2020
Effective statutory tax rate	**31.5%**	31.5%
Expenses not subject to deduction	**1.2**	1.6
Impact on review of recoverability of deferred tax assets	**4.6**	10.3
Tax credit	**(1.5)**	(5.1)
Others	**1.2**	(2.8)
Average actual tax rate	**37.0%**	35.5%

18. BORROWINGS

(1) Breakdown of Borrowings
The breakdown of borrowings is as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**	Average interest rate	Repayment term
Short-term borrowings	**¥ —**	¥13,000	¥ —	**$ —**	—%	—
Current portion of long-term borrowings	**8,320**	2,778	2,581	**75,288**	0.603	—
Long-term borrowings (excluding current portion)	**18,712**	14,923	17,594	**169,318**	0.900	From August 2, 2022 to October 16, 2034
Total	**¥27,032**	¥30,702	¥20,176	**$244,607**	—%	—
Current liabilities	**¥8,320**	¥15,778	¥2,581	**$75,288**	—%	—
Non-current liabilities	**18,712**	14,923	17,594	**169,318**	—	—
Total	**¥27,032**	¥30,702	¥20,176	**$244,607**	—%	—

(Notes)
1. The average interest rate shows the weighted average interest rate for the balance of borrowings at the end of the period.
2. Borrowings are classified as financial liabilities measured at amortized cost.
3. There are no assets pledged as collateral for borrowings.

19. LEASE

(1) Right-Of-Use Assets
The right-of-use assets are presented as "Right-of-use assets " in the consolidated statement of financial position. For their changes and balances, please refer to "**12. PROPERTY, PLANT AND EQUIPMENT.**"

(2) Lease Liabilities
Lease liabilities are presented as "Lease liabilities" in the consolidated statement of financial position.
For the maturity of these lease liabilities, please refer to "(4) Liquidity Risk Management" in "**35. FINANCIAL INSTRUMENTS.**"

(3) Expenses and Total of Cash Outflows associated with leases

Expenses and total of cash outflows associated with leases other than those disclosed under "**12.PROPERTY, PLANT AND EQUIPMENT**" are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended June 30, 2021	Year Ended June 30, 2020	**Year Ended June 30, 2021**
Depreciation of right-of-use assets:			
Buildings and structures	**¥2,304**	¥2,705	**$20,856**
Machinery and vehicles	**167**	176	**1,516**
Tools, furniture and fixtures	**385**	301	**3,486**
Depreciation Total	**¥2,857**	¥3,183	**$25,859**
Interest expenses on lease liabilities	**180**	177	**1,636**
Expenses incurred for leases ending within 12 months	**27**	25	**247**
Leases of low value	**26**	36	**237**
Total	**¥3,092**	¥3,423	**$27,980**
Total of cash outflows associated with leases	**¥2,926**	¥3,280	**$26,484**

There are no significant variable lease payments in the measurement of lease liabilities nor revenue from sublease of right-of-use assets.
The amount of commitment for short-term leases at June 30, 2021 is ¥7 million ($65 thousand).

(4) Extension Option (Lessee)

In the Group, each company is responsible for managing leases, with lease terms negotiated individually resulting in widely different lease terms.
The real estate lease mainly for offices includes extension options, many of which are those for one year or the same period as in the original agreement.
This option is exercised as necessary by contracting parties to the lease in utilizing real estate for business. It is included in the lease period if the exercise of the extension option is reasonably certain.

(5) Maturity Analysis (Lessor)

The Group mainly offers real estate for lease.
Maturities of lease payments in operating lease transactions are as follows:

Year ended June 30, 2021

	Millions of Yen						
	Within a year	More than 1 year Less than 2 years	More than 2 year Less than 3 years	More than 3 year Less than 4 years	More than 4 year Less than 5 years	More than 5 years	**Total**
Lease fee	**¥619**	**¥617**	**¥559**	**¥284**	**¥301**	**¥1,104**	**¥3,488**

	Thousands of U.S Dollars						
	Within a year	More than 1 year Less than 2 years	More than 2 year Less than 3 years	More than 3 year Less than 4 years	More than 4 year Less than 5 years	More than 5 years	**Total**
Lease fee	**$5,609**	**$5,591**	**$5,063**	**$2,575**	**$2,726**	**$9,997**	**$31,564**

Year ended June 30, 2020

	Millions of Yen						
	Within a year	More than 1 year Less than 2 years	More than 2 year Less than 3 years	More than 3 year Less than 4 years	More than 4 year Less than 5 years	More than 5 years	Total
Lease fee ...	**¥696**	¥619	¥617	¥559	¥284	¥1,406	¥4,185

Transition Date as of July 1, 2019

	Millions of Yen						
	Within a year	More than 1 year Less than 2 years	More than 2 year Less than 3 years	More than 3 year Less than 4 years	More than 4 year Less than 5 years	More than 5 years	Total
Lease fee ...	**¥363**	¥696	¥619	¥617	¥559	¥1,690	¥4,548

(6) Risk Management Strategy (Lessor)
The Group receives leasehold deposits to ensure the collection of restoration costs for property.

20. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follow:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Trade payables	**¥6,500**	¥5,760	¥4,957	**$58,818**
Other payables	**2,576**	2,272	2,408	**23,309**
Total	**¥9,076**	¥8,033	¥7,365	**$82,128**

Trade and other payables are classified as financial liabilities measured at amortized cost.

21. OTHER FINANCIAL LIABILITIES

The breakdown of other financial liabilities is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Financial liabilities measured at amortized cost:				
Deposit received	**¥3,005**	¥2,444	¥2,681	**$27,198**
Others	**648**	639	223	**5,871**
Financial liabilities measured at fair value through profit or loss:				
Interest rate and currency swaps	**—**	141	194	**—**
Total	**¥3,654**	¥3,225	¥3,100	**$33,069**
Current liabilities	**3,005**	2,586	2,876	**27,198**
Non-current liabilities	**648**	639	223	**5,871**
Total	**¥3,654**	¥3,225	¥3,100	**$33,069**

22. EMPLOYEE BENEFIT EXPENSES

As the defined benefit-type plans, the Company and its consolidated subsidiaries have established funded and unfunded defined benefit pension plans and a lump sum retirement payment plan. Moreover, increased retirement payments may be provided for employees' retirement. These pension plans are exposed to general investment risks, interest rate risk, inflation risk, and other risks, which are not significant.

The funded defined benefit plan is managed by the pension fund which is legally separated from the Group. The pension fund's board of directors and pension fiduciaries are required by law to act while placing top priority on the interest of plan participants, and responsible for managing assets under the plan in accordance with the prescribed policies. The corporate pension fund falls under related parties.

(1) Defined Benefit System

a. Reconciliation Table for Defined Benefit Plan Liabilities and Plan Assets

Relationship between defined benefit plan liabilities/plan assets and the net defined benefit liability (asset) recorded in the consolidated statement of financial position is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Present value of funded defined benefit obligations:	**¥14,258**	¥13,533	¥13,404	**$129,020**
Fair value of institutional assets	**(20,253)**	(17,318)	(16,661)	**(183,264)**
Total	**¥(5,994)**	¥(3,784)	¥(3,257)	**$(54,244)**
Present value of non-funded defined benefit obligations	**3,828**	3,932	3,944	**34,643**
Impact of asset cap	**1,635**	—	—	**14,800**
Net defined benefit liability (asset)	**¥(530)**	¥147	¥687	**$(4,800)**
Amount on the consolidated statement of financial position:				
Retirement benefit liability	**3,861**	3,965	3,967	**34,939**
Retirement benefit asset	**(4,391)**	(3,817)	(3,279)	**(39,739)**
Net defined benefit liability (asset) recorded on the consolidated statement of financial position	**¥(530)**	¥147	¥687	**$(4,800)**

b. Present Value of Defined Benefit Obligations

The change in the present value of defined benefit obligations is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Balance of present value of defined benefit obligations at beginning of year	**¥17,465**	¥17,349	**$158,041**
Service cost	**1,336**	1,302	**12,090**
Interest costs	**78**	55	**712**
Remeasurement	**144**	(193)	**1,303**
Mathematical differences caused by changes in demographic assumptions	**—**	—	**—**
Actuarial variances caused by changes in financial assumptions	**51**	(202)	**466**
Mathematical differences caused by performance revisions	**92**	9	**836**
Benefit payment amount	**(942)**	(1,050)	**(8,526)**
Others	**4**	2	**43**
Balance of present value of defined benefit obligations at end of year	**¥18,087**	¥17,465	**$163,663**

The weighted average duration of defined benefit plan liabilities as of June 30, 2021, as of June 30,2020 and on the transition date are 8.9 years, 9.1 years and 9.4 years, respectively.

c. Fair Value Reconciliation Table for Institutional Assets

The changes in the fair value of institutional assets are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Balance of fair value of institutional assets at beginning of year	**¥17,318**	¥16,661	**$156,703**
Interest income	**84**	51	**764**
Remeasurement	**2,347**	283	**21,245**
Revenue on institutional assets	**2,347**	283	**21,245**
Contribution from business owner	**1,130**	1,083	**10,225**
Benefit payment amount	**(630)**	(763)	**(5,703)**
Others	**3**	1	**28**
Balance of fair value of institutional assets at end of year	**¥20,253**	¥17,318	**$183,264**

The Group plans to make contributions of ¥1,184 million to the plan assets during the fiscal year ending June 30, 2022.

d. Breakdown of Plan Assets
The breakdown of plan assets by major item is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Cash and cash equivalents	**¥0**	¥10	¥1	**$0**
Equity Instruments	**8,936**	6,925	6,878	**80,865**
Domestic stocks	**4,651**	3,281	3,405	**42,091**
Foreign stocks	**4,285**	3,644	3,472	**38,774**
Debt instruments	**7,058**	6,362	6,084	**63,872**
Domestic bonds	**5,264**	4,434	4,235	**47,636**
Foreign bonds	**1,794**	1,927	1,849	**16,235**
Life insurance general account	**3,769**	3,477	3,296	**34,103**
Others	**488**	542	401	**4,422**
Total	**¥20,253**	¥17,318	¥16,661	**$183,264**

Most of the Group's plan assets are managed as part of funds which are commingled with other companies' investments and are classified into those without quoted market prices in active markets. The mixed managed fund makes diversified investments mainly in stocks listed on active markets and bonds, in accordance with the corporate pension fund rules. The life insurance general account represents the pension assets managed by life insurance companies mainly through the general account in which principal and interest are guaranteed.

The investment policy for plan assets follows internal policies intended to secure stable returns in the medium to long term in order to ensure the payment of defined benefit plan liabilities in the future. Specifically, they are managed by setting a target rate of return and managing the risk profile of the different investments. When reviewing asset types and their related risk profiles, we take into account market and environmental risks.

e. Reconciliation Table for Effect of the Upper Limit on Assets
Changes in the impact of asset cap are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Impact of asset cap at balance at beginning of year	**¥ —**	¥ —	**$ —**
Limit of interest income	**—**	—	**—**
Remeasurement	**1,635**	—	**14,800**
Fluctuations in the impact of asset cap	**1,635**	—	**14,800**
Impact of asset cap at balance at end of year	**¥1,635**	¥ —	**$14,800**

f. Main Actuarial Assumptions
Main assumptions used for actuarial calculation are as follows:

	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019
Discount rate	**0.44%**	0.47%	0.34%

g. Sensitivity Analysis

When the discount rate used for actuarial calculation changes by 0.5%, it will have the following impact on the present value of defined benefit plan liabilities. While this analysis assumes all other variables remain the same, changes in other assumptions may affect the sensitivity analysis in reality.

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Discount rate rise by 0.5%	**¥(725)**	¥(720)	¥(730)	**$(6,568)**
Discount rate drop by 0.5%	**782**	776	787	**7,077**

h. Multi-employer Plan

The Group's parent company entity and its domestic subsidiaries are members of the Engineering Consultants Company Pension Fund (multi-companies fund) (hereinafter referred to as the "Fund"), a multi-employer plan which is classified as a defined benefit plan.

When the Fund is dissolved, or when withdrawing from the Fund, it may be necessary to contribute any unfunded amounts as special contributions that may exist at the time of dissolution or withdrawal.

The risks of joining the Fund, which is a multi-employer plan, are different compared to a single-employer plan, i.e., assets contributed by may be used for benefits of other employers' employees, and the Group may incur special contributions depending on its funded status when withdrawing from the Fund.

Regarding the plan, since events of participating companies may affect the distribution of plan assets and expenses for participating companies, it is not possible to reasonably calculate the amount of pension assets corresponding to the Group's contributions. Accordingly, we are unable to obtain sufficient information to account for the defined benefit pension plan, and the amount of contributions is expensed for retirement benefits, as with the defined benefit pension plan.

The financial position of the Fund according to the latest report on actuarial valuation at the end of the plan year are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Amount of pension assets	**¥82,462**	¥81,513	¥79,656	**$746,164**
Sum of the actuarial debt in penssion finance calculation and the amount of minimum reserve	**63,733**	63,462	63,109	**576,692**
Deduction amount	**¥18,729**	¥18,051	¥16,547	**$169,472**
Contribution ratio of the company and domestic subsidiaries	**13.83%**	13.59%	13.50%	**13.83%**
	(As of end of March 2021)	(As of end of March 2020)	(As of end of March 2019)	**(As of end of March 2021)**

The main causes for the above difference are outstanding prior service costs, general reserve, and contribution shortfalls carried forward in the actuarial calculation of pensions. Liabilities are recorded for outstanding prior service costs. Moreover, contribution shortfalls carried forward will be rectified by increasing the special contribution rate as necessary based on the actuarial revaluation of pensions.

The above contribution ratio is calculated by dividing the total contributions made by the Group by the total contributions to the entire Fund and is not consistent with the actual burden on the Group.

Moreover, the Group will make contributions of ¥512 million in the next consolidated fiscal year.

(2) Defined contribution plan
The amount recognized as expenses for the defined contribution plan is ¥2,163 million ($19,580 thousand) and ¥2,085 million for the years ended June 30, 2021 and 2020, respectively.

(3) Employee benefit costs
The total amount of employee benefit costs included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of profit or loss is ¥51,278 million ($463,994 thousand) and ¥48,171 for the years ended June 30, 2021 and 2020, respectively.

23. PROVISIONS

The breakdown and changes in provisions are as follows:

	Millions of Yen				
	Provision for loss on construction contracts	Provision for compensation	Provision for loss on litigation	Other provisions	Total
BALANCE, JULY 1, 2020	**¥496**	**¥ —**	**¥ —**	**¥177**	**¥673**
Increase during period	136	499	284	13	934
Decrease during period(used for purposes)	(128)	(141)	—	(88)	(358)
Decrease during period(reversal)	(43)	—	—	(21)	(64)
Interest expenses by discounting	—	—	—	0	0
Exchange differences on translation of foreign operations	—	—	—	8	8
BALANCE, JUNE 30, 2021	**¥460**	**¥358**	**¥284**	**¥90**	**¥1,193**

	Thousands of U.S. Dollars				
	Provision for loss on construction contracts	Provision for compensation	Provision for loss on litigation	Other provisions	Total
BALANCE, JULY 1, 2020	**$4,493**	**$ —**	**$ —**	**$1,601**	**$6,095**
Increase during period	1,234	4,521	2,577	124	8,456
Decrease during period(used for purposes)	(1,163)	(1,280)	—	(797)	(3,241)
Decrease during period(reversal)	(397)	—	—	(190)	(587)
Interest expenses by discounting	—	—	—	3	3
Exchange differences on translation of foreign operations	—	—	—	77	77
BALANCE, JUNE 30, 2021	**$4,166**	**$3,241**	**$2,577**	**$818**	**$10,803**

The breakdown of provisions in the consolidated statement of financial position is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Current liabilities	**¥818**	¥589	¥123	**$7,407**
Non-current liabilities	**375**	83	52	**3,396**
Total	**¥1,193**	¥673	¥176	**$10,803**

a. Provision for Loss on Construction Contracts
The expected amount of loss for uncompleted works at the end of the consolidated fiscal year under review is recorded in order to prepare for future loss from construction works. Major target construction works include large-scale vertical axis hydroelectric power projects under construction. The timing of expenditures will be affected by progress of the project in the future.

b. Provision for Compensation
As we have present legal obligations as a result of completed projects in the past, we have reasonably estimated the amount deemed required at the end of the consolidated current year under review and recorded the expected amount of loss, in order to prepare for expenditures likely to be incurred with the compensation of future damages. It is expected to be paid within one year from the last day of the consolidated current year under review.

c. Provision for Loss on Litigation
To prepare for the loss concerning litigation in light of current status of litigation matters, we have reasonably estimated the amount deemed required at the end of the consolidated fiscal year under review and recorded the expected amount of loss. For details, please refer to "**39. CONTINGENT LIABILITIES.**"

d. Others
Asset retirement obligations are included.

24. OTHER LIABILITIES

The breakdown of other liabilities is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Other current liabilities:				
Outstanding paid leave	**¥2,932**	¥2,954	¥3,246	**$26,532**
Accrued consumption taxes	**3,138**	1,497	1,463	**28,396**
Accrued expenses	**1,039**	951	731	**9,403**
Accrued bonuses	**4,608**	2,744	2,637	**41,701**
Remuneration payable for directors	**103**	60	121	**937**
Others	**293**	266	202	**2,656**
Total	**¥12,115**	¥8,475	¥8,402	**$109,627**
Other non-current liabilities:				
Others	**122**	161	149	**1,106**
Total	**¥122**	¥161	¥149	**$1,106**

25. SHARE CAPITAL AND OTHER EQUITY ITEMS

(1) Number of Authorized Shares and Total Number of Issued Shares
Changes in the number of authorized shares and total number of issued shares are as follows:

	Shares	
	Year Ended June 30, 2021	Year Ended June 30, 2020
Number of authorized shares		
Balance at beginning of year	**38,000,000**	38,000,000
Changes during the period	**—**	—
Balance at end of year	**38,000,000**	38,000,000
Total number of issued shares		
Balance at beginning of year	**15,933,058**	15,919,544
Changes during the period (Note 2,3)	**(884,490)**	13,514
Balance at end of year	**15,048,568**	15,933,058

(Notes)
1. All shares issued by the Company are no-par-value common shares without any restrictions on rights, and issued shares are fully paid.
2. The change in the total number of issued shares for the year ended June 30, 2020 is an increase of 13,514 shares due to the issuance of new shares as restricted stock compensation.
3. The changes in the total number of issued shares for the year ended June 30, 2021 are an increase of 14,996 shares due to the issuance of new shares as restricted stock compensation and a decrease of 899,486 shares due to the cancellation of treasury shares.

(2) Treasury Shares
The change in the number of treasury shares and the balance are as follows:

	Millions of Yen	Shares
As of July 1, 2019	**¥787**	**235,268**
Changes during the period (Note 2)	1,628	625,755
As of June 30, 2020	**¥2,415**	**861,023**
Changes during the period (Note 3)	(2,415)	(860,963)
As of June 30, 2021	**¥0**	**60**

	Thousands of U.S Dollars
As of June 30, 2020	**$21,859**
Changes during the period (Note 3)	(21,858)
As of June 30, 2021	**$1**

(Notes)
1. The number of treasury shares as of June 30, 2021, as of June 30, 2020, and on the transition date of July 1, 2019 include 0 shares, 103,000 shares and 226,100 shares held by the ESOP Trust, respectively.
2. The breakdown of changes for the year ended June 30, 2020 is as follows:
   Purchase of shares less than one unit: 755 shares
   Trading of shares by ESOP Trust: (123,100) shares
   Acquisition of treasury shares in accordance with the provisions of Article 156 of the Companies Act, applied by substitution pursuant to the provisions of Article 165, paragraph (3) of the Act: 748,100 shares
3. The breakdown of changes for the year ended June 30, 2021 is as follows:
   Purchase of shares less than one unit: 523 shares
   Trading of shares by ESOP Trust: (103,000) shares
   Acquisition of treasury shares in accordance with the provisions of Article 156 of the Companies Act, applied by substitution pursuant to the provisions of Article 165, paragraph (3) of the Act: 141,000 shares
   Cancellation of treasury shares in accordance with the provisions of Article 178 of the Companies Act: (899,486) shares

(3) Capital Surplus
The Companies Act in Japan (hereinafter referred to as the "Companies Act") provides that no less than half of receiving payments or benefits for the issuance of shares should be incorporated in share capital, and the rest should be incorporated in legal capital surplus under capital surplus. Moreover, the Companies Act allows for the incorporation of legal capital surplus in share capital by the resolution of the general shareholders' meeting.

(4) Retained earnings
The Companies Act provides that one-tenth of the amount paid for dividends of surplus should be funded as legal capital surplus or legal retained earnings until the total amount of legal capital surplus and legal retained earnings reaches one-fourth of share capital. Funded legal retained earnings may be allocated for loss compensation. Moreover, legal retained earnings may be used by the resolution of the general shareholders' meeting.

26. DIVIDEND PAYMENT

The amount of dividend payment is as follows:

For the year ended June 30, 2021

Resolution	Total cash paid (Millions of Yen)	Cash dividends per share (Yen)	Record date	Effective date
August 31, 2020 Extraordinary Board of Directors' Meeting	**¥1,138**	**¥75**	June 30, 2020	September 9, 2020

Total cash paid (Thousands of U.S. Dollar)	Cash dividends per share (Dollar)
$10,298	**$0.68**

(Note)
The total amount of dividends based on the resolution of the extraordinary Board of Directors' meeting on August 31, 2020 includes dividends of ¥7 million ($69 thousand) for the Company's own shares held by the trust E account.

For the year ended June 30, 2020

Resolution	Total cash paid (Millions of Yen)	Cash dividends per share (Yen)	Record date	Effective date
August 30, 2019 Extraordinary Board of Directors' Meeting	¥1,193	¥75	June 30, 2019	September 11, 2019

(Note)
The total amount of dividends based on the resolution of the extraordinary Board of Directors' meeting on August 30, 2019 includes dividends of ¥16 million for the Company's own shares held by the trust E account.

Dividends with effective dates that are different from the consolidated fiscal year.

For the year ended June 30, 2021

Resolution	Total cash paid (Millions of Yen)	Cash dividends per share (Yen)	Record date	Effective date
August 30, 2021 Extraordinary Board of Directors' Meeting	**¥1,128**	**¥75**	June 30, 2021	September 9, 2021

Total cash paid (Thousands of U.S. Dollars)	Cash dividends per share (Dollars)
$10,212	**$0.68**

For the year ended June 30, 2020

Resolution	Total cash paid (Millions of Yen)	Cash dividends per share (Yen)	Record date	Effective date
August 31, 2020 Extraordinary Board of Directors' Meeting	¥1,138	¥75	June 30, 2020	September 9, 2020

27. REVENUE

(1) Disaggregation of Revenue
a. Revenue recognized from contracts with customers and other sources

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Revenue recognized from contracts with customers	**¥117,080**	¥107,989	**$1,059,410**
Revenue recognized from other sources (Note)	**778**	451	**7,048**
Total revenue	**¥117,859**	¥108,441	**$1,066,459**

(Note)
Revenues recognized from other sources include rental income from real estate under IFRS 16 "Leases".

Revenue recognized from contracts with customers does not include material variable consideration.

b. Relationship Between Disaggregated Revenue and Segment Revenue

	Millions of Yen								
	Reportable Segment							Others	Total
Year ended June 30, 2021	Domestic Consulting	International Consulting	Power Engineering	Urban & Spatial Development	Energy	Real Estate Leasing	Subtotal		
Revenue recognized from contracts with customers ...	**¥55,345**	**¥24,753**	**¥15,831**	**¥20,274**	**¥790**	**¥ —**	**¥116,994**	**¥86**	**¥117,080**
Revenue recognized from other sources	**—**	**—**	**—**	**—**	**—**	**778**	**778**	**—**	**778**
Total	**¥55,345**	**¥24,753**	**¥15,831**	**¥20,274**	**¥790**	**¥778**	**¥117,773**	**¥86**	**¥117,859**

	Thousands of U.S Dollars								
	Reportable Segment							Others	Total
Year ended June 30, 2021	Domestic Consulting	International Consulting	Power Engineering	Urban & Spatial Development	Energy	Real Estate Leasing	Subtotal		
Revenue recognized from contracts with customers ...	**$500,793**	**$223,984**	**$143,249**	**$183,450**	**$7,152**	**$ —**	**$1,058,630**	**$779**	**$1,059,410**
Revenue recognized from other sources	**—**	**—**	**—**	**—**	**—**	**7,048**	**7,048**	**—**	**7,048**
Total	**$500,793**	**$223,984**	**$143,249**	**$183,450**	**$7,152**	**$7,048**	**$1,065,679**	**$779**	**$1,066,459**

	Millions of Yen								
	Reportable Segment							Others	Total
Year ended June 30, 2020	Domestic Consulting	International Consulting	Power Engineering	Urban & Spatial Development	Energy	Real Estate Leasing	Subtotal		
Revenue recognized from contracts with customers ...	¥49,958	¥22,635	¥15,382	¥18,142	¥1,070	¥ —	¥107,189	¥800	¥107,989
Revenue recognized from other sources	—	—	—	—	—	451	451	—	451
Total	¥49,958	¥22,635	¥15,382	¥18,142	¥1,070	¥451	¥107,640	¥800	¥108,441

(2) Contract Balances
The breakdown of receivables, contract assets, and contract liabilities arising from contracts with customers are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Receivables arising from contracts with customers:			
Balance at beginning of year	**¥18,462**	¥15,320	**$167,055**
Balance at end of year	**20,092**	18,462	**181,811**
Contract assets			
Balance at beginning of year	**21,425**	19,125	**193,869**
Balance at end of year	**24,327**	21,425	**220,127**
Contract liabilities			
Balance at beginning of year	**10,895**	8,428	**98,591**
Balance at end of year	**10,645**	10,895	**96,327**

Contract assets are principally related to work performed to-date which is not yet completed and for which payment is not yet unconditional, and is presented as “Contract assets” on the consolidated statement of financial position. Contract assets are transferred to receivables when service provision is completed and the right for payment becomes unconditional.

Contract liabilities are mainly related to advances received, and presented as “Contract liabilities” on the consolidated statement of financial position.

Significant changes in contract assets for the year ended June 30, 2021 are an increase of ¥73,537 million ($665,404 thousand) due to progress on contracts and a decrease of ¥70,786 million ($640,513 thousand) due to the transfer to receivables. Significant changes in contract assets for the year ended June 30, 2020 are an increase of ¥65,916 million due to progress on contracts and a decrease of ¥64,724 million due to the transfer to receivables.

Significant changes in contract liabilities for the year ended June 30, 2021 are an increase of ¥37,945 million ($343,349 thousand) due to the receipt of advances received and a decrease of ¥38,777 million ($350,876 thousand) due to revenue recognition. Significant changes in contract liabilities for the year ended June 30, 2020 are an increase of ¥35,443 million due to the receipt of advances and a decrease of ¥34,437 million due to revenue recognition.

Revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period	**¥8,987**	¥7,701	**$81,323**

The amounts of revenue recognized in the year ended June 30, 2021 and 2020 from the performance obligations satisfied (or partly satisfied) in previous periods are less than 1% of the revenue in the consolidated fiscal year, respectively.

(3) Transaction Price Allocated to Remaining Performance Obligations

The total transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of June 30, 2021 is as follows:

	Millions of Yen							
	Reportable Segment							
As of June 30, 2021	Domestic Consulting	International Consulting	Power Engineering	Urban & Spatial Development	Energy	Real Estate Leasing	Others	**Total**
Transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations	**¥38,561**	**¥99,625**	**¥22,947**	**¥23,068**	**¥47**	**¥ —**	**¥0**	**¥184,250**

	Thousands of U.S Dollars							
	Reportable Segment							
As of June 30, 2021	Domestic Consulting	International Consulting	Power Engineering	Urban & Spatial Development	Energy	Real Estate Leasing	Others	**Total**
Transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations	**$348,925**	**$901,465**	**$207,637**	**$208,736**	**$431**	**$ —**	**$0**	**$1,667,198**

The above amount includes consideration arising from contracts with customers. For the transaction price allocated to remaining performance obligations, revenue is recognized according to the progress on each performance obligation. Revenue is expected to be recognized within approximately 2 years in the Domestic Consulting Business, approximately 9 years in the International Consulting Business, approximately 5 years in the Power Engineering Business, approximately 2 years in the Urban & Spatial Development Business, and approximately one year in the other businesses.
As permitted in the transition standards of IFRS 1, the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as of July 1, 2019 and June 30, 2020 are not disclosed.

28. OPERATING EXPENSES

The primary breakdown of cost of sales, and selling, general and administrative expenses by type is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Employee benefits expenses	**¥51,278**	¥48,171	**$463,994**
Outsourcing expenses	**33,011**	32,128	**298,706**
Communication and transportation expenses	**3,848**	6,020	**34,819**
Depreciation and amortization	**4,566**	4,700	**41,320**

29. OTHER INCOME AND OTHER EXPENSES

(1) Other Income
The breakdown of other income is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Dividend income			
Financial assets measured at fair value through profit or loss	**¥60**	¥57	**$545**
Gain on investments in securities			
Financial assets measured at fair value through profit or loss	**202**	62	**1,831**
Government grants	**557**	46	**5,047**
Other	**387**	405	**3,502**
Total	**¥1,207**	¥571	**$10,926**

(2) Other Expenses
The breakdown of other expenses is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Impairment losses	**¥1,739**	—	**$15,737**
Loss on investments in securities			
Financial assets measured at fair value through profit or loss	**—**	149	**—**
Provision for loss on litigation	**284**	—	**2,577**
Other	**651**	122	**5,896**
Total	**¥2,675**	¥271	**$24,211**

30. FINANCE INCOME AND FINANCE COSTS

(1) Finance Income
The breakdown of finance income is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Interest income			
Financial assets measured at amortized cost	**¥246**	¥197	**$2,231**
Dividend income			
Equity financial assets measured at fair value through other comprehensive income	**90**	80	**820**
Others	**182**	137	**1,650**
Total	**¥519**	¥414	**$4,702**

(2) Finance Costs
The breakdown of finance costs is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Interest expenses	**¥424**	¥407	**$3,844**
Foreign exchange loss	**46**	222	**422**
Others	**0**	2	**0**
Total	**¥471**	¥631	**$4,266**

31. OTHER COMPREHENSIVE INCOME

Amounts arising during the fiscal year, reclassification adjustments to profit or loss and tax effects by item of other comprehensive income are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30,2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Items that will not be reclassified to profit or loss			
Equity financial assets measured at fair value through other comprehensive income			
Changes during the year	**¥571**	¥72	**$5,174**
Amount of tax effects	**(176)**	(24)	**(1,599)**
Equity financial assets measured at fair value through other comprehensive income	**395**	47	**3,575**
Remeasurements of defined benefit plans			
Changes during the year	**564**	476	**5,107**
Amount of tax effects	**(178)**	(154)	**(1,611)**
Remeasurements of defined benefit plans	**386**	321	**3,495**
Share of other comprehensive income of investments accounted for using equity method			
Changes during the year	**6**	—	**60**
Amount of tax effects	**—**	—	**—**
Share of other comprehensive income of investments accounted for using equity method	**6**	—	**60**
Total of items that will not be reclassified to profit or loss	**788**	369	**7,131**
Items that may be reclassified to profit or loss			
Cash flow hedges			
Changes during the year	**—**	—	**—**
Reclassification adjustments	**8**	8	**80**
Amount before income tax effect	**8**	8	**80**
Amount of tax effects	**(2)**	(2)	**(25)**
Cash flow hedges	**6**	6	**54**
Exchange differences on translation of foreign operations			
Changes during the year	**2,412**	(441)	**21,825**
Reclassification adjustments	**—**	—	**—**
Before adjustments to tax effects	**2,412**	(441)	**21,825**
Amount of tax effects	**(19)**	—	**(180)**
Exchange differences on translation of foreign operations	**2,392**	(441)	**21,645**
Share of other comprehensive income of investments accounted for using equity method			
Reclassification adjustments	**33**	14	**306**
Before adjustments to tax effects	**—**	—	**—**
Amount before income tax effect	**33**	14	**306**
Amount of tax effects	**—**	—	**—**
Share of other comprehensive income of investments accounted for using equity method	**33**	14	**306**
Items that may be reclassified to profit or loss	**2,432**	(420)	**22,006**
Total other comprehensive income	**¥3,220**	¥(51)	**$29,137**

32. EARNINGS PER SHARE

	Millions of Yen		Thousands of U.S.Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Profit attributable to owners of parent	**¥4,531**	¥3,099	**$41,006**

	Shares	
	Year ended June 30, 2021	Year ended June 30, 2020
Weighted-average number of shares of common stock	**15,106,105**	15,124,770

	Yen		U.S.Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Basic earnings per share	**¥300.00**	¥204.94	**$2.71**

Diluted earnings per share are not included because there are no contingent shares.

33. CASH FLOW INFORMATION

(1) Changes in Liabilities from Financing Activities

	Millions of Yen				
	Short-term borrowings	Long-term borrowings	Lease liabilities	Derivative liabilities (Note1)	Total
BALANCE, JULY 1, 2019	**¥ —**	**¥20,176**	**¥10,409**	**¥194**	**¥30,780**
Changes due to cash flows from financing activities	13,000	(2,508)	(3,097)	—	7,394
Changes arising from acquisition or loss of control over subsidiaries or other businesses	—	—	—	—	—
Impact of changes in foreign exchange rates	—	(50)	(124)	—	(175)
Changes in fair value	—	—	—	(53)	(53)
New lease agreements	—	—	3,596	—	3,596
Decrease due to deconsolidation	—	—	(1,126)	—	(1,126)
Other changes	—	85	29	—	114
BALANCE, JUNE 30, 2020	**¥13,000**	**¥17,702**	**¥9,685**	**¥141**	**¥40,529**
Changes due to cash flows from financing activities	(13,000)	9,066	(2,801)	—	(6,735)
Changes arising from acquisition or loss of control over subsidiaries or other businesses	—	—	—	—	—
Impact of changes in foreign exchange rates	—	283	525	—	809
Changes in fair value	—	—	—	(180)	(180)
New lease agreements	—	—	2,733	—	2,733
Decrease due to deconsolidation	—	—	(764)	—	(764)
Other changes	—	(19)	(0)	—	(19)
BALANCE, JUNE 30, 2021	**¥ —**	**¥27,032**	**¥9,378**	**(39)**	**¥36,372**

	Thousands of U.S. Dollars				
	Short-term borrowings	Long-term borrowings	Lease liabilities	Derivative liabilities (Note1)	Total
BALANCE, JUNE 30, 2020	**$117,631**	**$160,179**	**$87,644**	**$1,282**	**$366,736**
Changes due to cash flows from financing activities	(117,631)	82,036	(25,353)	—	(60,947)
Changes arising from acquisition or loss of control over subsidiaries or other businesses	—	—	—	—	—
Impact of changes in foreign exchange rates ...	—	2,564	4,756	—	7,320
Changes in fair value	—	—	—	(1,635)	(1,635)
New lease agreements	—	—	24,734	—	24,734
Decrease due to deconsolidation ...	—	—	(6,915)	—	(6,915)
Other changes	—	(173)	(2)	—	(175)
BALANCE, JUNE 30, 2021	**$ —**	**$244,607**	**$84,864**	**($353)**	**$329,117**

Note1: They are held to hedge interest and foreign currency exchange effects on borrowings.

(2) Non-cash Transactions
Non-cash transactions are acquisition of property, plant and equipment through leasing transactions; for those amounts, please refer to **12. PROPERTY, PLANT AND EQUIPMENT**.

34. SHARED-BASED PAYMENTS

(1) Restricted Stock Compensation System
The Company intends that the directors (not including outside directors; "Eligible Directors") share benefits and risks of stock price fluctuations with shareholders in order to further enhance their willingness to contribute to improving share price and enhancing corporate value. Therefore, the Company has introduced a restricted stock compensation system which issues restricted stock to Eligible Directors.
Shares with restrictions on transfer are estimated at the fair value on the grant date, and recorded as selling, general and administrative expenses over the vesting period, while the same amount is recognized in equity on the consolidated statement of financial position. In the determination of fair value, adjustment of expected dividends is not considered.

	2020	2019	2018
Number of shares granted (Shares)	14,996	13,514	14,495
Weighted-average fair value at the grant date (Yen)	2,880	3,125	3,095
Evaluation method	Fair value is measured on the basis of an observable market price		
Category of grantees	Director of the Company (except outside director)		
Settlement	Equity settlement		
Transfer restriction period	3 years		
Lifting of transfer restriction	On the condition that an eligible director to whom the restricted stocks were allotted has continuously held the position of director of the Company during the transfer restriction period, the transfer restriction on all of his or her allotted stock is lifted by the Company when the transfer restriction period expires.		

(2) Employee Stock Ownership Plan ("ESOP") Trust
At the Board of Directors' meeting held on May 15, 2017, the Company introduced the Employee Stock Ownership Plan (ESOP) Trust (hereinafter referred to as the "ESOP Trust") System as a trust type employee stock ownership incentive plan that aimed to motivate employees to work and promote the continued development of the Group by providing the Group employees with incentives to improve the medium- to long-term corporate value, enhancing their employee welfare program, and promoting their equity participation as shareholders.
Under this System, the Company establishes the ESOP Trust in trust banks. For five years after the start of the trust period, the ESOP Trust acquires common shares of the Company in the amount expected to be acquired by the Group's employees' stockholders association through a third-party allocation from the Company using the borrowed funds. Subsequently, the ESOP Trust will continue to sell common shares of the Company to the Group's employees' stockholders association. The gain on sale of shares recognized cumulatively by the ESOP Trust at the time of the trust's termination shall be distributed as trust income to those who meet the beneficiary requirements. Since the Company guarantees borrowings made in order to finance the acquisition of shares, the Company shall repay such outstanding debt pursuant to the guarantee provisions of the loan agreement with no obligation transferred to the employees, in the event that there is any outstanding debt equivalent to losses on sales of shares at the time of the trust's termination.
The trust period of the ESOP Trust is from May 31, 2017 to March 31, 2021. The Company's shares owned by the trust account are deducted from the capital until they are sold to the Group's employees' stockholders association (please refer to"**25. SHARE CAPITAL AND OTHER EQUITY ITEMS."**). The assets and liabilities of the trust account are recognized as the assets and liabilities of the Group. Distributions of trust income from the trust account to the beneficiaries at the end of the trust period are treated as cash settlement transactions. The liabilities resulting from cash settlement-type stock compensation are not material.

(3) Share-based Payment Expenses

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Share-based payment expenses:			
Restricted stock compensation system	**¥42**	¥42	**$380**
Employee stock ownership plan system	**(21)**	11	**$(192)**
Total	**¥20**	¥54	**$188**

35. FINANCIAL INSTRUMENTS

(1) Capital Management
The Group has capital investment policies intended to generate growth based on the medium- to long-term management strategies, which may include additional capital investment through financing. The aim is to increase corporate value and strive to improve capital efficiency while taking into account the target level of return on equity (ROE).
As the main indicators for capital management, the Group uses the ratio of equity attributable to owners of parent and return on equity.
The Group's ratio of equity attributable to owners of parent and return on equity are as follows:

	As of June 30, 2021	As of June 30, 2020	Transition Date as of July 1,2019
Ratio of equity attributable to owners of parent	**45.3%**	43.6%	48.0%
Return on equity	**6.7%**	4.8%	—%

These indicators are periodically reported to management and monitored.
There are no restrictions on the Group's capital.

(2) Financial Risk Management

The Group is exposed to financial risks (credit risk, liquidity risk, foreign exchange risk, interest rate risk, and risk of market price fluctuations) in the process of conducting management activities, and manages these risks based on certain policies in order to mitigate such financial risks. Moreover, it is the Group's policy not to engage in speculative transactions, using derivative transactions to avoid risks of foreign exchange and interest rate fluctuations.

(3) Credit Risk Management

Credit risk refers to the risk of incurring financial losses due to counterparty defaults on contractual obligations.
In accordance with the credit management policies, the Group has a system for managing due dates and balances on obligations from each counterparty, as well as periodically assessing the creditworthiness of those counterparties.
Moreover, we execute and manage derivative transactions by assessing them at investment meetings and implementing them in accordance with internal policies and authorizations. Moreover, when entering into derivative contracts, we deal only with financial institutions with strong creditworthiness in order to mitigate credit risk.

a. Trade and Other Receivables, and Contract Assets

Based on counterparties' creditworthiness as well as the payment status of receivables, the Group manages risks by classifying trade and other receivables and contract assets into receivables with credit impairment and those without credit impairment. For receivables without credit impairment, we provide allowance for expected credit losses, taking into account the forecasts, the past-due status of receivables, and historical experience. For receivables with credit impairment, we provide the difference between contractual cash flows and collectible cash flows as allowance for expected credit losses.
We evaluate creditors who are overdue in payment for potential default or impairment risk.
For trade and other receivables, and contract assets, we recognize an allowance for expected credit losses in the same amount as the lifetime expected credit losses.
The calculation of the expected credit losses for trade and other receivables, and contract assets is as follows:

	Millions of Yen		%
	As of June 30, 2021		
	Trade and other receivables, Contract assets	Lifetime expected credit losses	Expected credit loss rates
Non credit-impaired financial assets	¥45,415	¥86	0.19%
Credit-impaired financial assets	1,151	964	83.71%
Total	**¥46,567**	**¥1,050**	2.26%

	Thousands of U.S. Dollars	
	As of June 30, 2021	
	Trade and other receivables, Contract assets	Lifetime expected credit losses
Non credit-impaired financial assets	$410,944	$781
Credit-impaired financial assets	10,423	8,725
Total	**$421,367**	**$9,506**

	Millions of Yen		%
	As of June 30, 2020		
	Trade and other receivables, Contract assets	Lifetime expected credit losses	Expected credit loss rates
Non credit-impaired financial assets	¥40,692	¥80	0.20%
Credit-impaired financial assets	600	398	66.25%
Total	**¥41,293**	**¥479**	1.16%

	Millions of Yen		%
	Transition Date as of July 1, 2019		
	Trade and other receivables, Contract assets	Lifetime expected credit losses	Expected credit loss rates
Non credit-impaired financial assets	¥35,438	¥29	0.08%
Credit-impaired financial assets	346	257	74.52%
Total	**¥35,784**	**¥287**	0.80%

The change of Allowance for expected credit losses related to trade and other receivables, and contract assets is as follows:

	Millions of Yen	
	Non credit-impaired financial assets	Credit-impaired financial assets
BALANCE, JULY 1, 2019	**¥29**	**¥257**
Increases during period	80	238
Decreases during period(reversal)	(29)	(55)
Decreases during period(direct depreciation)	—	(38)
Others	—	(5)
BALANCE, JUNE 30, 2020	**80**	**398**
Increases during period	86	636
Decreases during period(reversal)	(80)	(19)
Decreases during period(direct depreciation)	—	(72)
Others	—	21
BALANCE, JUNE 30, 2021	**¥86**	**¥964**

	Thousands of U.S. Dollars	
	Non credit-impaired financial assets	Credit-impaired financial assets
BALANCE, JUNE 30, 2020	**$732**	**$3,602**
Increases during period	781	5,759
Decreases during period(reversal)	(732)	(173)
Decreases during period(direct depreciation)	—	(657)
Others	—	194
BALANCE, JUNE 30, 2021	**$781**	**$8,725**

b. Other Financial Assets

As the amount of the allowance for expected credit losses is not material, the statement on changes in the allowance for expected credit losses is omitted.

(4) Liquidity Risk Management

Liquidity risk is the risk that when fulfilling repayment obligations of mature financial liabilities, the Group becomes unable to repay them on the due date.

The Group manages liquidity risk by preparing appropriate repayment funds, securing credit lines available at any time from financial institutions, and continuously monitoring cash flow plans and results.

Outstanding financial liabilities (including derivative financial instruments) by due date are as follows:

	Millions of Yen			
	Year ended June30, 2021			
	Contractual cash flows	Due within one year	Due after one year through five years	Due after five years
Non-derivative financial liabilities				
Short-term borrowings	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Trade Payables	**9,076**	**9,076**	**—**	**—**
Long-term borrowings	**27,547**	**8,489**	**18,350**	**707**
Deposit	**9,889**	**2,835**	**5,532**	**1,521**
Lease liabilities	**3,005**	**3,005**	**—**	**—**
Others	**648**	**—**	**—**	**648**
Derivative Financial assets				
Proceeds	**(4,937)**	**(999)**	**(3,938)**	**—**
Payments	**4,883**	**983**	**3,899**	**—**
Total	**¥50,113**	**¥23,391**	**¥23,843**	**¥2,878**

	Thousands of U.S. Dollars			
	Year ended June30, 2021			
	Contractual cash flows	Due within one year	Due after one year through five years	Due after five years
Non-derivative financial liabilities				
Short-term borrowings	**$ —**	**$ —**	**$ —**	**$ —**
Trade Payables	**82,128**	**82,128**	**—**	**—**
Long-term borrowings	**249,263**	**76,815**	**166,041**	**6,405**
Deposit	**89,489**	**25,657**	**50,063**	**13,769**
Lease liabilities	**27,198**	**27,198**	**—**	**—**
Others	**5,871**	**—**	**—**	**5,871**
Derivative Financial liabilities				
Proceeds	**(44,681)**	**(9,042)**	**(35,638)**	**—**
Payments	**44,188**	**8,902**	**35,286**	**—**
Total	**$453,457**	**$211,658**	**$215,752**	**$26,046**

	Millions of Yen			
	Year ended June30, 2020			
	Contractual cash flows	Due within one year	Due after one year through five years	Due after five years
Non-derivative financial liabilities				
Short-term borrowings	¥13,000	¥13,000	¥ —	¥ —
Trade Payables	8,033	8,033	—	—
Long-term borrowings	18,202	3,279	12,150	2,772
Deposit	10,232	2,587	5,436	2,208
Lease liabilities	2,444	2,444	—	—
Others	639	—	—	639
Derivative Financial liabilities				
Proceeds	(5,812)	(989)	(3,872)	(950)
Payments	5,870	987	3,913	969
Total	¥52,610	¥29,341	¥17,629	¥5,639

	Millions of Yen			
	Transition Date as of July 1, 2019			
	Contractual cash flows	Due within one year	Due after one year through five years	Due after five years
Non-derivative financial liabilities				
Trade Payables	¥7,365	¥7,365	¥ —	¥ —
Long-term borrowings	21,195	3,286	12,902	5,007
Deposit	11,085	3,023	5,762	2,300
Lease liabilities	2,681	2,681	—	—
Others	223	—	—	223
Derivative Financial liabilities				
Proceeds	(7,086)	(1,065)	(4,083)	(1,938)
Payments	6,862	991	3,928	1,942
Total	¥42,328	¥16,283	¥18,509	¥7,535

(5)Foreign Exchange Risk Management
Since we at the Group are engaged in business internationally, our business performance is greatly affected by currency exchange rate fluctuations between the Japanese yen and the U.S. dollar as well as other foreign currencies.
In order to mitigate foreign exchange risk, the Group strives to mitigate the risk by using interest rate and currency swaps for the purpose of managing the risk of foreign exchange fluctuations arising from these transactions in foreign currencies.

Analysis of Foreign Exchange Sensitivity
The impact on profit before tax in the consolidated statement of profit or loss in each reporting period, when the yen appreciates 10% against the U.S. dollar is as follows:
The above analysis assumes other variables to be constant in the analysis.

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Profit before tax	**¥(396)**	¥(549)	**$(3,587)**

(6) Management of Interest Rate Risk
While the Group is exposed to various risks of interest rate fluctuations in the business activities, there is not a significant risk of interest rate fluctuations for borrowings held, because most borrowings are at fixed interest rates, and interest rate and currency swaps are used to mitigate the risk of interest rate fluctuations. Moreover, there is not a significant risk of interest rate fluctuations for bonds held and loans receivable.

(7) Management of Risk of Market Price Fluctuations
The Group is exposed to share price fluctuation risk arising from equity instruments. To manage this price fluctuation risk, we periodically grasp market prices and the financial position of issuers, etc. to review our holdings as necessary.
When the market price of equity instruments held by the Group at the end of a period changes by 10%, it will have the following impact on profit before tax and other comprehensive income (before deducting the tax effect).

The above analysis assumes other variables to be constant in the analysis.

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Profit before tax	**¥134**	¥106	**$1,215**
Other comprehensive income	**386**	328	**3,492**

(8) Fair Value of Financial Instruments
For financial instruments measured at fair value, we classify investments into Level 1 to 3, according to the observability and significance of inputs used to determine the fair value.

Level 1: Market price of the identical assets or liabilities in active markets (unadjusted)
Level 2: Fair value calculated by using directly or indirectly observable values other than those under Level 1
Level 3: Fair value calculated by valuation techniques based on unobservable inputs

a. *Method of Calculating Fair Value*
The method of calculating the fair value of financial instruments is as follows:

Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables
The fair value is close to the book value, as they are settled in a short period of time.

Other Financial Assets, Other Financial Liabilities
The fair value of listed stocks is calculated using the market price at the end of the period. The fair value of unlisted stocks is calculated using the valuation method based on discounted future cash flows, a method based on the market prices of comparable companies, and a method based on net asset value. For time deposits with a deposit period of more than three months, and deposits received, the fair value is close to the book value because they are settled in a short period of time.
As financial assets or liabilities measured at fair value through profit or loss, derivatives are calculated based on the price presented by counterparty financial institutions.

Borrowings
Borrowings are calculated using the present value obtained by discounting future cash flows by the expected interest rate when a similar agreement is newly executed.

b. *Financial Instruments Measured at Amortized Cost*
The book value and fair value of financial instruments measured at amortized cost are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date as of July 1, 2019	**As of June 30, 2021**
Carrying amount				
Financial liabilities measured at amortized cost				
Long term borrowings	**¥27,032**	¥17,702	¥20,176	**$244,607**
Fair value				
Financial liabilities measured at amortized cost				
Long term borrowings	**¥27,025**	¥17,684	¥20,134	**$244,540**

(Notes)
1. Among financial instruments measured at amortized cost, the above table does not include those whose book value is reasonably approximate to the fair value.
2. The fair value of long-term borrowings is classified into Level 2.

c. Financial Instruments Measured at Fair Value

The fair value hierarchy of financial instruments measured at fair value is as follows:

	Millions of Yen			
	As of June 30, 2021			
	Level 1	Level 2	Level 3	**Total**
Financial assets:				
Financial assets measured at fair value through profit or loss				
Derivative assets	**¥ —**	**¥39**	**¥ —**	**¥39**
Other financial assets	**1,041**	**—**	**301**	**1,343**
Financial assets measured at fair value through other comprehensive income				
Other financial assets	**3,141**	**—**	**718**	**3,860**
Total	**¥4,182**	**¥39**	**¥1,020**	**¥5,242**
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	**—**	**—**	**—**	**—**
Total	**¥ —**	**¥ —**	**¥ —**	**¥ —**

	Thousands of U.S. Dollars			
	As of June 30, 2021			
	Level 1	Level 2	Level 3	**Total**
Financial assets:				
Financial assets measured at fair value through profit or loss				
Derivative assets	**$ —**	**$353**	**$ —**	**$353**
Other financial assets	**9,423**	**—**	**2,731**	**12,154**
Financial assets measured at fair value through other comprehensive income				
Other financial assets	**28,423**	**—**	**6,505**	**34,928**
Total	**$37,846**	**$353**	**$9,236**	**$47,436**
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	**—**	**—**	**—**	**—**
Total	**$ —**	**$ —**	**$ —**	**$ —**

	Millions of Yen			
	As of June30, 2020			
	Level 1	Level 2	Level 3	**Total**
Financial assets:				
Financial assets measured at fair value through profit or loss				
Derivative assets	¥ —	¥ —	¥ —	¥ —
Other financial assets	781	—	284	1,066
Financial assets measured at fair value through other comprehensive income				
Other financial assets	2,759	—	528	3,288
Total	¥3,541	¥ —	¥813	¥4,354
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	(141)	—	(141)
Total	¥ —	¥(141)	¥ —	¥(141)

	Millions of Yen			
	Transition Date as of July 1, 2019			
	Level 1	Level 2	Level 3	**Total**
Financial assets:				
Financial assets measured at fair value through profit or loss				
Derivative assets	¥ —	¥ —	¥ —	¥ —
Other financial assets	—	—	253	253
Financial assets measured at fair value through other comprehensive income				
Other financial assets	3,523	—	414	3,938
Total	¥3,523	¥ —	¥668	¥4,192
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	(194)	—	(194)
Total	¥ —	¥(194)	¥ —	¥(194)

Transfer between the levels of the fair value hierarchy is recognized on the date when an event or circumstance causing the change in classification occurs. There are no significant reclassifications between the fair value Levels 1 and 2 in each fiscal year.

d. Valuation Process

For financial instruments classified into Level 3, external valuation experts or appropriate valuation experts conduct valuation and analysis of valuation results, in accordance with the valuation policies and procedures approved by the person in charge of the business administration department. The valuation results are reviewed and approved by the person in charge of the business administration department.

e. Qualitative Information on Financial Instruments Classified into Level 3

Significant inputs not observable concerning financial instruments classified into Level 3 are discount rates, PER, PBR, and non-liquidity discounts. The fair value increases (decreases) by a decline (rise) in the discount rate, a rise (decline) in PER, a rise (decline) in PBR, and a decline (rise) in the non-liquidity discount. The expected change in the fair value is not significant when non-observable inputs are replaced by reasonably possible alternative assumptions.

f. Reconciliation of Financial Instruments Classified into Level 3 from Beginning to End of Period

Changes in financial instruments classified into Level 3 from the beginning to the end of the period are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Balance at beginning of period	**¥813**	¥668	**$7,358**
Total gains or losses	**—**	—	**—**
Profit or loss (Note1)	**16**	56	**153**
Other comprehensive income (Note2)	**192**	114	**1,741**
Purchases	**—**	241	**—**
Sales	**—**	—	**—**
Transfer from Level 3	**—**	—	**—**
Others (Note 3)	**(1)**	(267)	**(17)**
Balance at end of period	**¥1,020**	¥813	**$9,236**

(Notes)

1. Gains and losses included in profit or loss are those concerning financial assets measured at fair value through profit or loss on the closing date. Among gains and losses recognized as profit or loss, those concerning financial assets held at the end of the consolidated fiscal year are ¥16 million ($153 thousand) and ¥56 million for the years ended June 30, 2021 and 2020, respectively. These gains and losses are included in “Other revenue” and “Other expenses” in the consolidated statement of profit or loss.
2. Gains and losses included in other comprehensive income are those arising from equity financial assets measured at fair value through other comprehensive income on the closing date. These gains and losses are included in “Equity financial assets measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.
3. Others recognized in the previous consolidated fiscal year was due to making an investee an associate.

36. SIGNIFICANT CONSOLIDATED SUBSIDIARIES

Significant consolidated subsidiaries as of June 30, 2021 are as follows:

Name	Location	Segment	Proportion of Voting Rights Held (%)
Tamano Consultants Co., Ltd.	Japan	Domestic Consulting	100.0
Nippon Civic Consulting Engineers Co., Ltd.	Japan	Domestic Consulting	85.3
El Koei Co., Ltd.	Japan	Domestic Consulting	100.0
Geoplan Namtech Inc.	Japan	Domestic Consulting	56.0
Koei Research & Consulting Inc.	Japan	International Consulting	100.0
Nippon Koei Latin America-Caribbean Co., Ltd.	Japan	International Consulting	100.0
Nippon Koei LAC, INC.	Panama	International Consulting	100.0
Nippon Koei Latin America - Caribbean, Mexico S. De R. L. De C.V.	Mexico	International Consulting	100.0
Nippon Koei India Pvt. Ltd.	India	International Consulting	99.9
Nippon Koei Bangladesh Ltd.	Bangladesh	International Consulting	99.9
Nippon Koei Vietnam International Co., Ltd.	Vietnam	International Consulting	100.0
Philkoei International, Inc.	Philippines	International Consulting	40.0
PT.Indokoei International	Indonesia	International Consulting	80.0
Myanmar Koei International Ltd.	Myanmar	International Consulting	70.0
Koei System Inc.	Japan	Power Engineering	100.0
BDP Holdings Limited	United Kingdom	Urban & Spatial Development	100.0
Building Design Partnership Limited	United Kingdom	Urban & Spatial Development	100.0
Quadrangle architects Limited	Canada	Urban & Spatial Development	49.0
Kisho Kurokawa Architect & Associates Co., Ltd.	Japan	Urban & Spatial Development	100.0
Koei Energy Co., Ltd	Japan	Energy	100.0
Nippon Koei Energy Europe B.V.	Netherlands	Energy	100.0
RNK UK Investments Limited	United Kingdom	Energy	80.0
PT. Cikaengan Tirta Energi	Indonesia	Energy	90.0
Ironmont Hydro Pte. Ltd.	Singapore	Energy	62.2
ACEI Singapore Holdings Private Ltd.	Singapore	Energy	100.0
Nikki Corporation	Japan	Real Estate Leasing	100.0
DSI Co., Ltd.	Japan	Others	100.0

There is no subsidiary with individually important non-controlling interests for the years ended June 30, 2021 and 2020.

37. RELATED PARTY TRANSACTIONS

(1) Related Party Transactions
Transactions with related parties for the year ended June 30, 2021 are as follows:
For details of subsidiaries and associates, please refer to "16. **INVESTMENTS AND JOINT OPERATIONS ACCOUNTED FOR USING THE EQUITY METHOD**" and "36. **SIGNIFICANT CONSOLIDATED SUBSIDIARIES**".

There were no significant related party transactions on the transition date as of July 1, 2019.
There were no significant related party transactions during the years ended June 30, 2021 and 2020.

(2) Compensation for Main Executive Management

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Short-term employee benefit expenses	**¥405**	¥350	**$3,671**
Share-based payment expenses	**41**	43	**378**
Total	**¥447**	¥394	**$4,049**

38. COMMITMENTS

The commitments for expenditures after the closing date are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	Transition Date As of July 1, 2019	**As of June 30, 2021**
Purchase of property, plant and equipment	**¥72**	¥148	¥3,910	**$654**
Purchase of investment property	**—**	—	805	**—**
Total	**¥72**	¥148	¥4,715	**$654**

39. CONTINGENT LIABILITIES

Litigation
On June 19, 2014, Nippon Civic Consulting Engineers Co., Ltd. ("NCC"), a consolidated subsidiary of the Company, was sued by Osaka Prefecture for damages resulting from a project related to designing a shield tunnel under tort liability. Osaka Prefecture increased its claim of damages to ¥6,189 million ($56,008 thousand), which also includes a 5% per annum delinquency charge, via a written petition for the amendment of the claim dated February 29, 2016.

Due to the court petition by Osaka Prefecture, a decision was made to restrict cash in regard to these claims in June 2014. Therefore, NCC deposited the money for release from a provisional seizure of ¥750 million ($6,786 thousand), which is included in other assets under other non-current assets on consolidated statement of financial position, in July 2014 with the Legal Affairs Bureau.

Regarding the lawsuit, while the Osaka District Court rendered a judgement on March 26, 2021, acknowledging damages of ¥220 million ($1,997 thousand) and delayed damages at the annual rate of 5%, the Osaka prefectural government was not content with it and appealed on April 5, 2021, and the Company also made an incidental appeal on June 11, 2021. The Company made a provision for loss on litigation of ¥284 million ($2,577 thousand) for the year ended June 30, 2021.
Some other subsidiaries are currently parties to cases under dispute. No provision is made for litigation, etc. whose final result cannot be reasonably estimated. Even if liabilities are incurred due to these cases of litigation, the impact on the Group's financial position and business performance would be immaterial, based on the currently available information.

40. SUBSEQUENT EVENTS

(1) Issuance of New Shares as Restricted Stock Compensation
The Board of Directors resolved to issue new shares for restricted stock compensation at the extraordinary Board of Directors' meeting held on September 29, 2021, as follows. This is a system whereby an eligible person has the right to issue or dispose of the Company's common stock by paying all of the monetary claims provided by the Company as in-kind contribution in accordance with provisions of the Companies Act, Article 208, Paragraph 2. The transfer-restricted share allotment agreement between each eligible person and the Company stipulates:

a. Purpose and Reason for Issuance

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

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

b. Issuance Overview

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

(2) Recording of Provision for Loss on Litigation
It became probable that the Group would pay compensation related to certain litigation in which the Group is involved. The Group recorded ¥1,500 million ($13,572 thousand) as provision for loss on litigation as of the end of the first quarter of the fiscal year ending June 30, 2022. A corresponding asset was recognized in other non-current assets due to the expectation of the receipt of insurance. As a result, there was no impact on profit or loss.

41. FIRST-TIME ADOPTION

The Group has prepared its consolidated financial statements in accordance with IFRS for the first time in the current year. The most recent consolidated financial statements prepared in accordance with Japanese GAAP are for the fiscal year ended June 30, 2020. The transition date to IFRS is July 1, 2019.

(1) Exemption Clause in IFRS 1

IFRS requires a company that applies IFRS for the first time (hereinafter referred to "First-time Adopter") to retroactively apply the standards required in IFRS in principle. However, IFRS 1"First-time Adoption of International Financial Reporting Standards" (hereinafter referred to as "IFRS 1") stipulates those to which the exemption clause must be compulsorily applied and those to which the exemption clause is voluntarily applied for some standards required by IFRS. The impact of the adoption of these clauses was adjusted in retained earnings or other equity components on the IFRS transition date. When the Group transitioned from Japanese GAAP to IFRS, the following exemption clauses were adopted:

- Business combinations

A First-time Adopter is permitted to elect not to retroactively apply IFRS 3"Business Combinations" (hereinafter referred to as "IFRS 3") to any business combinations made before the IFRS transition date. The Group has applied the relevant exemption clause and has elected not to retroactively apply IFRS 3 to business combinations made prior to the transition date. As a result, the amount of goodwill incurred from the business combination before the transition date is based on the book value as of the transition date according to Japanese GAAP.

An impairment test was conducted for goodwill as of the transition date regardless of whether or not there were any indicators of impairment.

- Deemed cost for property, plant and equipment

For property, plant and equipment, IFRS 1 permits an entity to use the fair value on the transition date as deemed cost. For some property, plant and equipment, the fair value on the transition date is used as the deemed cost.

- Exchange differences on translation of foreign operations

IFRS 1 permits an entity to elect to the cumulative translation differences for foreign operations as of the IFRS transition date as zero. The Group has applied the relevant exemption clause and elected to regard cumulative translation differences of foreign operations as zero as of the transition date.

- Share-based payments

It is encouraged by IFRS 1 to apply IFRS 2 "Share-based Payment" (hereinafter referred to as "IFRS 2") to stock compensation that were granted after November 7, 2002 and whose rights were finalized before the IFRS transition date, but it is not required to do so. The Group has applied the relevant exemption clause and has elected not to apply IFRS 2 to stock compensation whose rights were finalized prior to the transition date.

- Lease

IFRS 1 permits a First-time Adopter to assess whether or not the contract includes leases as of the IFRS transition date. The Group has applied the relevant exemption clause and determined whether the contract includes leases based on the facts and circumstances that existed as of the transition date.

- Borrowing cost

IFRS 1 permits an entity to set the start date of capitalization of borrowing costs pertaining to qualifying assets to the IFRS transition date. The Group has applied the relevant exemption clause and capitalized the borrowing costs pertaining to qualifying assets after the transition date in accordance with IAS 23 "Borrowing Costs."

- Designation of financial instruments previously recognized

IFRS 1 permits an entity to determine classification in IFRS 9 "Financial Instruments" (hereinafter referred to as "IFRS 9") based on the facts and circumstances as of the transition date instead of the facts and circumstances that existed as of the time of the initial recognition. It is also permitted to designate fluctuation of the fair value of equity financial assets as financial assets to be measured through other

comprehensive income based on the facts and circumstances that exist as of the transition date.
The Group has applied the relevant exemption clause and has determined the classification in IFRS 9 based on the facts and circumstances that existed as of the transition date and has designated some equity financial assets as financial assets to be measured through other comprehensive income.

- Revenue from contracts with customers
  While a First-time Adopter needs to retrospectively apply IFRS 15 "Revenue from Contracts with Customers," it is not required to restate the contracts that were completed before the beginning of the earliest period (contracts which transferred all goods or services identified according to the previous accounting principles). Moreover, it is permitted to use one or more of the following practical expedients when applying the Standard retrospectively.
  (i) For completed contracts, an entity need not restate contracts that begin and end within the same annual reporting period.
  (ii) For completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.
  (iii) For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications.
  (iv) For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognize that amount as revenue.
  The Group has chosen to apply the practical expedient (iv).

(2) Reconciliations

The reconciliations required to be disclosed for the first-time adoption of IFRS are shown below.

In the reconciliation table, "Reclassification of presentation" includes items that do not affect retained earnings and comprehensive income and "Difference in recognition and measurement" includes items that affect retained earnings and comprehensive income.

Reconciliations of equity as of July 1, 2019 (The date of transition to IFRS)

Line items presented under Japanese GAAP	Millions of Yen				Notes	Line items presented under IFRS
	Japanese GAAP	Reclassification of presentation	Difference in recognition and measurement	IFRS		
Assets						Assets
Current assets						Current assets
Cash and deposits	¥13,147	¥(484)	¥579	¥13,242	1,19	Cash and cash equivalents
Notes and accounts receivable - trade	29,938	(13,561)	(5)	16,371	2,3	Trade and other receivables
	—	14,400	4,724	19,125	3	Contract assets
	—	394	12	407	6	Other financial assets
Work in process	5,709	(514)	(5,194)	—	3	
Other	3,855	(512)	55	3,399		Other current assets
Allowance for doubtful accounts	(203)	181	21	—		
Total current assets	52,446	(94)	192	52,544		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	29,882	(2,379)	11,350	38,852	9	Property, plant and equipment
	—	114	10,296	10,410	10	Right-of-use assets
Intangible assets	13,501	(5,307)	—	8,193	11	Goodwill
	—	5,307	564	5,871	12	Intangible assets
	—	2,265	(319)	1,945	8	Investment property
Investment securities	7,228	(7,228)	2,440	2,440	13,19	Investments accounted for using equity method
Long-term loans receivable	2,276	8,487	(4,315)	6,448	4,6,19	Other financial assets
Deferred tax assets	1,502	—	533	2,035	7	Deferred tax assets
Asset for retirement benefits	3,943	—	(663)	3,279		Retirement benefit asset
Other	2,564	(1,333)	(11)	1,219		Other non-current assets
Allowance for doubtful accounts	(169)	169	—	—		
Total non-current assets	60,728	94	19,873	80,696		Total non-current assets
Total assets	¥113,175	¥ —	¥20,066	¥133,241		Total assets

Line items presented under Japanese GAAP	Japanese GAAP	Reclassification of presentation	Difference in recognition and measurement	IFRS	Notes	Line items presented under IFRS
	Millions of Yen					
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Short-term loans payable	¥ —	¥2,082	¥499	¥2,581	14	Borrowings
Current portion of long-term loans payable	2,082	(2,082)	—	—		
	—	37	2,820	2,858	6,10	Lease liabilities
Notes and accounts payable - trade	5,037	2,319	9	7,365	2	Trade and other payables
	—	9,580	(1,151)	8,428	15	Contract liabilities
	—	2,681	194	2,876	5	Other financial liabilities
Income taxes payable	1,137	(105)	4	1,036		Income taxes payable
Provision for bonuses	1,972	(1,972)	—	—		
Provision for directors' bonuses	91	(91)	—	—		
Provision for loss on construction contracts	119	3	—	123	16	Provisions
Advances received	6,687	(6,687)	—	—	15	
Other	10,953	(5,764)	3,213	8,402	15,16	Other current liabilities
Total current liabilities	28,082	—	5,590	33,673		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	17,639	—	(44)	17,594		Borrowings
	—	74	7,476	7,551	6,10	Lease liabilities
	—	223	—	223	6	Other financial liabilities
Liability for retirement benefits	3,817	—	149	3,967	17	Retirement benefit liability
Provision for directors' retirement benefits	30	(30)	—	—		
Provision for environmental measures	34	18	—	52		Provisions
Deferred tax liabilities	2,819	—	1,977	4,796		Deferred tax liabilities
Other	545	(286)	(109)	149		Other non-current liabilities
Total non-current liabilities	24,886	—	9,449	34,335		Total non-current liabilities
Total liabilities	52,969	—	15,039	68,009		Total liabilities
Net assets						Equity
Capital stock	7,437	—	—	7,437		Share capital
Capital surplus	6,488	—	(22)	6,465		Capital surplus
Treasury shares	(787)	—	—	(787)		Treasury shares
Accumulated other comprehensive income	(1,913)	—	2,412	499	18	Other components of equity
Retained earnings	47,864	—	2,428	50,292	18	Retained earnings
	59,090	—	4,817	63,907		Total equity attributable to owners of parent
Non-controlling interests	1,115	—	209	1,324		Non-controlling interests
Total net assets	60,205	—	5,026	65,232		Total equity
Total liabilities and net assets	¥113,175	¥ —	¥20,066	¥133,241		Total liabilities and equity

Reconciliations of equity as of June 30, 2020 (The end of the latest period presented in the most recent consolidated financial statements under Japanese GAAP)

Line items presented under Japanese GAAP	Millions of Yen: Japanese GAAP	Reclassification of presentation	Difference in recognition and measurement	IFRS	Notes	Line items presented under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	¥16,003	¥(1,232)	¥701	¥15,472	1,19	Cash and cash equivalents
Notes and accounts receivable - trade	39,047	(19,767)	109	19,389	2,3	Trade and other receivables
	—	20,355	1,069	21,425	3	Contract assets
	—	1,250	33	1,283	6	Other financial assets
Work in process	1,725	(488)	(1,236)	—	3	
Other	4,947	(450)	(40)	4,456		Other current assets
Allowance for doubtful accounts	(308)	333	(25)	—		
Total current assets	61,415	—	611	62,027		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	40,756	(8,250)	9,533	42,039	9	Property, plant and equipment
	—	3,724	5,879	9,603	10	Right-of-use assets
Intangible assets	12,132	(4,735)	567	7,964	11	Goodwill
	—	4,734	745	5,480	12	Intangible assets
	—	4,526	(316)	4,210	8	Investment property
Investment securities	6,500	(5,028)	502	1,974	13,19	Investments accounted for using equity method
Long-term loans receivable	980	6,400	(659)	6,721	4,6,19	Other financial assets
Deferred tax assets	1,541	—	598	2,140	7	Deferred tax assets
Asset for retirement benefits	4,080	—	(262)	3,817		Retirement benefit asset
Other	2,964	(1,529)	(7)	1,427		Other non-current assets
Allowance for doubtful accounts	(157)	157	—	—		
Total non-current assets	68,800	—	16,580	85,380		Total non-current assets
Total assets	¥130,215	¥ —	¥17,192	¥147,408		Total assets

Line items presented under Japanese GAAP	Millions of Yen: Japanese GAAP	Reclassification of presentation	Difference in recognition and measurement	IFRS	Notes	Line items presented under IFRS
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Short-term loans payable	¥13,000	¥2,780	¥(2)	¥15,778	14	Borrowings
Current portion of long-term loans payable	2,780	(2,780)	—	—		
	—	704	1,740	2,445	6,10	Lease liabilities
Notes and accounts payable - trade	5,724	2,289	18	8,033	2	Trade and other payables
	—	11,055	(159)	10,895	15	Contract liabilities
	—	2,539	46	2,586	5	Other financial liabilities
Income taxes payable	1,266	(107)	1	1,159		Income taxes payable
Provision for bonuses	2,201	(2,201)	—	—		
Provision for directors' bonuses	52	(52)	—	—		
Provision for loss on construction contracts	496	93	—	589	16	Provisions
Provision for business restructuring	93	(93)	—	—	16	
Advances received	8,009	(8,009)	—	—	15	
Other	11,876	(6,219)	2,818	8,475	15,16	Other current liabilities
Total current liabilities	45,500	—	4,463	49,963		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	14,922	—	1	14,923		Borrowings
Lease obligations	3,078	—	4,161	7,240	6,10	Lease liabilities
	—	639	—	639	6	Other financial liabilities
Liability for retirement benefits	3,814	—	151	3,965	17	Retirement benefit liability
Provision for directors' retirement benefits	17	(17)	—	—		
Provision for environmental measures	34	49	—	83		Provisions
Deferred tax liabilities	2,585	—	2,123	4,709		Deferred tax liabilities
Other	791	(670)	40	161		Other non-current liabilities
Total non-current liabilities	25,245	—	6,478	31,723		Total non-current liabilities
Total liabilities	70,745	—	10,942	81,687		Total liabilities
Net assets						Equity
Capital stock	7,458	—	—	7,458		Share capital
Capital surplus	6,509	—	(11)	6,498		Capital surplus
Treasury shares	(2,415)	—	—	(2,415)		Treasury shares
Accumulated other comprehensive income	(2,515)	—	2,517	1	18	Other components of equity
Retained earnings	49,207	—	3,467	52,675	18	Retained earnings
	58,245	—	5,973	64,219		Total equity attributable to owners of parent
Non-controlling interests	1,225	—	276	1,502		Non-controlling interests
Total net assets	59,470	—	6,250	65,721		Total equity
Total liabilities and net assets	¥130,215	¥ —	¥17,192	¥147,408		Total liabilities and equity

Notes on Reconciliation of Equity

1 Reclassification of cash and deposits
Time deposits with a deposit period of more than 3 months, which were included in “Cash and deposits” under Japanese GAAP have been reclassified to “Other financial assets (current)” under IFRS.

2 Reclassification of accounts receivable and accounts payable
Accounts receivable included in “Other” of current assets under Japanese GAAP have been transferred to “Trade and other receivables” under IFRS. Also, accounts payable included in “Other” of current liabilities under Japanese GAAP have been reclassified to “Trade and other payables” under IFRS.

3 Contract assets
Of the rights to the consideration received in exchange for goods or services transferred to customers, which were included in “Notes and accounts receivable - trade” under Japanese GAAP, the conditional rights other than the passage of time have been reclassified from “Trade and other receivables” to “Contract assets” under IFRS.
As for consulting contracts accounted for under the construction completion method in accordance with Japanese GAAP, revenues are recognized for a certain period of time and contract assets of the same amount are also recognized under IFRS. Work in process, which was recorded under Japanese GAAP, has been reclassified to “Cost of sales.”

4 Securities
Under Japanese GAAP, marketable securities are measured according to the fair value and non-marketable securities are measured based on the acquisition cost. Also, gain or loss from sales of securities is net profit or loss regardless of whether or not they are marketable. Under IFRS, all the equity instruments are measured by fair value.
Under IFRS, it is permitted to recognize fluctuations in fair value of equity instruments in other comprehensive income, and when recognizing fluctuations in fair value in other comprehensive income, gain or loss from sales or valuation gain or loss of the relevant equity instruments is not transferred to net profit or loss.

5 Other financial assets and other financial liabilities
Under Japanese GAAP, interest rate and currency swaps that qualify for hedge accounting and meet specific matching criteria were not remeasured at market value but the differential paid or received under the swap agreements was recognized and included in interest expenses or income. However, under IFRS, hedging instruments were recognized at fair value on the transfer date and the cash flow hedges were recorded as other components of equity at the same time. And, as we have decided not to apply hedge accounting on and after the transfer date, it is treated in accordance with the regulations for termination of hedge accounting for the future.

6 Reclassification of other financial assets and other financial liabilities
Short-term loans receivable included in “Other” of current assets under Japanese GAAP have been reclassified to “Other financial assets (current)” under IFRS. Also, “Investment securities” and “Long-term loans receivable” presented separately under Japanese GAAP have been reclassified to “Other financial assets (non-current)” under IFRS. Also, lease obligations included in “Other” of current liabilities and “Other” of non-current liabilities under Japanese GAAP have been reclassified into “Lease liabilities (current)” and “Lease liabilities (non-current)” under IFRS, respectively.

7 Review of recoverability of deferred tax assets
In association with adoption of IFRS, we review recoverability of all deferred tax assets.

8 Reclassification of investment property
Investment property included in “Property, plant and equipment” under Japanese GAAP has been reclassified to “Investment property” under IFRS.

9 Adjustments to the recorded amount of property, plant and equipment
Real estate acquisition taxes and borrowing costs directly attributable to acquisition of qualifying assets, which were expensed under Japanese GAAP, are capitalized under IFRS. In addition, the Company has applied the exemption provisions of IFRS 1 and used the fair value of certain property, plant and equipment as of the transition date as deemed cost.

10 Lease transactions
Operating lease transactions were not capitalized under Japanese GAAP. However, right-of-use assets and lease liabilities are recorded under IFRS. Also, we adopted a method of not deducting a reasonable estimated amount equivalent to interest from the total amount of lease fees for finance lease transactions without transfer of title at the end of the lease term, whose total amount of lease assets is recognized as insignificant, under Japanese GAAP. However, we adopt the basic method under IFRS.

11 Adjustments to the recorded amount of goodwill
Goodwill is amortized under Japanese GAAP, but not amortized under IFRS.

12 Other intangible assets
Trademark rights are amortized under Japanese GAAP because there is no concept of an intangible asset with indefinite useful life, but not amortized under IFRS as intangible assets with indefinite useful lives.

13 Adjustments of the recorded amount of investments accounted for using equity method
"Investments accounted for using equity method" were included in "Investment securities" under Japanese GAAP, but are separately presented under IFRS. Also, goodwill on associated companies accounted for using equity-method is amortized under Japanese GAAP, but not amortized under IFRS.

14 Reclassification of borrowings
"Current portion of long-term loans payable" separately presented as current liabilities under Japanese GAAP have been reclassified into "Borrowings (current)" under IFRS.

15 Contract liabilities
"Advances received" separately presented as current liabilities and deferred income included in "Other" under Japanese GAAP has been reclassified into "Contract liabilities" under IFRS.

16 Reclassification of other current liabilities
"Provision for bonuses" and "Provision for directors' bonuses" presented separately as current assets under Japanese GAAP have been reclassified into "Other current liabilities" under IFRS. "Provision for loss on construction contracts" and "Provision for business restructuring" presented separately as current assets and asset retirement obligations included in "Other" of non-current liabilities under Japanese GAAP have been reclassified into "Provisions" under IFRS. Also, outstanding paid leave, that was not accounted for under Japanese GAAP, is recorded as "Other current liabilities" under IFRS.

17 Adjustments of retirement benefit liability
The Group recognized actuarial gain or loss as other comprehensive income when it occurred and the amount distributed according to a certain number of years within the average remaining working period of the employee was expensed from the fiscal year after the fiscal year in which it occurred. However, actuarial gain or loss is recognized when it occurs as other comprehensive income and immediately transferred to retained earnings under IFRS.

18 Reclassification of cumulative exchange differences on translation of foreign subsidiaries
For the first-time adoption, we elected the exemption clause prescribed in IFRS 1 and reclassified all the cumulative translation differences as of the transition date to retained earnings.

19 Scope of consolidation and the equity method
The subsidiaries that were not consolidated based on monetary importance, etc., and associates that were out of the scope of the equity method under Japanese GAAP, are classified as consolidated subsidiaries and associates accounted for using the equity method under IFRS. The impact of fluctuations in the scope of consolidation and the equity method is included in "Differences in recognition and measurement." Main fluctuations include increase in cash and cash equivalents and decrease in loans receivable due to the elimination of internal transactions.
The Company implements the Employee Stock Ownership Plan Trust Program (hereinafter referred to as "ESOP trust"). Under Japanese GAAP, profit or loss related to ESOP trusts are not added to the profit or loss of the Group, and if the net amount of profit or loss is positive, it is recorded as a liability, and if the value is negative, it is recorded as an asset. Under IFRS, the Group consolidates the relevant trusts. Specifically, the Company's shares owned by the trust account are deducted from the capital until they are sold to the Group's employees' stockholders association. The assets and liabilities of the relevant trust account is recognized as

the assets and liabilities of the Group. Distributions of trust income from the trust account to the beneficiaries at the end of the trust period are treated as cash settlement transactions. The liabilities resulting from cash settlement-type stock compensation are not material.

20 Adjustments to retained earnings

	Millions of Yen	
	As of June 30, 2020	Transition Date As of July 1, 2019
Adjustments to the recorded amount of property, plant and equipment	¥8,793	¥8,825
Adjustments to the recorded amount of intangible assets	1,321	589
Adjustments to outstanding paid leave	(2,709)	(3,109)
Reclassification of cumulative exchange difference on translation of foreign subsidiaries	(3,063)	(3,063)
Other	700	843
Sub-total	5,042	4,086
Adjustments by tax effect	(1,318)	(1,448)
Adjustment for non-controlling interests	(256)	(209)
Total	¥3,467	¥2,428

Reconciliations of profit or loss and comprehensive income for the fiscal year ended June 30, 2020(The latest period presented in the most recent consolidated financial statements under Japanese GAAP)

	Millions of Yen					
Line items presented under Japanese GAAP	Japanese GAAP	Reclassification of presentation	Difference in recognition and measurement	IFRS	Notes	Line items presented under IFRS
Net sales	¥112,214	¥ —	¥(3,773)	¥108,441	1	Revenue
Cost of sales	78,762	118	(3,677)	75,202	1,2,6,10	Cost of sales
Gross profit	33,452	(118)	(95)	33,238		Gross profit
Selling, general and administrative expenses	28,861	(72)	(352)	28,436	2,3,4,6, 7,10	Selling, general and administrative expenses
	—	62	81	144	5,9	Share of profit (loss) of investments accounted for using equity method
	—	480	91	571	9	Other income
	—	268	3	271	9	Other expenses
Operating income	4,590	230	425	5,245		Operating profit
Other income	950	(950)	—	—	5,9	
Other expenses	938	(938)	—	—	9	
	—	587	(172)	414	9	Finance income
	—	670	(38)	631	2,8,9	Finance costs
Income before income taxes	4,603	134	291	5,029		Profit before tax
Income taxes - current	1,940	(28)	(128)	1,782	11	Income tax expense
Income taxes - deferred	(163)	163	—	—		
Net income	2,826	—	419	3,246		Profit
Other comprehensive income(loss)						Other comprehensive income
						Items that will not be reclassified to profit or loss
Unrealized loss on available-for-sale securities	(158)	—	206	47		Equity Financial assets measured at fair value through other comprehensive income
Defined retirement benefit plans	(21)	—	342	321	6	Remeasurements of defined benefit plans
						Items that may be reclassified to profit or loss
	—	—	6	6	8	Cash flow hedges
Foreign currency translation adjustments	(439)	—	(2)	(441)		Exchange differences on translation of foreign operations
Share of other comprehensive income (loss) of associates accounted for using equity method	58	—	(44)	14		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income (loss)	(559)	—	508	(51)		Other comprehensive income
Comprehensive income	¥2,266	¥ —	¥927	¥3,194		Comprehensive income

Notes on Reconciliations of Profit or Loss and Comprehensive Income

1 Adjustments to revenue and cost of sales
As for consulting contracts with the construction completion method adopted under Japanese GAAP, revenues are recognized for a certain period of time and contract assets of the same amount are also recognized under IFRS. “Work in process”, which was recorded under Japanese GAAP, has been transferred to “Cost of sales”.

2 Lease transaction
The Group accounted for operating lease transactions in accordance with the method pertaining to normal lease transactions under Japanese GAAP, but records right-of-use assets and lease liabilities and also records depreciation and interest expenses under IFRS. Also, we adopted a method of not deducting a reasonable estimated amount equivalent to interest from the total amount of lease fees for finance lease transactions without transfer of title at the end of the lease term, whose total amount of lease assets is not material, and recorded only depreciation under Japanese GAAP. However, we record depreciation and interest expenses under IFRS.

3 Adjustments to the recorded amount of goodwill
Goodwill is amortized under Japanese GAAP, but not amortized under IFRS.

4 Other intangible assets
Trademark rights are amortized under Japanese GAAP, but not amortized under IFRS as intangible assets with indefinite useful lives.

5 Adjustments of the recorded amount of investments accounted for using equity method
“Share of profit (loss) of investments accounted for using equity method” were included in “Non-operating income” under Japanese GAAP, but are separately presented under IFRS.

6 Adjustments of retirement benefit liability
The Group recognized actuarial gain or loss as other comprehensive income when it occurred and the amount distributed according to a certain number of years within the average remaining working period of the employee was expensed from the fiscal year after the fiscal year in which it occurred. However, actuarial gain or loss is recognized when it occurs as other comprehensive income and immediately transferred to retained earnings under IFRS.

7 Levies
The items that fall under levies such as property taxes were evenly expensed for one year from the payment date under Japanese GAAP, but expenses are recognized as incurred based on accrual accounting under IFRS.

8 Adjustment to financial income and financial cost
Under Japanese GAAP, interest rate and currency swaps that qualify for hedge accounting and meet specific matching criteria were not remeasured at market value but the differential paid or received under the swap agreements was recognized and included in interest expenses or income. However under IFRS, hedging instruments were recognized at fair value on the transfer date and the cash flow hedges were recorded as other components of equity at the same time. And, as we have decided not to apply hedge accounting on and after the transfer date, it is treated in accordance with the regulations for suspension of hedge accounting for the future.

9 Adjustments to line items
For the items presented as “Non-operating income,” “Non-operating expenses,” “Extraordinary income” and “Extraordinary losses” under Japanese GAAP, financial profit and losses are recorded as “Financial income” and “Financial costs” and other items are presented in “Other income,” “Other expenses” and “Share of profit (loss) of investments accounted for using equity method” under IFRS.

10 Outstanding paid leave
Outstanding paid leave, which was not accounted for under Japanese GAAP, is recognized as personnel expenses under IFRS.

11 Income tax expenses
“Income taxes - current” and “Income taxes - deferred” were presented separately under Japanese GAAP, but they are collectively presented as “Income tax expense” under IFRS. Also, in adoption with application of IFRS, we review the recoverability of all deferred tax assets.

Reconciliations of cash flows for the fiscal year ended June 30, 2020 (The latest period presented in the most recent consolidated financial statements under Japanese GAAP)
Payment of lease fees by operating lease were classified as “Cash flows from operating activities” under Japanese GAAP. However, IFRS requires all leases to be recognized as lease liabilities in principle, and thus expenditures from repayment of lease liabilities are classified as “Cash flows from financing activities.”

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Nippon Koei Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2021, and the consolidated statement of profit or loss and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Response to restatement of consolidated financial statements	
Key audit matter description	How our audit addressed the key audit matter
On December 14, 2020, the Group submitted a revised Annual Securities Report for the year ended June 2020 and, relatedly, a revised Internal Control Report. This was due to the fact that estimated progress on four large-scale vertical axis hydroelectric power projects under construction in the Power & Digital Business Division of the Group was overstated. The overstatement arose from inaccurate estimates of remaining total costs to completion due to a failure to review the total costs in a timely manner. Revenue of 390 million yen were recognized under the percentage-of-completion method earlier than they should have been recognized, and, relatedly, a provision for loss on construction contracts of 396 million yen on these construction projects was recorded due to the inaccurate estimates of the total costs (hereinafter referred to as the "Restatement") which were discovered after the filing date of the Annual Securities Report. In connection with the Restatement, the Group identified deficiencies in internal controls related to inadequate budgeting and cost management systems for these large-scale vertical axis hydroelectric power projects, and a lack of a process to identify events that result in cost changes timely. The Group determined that these deficiencies constitute a material weakness to be disclosed. The Group's investigation regarding the Restatement did not identify any signs of fraud. We issued an audit report on the consolidated financial statements dated December 14, 2020, as amended. In the audit for the current fiscal year, the audit was conducted with due consideration to the response to the Restatement and the impact of the deficiencies in internal controls related to the Restatement. Accordingly, we have determined that the matter constitutes a key audit matter.	We understood and assessed the remediation status of deficiencies identified due to the Restatement which aggregated into a material weakness throughout the year. Specifically, the following controls were newly designed and implemented appropriately by the end of the year. ● Control to identify and specify the management unit for each type of construction (water turbine, generator, and construction) for large-scale vertical axis hydroelectric power projects with respect to business processes. ● Controls to confirm whether revisions of the estimated total cost of large-scale vertical axis hydroelectric power projects are necessary, and related controls to collect information regarding subsequent events in a timely and comprehensive manner with respect to the financial closing reporting process. We performed the following principal procedures in response to the Restatement in the course of our audit of the consolidated financial statements. ● Inspected of the Group's investigation report on the Restatement ● Inquired with management in regard to the investigation and the remediation of the material weakness ● Examined fraud risk factors ● Verified the reasonableness of the revised budgets for all large-scale vertical axis hydroelectric power projects ● Inspected contract specifications, cost estimation materials, and other pertinent information ● Inquired with management of the divisions in charge of the projects ● Reconciled total costs to supporting documents used in developing the estimates ● Analyzed the reasonableness of estimated total costs using actual costs incurred and specifications for similar projects completed previously ● Reconciled incurred costs with supporting documents ● Recalculated revenue recognized ● Reviewed monthly trends in incurred costs

<table>
<tr><td colspan="2">Revenue recognition in contracts for which revenue is recognized over time</td></tr>
<tr><td>Key audit matter description</td><td>How our audit addressed the key audit matter</td></tr>
<tr><td>The Group contracts with customers such as national and local governments, foreign governments, and electric power companies for public infrastructure development projects to provide construction consulting services such as planning, design, and construction management, as well as manufacturing and sales of electric power-related equipment.

Most of the 117,859 million yen in revenue in the consolidated statement of profit and loss consists of performance obligations which are recognized over time. As described in Note 3. SIGNIFICANT ACCOUNTING POLICIES (15) Revenue, revenue from these performance obligations is recognized based on progress toward complete satisfaction of the obligations, and, if progress cannot be reliably measured, revenue is recognized to the extent of costs incurred until such time as progress of performance obligations can be reliably measured. In addition, the measurement of progress is generally based on actual incurred costs relative to estimated total costs, while some large projects are based on actual output.

The Group's contracts with customers differ from one another in terms of the nature of the deliverables and the specifications for those deliverables, and the estimation of total costs is dependent on management judgment. In particular, early-stage projects for work with which the Group has limited prior experience are subject to limited information, such as similar projects completed previously when estimating total costs, and include significant assumptions, such as outsourcing costs. Therefore, estimates of total costs are likely to change due to revisions in estimate. In addition, revenue recognized based on output measures for large-scale projects includes estimates.

Due to the nature of the contracts, revenue recognition involves management judgment and requires evaluation on a contract-by-contract basis. Accordingly, we have determined that this matter constitutes a key audit matter.</td><td>In reviewing the appropriateness of revenue recognition for these contracts, we performed the following principal audit procedures:

Understood and evaluated the design and implementation and tested the operating effectiveness of internal controls related to budget management and the process for estimating total costs developed by the Group. Specifically, regarding the material weakness that was identified and disclosed in connection with the restatement of the prior period financial statements, we considered the remediation status of the material weakness identified.

In addition, contracts with customers for long-term large-scale projects were evaluated on a test basis, which are highly important in terms of the amount of orders received and the amount of sales revenue, early-stage projects for work which the Group has limited prior experience, and projects with significant revenues recognized, such as those for which revenue was recognized based on output measures for large-scale projects, the following procedures were performed.

● Inspected contracts and related specification documents
● Inquired with the personnel in charge of executing the contract
● Reconciled estimates of total costs and supporting documentation such as outsourcing costs
● Assessed the reasonableness of estimates of total cost and assumptions of outsourcing costs
● Reconciled incurred costs with supporting documents
● Matched the estimated billing amount with the incurred expense and other output measures used to measure progress
● Recalculated revenue recognized
● Matched deposit vouchers to revenue booked
● Reviewed monthly trends in revenues and profit margins to assess reasonableness</td></tr>
</table>

Impairment of property, plant and equipment of PT. CIKAENGAN TIRTA ENERGI	
Key audit matter description	How our audit addressed the key audit matter
PT. CIKAENGAN TIRTA ENERGI ("CKTE"), a consolidated subsidiary which operates in Indonesia, is engaged in the business of constructing a hydroelectric power generation facility in Indonesia. After the completion of the power generation facility, CKTE plans to sell electric energy generated from the facility based on the power sale agreement entered into with the local power company. However, due to ground deformation caused by abnormal rainfall in 2020, the facility under construction suffered damage. As a result of investigation, large-scale repair and reinforcement costs to fix the damage done to the facility were necessary, and maintenance costs were expected to be incurred for measures against ground deformation after the commencement of operations. Therefore CKTE decided to postpone the commencement of operations for approximately one year. Taking into account these circumstances, 2,629 million yen of construction in progress costs related to the power generation facility under construction were tested for impairment. As a result, the Group recorded an impairment loss of 1,739 million yen as described in Note 15. IMPAIRMENT OF NON-FINANCIAL ASSETS (1) Impairment losses in the consolidated financial statements. In measuring the impairment loss on the construction in progress described above, the Group determined that the value in use exceeded the fair value less costs of disposal and used value in use as the recoverable amount. Significant assumptions in estimating the value in use are future revenue projections, repair and reinforcement costs, and the discount rate used the estimated period of cash flows is 20 years, which was based on the expected term of the power sales agreement; and the discount rate is calculated based on the weighted average cost of capital and was estimated based on the expected rate of inflation in Indonesia. Because CKTE's estimates of future cash flows are highly uncertain and involve subjective judgments by management, we have determined that the matter was a key audit matter.	We performed the following principal audit procedures on the impairment loss on the construction in progress of CKTE. ● Evaluated the design and implementation and tested the operating effectiveness of internal controls related to the determination of indicators of impairment of non-financial assets and the recognition of impairment losses and the measurement of the value in use, including the establishment of assumptions such as future revenue projections, repair and reinforcement costs, and the discount rate, which are the basis for estimating the future cash flows of CKTE ● Understood the business plan, including the earnings forecast of CKTE, and assumptions such as the repair and reinforcement plan, by inquiring with CKTE management and reviewing relevant documentation ● Confirmed the consistency of the selling price based on usage, which is a significant assumption in the revenue plan, with the power sale agreement, and the consistency with historical rainfall data on expected precipitation which is a basis of future power generation forecasted ● Examined the reasonableness of the costs expected to be incurred as a result of the repair and reinforcement plan by examining the consistency of selected elements of those costs with the supporting documents ● Calculated the discount rate independently with the assistance of valuation experts and compared to the discount rate used by management. The calculation of the discount rate independently was based on data obtained from the market. In addition, we evaluated the reasonableness of the method applied by management in calculating the discount rate ● Confirmed the consistency of the inflation rate with the published data of external public organizations

Valuation of goodwill and trademarks attributable to BDP HOLDINGS LIMITED Group	
Key audit matter description	How our audit addressed the key audit matter
As described in Note 13. GOODWILL AND INTANGIBLE ASSETS to the consolidated financial statements, the carrying amounts of goodwill and trademarks classified as intangible assets with indefinite useful lives are 9,182 million yen and 4,148 million yen, respectively, the majority of which are attributable to consolidated subsidiary BDP HOLDINGS LIMITED ("BDP") and its subsidiaries ("BDP Group"). The Group acquired BDP, an UK-based construction design company, in 2016 to expand the urban development market and recorded significant goodwill and trademarks at the time of acquisition as a result. BDP also acquired Quadrangle Architects Limited, a Canadian construction design firm, in 2019, and recorded goodwill and trademarks as a result. As described in Note 15, IMPAIRMENT OF NON-FINANCIAL ASSETS (2) Goodwill and Intangible Assets with Indefinite Useful Lives, the Group performs an impairment test on goodwill and trademarks annually or more often if indicators of impairment exist. As part of the annual impairment test, the Group determines the value in use of the BDP Group by discounting the estimated cash flows based on a management-approved business plan and a long-term growth rate to present value using a discount rate which is based on the weighted average cost of capital of the CGU. Because of the significance of the amount of goodwill and trademarks attributable to the BDP Group, the estimates in the business plan's forecasts used to determine the value in use, and significant assumptions such as the long-term growth rate and the discount rate are affected by assumptions of future market and economic conditions and involve management judgments and are subject to a high degree of estimation uncertainty, we have determined that such matters constitute a key audit matter.	In reviewing the appropriateness of the valuation of goodwill and trademarks attributable to the BDP Group, we performed the following principal audit procedures: ● Understood and evaluated the design and implementation and tested the operating effectiveness of internal controls related to the valuation of goodwill and trademarks developed by the Group, as well as the establishment of significant assumptions, such as estimates included in the business plan as well as the growth rate related to the valuation, and also the discount rate ● Inquired of management regarding the business plan to assess the reasonableness of the plan ● Examined the consistency of the growth rate with external information ● Calculated the discount rate independently with the assistance of valuation experts and compared to the discount rate used by management. The calculation of the discount rate independently was based on publicly-available market data. Also evaluated the methods applied by management in calculating the discount rate ● Evaluated the reasonableness of the current year estimates by conducting comparative analyses of the estimates and significant assumptions used in the previous year's impairment test as well as actual results ● Performed a sensitivity analysis to assess significant assumptions by evaluating the variability in future cash flows associated with changes in those significant assumptions

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards, 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.
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with the International Financial Reporting Standard, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended June 30, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

DocuSigned by:
久保田 正崇
7199A40671244E5...

Masataka Kubota

Designated Engagement Partner
Certified Public Accountant

DocuSigned by:
近藤 仁
1AF71E894F944A0...

Hitoshi Kondo

Designated Engagement Partner
Certified Public Accountant

November 19, 2021

【Nonconsolidated Financial Statements】
Nonconsolidated Balance Sheet

Nippon Koei Co., Ltd.
June 30, 2021

ASSETS	Millions of Yen As of June 30, 2021	Millions of Yen As of June 30, 2020	Thousands of U.S. Dollars (Note 1) As of June 30, 2021
CURRENT ASSETS:			
Cash and deposits	**¥6,114**	¥4,242	**$55,327**
Accounts receivable - trade (*1)	**30,616**	26,892	**277,037**
Work in process	**674**	970	**6,105**
Short-term loan receivables (*1)	**2,339**	2,463	**21,169**
Current portion of long-term receivables (*1)	**296**	283	**2,684**
Other (*1)	**2,113**	2,885	**19,122**
Allowance for doubtful accounts	**(572)**	(284)	**(5,178)**
Total current assets	**41,583**	37,451	**376,268**
NON-CURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT			
Buildings (*4)	**20,654**	20,446	**186,891**
Accumulated depreciation	**(7,186)**	(6,935)	**(65,026)**
Buildings, net	**13,467**	13,511	**121,865**
Structures	**765**	754	**6,928**
Accumulated depreciation	**(684)**	(674)	**(6,194)**
Structures, net	**81**	79	**733**
Machinery and equipment (*4)	**2,520**	2,318	**22,806**
Accumulated depreciation	**(2,097)**	(2,021)	**(18,977)**
Machinery and equipment, net	**423**	296	**3,828**
Furniture and fixtures	**2,543**	2,437	**23,017**
Accumulated depreciation	**(1,858)**	(1,782)	**(16,813)**
Furniture and fixtures, net	**685**	655	**6,203**
Land	**14,374**	14,374	**130,067**
Construction in progress	**497**	172	**4,505**
Other, net	**121**	129	**1,098**
Total property, plant and equipment	**29,651**	29,218	**268,303**
INTANGIBLE ASSETS			
Leasehold interests in land	**627**	627	**5,678**
Software	**413**	328	**3,740**
Other	**56**	89	**508**
Total intangible assets	**1,097**	1,045	**9,926**
INVESTMENTS AND OTHER ASSETS			
Shares of subsidiaries and associates	**27,614**	27,103	**249,875**
Long-term loans receivable from subsidiaries and associates	**4,810**	4,347	**43,529**
Prepaid pension costs	**2,931**	2,756	**26,526**
Other	**4,414**	4,408	**39,949**
Allowance for doubtful accounts	**(1,808)**	(92)	**(16,367)**
Total investments and other assets	**37,963**	38,524	**343,513**
Total non-current assets	**68,711**	68,788	**621,743**
TOTAL ASSETS	**¥110,295**	¥106,240	**$998,011**

LIABILITIES AND EQUITY	Millions of Yen As of June 30, 2021	Millions of Yen As of June 30, 2020	Thousands of U.S. Dollars (Note 1) As of June 30, 2021
CURRENT LIABILITIES:			
Accounts payable - trade (*1)	**¥4,984**	¥4,003	**$45,098**
Short-term borrowings (*1 and *3)	**7,510**	19,710	**67,954**
Current portion of long-term borrowings	**8,176**	2,160	**73,985**
Provision for bonuses	**994**	947	**8,995**
Provision for directors' bonuses	**94**	52	**853**
Provision for loss on construction contracts	**440**	472	**3,987**
Provision for compensation	**280**	—	**2,533**
Other (*1)	**13,406**	9,354	**121,306**
Total current liabilities	**35,885**	36,700	**324,714**
NON-CURRENT LIABILITIES:			
Long-term borrowings	**17,685**	13,979	**160,027**
Liability for retirement benefits	**80**	90	**727**
Provision for environmental measures	**25**	25	**230**
Deferred tax liabilities	**978**	1,318	**8,851**
Other	**596**	680	**5,398**
Total non-current liabilities	**19,366**	16,094	**175,235**
Total liabilities	**55,252**	52,795	**499,950**
EQUITY:			
Shareholder's equity:			
Share capital	**7,480**	7,458	**67,687**
Capital surplus:			
Legal capital surplus	**6,179**	6,157	**55,915**
Retained earnings:			
Legal reserve	**1,546**	1,546	**13,989**
Other retained earnings			
Reserve for tax purpose reduction entry of non-current assets	**2,746**	2,770	**24,855**
Reserve for market development	**1,920**	1,920	**17,373**
General reserve	**22,367**	22,367	**202,388**
Retained earnings brought forward	**12,208**	13,304	**110,466**
Total retained earnings	**40,788**	41,907	**369,073**
Treasury shares	**(0)**	(2,345)	**(1)**
Total shareholders' equity	**54,447**	53,178	**492,674**
Valuation difference on available-for-sale securities	**595**	265	**5,386**
Total equity	**55,043**	53,444	**498,061**
TOTAL LIABILITIES AND EQUITY	**¥110,295**	¥106,240	**$998,011**

See notes to nonconsolidated financial statements.

Nonconsolidated Statement of Income

Nippon Koei Co., Ltd.
Year ended June 30, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
NET SALES (*1)	**¥73,970**	¥69,431	**$669,326**
COST OF SALES (*1)	**52,972**	51,679	**479,325**
Gross profit	**20,997**	17,752	**190,000**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (*1 and *2)	**16,812**	16,139	**152,128**
Operating income	**4,185**	1,613	**37,872**
OTHER INCOME:			
Interest income (*1)	**150**	162	**1,358**
Dividend income (*1)	**1,467**	1,499	**13,274**
Administrative service fee income (*1)	**228**	203	**2,063**
Other (*1)	**310**	420	**2,813**
Total other income	**2,156**	2,286	**19,510**
OTHER EXPENSES:			
Interest expenses (*1)	**215**	242	**1,953**
Provision for compensation	**280**	—	**2,533**
Foreign currency exchange loss	**—**	143	**—**
Commission expenses	**68**	19	**616**
Other	**27**	356	**246**
Total other expenses	**591**	762	**5,349**
Ordinary Profit	**5,750**	3,136	**52,032**
EXTRAORDINARY LOSSES:			
Provision of allowance for doubtful accounts (*3)	**1,780**	—	**16,106**
INCOME BEFORE INCOME TAXES	**3,970**	3,136	**35,926**
INCOME TAXES:			
Current	**1,975**	664	**17,871**
Deferred	**(485)**	(55)	**(4,392)**
Total income taxes	**1,489**	609	**13,478**
NET INCOME	**¥2,480**	¥2,526	**$22,447**

Nonconsolidated Statement of Cost of Sales

	Millions of Yen	Ratio(%)	Millions of Yen	Ratio(%)	Thousands of U.S.Dollars
	Year ended June 30, 2021		Year ended June 30, 2020		**Year ended June 30, 2021**
Materials costs	**¥2,110**	4.0	¥1,669	3.5	**$19,092**
Labor costs	**22,126**	42.0	19,196	39.7	**200,213**
Expenses(Note)	**28,440**	54.0	27,454	56.8	**257,345**
Total expenses in the current period	**52,677**	100.0	48,320	100.0	**476,652**
Beginning Work in process	**970**		4,329		**8,778**
Total	**53,647**		52,649		**485,431**
Ending Work in process	**674**		970		**6,105**
Cost of sales	**¥52,972**		¥51,679		**$479,325**

(Note) The main breakdown is as follows:

	Millions of Yen		Thousands of U.S.Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Outsourcing expenses	**¥22,575**	¥20,309	**$204,276**
Travel and transportation expenses	**2,638**	3,661	**23,873**
Rent expenses	**1,029**	828	**9,313**
Report Preparation Fee	**1,003**	999	**9,081**
Depreciation	**377**	348	**3,419**

The Company uses cost accounting based on job-order cost system.

Nonconsolidated Statement of Changes in Equity

Nippon Koei Co., Ltd.
Year ended June 30, 2021

Millions of Yen

		Capital Surplus	Retained Earnings	Unappropriated								
	Share capital	Legal capital surplus	Legal Reserve	Reserve for Tax Purpose Reduction Entry of Non-Current Assets	Reserve for Market Development	General Reserve	Retained Earnings brought forward	Total Retained Earnings	Treasury Shares	Total Shareholders' Equity	Valuation difference on Available-for-Sale Securities	Total Equity
BALANCE AS OF JULY1, 2019	**¥7,437**	**¥6,136**	**¥1,546**	**¥2,771**	**¥1,920**	**¥22,367**	**¥11,969**	**¥40,574**	**¥(717)**	**¥53,431**	**¥435**	**¥53,866**
Issuance of new shares	21	21	—	—	—	—	—	—	—	42	—	42
Cash dividends	—	—	—	—	—	—	(1,193)	(1,193)	—	(1,193)	—	(1,193)
Provision of reserve for tax purpose reduction entry of non-current assets	—	—	—	1,080	—	—	(1,080)	—	—	—	—	—
Reversal of reserve for tax purpose reduction entry of non-current assets	—	—	—	(1,081)	—	—	1,081	—	—	—	—	—
Net income	—	—	—	—	—	—	2,526	2,526	—	2,526	—	2,526
Purchase of treasury shares	—	—	—	—	—	—	—	—	(2,001)	(2,001)	—	(2,001)
Disposal of treasury shares	—	—	—	—	—	—	—	—	373	373	—	373
Cancellation of treasury shares	—	—	—	—	—	—	—	—	—	—	—	—
Net change in the year	—	—	—	—	—	—	—	—	—	—	(169)	(169)
BALANCE AS OF JUNE 30, 2020	**7,458**	**6,157**	**1,546**	**2,770**	**1,920**	**22,367**	**13,304**	**41,907**	**(2,345)**	**53,178**	**265**	**53,444**
Issuance of new shares	21	21	—	—	—	—	—	—	—	43	—	43
Cash dividends	—	—	—	—	—	—	(1,138)	(1,138)	—	(1,138)	—	(1,138)
Provision of reserve for tax purpose reduction entry of non-current assets	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of reserve for tax purpose reduction entry of non-current assets	—	—	—	(23)	—	—	23	—	—	—	—	—
Net income	—	—	—	—	—	—	2,480	2,480	—	2,480	—	2,480
Purchase of treasury shares	—	—	—	—	—	—	—	—	(429)	(429)	—	(429)
Disposal of treasury shares	—	—	—	—	—	—	—	—	312	312	—	312
Cancellation of treasury shares	—	—	—	—	—	—	(2,462)	(2,462)	2,462	—	—	—
Net change in the year	—	—	—	—	—	—	—	—	—	—	329	329
BALANCE AS OF JUNE 30, 2021	**¥7,480**	**¥6,179**	**¥1,546**	**¥2,746**	**¥1,920**	**¥22,367**	**¥12,208**	**¥40,788**	**¥(0)**	**¥54,447**	**¥595**	**¥55,043**

Thousands of U.S.Dollars (Note 1)

		Capital Surplus	Retained Earnings	Unappropriated								
	Share capital	Legal capital surplus	Legal Reserve	Reserve for Tax Purpose Reduction Entry of Non-Current Assets	Reserve for Market Development	General Reserve	Retained Earnings brought forward	Total Retained Earnings	Treasury Shares	Total Shareholders' Equity	Valuation difference on Available-for-Sale Securities	Total Equity
BALANCE AS OF JUNE 30, 2020	**$67,491**	**$55,720**	**$13,989**	**$25,066**	**$17,373**	**$202,388**	**$120,386**	**$379,203**	**$(21,224)**	**$481,191**	**$2,404**	**$483,596**
Issuance of new shares	195	195	—	—	—	—	—	—	—	390	—	390
Cash dividends	—	—	—	—	—	—	(10,298)	(10,298)	—	(10,298)	—	(10,298)
Provision of reserve for tax purpose reduction entry of non-current assets	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of reserve for tax purpose reduction entry of non-current assets	—	—	—	(210)	—	—	210	—	—	—	—	—
Net income	—	—	—	—	—	—	22,447	22,447	—	22,447	—	22,447
Purchase of treasury shares	—	—	—	—	—	—	—	—	(3,886)	(3,886)	—	(3,886)
Disposal of treasury shares	—	—	—	—	—	—	—	—	2,828	2,828	—	2,828
Cancellation of treasury shares	—	—	—	—	—	—	(22,279)	(22,279)	22,279	—	—	—
Net change in the year	—	—	—	—	—	—	—	—	—	—	2,982	2,982
BALANCE AS OF JUNE 30, 2021	**$67,687**	**$55,915**	**$13,989**	**$24,855**	**$17,373**	**$202,388**	**$110,466**	**$369,073**	**$(1)**	**$492,674**	**$5,386**	**$498,061**

See notes to nonconsolidated financial statements.

1. BASIS OF PREPARATION

The accompanying nonconsolidated financial statements have been prepared 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 conformity 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 issued by the International Accounting Standards Board.

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 required to be 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 also prepares and discloses consolidated financial statements. Accordingly, the Company has omitted disclosures of certain footnote information in the accompanying nonconsolidated financial statements.

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 ¥110.515 to $1, the approximate rate of exchange at June 30, 2021. 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. SIGNIFICANT ACCOUNTING POLICIES

a. Valuation Standards and Methods for Securities

(1) Held-to-Maturity Bonds
Amortized cost method (Straight-line method)

(2) Shares of Subsidiaries and Associates
Cost method based on the moving average method

(3) Other Securities
Those with an active market price
Market value method based on the market price on the closing date (any valuation difference is accounted for by the method of direct recognition into net assets in full, while the cost of products sold is calculated based on the moving average method)
Those without an active market price
Cost method based on the moving average method.

b. Valuation Standards and Methods for Derivatives

Market value method

c. Valuation Standards and Methods for Inventories

Work in progress is stated at the lower of cost, which is generally determined by the specific identification cost method, or net selling value.

d. Method for Depreciation of Non-current Assets

(1) Property, Plant and Equipment (excluding lease assets)
Straight-line method
Main useful lives are as follows.
Buildings: 2–50 years
Structures: 2–40 years
Machinery and equipment: 2–15 years
Tools, furniture and fixtures: 2–15 years

(2) Intangible Assets (excluding lease assets)
Straight-line method

(3) Lease Assets
Lease assets for finance lease transactions without transfer of title at the end of the lease term
The straight-line method is used when the lease period matches the useful life and zero residual value.

e. Basis for the Translation of Foreign Currency Assets and Liabilities into Japanese Currency

Foreign currency financial receivables and liabilities are translated into yen using the spot exchange rate at the end of the period, with the translation difference accounted for as profit or loss.

f. Recording Criteria for Allowances/Provisions

(1) Allowance for Doubtful Accounts
To determine the estimate of uncollectible trade receivables and loan receivables, the Company considers the historical rate of credit losses for normal receivables and evaluates individually specific receivables as necessary.

(2) Provision for Bonuses
The provision for bonuses is based on the estimated payment to be made to employees.

(3) Provision for Directors' Bonuses
It is provided based on the estimated amount of payment to be appropriated for expenditures on bonuses paid to directors.

(4) Provision for Loss on Construction Contracts
The expected amount of loss for contracts in process at the end of the current fiscal year was recorded in order to reserve based on expected future losses.

(5) Provision for Compensation
It is provided for potential legal obligations as a result of completed projects in the past to compensate custom for future damages.

(6) Provision for Retirement Benefits
To provide for accruals for retirement benefits of employees, the estimated provision is based on the expected amount of retirement benefit liabilities and pension assets as of the end of the current fiscal year.
The following are the accounting methods for provision for retirement benefits and retirement benefit expenses.

1) Attribution Method for the Expected Amount of Retirement Benefits
The calculation of retirement benefit liabilities is based on the benefit formula as the method of attributing the expected amount of retirement benefits to the periods up to the current period.

2) Accounting for Actuarial Gains/Losses and Prior Service Cost
Actuarial gains/losses are amortized using the straight-line method from the fiscal year following their accrual over a certain period (mainly 13 years) within the average remaining service period of employees at the time of accrual. Prior service costs are amortized using the straight-line method over a certain period (mainly 13 years) within the average remaining service period of employees at the time of accrual.

(7) Provision for Environmental Measures
To prepare for the expenditure on the treatment of PCB wastes under the "Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes," the estimated amount of treatment is provided.

g. Recognition Criteria for Significant Revenue and Expense

Recognizing net sales on service contracts whose results of progress are deemed certain in the process of operations is based on the percentage-of-completion method (mainly the cost-to-cost method to estimate progress).

h. Method of Hedge Accounts

(1) Method of Hedge Accounting
The integrated method is applied to interest rate and currency swaps which are eligible for such treatment.

(2) Hedging Instruments and Hedging Targets
Hedging instruments
Interest rate and currency swap
Hedging targets
Borrowings at variable interest rates in foreign currency

(3) Hedging Policy
Foreign exchange fluctuation risk and interest rate fluctuation risk of hedging targets are hedged based on the Company's internal policies and procedures.

(4) Method of Evaluating Effectiveness of Hedging
For the interest rate and currency swaps using the integrated method, the evaluation of the effectiveness is not necessary.

i. Other Significant Items as The Basic of Financial Statements' Preparation

(1) Accounting for Consumption Tax, Etc.
The tax exclusion method is used for accounting for consumption tax.

(2) Accounting Method for Retirement Benefits
Non-consolidated financial statements treat the unrecognized actuarial difference and unrecognized prior service costs differently from the consolidated financial statements. In the balance sheet, prepaid pension cost is recognized as the amount of retirement benefit liabilities with the addition or deduction of unrecognized actuarial difference and unrecognized prior service cost, less the amount of pension assets.

3. SIGNIFICANT ACCOUNTING ESTIMATES

a. Revenue Recognition

(1) The Amount for the Year Ended June 30, 2021
Net Sales ¥73,970 million ($669,326 thousand)

(2) Information on the Contents of Significant Accounting Estimates
Most of net sales are recognized based on progress towards full satisfaction of performance obligations.
For the measurement of progress, the most significant components of cost in the estimated costs remaining for these contracts are personnel expenses and outsourcing expenses that are based on the cost budget and actual accrued costs.
Early-stage projects for work with which the Company has limited prior experience are subject to limited information, such as similar projects completed previously when estimating total costs, and include significant assumptions, such as outsourcing costs. Therefore, estimates of total costs are likely to change due to revisions in the estimate.
To ensure the accuracy of the estimate of total costs, the Company manages budgets by type of work and confirms the appropriateness of the estimated total costs for each accounting period, to find out outliers of costs at an early stage, and to review the cost budget in a timely manner.
Moreover, the measurement of progress in some large projects is based on output measures. When recording sales by expected billings, progressed is recognized based on incurred expense and other output measures used to measure progress after approval by the project manager.
However, if estimates of total costs fluctuate significantly due to changes in the business environment and other factors, it may affect net sales for the following fiscal year.

b. BDP HOLDINGS LIMITED Stocks

(1) The Balance as of June 30, 2021
Shares of subsidiaries and associates ¥16,898 million ($152,904 thousand)

(2) Information on the Contents of Significant Accounting Estimates
For shares of subsidiaries whose fair value is not readily determinable, the Company recognizes impairment losses when the net asset value of the shares, which reflects excess profitability, declines by more than 50% compared to the acquisition cost. Unless the recoverability of the shares of subsidiaries is supported by sufficient evidence, the Company recognizes a loss to the extent of net asset value.
The excess earning power is determined by discounting the estimated future cash flows based on the business plans and growth rates for three years in the future approved by management, using the discount rate of 9.6% based on the weighted average of capital costs of the cash generating units or the cash generating unit groups, reflecting past experience and external information.
While these assumptions are made using the best estimate and judgment based on information available at the time, the estimate may need to be revised due to changes in the business environment or other factors in the future, and an impairment loss may be recognized, which could have a significant impact on the financial statements for the following fiscal year.

4. CHANGES IN PRESENTATION

Statement of Income

"Administrative service fee income" included in "Other" under "Other income" for the previous fiscal year is separately listed for the current fiscal year, due to quantitative significance.

"Commission expenses" included in "Other" under "Other expenses" for the previous fiscal year is separately listed for the current fiscal year, due to quantitative significance.

"Loss on valuation of investment securities" (¥ 0 million ($ 0 thousand) in the current fiscal year) under "Other expenses" listed separately for the previous fiscal year is included in "Other" for the current fiscal year due to quantitative significance.

Application of the "Accounting Standard for Disclosure of Accounting Estimates"

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) is applied to financial statements for the end of the current fiscal year, and a note on significant accounting estimates is included in financial statements.

However, the note does not describe details concerning the previous fiscal year, in accordance with the transitional treatment stipulated in the provisions per paragraph 11 of the Standard.

5. ADDITIONAL INFORMATION

Employee Stock Ownership Plan ("ESOP") Trust

The Company maintains an ESOP 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 Board of Directors' meeting held on May 15, 2017, the Company resolved to reintroduce an ESOP as a disposition-type employee shareholding incentive plan to provide the Group's employees with incentives to improve corporate value and enhance their welfare programs.

The Company also resolved to transfer a portion of its shares held in treasury to an account established in Trust & Custody Services Bank, Ltd. (the "Trust Account E") by third-party allocation. The ESOP is an incentive plan that distributes the profit of stock price rise for all the employees who join "Nippon Koei Group employees' stockholders association" (the "Employees' Stockholders Association"). To establish the ESOP, the Company concluded the "Stock benefit Trust (disposition-type ESOP) Agreement;" the trust established pursuant to the role of the agreement shall be referred to as the "ESOP Trust" whereby the Company is to act as administrator and the role of trustee is assigned to Mizuho Trust & Banking Co., Ltd. (the "Trustee".) The Trustee also concluded an agreement with Trust & Custody Services Bank, Ltd., under which the Trustee is to re-entrust management of security and other asset of the ESOP Trust to Trust & Custody Services bank Ltd.

The Trust Account E acquires shares of the Company that the Employees' Stockholders Association is expected to obtain over the five years after the trust is set up, and periodically sells its holdings to the Employees' Stockholders Association. If, by the time of the ESOP Trust's termination, gains equivalent to capital gains on sales of shares are accumulated within the ESOP Trust through sales of Company's shares by the Trust Account E to the Employees' Stockholders Association, then those gains will be distributed as residual assets to the Employees' Stockholders Association enrollees who meet the requirements for eligible beneficiaries. Furthermore, to guarantee funds borrowed by the Trustee that enable the Trust Account E to acquire Company's shares, the Company is to repay any such outstanding debt pursuant to guarantee agreement, in the event that there is any outstanding debt equivalent to losses on sales of shares due to a downturn in the price of Company's shares up until termination of the ESOP Trust. The trust was terminated in March 2021.

(2) Company's Shares Remaining in the Trust

The Company's shares remaining in the trust are recorded as "Treasury shares" at book value in the trust (excluding transaction costs). The book value and number of shares of such treasury shares were ¥312 million and 103 thousand shares as of June 30, 2020 and are no remaining as of June 30, 2021, as the trust was terminated.

(3) Book Value of Borrowings Recorded Due to Application of the Gross Method

There were ¥345 million as of June 30, 2020 and are no recorded borrowings as of June 30, 2021, as the trust was terminated.

The Impact of COVID-19 on Accounting Estimates
While the Company has made accounting estimates which assume that it will continue to be affected by the novel coronavirus (COVID-19) for a certain period of time, the Company believes that it has not had a significant impact in the current period. However, due to many continuing uncertainties regarding the future impact of COVID-19 on the economy and society as a whole, it may affect the Company's financial position and operating results for the next fiscal year.

6. BALANCE SHEETS

(*1)The balance of receivables and payables to affiliated companies are as follows:

	Millions of Yen		Thousands of U.S.Dollars
	As of June 30, 2021	As of June 30, 2020	**As of June 30, 2021**
Short-term account receivables	**¥3,702**	¥3,444	**$33,501**
Short-term account payables	**8,181**	7,199	**74,034**

(2) Contingent Liabilities
The Company recorded the following contingent liabilities:

	Millions of Yen		Thousands of U.S.Dollars
	As of June 30, 2021	As of June 30, 2020	**As of June 30, 2021**
Bank refundment bonds of subsidiaries	**¥1,141**	¥500	**$10,330**
Bank guarantee bonds of subsidiaries	**1,069**	1,063	**9,676**
Total	**¥2,211**	¥1,563	**$20,007**

(*3) To procure working capital efficiently, the Company has contracts for overdraft protection and a three-year syndicated commitment line agreements with four counterparty banks. For the commitment line agreement, there is a restrictive financial covenant attached for each counterparty bank. The unused portions of commitments based on these agreements at the end of fiscal year are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	**As of June 30, 2021**
Total amount of medium-term commitment lines and overdraft limits	**¥41,500**	¥36,500	**$375,514**
Balance of borrowings	**—**	13,000	**—**
Balance of unused portion	**¥41,500**	¥23,500	**$375,514**

(*4) Reduction Entry
In the case of certain capital investments made by the Company that have been subsidized by the national government, the amount of such subsidies is offset against the acquisition cost of the corresponding property, plant, and equipment.
The amount of reduction entry by accounts under property, plant, and equipment are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	**As of June 30, 2021**
Buildings	**¥9**	¥9	**$84**
Machinery and equipment	**147**	147	**1,333**
Total	**¥156**	¥156	**$1,417**

7. STATEMENTS OF INCOME

(*1) The amounts relating to transactions with affiliated companies in nonconsolidated statement of income are as follows:

	Millions of Yen		Thousands of U.S.Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Sales	**¥583**	¥510	**$5,277**
Cost of purchased goods	**3,348**	3,056	**30,301**
Selling, general and administrative expenses	**1,008**	898	**9,121**
Non-operating income	**1,753**	1,715	**15,869**
Non-operating expenses	**22**	20	**202**

(*2) The ratio of selling expenses to total selling, general and administrative expenses for years ended June 30, 2021 and 2020, was 18% and 21%, respectively. The ratio of general and administrative expenses to total selling general administrative expenses for years ended June 30, 2021 and 2020, were 82% and 79%, respectively.

The breakdown of selling, general and administrative expenses by main characteristic is as follows:

	Millions of Yen		Thousands of U.S.Dollars
	Year ended June 30, 2021	Year ended June 30, 2020	**Year ended June 30, 2021**
Salaries and allowance	**¥4,958**	¥4,310	**$44,863**
Rent expenses on real estate	**1,465**	1,793	**13,264**
Provision for bonuses	**303**	295	**2,744**
Provision for directors' bonuses	**94**	52	**853**
Retirement benefit expenses	**362**	385	**3,280**
Provision of allowance for doubtful accounts	**224**	159	**2,028**
Depreciation	**612**	393	**5,546**

(*3) The Company had loans receivable of ¥3,000 million ($27,145 thousand) to its consolidated subsidiary, PT.CIKAENGAN TIRTA ENERGI (hereinafter referred to as "CKTE") as of June 30, 2021. As stated in the Notes to Consolidated Financial Statements, "**15. IMPAIRMENT LOSSES OF NON-FINANCIAL ASSETS**, (1) Impairment Losses," CKTE is insolvent.
The Company has recorded an allowance for doubtful accounts against this loan receivable based on the 20-year business plan, which includes CKTE's electric power sale contract, and the anticipated timing of recovery, considering CKTE's insolvency. The loss was recorded as an extraordinary loss.

8. LEASES

Operating Leases

(Lessor side)

The rental commitments under noncancelable operating leases are as follows:

	Millions of Yen		Thousands of U.S.Dollars
	As of June 30, 2021	As of June 30, 2020	**As of June 30, 2021**
Due within one year	**¥276**	¥351	**$2,500**
Due after one year	**813**	1,089	**7,361**
Total	**¥1,089**	¥1,440	**$9,861**

9. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Market prices of stocks of subsidiaries and associated companies are not shown as they are not traded on active markets and therefore do not have quoted market prices.
The carrying amount of investments in subsidiaries and associated companies whose fair values are not readily determinable is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	**As of June 30, 2021**
Investment in subsidiaries that do not have a quoted market price in an active market	**¥26,794**	¥26,313	**$242,453**
Investments in associated companies that do not have a quoted market price in an active market	**820**	790	**7,421**
Total	**¥27,614**	¥27,103	**$249,875**

10. INCOME TAXES

(1) The Breakdown and changes of deferred tax assets and liabilities by major caption are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2021	As of June 30, 2020	**As of June 30, 2021**
Deferred tax assets:			
Inventories	**¥53**	¥52	**$481**
Investment in subsidiaries	**579**	596	**5,244**
Allowance for doubtful accounts	**729**	115	**6,597**
Accrued bonuses	**452**	11	**4,097**
Accrued enterprise tax	**92**	74	**834**
Accrued foreign tax	**6**	2	**61**
Provision for bonuses	**304**	290	**2,754**
Provision for loss on construction contracts	**134**	144	**1,220**
Liability for retirement benefits for employees	**24**	27	**222**
Provision for environmental measures	**7**	7	**70**
Overdepreciation	**81**	169	**740**
Loss on impairment of long-lived assets	**61**	61	**560**
Loss on valuation of investment securities	**93**	93	**844**
Others	**290**	142	**2,629**
Less valuation allowance	**(1,465)**	(847)	**(13,263)**
Total deferred tax assets	**1,447**	943	**13,097**
Deferred tax liabilities:			
Prepaid pension cost	**(897)**	(844)	**(8,122)**
Reserve for deferred gains on sale of property	**(1,212)**	(1,222)	**(10,969)**
Unrealized gain on available-for-sale securities	**(262)**	(117)	**(2,377)**
Others	**(52)**	(77)	**(479)**
Total deferred tax liabilities	**(2,425)**	(2,261)	**(21,948)**
Net deferred tax liabilities	**¥(978)**	¥(1,318)	**$(8,851)**

(2) A reconciliation between the effective statutory tax rates and the actual effective tax rates reflected in the accompanying nonconsolidated statement of income are as follows:

	As of June 30, 2021	As of June 30, 2020
Normal effective statutory tax rate	**30.6%**	30.6%
Per capita levy of local tax	**2.1**	2.8
Expenses not deductible for tax purposes	**1.6**	2.1
Foreign income tax	**2.8**	4.1
Valuation allowance	**15.6**	7.0
Special Tax Credit	**(2.6)**	(8.2)
Income not included for tax purposes	**(10.3)**	(12.9)
Income taxes for prior periods	**2.1**	(1.4)
Other – net	**(4.4)**	(4.7)
Actual effective tax rate	**37.5%**	19.4%

11. SIGNIFICANT SUBSEQUENT EVENTS

Statement is omitted, as similar information is disclosed in "**40. SUBSEQUENT EVENTS** (1)Issuance of New Shares as Restricted Stock Compensation" in "Notes to Consolidated Financial Statements."

1. PROPERTY, PLANT AND EQUIPMENT and INTANGIBLE ASSETS

	Millions of Yen						
	Book value at beginning of period	Increase	Decrease	Depreciation	Book value at end of period	Accumulated depreciation	Acquisition cost at end of period
Property, plant and equipment:							
Buildings	¥13,511	¥633	¥106	¥570	¥13,467	¥7,186	¥20,654
Structures	79	12	1	9	81	684	765
Machinery and equipment	296	217	0	90	423	2,097	2,520
Vehicles	19	7	0	6	20	81	102
Tools, furniture and fixtures	655	251	69	151	685	1,858	2,543
Land	14,374	—	—	—	14,374	—	14,374
Leased assets	109	30	2	36	100	84	185
Construction in progress	172	949	623	—	497	—	497
Total	¥29,218	¥2,102	¥803	¥866	¥29,651	¥11,993	¥41,644
Intangible assets:							
Leasehold interests in land	¥627	¥ —	¥ —	¥ —	¥627		
Telephone subscription right	44	—	—	—	44		
Right to use water facilities	0	—	—	0	0		
Software	328	236	8	143	413		
Software development in progress	44	138	172	—	11		
Total	¥1,045	¥375	¥181	¥143	¥1,097		

	Thousands of U.S. Dollars						
	Book value at beginning of period	Increase	Decrease	Depreciation	Book value at end of period	Accumulated depreciation	Acquisition cost at end of period
Property, plant and equipment:							
Buildings	$122,257	$5,732	$961	$5,163	$121,865	$65,026	$186,891
Structures	721	110	9	88	733	6,194	6,928
Machinery and equipment	2,682	1,966	3	817	3,828	18,977	22,806
Vehicles	178	69	0	60	187	740	928
Tools, furniture and fixtures	5,928	2,278	629	1,374	6,203	16,813	23,017
Land	130,067	—	—	—	130,067	—	130,067
Leased assets	991	272	18	334	911	768	1,680
Construction in progress	1,556	8,595	5,645	—	4,505	—	4,505
Total	$264,384	$19,024	$7,267	$7,837	$268,303	$108,522	$376,826
Intangible assets:							
Leasehold interests in land	$5,678	$ —	$ —	$ —	$5,678		
Telephone subscription right	406	—	—	—	406		
Right to use water facilities	2	—	—	0	1		
Software	2,973	2,141	81	1,294	3,740		
Software development in progress	400	1,257	1,557	—	99		
Total	$9,461	$3,398	$1,639	$1,294	$9,926		

(Note) Main increase and decrease during the fiscal year ended June 30, 2021 are as follows:

Increase:		Millions of Yen	Thousands of U.S. Dollars
Buildings	Real estate acquisition taxes for Hanzomon PREX	¥133	$1,206
	Large tent warehouse at Fukushima Site	109	987
Construction in progress	Value-Up Construction for Kojimachi 4-chome Kyodo Building	494	4,475
Decrease:			
Construction in progress	Rotary table type 5-axis machining center	132	1,194

2. ALLOWANCE AND PROVISION

	Millions of Yen			
	Balance at beginning of period	Increase	Decrease	Balance at end of period
Allowance for doubtful accounts	¥377	¥2,134	¥130	¥2,381
Provision for bonuses	947	994	947	994
Provision for directors' bonuses	52	94	52	94
Provision for loss on construction contracts	472	398	429	440
Provision for environmental measures	25	—	—	25
Provision for compensation	—	280	—	280

	Thousands of U.S. Dollars			
	Balance at beginning of period	Increase	Decrease	Balance at end of period
Allowance for doubtful accounts	$3,411	$19,316	$1,181	$21,546
Provision for bonuses	8,572	8,995	8,572	8,995
Provision for directors' bonuses	471	853	471	853
Provision for loss on construction contracts	4,271	3,602	3,886	3,987
Provision for environmental measures	230	—	—	230
Provision for compensation	—	2,533	—	2,533

[PRINCIPAL ASSETS AND LIABILITIES]

Statement is omitted, as similar information is disclosed in consolidated financial statements

[OTHERS]

There is no applicable information.

Independent Auditor's Report

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

Opinion

We have audited the nonconsolidated financial statements of Nippon Koei Co., Ltd. (the Company), which comprise the nonconsolidated balance sheet as at June 30, 2021, and the nonconsolidated statement of income and nonconsolidated statement of changes in equity, and notes to the nonconsolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2021, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the nonconsolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the nonconsolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the nonconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the nonconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Response to restatement of the nonconsolidated financial statements	
Key audit matter description	How our audit addressed the key audit matter
On December 14, 2020, the Company submitted a revised Annual Securities Report for the year ended June 2020 and, relatedly, a revised Internal Control Report. This was due to the fact that estimated progress on four large-scale vertical axis hydroelectric power projects under construction in the Power & Digital Business Division of the Company was overstated. The overstatement arose from inaccurate estimates of remaining total costs to completion due to a failure to review the total costs in a timely manner. Net sales of 390 million yen were recognized under the percentage-of-completion method earlier than they should have been recognized, and, relatedly, a provision for loss on construction contracts of 396 million yen on these construction projects was recorded due to the inaccurate estimates of the total costs (hereinafter referred to as the "Restatement") which were discovered after the filing date of the Annual Securities Report. In connection with the Restatement, the Company identified deficiencies in internal controls related to inadequate budgeting and cost management systems for these large-scale vertical axis hydroelectric power projects, and a lack of a process to identify events that result in cost changes timely. The Company determined that these deficiencies constitute a material weakness to be disclosed. The Company's investigation regarding the Restatement did not identify any signs of fraud. We issued an audit report on the nonconsolidated financial statements dated December 14, 2020, as amended. In the audit for the current fiscal year, the audit was conducted with due consideration to the response to the Restatement and the impact of the deficiencies in internal controls related to the Restatement. Accordingly, we have determined that the matter constitutes a key audit matter.	We understood and assessed the remediation status of deficiencies identified due to the Restatement which aggregated into a material weakness throughout the year. Specifically, the following controls were newly designed and implemented appropriately by the end of the year. ● Control to identify and specify the management unit for each type of construction (water turbine, generator, and construction) for large-scale vertical axis hydroelectric power projects with respect to business processes. ● Controls to confirm whether revisions of the estimated total cost of large-scale vertical axis hydroelectric power projects are necessary, and related controls to collect information regarding subsequent events in a timely and comprehensive manner with respect to the financial closing reporting process. We performed the following principal procedures in response to the Restatement in the course of our audit of the nonconsolidated financial statements. ● Inspected of the Company's investigation report on the Restatement ● Inquired with management in regard to the investigation and the remediation of the material weakness ● Examined fraud risk factors ● Verified the reasonableness of the revised budgets for all large-scale vertical axis hydroelectric power projects ● Inspected contract specifications, cost estimation materials, and other pertinent information ● Inquired with management of the divisions in charge of the projects ● Reconciled total costs to supporting documents used in developing the estimates ● Analyzed the reasonableness of estimated total costs using actual costs incurred and specifications for similar projects completed previously ● Reconciled incurred costs with supporting documents ● Recalculated revenue recognized ● Reviewed monthly trends in incurred costs

Revenue recognition in contracts for which revenue is recognized over time	
Key audit matter description	How our audit addressed the key audit matter
The Company contracts with customers such as national and local governments, foreign governments, and electric power companies for public infrastructure development projects to provide construction consulting services such as planning, design, and construction management, as well as manufacturing and sales of electric power-related equipment. Most of the 73,970 million yen in net sales in the nonconsolidated statement of income consists of performance obligations which are recognized over time. As described in Note 2. SIGNIFICANT ACCOUNTING POLICIES g. Recognition Criteria for Significant Revenue and Expense, recognizing net sales on service contracts whose results of progress are deemed certain in the process of operations is based on the percentage-of-completion method (mainly the cost-to-cost method to estimate progress). The Company's contracts with customers differ from one another in terms of the nature of the deliverables and the specifications for those deliverables, and the estimation of total costs is dependent on management judgment. In particular, early-stage projects for work with which the Company has limited prior experience are subject to limited information, such as similar projects completed previously, when estimating total costs, and include significant assumptions, such as outsourcing costs. Therefore, estimates of total costs are likely to change due to revisions in estimate. In addition, net sales recognized based on output measures for large-scale projects includes estimates. Due to the nature of the contracts, revenue recognition involves management judgment and requires evaluation on a contract-by-contract basis. Accordingly, we have determined that this matter constitutes a key audit matter.	In reviewing the appropriateness of revenue recognition for these contracts, we performed the following principal audit procedures: Understood and evaluated the design and implementation and tested the operating effectiveness of internal controls related to budget management and the process for estimating total costs developed by the Company. Specifically regarding the material weakness that was identified and disclosed in connection with the restatement of the prior period financial statements, we considered the remediation status of the material weakness identified. In addition, contracts with customers for long-term large-scale projects were evaluated on a test basis, which are highly important in terms of the amount of orders received and the amount of net sales, early-stage projects for work which the Company has limited prior experience, and projects with significant net sales recognized, such as those for which net sales was recognized based on output measures for large-scale projects, the following procedures were performed. ● Inspected contracts and related specification documents ● Inquired with the personnel in charge of executing the contract ● Reconciled estimates of total costs and supporting documentation such as outsourcing costs ● Assessed the reasonableness of estimates of total cost and assumptions of outsourcing costs ● Reconciled incurred costs with supporting documents ● Matched the estimated billing amount with the incurred expense and other output measures used to measure progress ● Recalculated revenue recognized ● Matched deposit vouchers to revenue booked ● Reviewed monthly trends in revenues and profit margins to assess reasonableness

Valuation of loans to PT. CIKAENGAN TIRTA ENERGI	
Key audit matter description	How our audit addressed the key audit matter
As of June 30, 2021, the Company has loaned 3,000 million yen to PT. CIKAENGAN TIRTA ENERGI ("CKTE"), a consolidated subsidiary located in Indonesia. An allowance for doubtful accounts of 1,780 million yen was provided for such loans. CKTE is currently constructing hydroelectric power generation facility in Indonesia. After the completion of the power generation facility, CKTE plans to sell electric energy based on the power sales agreement with the local electric power company. However, due to the ground deformation caused by abnormal rainfall in 2020, the facility under construction suffered damaged. As a result of investigation, large-scale repair and reinforcement costs to fix the damage done to the facility were necessary, and maintenance costs ware expected to be incurred for measures against ground deformation after the commencement of operations. Therefore, CKTE recorded an impairment loss of 1,739 million yen in the current term and has fallen into negative net worth. As described in Note 2. SIGNIFICANT ACCOUNTING POLICIES f. Recording Criteria for Allowances/Provisions (1) Allowance for Doubtful Accounts, to determine the estimate of uncollectible trade receivables and loan receivables, the Company considers the historical rate of credit losses for normal receivables and evaluates individually specific receivables as necessary. The Company maintains an allowance for doubtful accounts based on CKTE's estimated amount and timing of collections of loan receivable under its business plan for the next 20 years, which is the term of the power sales agreement, and establishes an allowance to the extent of any net deficit. We have determined that the probable collection of the loans involves management judgments and, therefore, constitutes a key audit matter.	In assessing the appropriate valuation of the loans to CKTE, we performed the following principal audit procedures: ● Evaluated the design and implementation and tested the operating effectiveness of internal controls related to the determination of assumptions such as future revenue projections, repair and reinforcement costs, and the discount rate, which are the basis for estimating the future cash flows of CKTE ● Understood the business plan, including the earnings forecast of CKTE, and assumptions such as repair and reinforcement plan, by inquiring with CKTE management and reviewing relevant documentation ● Confirmed the consistency of the selling price based on usage, which is a significant assumption in the revenue plan, with the power sales agreement, and the consistency with historical rainfall data on expected precipitation which is a basis of future power generation forecasted ● Examined the reasonableness of the costs expected to be incurred as a result of the repair and reinforcement plan by examining the consistency of selected elements of those costs with the supporting documents ● Obtained the financial statements of CKTE and confirmed the status of its negative net worth

Valuation of BDP HOLDINGS LIMITED shares	
Key audit matter description	How our audit addressed the key audit matter
As described in Note 9. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES in the nonconsolidated financial statements, the Company has recorded on the balance sheet 27,614 million yen of shares of subsidiaries and associates whose fair value is not readily determinable as of June 30, 2021. Of this amount, the book value of investments in a subsidiary BDP HOLDINGS LIMITED ("BDP") is 16,898 million yen, which accounted for approximately 61% of the total. The Company acquired BDP, an UK based construction design company, in 2016 to expand the urban development market. The acquisition occurred at a higher price than the net asset value per share, reflecting BDP's excess earning power. For shares of subsidiaries whose fair value is not readily determinable, the Company recognizes impairment losses when the net asset value of the shares, which reflects excess profitability, declines by more than 50% compared to the acquisition cost. Unless the recoverability of the shares of subsidiaries is supported by sufficient evidence, the Company recognizes a loss to the extent of net asset value. The determination of whether excess profitability of BDP is no longer probable is based on management's approved business plan and estimated cash flows based on the expected long-term growth rate and other factors discounted to present value using a discount rate based on the BDP's weighted average cost of capital. Due to the quantitative significance of the investment, the management judgment involved in determining significant assumptions used in the valuation of excess profitability, including the high degree of estimation uncertainty in estimates of the business plan, the long-term growth rate and the discount rate, we have determined that the matter constitutes a key audit matter.	In considering the reasonableness of the valuation of the investment in BDP, whose fair value is deemed extremely difficult to determine, we performed the following principal audit procedures: ● Understood and evaluated the status of the design and implementation and tested the operating effectiveness of internal controls, including the estimation of cash flow in the business plan and the establishment of important assumptions such as a long-term growth rate and a discount rate ● Understood BDP's business environment by inquiring with management and reviewing relevant documents to understand whether there were any circumstances that would suggest signs of deterioration in financial condition ● Inquired with management regarding the business plan to assess the reasonableness ● Examined the consistency of the growth rate with the external information ● Calculated the discount rate independently with the assistance of valuation experts and compared to the discount rate used by management. The calculation of the discount rate independently was based on data obtained from the market. Also evaluated the methods applied by management in calculating the discount rate ● Conducted comparative analyses of the significant assumptions used in the previous year's impairment test between the previous year's estimates and actual values ● Performed a sensitivity analysis to significant assumptions by evaluating the variability in future cash flows associated with changes in significant assumptions

Responsibilities of Management and Those Charged with Governance for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.
In preparing the nonconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the nonconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these nonconsolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the nonconsolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the nonconsolidated financial statements, including the disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the nonconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience translation

The U.S. dollar amounts in the accompanying nonconsolidated financial statements with respect to the year ended June 30, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the nonconsolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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7199A40671244E5...
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November 19, 2021

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