NIPPON KOEI

Financial Report

Year ended June 30, 2023

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 three segments: Consulting Business, Urban & Spatial Development Business, and Energy Business.
Nippon Koei Co., Ltd. and its subsidiaries transitioned to a holding company structure on July 3, 2023. The holding company is responsible for formulating overall group strategy and governance, while each group company pursues its business in an autonomous and dynamic fashion, making the organization capable of quickly responding to various changes and demands.

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【Financial Highlights】

Consolidated

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Revenue	**¥141,527**	¥130,674	**$977,571**
Profit attributable to owner of parent	**3,093**	6,579	**21,366**
	Yen		U.S. Dollars
Earning per share:			
Basic earnings per share	**¥205.34**	¥436.98	**$1.42**
Diluted earnings per share	**205.34**	436.98	**1.42**

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2023	As of June 30, 2022	**As of June 30, 2023**
Total assets	**¥195,391**	¥173,926	**$1,349,622**
Total equity	**83,784**	81,969	**578,719**

Nonconsolidated

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Net sales	**¥85,728**	¥80,796	**$592,151**
Net profit	**7,538**	5,236	**52,069**
	Yen		U.S.Dollars
Basic earnings per share	**¥500.41**	¥347.81	**$3.46**

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2023	As of June 30, 2022	**As of June 30, 2023**
Total assets	**¥131,999**	¥120,878	**$911,756**
Net assets	**64,767**	59,280	**447,364**

(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. The Group has applied International Financial Reporting Standards (IFRS) from the year-end of fiscal year ended June 30, 2021.
3. The U.S. dollars amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥144.775 to $1, the approximate rate of exchange as of June 30, 2023.
4. Per share amounts are based on the weighted average number of shares outstanding during each year.

#【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 the consolidated financial statements for the consolidated fiscal year (from July 1, 2022 to June 30, 2023) and nonconsolidated financial statements for the business year (from July 1, 2022 to June 30, 2023) 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 participates 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.

【Consolidated Financial Statements and Others】
I. Consolidated Financial Statements
Consolidated Statement of Financial Position

Nippon Koei Co., Ltd.
June 30, 2023

		Millions of Yen		Thousands of U.S. Dollars (Note 2)
Assets	**Notes**	**As of June 30, 2023**	As of June 30, 2022	**As of June 30, 2023**
Current assets:				
Cash and cash equivalents	8	**¥31,679**	¥17,971	**$218,816**
Trade and other receivables	9, 27, 35	**26,812**	27,042	**185,200**
Contract assets	27	**32,146**	26,450	**222,044**
Other financial assets	10, 35	**2,780**	3,779	**19,206**
Other current assets	11	**5,728**	8,290	**39,567**
Total current assets		**99,147**	83,535	**684,835**
Non-current assets:				
Property, plant and equipment	12, 15	**52,718**	41,403	**364,141**
Right-of-use assets	12, 19	**10,140**	9,067	**70,042**
Goodwill	13, 15	**7,327**	10,207	**50,615**
Intangible assets	13	**7,544**	7,025	**52,109**
Investment property	14	**5,230**	6,250	**36,131**
Investments accounted for using equity method	6, 16	**1,830**	2,434	**12,641**
Retirement benefit asset	22	**3,072**	3,624	**21,223**
Other financial assets	10, 35	**5,106**	6,423	**35,268**
Deferred tax assets	17	**2,667**	2,429	**18,422**
Other non-current assets	11	**606**	1,523	**4,188**
Total non-current assets		**96,244**	90,390	**664,786**
Total assets	6	**¥195,391**	¥173,926	**$1,349,622**

		Millions of Yen		Thousands of U.S. Dollars (Note 2)
Liabilities and equity	**Notes**	**As of June 30, 2023**	As of June 30, 2022	**As of June 30, 2023**
Liabilities:				
Current liabilities:				
Borrowings	18, 35	**¥28,716**	¥13,148	**$198,349**
Lease liabilities	19, 35	**2,795**	2,729	**19,307**
Trade and other payables	20, 35	**15,177**	10,400	**104,836**
Contract liabilities	27	**10,663**	8,837	**73,657**
Other financial liabilities	21, 35	**3,439**	4,561	**23,757**
Income taxes payable		**1,729**	2,551	**11,946**
Provisions	23	**1,197**	653	**8,270**
Other current liabilities	24	**14,235**	12,957	**98,330**
Total current liabilities		**77,955**	55,840	**538,457**
Non-current liabilities:				
Borrowings	18, 35	**17,385**	19,288	**120,084**
Lease liabilities	19, 35	**7,753**	6,556	**53,556**
Other financial liabilities	21, 35	**682**	665	**4,713**
Retirement benefit liability	22	**3,566**	3,896	**24,633**
Provisions	23	**94**	674	**653**
Deferred tax liabilities	17	**3,961**	4,683	**27,359**
Other non-current liabilities	24	**208**	351	**1,442**
Total non-current liabilities		**33,652**	36,116	**232,444**
Total liabilities		**111,607**	91,956	**770,902**
Equity:				
Share capital	25	**7,517**	7,501	**51,922**
Capital surplus	25	**6,470**	6,454	**44,693**
Treasury shares	25	**—**	(34)	**—**
Other components of equity		**6,478**	5,252	**44,750**
Retained earnings	25	**60,407**	58,914	**417,248**
Total equity attributable to owners of parent		**80,873**	78,088	**558,614**
Non-controlling interests		**2,910**	3,881	**20,105**
Total equity		**83,784**	81,969	**578,719**
Total liabilities and equity		**¥195,391**	¥173,926	**$1,349,622**

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

Nippon Koei Co., Ltd.
Year ended June 30, 2023

(Consolidated Statement of Profit or Loss)

		Millions of Yen		Thousands of U.S. Dollars (Note 2)
	Notes	**Year ended June 30, 2023**	Year ended June 30, 2022	**Year ended June 30, 2023**
Revenue	6, 27	**¥141,527**	¥130,674	**$977,571**
Cost of sales	28	**(99,181)**	(89,975)	**(685,074)**
Gross profit		**42,346**	40,699	**292,496**
Selling, general and administrative expenses	28	**(34,611)**	(31,610)	**(239,072)**
Share of profit of investments accounted for using equity method	6, 16	**97**	230	**672**
Other income	29	**3,677**	1,090	**25,400**
Other expenses	15, 29	**(5,428)**	(1,344)	**(37,494)**
Operating profit	6	**6,080**	9,065	**42,002**
Finance income	6, 10, 30	**1,074**	2,218	**7,420**
Finance costs	6, 30	**(781)**	(483)	**(5,398)**
Profit before tax	6	**6,373**	10,800	**44,023**
Income tax expense	17	**(2,435)**	(4,095)	**(16,823)**
Profit		**3,937**	6,704	**27,199**
Profit attributable to:				
Owners of parent		**3,093**	6,579	**21,366**
Non-controlling interests		**844**	125	**5,832**
Profit		**¥3,937**	¥6,704	**$27,199**
		Yen		U.S. Dollars (Note 2)
Earnings per share:				
Basic earnings per share	32	**¥205.34**	¥436.98	**$1.42**
Diluted earnings per share		**205.34**	436.98	**1.42**

(Consolidated Statement of Comprehensive Income)

		Millions of Yen		Thousands of U.S. Dollars (Note 2)
	Notes	**Year ended June 30, 2023**	Year ended June 30, 2022	**Year ended June 30, 2023**
Profit		**¥3,937**	¥6,704	**$27,199**
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Equity financial assets measured at fair value through other comprehensive income	31, 35	**424**	(196)	**2,933**
Remeasurements of defined benefit plans	22, 31	**(333)**	(547)	**(2,306)**
Share of other comprehensive income of investments accounted for using equity method	16, 31	**1**	(1)	**9**
Total of items that will not be reclassified to profit or loss		**92**	(745)	**637**
Items that may be reclassified to profit or loss:				
Cash flow hedges	31	**6**	6	**41**
Exchange differences on translation of foreign operations	31	**1,392**	2,757	**9,621**
Share of other comprehensive income of investments accounted for using equity method	16, 31	**72**	77	**503**
Total of items that may be reclassified to profit or loss		**1,471**	2,841	**10,166**
Other comprehensive income		**1,564**	2,096	**10,803**
Comprehensive income		**¥5,501**	¥8,801	**$38,003**
Comprehensive income attributable to:				
Owners of parent		**¥4,611**	¥8,479	**$31,851**
Non-controlling interests		**890**	321	**6,152**
Comprehensive income		**¥5,501**	¥8,801	**$38,003**

Consolidated Statement of Changes in Equity

Nippon Koei Co., Ltd.
Year ended June 30, 2023

		Millions of Yen											
		Equity attributable to owners of parent											
					Other components of equity								
	Notes	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, 2021		**¥7,480**	**¥6,428**	**¥(0)**	**¥1,982**	**¥(30)**	**¥867**	**¥ —**	**¥2,820**	**¥53,996**	**¥70,725**	**¥1,569**	**¥72,294**
Profit (loss)		—	—	—	—	—	—	—	—	6,579	6,579	125	6,704
Other comprehensive income		—	—	—	2,638	6	(195)	(548)	1,900	—	1,900	195	2,096
Total comprehensive income		—	—	—	2,638	6	(195)	(548)	1,900	6,579	8,479	321	8,801
Issuance of new shares		21	21	—	—	—	—	—	—	—	42	—	42
Change in scope of consolidation		—	—	—	—	—	—	—	—	—	—	—	—
Purchase of treasury shares	25	—	—	(34)	—	—	—	—	—	—	(34)	—	(34)
Disposal of treasury shares	25	—	—	—	—	—	—	—	—	—	—	—	—
Cancellation of treasury shares	25	—	—	—	—	—	—	—	—	—	—	—	—
Dividends	26	—	—	—	—	—	—	—	—	(1,128)	(1,128)	(15)	(1,143)
Purchase and disposal of non-controlling interests		—	5	—	(1)	—	—	—	(1)	—	3	2,005	2,009
Transfer to retained earnings		—	—	—	—	—	(15)	548	533	(533)	—	—	—
Total transactions with owners		21	26	(34)	(1)	—	(15)	548	531	(1,661)	(1,116)	1,990	873
Balance as of June 30, 2022		**¥7,501**	**¥6,454**	**¥(34)**	**¥4,620**	**¥(24)**	**¥656**	**¥ —**	**¥5,252**	**¥58,914**	**¥78,088**	**¥3,881**	**¥81,969**
Profit (loss)		—	—	—	—	—	—	—	—	3,093	3,093	844	3,937
Other comprehensive income		—	—	—	1,419	6	424	(332)	1,517	—	1,517	46	1,564
Total comprehensive income		—	—	—	1,419	6	424	(332)	1,517	3,093	4,611	890	5,501
Issuance of new shares		15	15	—	—	—	—	—	—	—	31	—	31
Change in scope of consolidation		—	—	—	—	—	—	—	—	—	—	(1,933)	(1,933)
Purchase of treasury shares	25	—	—	(3)	—	—	—	—	—	—	(3)	—	(3)
Disposal of treasury shares	25	—	—	28	—	—	—	—	—	—	28	—	28
Cancellation of treasury shares	25	—	—	9	—	—	—	—	—	(9)	—	—	—
Dividends	26	—	—	—	—	—	—	—	—	(1,882)	(1,882)	(67)	(1,949)
Purchase and disposal of non-controlling interests		—	—	—	(0)	—	—	—	(0)	—	(0)	139	139
Transfer to retained earnings		—	—	—	—	—	(623)	332	(291)	291	—	—	—
Total transactions with owners		15	15	34	(0)	—	(623)	332	(291)	(1,600)	(1,826)	(1,861)	(3,687)
Balance as of June 30, 2023		**¥7,517**	**¥6,470**	**¥ —**	**¥6,039**	**¥(18)**	**¥457**	**¥ —**	**¥6,478**	**¥60,407**	**¥80,873**	**¥2,910**	**¥83,784**

		Thousands of U.S. Dollars (Note 2)											
		Equity attributable to owners of parent											
					Other components of equity								
	Notes	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, 2022		**$51,815**	**$44,585**	**$(238)**	**$31,912**	**$(167)**	**$4,531**	**$ —**	**$36,277**	**$406,937**	**$539,377**	**$26,807**	**$566,184**
Profit (loss)		—	—	—	—	—	—	—	—	21,366	21,366	5,832	27,199
Other comprehensive income		—	—	—	9,802	41	2,933	(2,293)	10,484	—	10,484	319	10,803
Total comprehensive income		—	—	—	9,802	41	2,933	(2,293)	10,484	21,366	31,851	6,152	38,003
Issuance of new shares		107	107	—	—	—	—	—	—	—	214	—	214
Change in scope of consolidation		—	—	—	—	—	—	—	—	—	—	(13,352)	(13,352)
Purchase of treasury shares	25	—	—	(23)	—	—	—	—	—	—	(23)	—	(23)
Disposal of treasury shares	25	—	—	197	—	—	—	—	—	—	197	—	197
Cancellation of treasury shares	25	—	—	64	—	—	—	—	—	(64)	—	—	—
Dividends	26	—	—	—	—	—	—	—	—	(13,001)	(13,001)	(467)	(13,468)
Purchase and disposal of non-controlling interests		—	—	—	(0)	—	—	—	(0)	—	—	965	964
Transfer to retained earnings		—	—	—	—	—	(4,303)	2,293	(2,010)	2,010	—	—	—
Total transactions with owners		107	107	238	(0)	—	(4,303)	2,293	(2,011)	(11,055)	(12,613)	(12,854)	(25,468)
Balance as of June 30, 2023		**$51,922**	**$44,693**	**$ —**	**$41,714**	**$(125)**	**$3,161**	**$ —**	**$44,750**	**$417,248**	**$558,614**	**$20,105**	**$578,719**

Consolidated Statement of Cash Flows

Nippon Koei Co., Ltd.
Year ended June 30, 2023

Cash flows from operating activities:	Notes	Millions of Yen Year ended June 30, 2023	Millions of Yen Year ended June 30, 2022	Thousands of U.S. Dollars (Note 2) Year ended June 30, 2023
Profit before tax		**¥6,373**	¥10,800	**$44,023**
Depreciation and amortization		**5,305**	4,976	**36,643**
Impairment losses		**3,943**	281	**27,240**
Gain on sale of shares of subsidiaries and associates	29	**(1,061)**	—	**(7,328)**
Interest and dividend income		**(495)**	(513)	**(3,425)**
Interest expenses		**658**	483	**4,547**
Share of loss (profit) of investments accounted for using equity method		**(97)**	(230)	**(672)**
Loss (gain) on derivatives		**(274)**	(979)	**(1,892)**
Decrease (increase) in trade and other receivables		**1,000**	(4,581)	**6,912**
Decrease (increase) in contract assets		**(5,305)**	(1,837)	**(36,647)**
Increase (decrease) in trade and other payables		**1,459**	1,002	**10,081**
Increase (decrease) in contract liabilities		**502**	(2,463)	**3,473**
Increase (decrease) in consumption taxes payable		**876**	(1,596)	**6,055**
Increase (decrease) in deposits received		**(1,157)**	1,519	**(7,992)**
Increase (decrease) in accrued expenses		**115**	1,162	**800**
Increase (decrease) in provisions		**(64)**	147	**(442)**
Other		**601**	(8)	**4,154**
Sub total		**12,382**	8,161	**85,530**
Dividends received		**266**	178	**1,840**
Interest received		**731**	356	**5,052**
Proceeds from insurance income		**100**	—	**690**
Interest paid		**(729)**	(410)	**(5,040)**
Income taxes paid		**(4,405)**	(3,466)	**(30,427)**
Net cash provided by (used in) operating activities		**8,345**	4,820	**57,646**

Cash flows from investing activities:	Notes	Millions of Yen Year ended June 30, 2023	Millions of Yen Year ended June 30, 2022	Thousands of U.S. Dollars (Note 2) Year ended June 30, 2023
Payments into time deposits		**(45)**	(235)	**(317)**
Proceeds from withdrawal of time deposits		**27**	—	**191**
Purchase of property, plant and equipment, and investment property		**(5,522)**	(5,557)	**(38,147)**
Purchase of intangible assets		**(254)**	(296)	**(1,760)**
Purchase of other financial assets		**(359)**	(622)	**(2,482)**
Proceeds from sale and redemption of other financial assets		**1,859**	137	**12,844**
Proceeds from sale of investments in associates	33	**1,723**	—	**11,904**
Purchase of investments in associates		**(851)**	(261)	**(5,883)**
Collection of loans receivable		**558**	—	**3,855**
Other		**6**	(112)	**42**
Net cash provided by (used in) investing activities		**(2,859)**	(6,949)	**(19,752)**
Cash flows from financing activities:				
Proceeds from short-term borrowings	33	**503,049**	265,500	**3,474,699**
Repayments of short-term borrowings	33	**(488,543)**	(258,035)	**(3,374,502)**
Proceeds from long-term borrowings	33	**4,149**	4,985	**28,659**
Repayments of long-term borrowings	33	**(5,448)**	(8,331)	**(37,633)**
Repayments of lease liabilities	33	**(3,173)**	(3,050)	**(21,917)**
Capital contribution from non-controlling interests		**139**	2,041	**965**
Dividends paid	26	**(1,899)**	(1,148)	**(13,123)**
Other		**25**	(67)	**174**
Net cash provided by (used in) financing activities		**8,298**	1,892	**57,320**
Net increase (decrease) in cash and cash equivalents		**13,784**	(235)	**95,213**
Cash and cash equivalents at beginning of period	8	**17,971**	17,838	**124,137**
Effect of exchange rate changes on cash and cash equivalents		**(77)**	369	**(534)**
Cash and cash equivalents at end of period	8	**¥31,679**	¥17,971	**$218,816**

Notes to Consolidated Financial Statements

Nippon Koei Co., Ltd.
Year ended June 30, 2023

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/consulting/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, 2023.
The Group's businesses are Consulting, Urban & Spatial Development, and Energy. Details of each business are described in note "**6. Segment Information.**"

2. Basis of Preparation

(1) In Accordance with IFRS
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 Haruhiko Kanai, Representative Director and President, on September 28, 2023.

(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. dollars amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥144.775 to $1, the approximate rate of exchange on June 30, 2023.
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

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, unless 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 recorded in profit attributable to 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 circumstances 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 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 plus 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 if the contractual right to cash flows from financial assets expire, or the Group transfers substantially all the risks and rewards of ownership of the financial assets when transferring 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 currency exchange risk and interest rate 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: 2–20 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 (2–50 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

a. 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 is completed 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.

b. 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, the Employee Stock Ownership Plan (ESOP) Trust (Trust period is May 31, 2017–March 31, 2021) System had been introduced 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.

(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 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
Step 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

“Consulting,” “Urban & Spatial Development,” and “Energy” provide such services as planning, designing, and supervision mainly for civil engineering, architecture and 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.

The large-scale vertical axis hydroelectric power projects, 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 of 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 identify 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, progress 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 owners 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.

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," and "**27. Revenue**")
- Impairment of non-financial assets (Note "**3. Significant Accounting Policies**, (11) Impairment of Non-Financial Assets," and "**15. Impairment of non-Financial Assets**")

5. New Accounting Standards Not Yet Adopted

The below are major new or amended standards that have been issued as of the date of approval of the consolidated financial statements which are not effective and have not yet been adopted by the Group as of June 30, 2023. The Company is looking into the impact of applying the new IFRS and is in no position to make estimates at the moment.

Standard	Standard name	Effective date (Annual periods beginning on or after)	The Group's application schedule	Overview of newly established and revised standards
IFRS 17	Insurance Contract	January 1, 2023	Fiscal year ending June 30, 2024	Comprehensive standard related to insurance contracts. Replaced IFRS 4, which was introduced as an interim standard.
IAS 1	Presentation of Financial Statements	January 1, 2024	Fiscal year ending June 30, 2025	Clarified how to classify debt and other financial liabilities as current or non-current.
IAS 1 IAS 8	Presentation of Financial Statements Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2023	Fiscal year ending June 30, 2024	Improved disclosure of accounting policies and clarified criteria between accounting policies and accounting estimates.
IAS 12	Income Taxes	January 1, 2023	Fiscal year ending June 30, 2024	Clarified the accounting treatment of deferred tax related to lease and decommissioning obligations.
IFRS 16	Leases	January 1, 2024	Fiscal year ending June 30, 2025	Added requirements to explain how a sale and leaseback transaction should be treated after the transaction is completed.
IAS 1	Presentation of Financial Statements	January 1, 2024	Fiscal year ending June 30, 2025	Improved information that an entity should provide concerning long-term debt with covenants.

6. Segment Information

(1) Outline of Reportable Segments

a. Method of Determination of Reportable Segments

Reportable segments of the Group are determined as segments whose separate financial information is accessible from among the constituent units of the Group and used by the Board of Directors to determine the allocation of management resources and to evaluate achievements.

The Group has business management divisions separated by types of products and services at the head office.

Each business management division formulates a comprehensive strategy based on the products and services and engages in conducting business activities.

In line with the above, the Group is composed of segments divided by products and services, with each business management division serving as the foundation, and the three reportable segments are "Consulting", "Urban & Spatial Development" and "Energy."

b. Types of Products and Services by Reportable Segments

"Consulting" engages in business within and outside Japan such as site surveying, planning, evaluation/assessment, designing, and construction management. It mainly operates in the fields of rivers and water resources, water and sewage, agricultural and rural development, dams and power generation, transportation (roads, railroads, ports and airports), urban and regional development, geology, disaster prevention, sand control, environment and information systems.

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

"Energy" engages in manufacturing and sale of electric power equipment and control devices, planning, design, construction and construction management of mechanical, electrical and communication facilities as well as the energy management business utilizing distributed energy resources.

(2) Changes in reportable segments

On July 1, 2022, the Urban & Spatial Development Business of the Company was transferred by succession to our consolidated subsidiary Tamano Consultants Co., Ltd through a company split (simplified absorption-type split), and the trade name of the said company was changed to Nippon Koei Urban Space Co., Ltd. In association with the organizational restructuring due to the relevant company split, Nippon Koei Urban Space Co., Ltd. and its subsidiary Tamano Ecost Co., Ltd. and our consolidated subsidiary Nakaze kamp Co., Ltd. have had their segment classification changed from the "Consulting" to the "Urban & Spatial Development".

Please note that segment information for the previous fiscal year is provided based on the new reporting segments.

(3) 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.

(4) 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, 2023							
	Reportable Segments				Others (Note 1)	**Total**	Adjustments (Note 3)	**Consolidated**
	Consulting	Urban & Spatial Development	Energy	**Subtotal**				
Revenue:								
Revenue from external customers	**¥81,818**	**¥38,071**	**¥20,855**	**¥140,745**	**¥782**	**¥141,527**	**¥ —**	**¥141,527**
Intersegment revenue and transfers	**523**	**608**	**322**	**1,454**	**976**	**2,430**	**(2,430)**	**—**
Total	**¥82,341**	**¥38,680**	**¥21,177**	**¥142,199**	**¥1,758**	**¥143,958**	**¥(2,430)**	**¥141,527**
Segment profit (loss)	**6,599**	**(946)**	**2,974**	**8,627**	**(2,537)**	**6,090**	**(9)**	**6,080**
Finance income								**1,074**
Finance costs								**(781)**
Profit before tax								**6,373**
Other items:								
Depreciation and amortization	**(1,520)**	**(2,115)**	**(704)**	**(4,340)**	**(992)**	**(5,332)**	**27**	**(5,305)**
Impairment losses	**—**	**(3,943)**	**—**	**(3,943)**	**—**	**(3,943)**	**—**	**(3,943)**
Share of profit (loss) of investments accounted for using equity method	**20**	**—**	**76**	**97**	**—**	**97**	**—**	**97**
Segment assets	**57,587**	**47,664**	**38,749**	**144,001**	**83,641**	**227,643**	**(32,251)**	**195,391**
Increase in property, plant and equipment, and intangible assets (Note 2)	**1,907**	**2,912**	**768**	**5,588**	**401**	**5,990**	**—**	**5,990**
Investments accounted for using equity method	**103**	**—**	**1,726**	**1,830**	**—**	**1,830**	**—**	**1,830**

	Thousands of U.S. Dollars							
	Year ended June 30, 2023							
	Reportable Segments				Others (Note 1)	**Total**	Adjustments (Note 3)	**Consolidated**
	Consulting	Urban & Spatial Development	Energy	**Subtotal**				
Revenue:								
Revenue from external customers	**$565,141**	**$262,971**	**$144,056**	**$972,169**	**$5,402**	**$977,571**	**$ —**	**$977,571**
Intersegment revenue and transfers	**3,614**	**4,205**	**2,224**	**10,043**	**6,742**	**16,786**	**(16,786)**	**—**
Total	**$568,755**	**$267,176**	**$146,281**	**$982,213**	**$12,144**	**$994,357**	**$(16,786)**	**$977,571**
Segment profit (loss)	**45,582**	**(6,535)**	**20,546**	**59,594**	**(17,523)**	**42,070**	**(68)**	**42,002**
Finance income								**7,420**
Finance costs								**(5,398)**
Profit before tax								**44,023**
Other items:								
Depreciation and amortization	**(10,505)**	**(14,611)**	**(4,864)**	**(29,981)**	**(6,853)**	**(36,834)**	**190**	**(36,643)**
Impairment losses	**—**	**(27,240)**	**—**	**(27,240)**	**—**	**(27,240)**	**—**	**(27,240)**
Share of profit (loss) of investments accounted for using equity method	**142**	**—**	**530**	**672**	**—**	**672**	**—**	**672**
Segment assets	**397,771**	**329,230**	**267,652**	**994,654**	**577,737**	**1,572,392**	**(222,770)**	**1,349,622**
Increase in property, plant and equipment, and intangible assets (Note 2)	**13,177**	**20,114**	**5,308**	**38,600**	**2,776**	**41,377**	**—**	**41,377**
Investments accounted for using equity method	**715**	**—**	**11,926**	**12,641**	**—**	**12,641**	**—**	**12,641**

(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, 2022							
	Reportable Segments				Others (Note 1)	Total	Adjustments (Note 3)	Consolidated
	Consulting	Urban & Spatial Development	Energy	Subtotal				
Revenue:								
Revenue from external customers	¥75,000	¥36,091	¥18,799	¥129,891	¥783	¥130,674	¥ —	¥130,674
Intersegment revenue and transfers	426	289	322	1,038	781	1,820	(1,820)	—
Total	¥75,427	¥36,381	¥19,121	¥130,930	¥1,564	¥132,494	¥(1,820)	¥130,674
Segment profit (loss)	7,971	2,599	1,290	11,861	(2,794)	9,066	(1)	9,065
Finance income								2,218
Finance costs								(483)
Profit before tax								10,800
Other items:								
Depreciation and amortization	(1,474)	(1,949)	(595)	(4,018)	(973)	(4,991)	15	(4,976)
Impairment losses	—	(281)	—	(281)	—	(281)	—	(281)
Share of profit (loss) of investments accounted for using equity method	(14)	—	244	230	—	230	—	230
Segment assets	55,693	47,729	31,040	134,463	76,045	210,508	(36,582)	173,926
Increase in property, plant and equipment, and intangible assets (Note 2)	1,774	1,611	3,650	7,036	1,180	8,217	—	8,217
Investments accounted for using equity method	82	—	2,352	2,434	—	2,434	—	2,434

(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.

(5) Information by Product and Service

Statement is omitted, as similar information is disclosed in "(4) Revenue, Income or Loss, Assets, Liabilities, and Other Items by Reportable Segments."

(6) 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, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Japan	**¥81,017**	¥76,546	**$559,607**
Europe, Middle East, Central Asia, North Africa	**19,640**	18,688	**135,661**
Southeast Asia, East Asia, Oceania	**12,617**	11,304	**87,151**
South Asia	**13,528**	10,941	**93,445**
America	**9,798**	8,304	**67,681**
Sub-Saharan Africa, Africa	**4,738**	4,687	**32,729**
Others	**187**	202	**1,293**
Total	**¥141,527**	¥130,674	**$977,571**

Non-current assets

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2023	As of June 30, 2022	**As of June 30, 2023**
Japan	**¥47,810**	¥49,372	**$330,238**
Europe	**28,232**	20,871	**195,012**
Canada	**4,428**	2,689	**30,587**
Others	**3,096**	2,544	**21,390**
Total	**¥83,568**	¥75,478	**$577,229**

(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.

(7) 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, 2023	
Name of Customers	Revenue	Related Segment Name
Ministry of Land, Infrastructure, Transport and Tourism	**¥23,816**	Consulting
Japan International Cooperation Agency	**10,106**	Consulting
Tokyo Electric Power Company Holdings, Inc. and its subsidiaries	**8,572**	Energy

	Thousands of U.S. Dollars	
	Year ended June 30, 2023	
Name of Customers	Revenue	Related Segment Name
Ministry of Land, Infrastructure, Transport and Tourism	**$164,507**	Consulting
Japan International Cooperation Agency	**69,805**	Consulting
Tokyo Electric Power Company Holdings, Inc. and its subsidiaries	**59,212**	Energy

	Millions of Yen	
	Year ended June 30, 2022	
Name of Customers	Revenue	Related Segment Name
Ministry of Land, Infrastructure, Transport and Tourism	¥23,574	Consulting
Japan International Cooperation Agency	10,576	Consulting
Tokyo Electric Power Company Holdings, Inc. and its subsidiaries	7,357	Energy

7. Business Combinations

Statement is omitted due to its insignificance for the years ended June 30, 2023 and 2022.

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, 2023	As of June 30, 2022	**As of June 30, 2023**
Cash and bank deposits except for time deposits with original term of more than three months	**¥31,679**	¥17,971	**$218,816**
Cash and cash equivalents in the consolidated statement of financial position	**31,679**	17,971	**218,816**
Cash and cash equivalents in the consolidated statement of cash flows	**31,679**	17,971	**218,816**

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, 2023	As of June 30, 2022	**As of June 30, 2023**
Notes and accounts receivable - trade	**¥25,545**	¥25,931	**$176,450**
Others	**2,466**	2,088	**17,037**
Allowance for expected credit losses	**(1,199)**	(977)	**(8,288)**
Total	**¥26,812**	¥27,042	**$185,200**

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, 2023	As of June 30, 2022	**As of June 30, 2023**
Financial assets measured at amortized cost:			
Time deposits with a deposit period of more than 3 months and others	**¥2,745**	¥3,856	**$18,962**
Allowance for expected credit losses	**(147)**	(95)	**(1,022)**
Financial assets measured at fair value through profit or loss:			
Interest rate and currency swap	**940**	940	**6,497**
Stocks	**1,843**	1,769	**12,735**
Bonds	**201**	215	**1,394**
Others	**3**	—	**22**
Financial assets measured at fair value through other comprehensive income:			
Stocks and contribution	**2,299**	3,517	**15,883**
Total	**¥7,886**	¥10,203	**$54,475**
Current assets	**¥2,780**	¥3,779	**$19,206**
Non-current assets	**5,106**	6,423	**35,268**
Total	**¥7,886**	¥10,203	**$54,475**

(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, 2023	As of June 30, 2022	**As of June 30, 2023**
Issue name:			
Mitsubishi UFJ Financial Group, Inc.	**¥759**	¥520	**$5,245**
Sumitomo Realty & Development Co., Ltd.	**532**	537	**3,681**
OILES CORPORATION	**475**	363	**3,283**
JESK HORIUCHI CO., LTD.	**105**	118	**728**
OYO Corporation	**—**	559	**—**
Yokogawa Bridge Holdings Corp.	**—**	445	**—**
INFRONEER Holdings Inc.	**—**	364	**—**

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, 2023	As of June 30, 2022	**As of June 30, 2023**
Fair value	**¥1,843**	¥39	**$12,730**
Cumulative gains or losses	**909**	22	**6,279**

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 ¥623 million ($4,303 thousand) and ¥15 million for the years ended June 30, 2023 and 2022, 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, 2023	As of June 30, 2022	**As of June 30, 2023**
Derecognized investments during the reporting period	**¥37**	¥1	**$255**
Investments held at year-end	**131**	97	**908**

11. Other Assets

The breakdown of other assets is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2023	As of June 30, 2022	**As of June 30, 2023**
Other current assets:			
Advance payments to suppliers	**¥1,212**	¥2,851	**$8,373**
Prepaid expenses	**2,163**	1,861	**14,945**
Accrued interest	**51**	1,034	**354**
Consumption taxes refund receivable	**545**	1,062	**3,770**
Others	**1,755**	1,480	**12,124**
Total	**¥5,728**	¥8,290	**$39,567**
Other non-current assets:			
Long-term prepaid expenses	**¥235**	¥356	**$1,627**
Others	**370**	1,166	**2,560**
Total	**¥606**	¥1,523	**$4,188**

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, 2021	**¥23,153**	**¥21,863**	**¥4,564**	**¥5,892**
Acquisition	1,003	87	49	497
Acquisition through business combination	—	—	—	78
Sale or disposal	(990)	(61)	(26)	(300)
Account transfer	(1,465)	2,233	670	(95)
Exchange differences on translation of foreign operations	24	446	128	253
Others	—	(38)	0	31
Balance as of June 30, 2022	**¥21,725**	**¥24,530**	**¥5,387**	**¥6,357**
Acquisition	—	3,670	35	659
Acquisition through business combination	—	1	—	9
Sale or disposal	—	(59)	(9)	(368)
Account transfer	680	334	22	398
Exchange differences on translation of foreign operations	18	829	50	348
Others	(0)	21	(0)	(0)
Balance as of June 30, 2023	**¥22,424**	**¥29,328**	**¥5,485**	**¥7,404**

	Millions of Yen			
	Construction in progress	Total property, plant and equipment	Right-of-use assets	Total
Balance as of July 1, 2021	**¥3,198**	**¥58,672**	**¥14,039**	**¥72,712**
Acquisition	1,278	2,915	4,228	7,143
Acquisition through business combination	—	78	—	78
Sale or disposal	—	(1,379)	(2,850)	(4,229)
Account transfer	(2,236)	(892)	—	(892)
Exchange differences on translation of foreign operations	366	1,219	538	1,758
Others	22	15	—	15
Balance as of June 30, 2022	**¥2,628**	**¥60,629**	**¥15,956**	**¥76,586**
Acquisition	6,441	10,805	4,336	15,142
Acquisition through business combination	—	10	—	10
Sale or disposal	—	(438)	(2,502)	(2,940)
Account transfer	(860)	575	(151)	424
Exchange differences on translation of foreign operations	747	1,994	815	2,809
Others	8	29	81	111
Balance as of June 30, 2023	**¥8,966**	**¥73,607**	**¥18,536**	**¥92,143**

	Thousands of U.S. Dollars			
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures
Balance as of June 30, 2022	**$150,065**	**$169,438**	**$37,211**	**$43,913**
Acquisition	—	25,354	241	4,552
Acquisition through business combination	—	7	—	65
Sale or disposal	—	(411)	(67)	(2,546)
Account transfer	4,698	2,312	153	2,754
Exchange differences on translation of foreign operations	126	5,726	347	2,406
Others	(0)	150	(0)	(3)
Balance as of June 30, 2023	**$154,890**	**$202,576**	**$37,886**	**$51,142**

	Thousands of U.S. Dollars			
	Construction in progress	Total property, plant and equipment	Right-of-use assets	Total
Balance as of June 30, 2022	**$18,157**	**$418,785**	**$110,218**	**$529,003**
Acquisition	44,490	74,639	29,951	104,591
Acquisition through business combination	—	72	—	72
Sale or disposal	—	(3,025)	(17,284)	(20,310)
Account transfer	(5,942)	3,977	(1,046)	2,930
Exchange differences on translation of foreign operations	5,166	13,773	5,633	19,406
Others	60	206	562	769
Balance as of June 30, 2023	**$61,932**	**$508,428**	**$128,034**	**$636,462**

Accumulated Depreciation and Impairment

	Millions of Yen			
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures
Balance as of July 1, 2021	**¥ —**	**¥8,454**	**¥3,074**	**¥4,517**
Depreciation	—	666	186	427
Impairment losses	—	—	—	—
Sale or disposal	—	(13)	(22)	(204)
Exchange differences on translation of foreign operations	—	58	13	197
Others	—	1,405	450	16
Balance as of June 30, 2022	**¥ —**	**¥10,570**	**¥3,702**	**¥4,953**
Acquisition through business combination	—	0	—	6
Depreciation	—	801	191	496
Impairment losses	—	85	22	—
Sale or disposal	—	(48)	(7)	(351)
Exchange differences on translation of foreign operations	—	30	5	246
Others	—	157	(0)	27
Balance as of June 30, 2023	**¥ —**	**¥11,597**	**¥3,913**	**¥5,378**

	Millions of Yen			
	Construction in progress	Total property, plant and equipment	Right-of-use assets	Total
Balance as of July 1, 2021	**¥1,794**	**¥17,840**	**¥4,810**	**¥22,650**
Depreciation	—	1,279	3,110	4,390
Impairment losses	—	—	—	—
Sale or disposal	—	(240)	(1,236)	(1,477)
Exchange differences on translation of foreign operations	—	268	203	472
Others	(1,794)	77	1	79
Balance as of June 30, 2022	**¥ —**	**¥19,225**	**¥6,889**	**¥26,114**
Acquisition through business combination	—	6	—	6
Depreciation	—	1,488	3,240	4,729
Impairment losses	—	108	—	108
Sale or disposal	—	(407)	(1,978)	(2,386)
Exchange differences on translation of foreign operations	—	282	314	597
Others	—	184	(70)	114
Balance as of June 30, 2023	**¥ —**	**¥20,889**	**¥8,395**	**¥29,284**

	Thousands of U.S. Dollars			
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures
Balance as of June 30, 2022	**$ —**	**$73,012**	**$25,571**	**$34,213**
Acquisition through business combination	—	4	—	42
Depreciation	—	5,532	1,319	3,430
Impairment losses	—	591	155	—
Sale or disposal	—	(334)	(48)	(2,430)
Exchange differences on translation of foreign operations	—	210	36	1,703
Others	—	1,087	0	189
Balance as of June 30, 2023	**$ —**	**$80,103**	**$27,034**	**$37,148**

	Thousands of U.S. Dollars			
	Construction in progress	Total property, plant and equipment	Right-of-use assets	Total
Balance as of June 30, 2022	**$ —**	**$132,796**	**$47,585**	**$180,381**
Acquisition through business combination	—	46	—	46
Depreciation	—	10,283	22,384	32,668
Impairment losses	—	747	—	747
Sale or disposal	—	(2,813)	(13,669)	(16,482)
Exchange differences on translation of foreign operations	—	1,950	2,174	4,125
Others	—	1,275	(483)	792
Balance as of June 30, 2023	**$ —**	**$144,286**	**$57,991**	**$202,278**

(Note)
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.

Carrying Amount

	Millions of Yen			
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures
As of July 1, 2021	¥23,153	¥13,409	¥1,489	¥1,375
As of June 30, 2022	21,725	13,960	1,685	1,404
As of June 30, 2023	**22,424**	**17,731**	**1,571**	**2,025**

	Millions of Yen			
	Construction in progress	Property, plant and equipment	Right-of-use assets	Total
As of July 1, 2021	¥1,403	¥40,832	¥9,229	¥50,061
As of June 30, 2022	2,628	41,403	9,067	50,471
As of June 30, 2023	**8,966**	**52,718**	**10,140**	**62,859**

	Thousands of U.S. Dollars			
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures
As of June 30, 2023	**$154,890**	**$122,473**	**$10,851**	**$13,993**

	Thousands of U.S. Dollars			
	Construction in progress	Property, plant and equipment	Right-of-use assets	Total
As of June 30, 2023	**$61,932**	**$364,141**	**$70,042**	**$434,184**

(Note)
The amount of borrowing costs capitalized during the period is ¥33 million ($227 thousand) and ¥19 million for the years ended June 30, 2023 and 2022, respectively. The capitalization rate used for calculating the amount of borrowing costs qualified for capitalization is 0.58% and 0.7% for the years ended June 30, 2023 and 2022, 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, 2021	¥7,874	¥323	¥1,031	¥9,229
As of June 30, 2022	7,651	390	1,025	9,067
As of June 30, 2023	**8,705**	**333**	**1,100**	**10,140**

	Thousands of U.S. Dollars			
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
As of June 30, 2023	**$60,131**	**$2,305**	**$7,604**	**$70,041**

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, 2021	**¥9,182**	**¥4,276**	**¥4,148**	**¥1,641**
Acquisition	—	171	—	—
Acquisition through business combination	435	—	25	—
Sale or disposal	—	(283)	—	—
Exchange differences on translation of foreign operations	887	56	385	208
Others	—	(36)	—	—
Balance as of June 30, 2022	**¥10,505**	**¥4,185**	**¥4,558**	**¥1,849**
Acquisition	—	235	—	—
Acquisition through business combination	532	70	—	—
Sale or disposal	—	(60)	—	—
Exchange differences on translation of foreign operations	946	39	432	125
Others	—	—	—	—
Balance as of June 30, 2023	**¥11,984**	**¥4,471**	**¥4,990**	**¥1,974**

	Millions of Yen		
	Intangible assets		
	Contact-related intangible assets	Others	Total
Balance as of July 1, 2021	**¥537**	**¥1,668**	**¥12,272**
Acquisition	143	—	315
Acquisition through business combination	—	70	96
Sale or disposal	—	(0)	(284)
Exchange differences on translation of foreign operations	53	142	846
Others	—	0	(35)
Balance as of June 30, 2022	**¥735**	**¥1,880**	**¥13,209**
Acquisition	—	0	236
Acquisition through business combination	—	115	186
Sale or disposal	—	(18)	(79)
Exchange differences on translation of foreign operations	75	120	792
Others	—	—	—
Balance as of June 30, 2023	**¥810**	**¥2,097**	**¥14,345**

	Thousands of U.S. Dollars			
		Intangible assets		
	Goodwill	Software	Trademarks	Customer relationships
Balance as of June 30, 2022	**$72,566**	**$28,910**	**$31,489**	**$12,775**
Acquisition	—	1,629	—	—
Acquisition through business combination	3,676	487	—	—
Sale or disposal	—	(417)	—	—
Exchange differences on translation of foreign operations	6,534	275	2,984	865
Others	—	—	—	—
Balance as of June 30, 2023	**$82,777**	**$30,885**	**$34,473**	**$13,640**

	Thousands of U.S. Dollars		
	Intangible assets		
	Contact-related intangible assets	Others	Total
Balance as of June 30, 2022	**$5,077**	**$12,990**	**$91,243**
Acquisition	—	0	1,630
Acquisition through business combination	—	798	1,286
Sale or disposal	—	(130)	(547)
Exchange differences on translation of foreign operations	519	829	5,474
Others	—	—	—
Balance as of June 30, 2023	**$5,597**	**$14,489**	**$99,087**

Accumulated Amortization and Impairment

	Millions of Yen			
		Intangible assets		
	Goodwill	Software	Trademarks	Customer relationships
Balance as of July 1, 2021	**¥ —**	**¥3,705**	**¥ —**	**¥702**
Amortization	—	236	—	160
Impairment losses	281	—	—	—
Reversal of impairment	—	—	—	—
Sale or disposal	—	(282)	—	—
Exchange differences on translation of foreign operations	17	47	—	91
Others	—	(47)	—	—
Balance as of June 30, 2022	**¥298**	**¥3,661**	**¥ —**	**¥954**
Amortization	—	207	—	173
Impairment losses	3,943	—	—	—
Reversal of impairment	—	—	—	—
Sale or disposal	—	(60)	—	—
Exchange differences on translation of foreign operations	414	35	—	89
Others	—	—	—	—
Balance as of June 30, 2023	**¥4,656**	**¥3,844**	**¥ —**	**¥1,217**

	Millions of Yen		
	Intangible assets		
	Contact-related intangible assets	Others	Total
Balance as of July 1, 2021	**¥ —**	**¥1,361**	**¥5,769**
Amortization	—	74	471
Impairment losses	—	—	—
Reversal of impairment	—	—	—
Sale or disposal	—	(0)	(283)
Exchange differences on translation of foreign operations	—	134	273
Others	—	(0)	(47)
Balance as of June 30, 2022	**¥ —**	**¥1,569**	**¥6,184**
Amortization	—	71	452
Impairment losses	—	—	—
Reversal of impairment	—	—	—
Sale or disposal	—	(17)	(77)
Exchange differences on translation of foreign operations	—	116	242
Others	—	—	—
Balance as of June 30, 2023	**¥ —**	**¥1,739**	**¥6,801**

	Thousands of U.S. Dollars			
		Intangible assets		
	Goodwill	Software	Trademarks	Customer relationships
Balance as of June 30, 2022	**$2,059**	**$25,289**	**$ —**	**$6,591**
Amortization	—	1,433	—	1,198
Impairment losses	27,240	—	—	—
Reversal of impairment	—	—	—	—
Sale or disposal	—	(415)	—	—
Exchange differences on translation of foreign operations	2,861	246	—	618
Others	—	—	—	—
Balance as of June 30, 2023	**$32,161**	**$26,554**	**$ —**	**$8,408**

	Thousands of U.S. Dollars		
	Intangible assets		
	Contact-related intangible assets	Others	Total
Balance as of June 30, 2022	**$ —**	**$10,838**	**$42,719**
Amortization	—	491	3,123
Impairment losses	—	—	—
Reversal of impairment	—	—	—
Sale or disposal	—	(121)	(536)
Exchange differences on translation of foreign operations	—	806	1,671
Others	—	—	—
Balance as of June 30, 2023	**$ —**	**$12,015**	**$46,977**

Carrying Amount

	Millions of Yen			
		Intangible assets		
	Goodwill	Software	Trademarks	Customer relationships
Balance as of July 1, 2021	¥9,182	¥570	¥4,148	¥938
Balance as of June 30, 2022	10,207	524	4,558	895
Balance as of June 30, 2023	**7,327**	**627**	**4,990**	**757**

	Millions of Yen		
	Intangible assets		
	Contact-related intangible assets	Others	Total
Balance as of July 1, 2021	¥537	¥306	¥6,502
Balance as of June 30, 2022	735	311	7,025
Balance as of June 30, 2023	**810**	**358**	**7,544**

	Thousands of U.S. Dollars			
		Intangible assets		
	Goodwill	Software	Trademarks	Customer relationships
Balance as of June 30, 2023	**$50,615**	**$4,331**	**$34,473**	**$5,232**

	Thousands of U.S. Dollars		
	Intangible assets		
	Contact-related intangible assets	Others	Total
Balance as of June 30, 2023	**$5,597**	**$2,474**	**$52,109**

(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. Impairment loss is included in "Other expenses" in the consolidated statement of profit or loss.
6. Research and development expenses recognized as an expense during the period are ¥1,211 million ($8,370 thousand) and ¥1,243 million for the years ended June 30, 2023 and 2022, respectively.

(2) Significant Goodwill and Intangible Assets

	Millions of Yen				Thousands of U.S. Dollars
	As of June 30, 2023		As of June 30, 2022		**As of June 30, 2023**
	Carrying amount	Useful life (year)	Carrying amount	Useful life (year)	Carrying amount
BDP Holdings Limited					
Goodwill	**¥5,104**	**—**	¥8,556	—	**$35,257**
Trademarks (Note)	**4,501**	**—**	4,083	—	**31,090**

(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 and Europe. 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.

(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, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Balance at beginning of period	**¥8,266**	¥5,684	**$57,097**
Acquisition	**131**	8	**910**
Transfer	**(1,137)**	2,573	**(7,854)**
Exchange differences on translation of foreign operations	**16**	—	**115**
Balance at end of period	**¥7,277**	¥8,266	**$50,268**

Accumulated Depreciation and Impairment

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Balance at beginning of period	**¥2,015**	¥1,589	**$13,922**
Depreciation	**122**	114	**846**
Transfer	**(99)**	311	**(684)**
Exchange differences on translation of foreign operations	**7**	—	**51**
Others	**—**	0	**—**
Balance at end of period	**¥2,046**	¥2,015	**$14,137**

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

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2023	As of June 30, 2022	**As of June 30, 2023**
Carrying amount	**¥5,230**	¥6,250	**$36,131**
Fair value	**10,589**	12,277	**73,147**

The fair value of investment property is determined by the Group based on "Real Estate Appraisal Standards." 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) *c*."

(2) Revenue and Expenses from Investment Property
Rental income and direct operating cost from investment property are as follows:
Rental income represents lease income from operating leases (lessor) in accordance with IFRS 16 "Leases."

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Rental income	**¥665**	¥677	**$4,594**
Direct operating cost	**265**	304	**1,837**

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, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Goodwill	**¥3,943**	¥281	**$27,240**
Total	**¥3,943**	¥281	**$27,240**

For the year ended June 30, 2023, an impairment loss of ¥3,943 million ($27,240 thousand) is recorded against goodwill for BDP Holdings Limited and its subsidiaries of the Urban & Spatial Development segment.
For the year ended June 30, 2023, the recoverable amount fell below the carrying amount primarily due to an increase in the discount rate from the year ended June 30, 2022 and review of business plan resulting in recognizing an impairment loss.

For the year ended June 30, 2022, an impairment loss of ¥281 million is recorded against goodwill for BDP Holdings Limited and its subsidiaries of the Urban & Spatial Development segment. For the year ended June 30, 2022, the recoverable amount fell below the carrying amount primarily due to an increase in the discount rate from the year ended June 30, 2021, resulting in recognizing an impairment loss.

(2) Impairment Test for 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, 2023	As of June 30, 2022	**As of June 30, 2023**
Consulting	**¥542**	¥45	**$3,749**
Urban & Spatial Development	**11,775**	14,721	**81,339**
Total	**¥12,318**	¥14,766	**$85,088**

<u>Goodwill and intangible assets with indefinite useful lives of BDP Holdings Limited and its subsidiaries</u>
For the goodwill of ¥6,785 million ($46,866 thousand) as well as trademarks as intangible assets with indefinite useful lives of ¥4,990 million ($34,473 thousand) recognized as a result of the acquisition of BDP Holdings Limited and its subsidiaries (which include Quadrangle Architects Limited and Pattern Design 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 11.2% based on the weighted average of capital costs of the cash generating unit groups, reflecting past experience and external information.
The growth rate of 2.0% 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.

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, 2023	As of June 30, 2022	**As of June 30, 2023**
Carrying amount in total	**¥1,830**	¥2,434	**$12,641**

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, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Equity shares in net income	**¥97**	¥230	**$672**
Equity shares in other comprehensive income	**74**	76	**513**
Equity shares in comprehensive income	**¥171**	¥306	**$1,185**

(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, 2023

	Millions of Yen				
	As of July 1, 2022	Recognized through profit or loss	Recognized in other comprehensive income	Business combinations	As of June 30, 2023
Deferred tax assets:					
Tax loss carryforwards	**¥109**	**¥158**	**¥ —**	**¥ —**	**¥267**
Retirement benefit liability	**1,207**	**122**	**152**	**—**	**1,482**
Impairment losses	**130**	**16**	**—**	**—**	**147**
Other assets	**1,115**	**833**	**(2)**	**—**	**1,946**
Total deferred tax assets	**¥2,562**	**¥1,132**	**¥150**	**¥ —**	**¥3,844**
Deferred tax liabilities:					
Retained earnings of subsidiaries	**¥(593)**	**¥(69)**	**¥ —**	**¥ —**	**¥(662)**
Property, plant and equipment	**(1,285)**	**10**	**—**	**—**	**(1,275)**
Intangible assets	**(204)**	**(20)**	**—**	**—**	**(224)**
Financial assets measured at fair value	**(317)**	**285**	**(198)**	**—**	**(231)**
Retirement benefit asset	**(1,105)**	**(176)**	**—**	**—**	**(1,281)**
Other liabilities	**(1,310)**	**(70)**	**(22)**	**(59)**	**(1,463)**
Total deferred tax liabilities	**¥(4,816)**	**¥(41)**	**¥(221)**	**¥(59)**	**¥(5,138)**
Net deferred tax assets	**¥(2,254)**	**¥1,090**	**¥(70)**	**¥(59)**	**¥(1,293)**

	Thousands of U.S. Dollars				
	As of July 1, 2022	Recognized through profit or loss	Recognized in other comprehensive income	Business combinations	As of June 30, 2023
Deferred tax assets:					
Tax loss carryforward	**$753**	**$1,094**	**$ —**	**$ —**	**$1,848**
Retirement benefit liability	**8,337**	**848**	**1,056**	**—**	**10,242**
Impairment losses	**904**	**117**	**—**	**—**	**1,021**
Other assets	**7,704**	**5,759**	**(19)**	**—**	**13,445**
Total deferred tax assets	**$17,699**	**$7,820**	**$1,037**	**$ —**	**$26,557**
Deferred tax liabilities:					
Retained earnings of subsidiaries	**$(4,098)**	**$(477)**	**$ —**	**$ —**	**$(4,575)**
Property, plant and equipment	**(8,879)**	**70**	**—**	**—**	**(8,808)**
Intangible assets	**(1,409)**	**(144)**	**—**	**—**	**(1,553)**
Financial assets measured at fair value	**(2,195)**	**1,968**	**(1,369)**	**—**	**(1,595)**
Retirement benefit asset	**(7,636)**	**(1,217)**	**—**	**—**	**(8,853)**
Other liabilities	**(9,052)**	**(488)**	**(157)**	**(408)**	**(10,107)**
Total deferred tax liabilities	**$(33,270)**	**$(288)**	**$(1,527)**	**$(408)**	**$(35,494)**
Net deferred tax assets	**$(15,571)**	**$7,532**	**$(489)**	**$(408)**	**$(8,936)**

For the year ended June 30, 2022

	Millions of Yen				
	As of July 1, 2021	Recognized through profit or loss	Recognized in other comprehensive income	Business combinations	As of June 30, 2022
Deferred tax assets:					
Tax loss carryforward	¥200	¥(91)	¥ —	¥ —	¥109
Retirement benefit liability	776	430	—	—	1,207
Impairment losses	133	(3)	—	—	130
Other assets	777	341	(2)	—	1,115
Total deferred tax assets	¥1,888	¥677	¥(2)	¥ —	¥2,562
Deferred tax liabilities:					
Retained earnings of subsidiaries	¥(216)	¥(377)	¥ —	¥ —	¥(593)
Property, plant and equipment	(1,301)	16	—	—	(1,285)
Intangible assets	(188)	(15)	—	—	(204)
Financial assets measured at fair value	(425)	15	91	—	(317)
Retirement benefit asset	(931)	(426)	252	—	(1,105)
Other liabilities	(920)	(359)	(30)	—	(1,310)
Total deferred tax liabilities	¥(3,983)	¥(1,146)	¥313	¥ —	¥(4,816)
Net deferred tax assets	¥(2,095)	¥(469)	¥310	¥ —	¥(2,254)

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, 2023	As of June 30, 2022	**As of June 30, 2023**
Deductible temporary differences	**¥2,651**	¥4,039	**$18,316**
Tax loss carryforward	**349**	331	**2,415**

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, 2023	As of June 30, 2022	**As of June 30, 2023**
Due within one year	**¥30**	¥ —	**$210**
Due after one year through two years	**118**	30	**820**
Due after two year through three years	**71**	118	**496**
Due after three year through four years	**50**	71	**349**
Due after five years	**77**	110	**537**
Total	**¥349**	¥331	**$2,415**

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, 2023	As of June 30, 2022	**As of June 30, 2023**
Deferred tax assets	**¥2,667**	¥2,429	**$18,422**
Deferred tax liabilities	**3,961**	4,683	**(27,359)**
Net deferred tax assets	**¥(1,293)**	¥(2,254)	**$(8,936)**

(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, 2023	Year ended June 30, 2023	**Year ended June 30, 2023**
Current tax expenses	**¥3,593**	¥3,747	**$24,820**
Deferred tax expenses	**(1,157)**	347	**(7,997)**
Total income tax expense	**¥2,435**	¥4,095	**$16,823**

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

	2023	2022
Effective statutory tax rate	**31.5%**	31.5%
Expenses not subject to deduction	**2.3**	0.7
Impairment of goodwill	**19.5**	0.8
Retained earnings of affiliated companies	**1.1**	3.5
Impact on review of recoverability of deferred tax assets	**(7.1)**	3.5
Tax credit	**(5.8)**	(1.7)
Foreign income tax	**4.8**	1.7
Non-taxable items such as dividend income	**(14.3)**	0.1
Others	**6.2**	(2.2)
Average actual tax rate	**38.2%**	37.9%

(Changes in Presentation)
“Foreign income tax”, “Non-taxable items such as dividend income” and “Impairment of goodwill” which were included in “Others” during the previous fiscal year, are presented separately due to their increased materiality, starting from the fiscal year ended June 30, 2023. Notes for the previous fiscal year have been reclassified to reflect this change in the presentation.
As a result, 0.4% shown under “Others” for the previous fiscal year has been reclassified to 1.7% for “Foreign income tax”, 0.1% for “Non-taxable items such as dividend income”, 0.8% for “Impairment of goodwill” and (2.2)% for “Others.”

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, 2023	As of June 30, 2022	**As of June 30, 2023**	Average interest rate	Repayment term
Short-term borrowings	**¥22,047**	¥7,500	**$152,291**	0.340%	—
Current portion of long-term borrowings	**6,668**	5,648	**46,058**	0.678	—
Long-term borrowings (excluding current portion)	**17,385**	19,288	**120,084**	1.070	From July 31, 2024 to December 30, 2043
Total	**¥46,101**	¥32,436	**$318,434**	—%	—
Current liabilities	**¥28,716**	¥13,148	**$198,349**	—%	—
Non-current liabilities	**17,385**	19,288	**120,084**	—	—
Total	**¥46,101**	¥32,436	**$318,434**	—%	—

(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.

(2) Assets Pledged as Collateral and Corresponding Liabilities
Assets pledged as collateral and corresponding liabilities are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2023	As of June 30, 2022	**As of June 30, 2023**
Assets pledged as collateral:			
Cash and cash equivalents	**¥238**	¥124	**$1,649**
Other current assets	**75**	808	**518**
Property, plant and equipment	**8,887**	1,905	**61,386**
Right-of-use assets	**877**	749	**6,062**
Intangible assets	**810**	735	**5,597**
Total	**¥10,889**	¥4,322	**$75,213**
Corresponding liabilities:			
Borrowings	**¥2,972**	¥92	**$20,529**
Total	**¥2,972**	¥92	**$20,529**

In addition to the above, assets pledged as collateral that are eliminated in consolidation and the amounts eliminated in consolidation are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2023	As of June 30, 2022	**As of June 30, 2023**
Property, plant and equipment	**¥490**	¥1,514	**$3,388**
Intangible assets	**14**	12	**98**
Shares of consolidated subsidiaries	**4,939**	4,190	**34,116**
Total	**¥5,444**	¥5,718	**$37,603**

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, 2023	Year Ended June 30, 2022	**Year Ended June 30, 2023**
Depreciation of right-of-use assets:			
Buildings and structures	**¥2,500**	¥2,592	**$17,271**
Machinery and vehicles	**164**	167	**1,136**
Tools, furniture and fixtures	**575**	350	**3,976**
Depreciation Total	**¥3,240**	¥3,110	**$22,384**
Interest expenses on lease liabilities	**256**	212	**1,771**
Expenses incurred for leases ending within 12 months	**143**	50	**988**
Leases of low value	**19**	28	**137**
Total	**¥3,660**	¥3,401	**$25,283**
Total of cash outflows associated with leases	**¥3,543**	¥3,223	**$24,476**

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, 2023 is ¥30 million ($208 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, 2023

	Millions of Yen						
	Within a year	More than 1 year Less than 2 years	More than 2 years Less than 3 years	More than 3 years Less than 4 years	More than 4 years Less than 5 years	More than 5 years	**Total**
Lease fee	**¥600**	**¥322**	**¥322**	**¥322**	**¥311**	**¥501**	**¥2,379**

	Thousands of U.S Dollars						
	Within a year	More than 1 year Less than 2 years	More than 2 years Less than 3 years	More than 3 years Less than 4 years	More than 4 years Less than 5 years	More than 5 years	**Total**
Lease fee	**$4,144**	**$2,224**	**$2,224**	**$2,224**	**$2,151**	**$3,464**	**$16,435**

Year ended June 30, 2022

	Millions of Yen						
	Within a year	More than 1 year Less than 2 years	More than 2 years Less than 3 years	More than 3 years Less than 4 years	More than 4 years Less than 5 years	More than 5 years	Total
Lease fee	¥617	¥559	¥284	¥301	¥301	¥802	¥2,866

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

(7) Lessor operating lease income
For lessor operating lease income information, please refer to "**14. Investment Property** (2) Revenue and Expenses from Investment Property."

20. Trade and Other Payables

The breakdown of trade and other payables is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2023	As of June 30, 2022	**As of June 30, 2023**
Trade payables	**¥9,036**	¥7,371	**$62,419**
Other payables	**6,141**	3,028	**42,417**
Total	**¥15,177**	¥10,400	**$104,836**

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, 2023	As of June 30, 2022	**As of June 30, 2023**
Financial liabilities measured at amortized cost:			
Deposit received	**¥3,439**	¥4,561	**$23,757**
Others	**682**	665	**4,713**
Financial liabilities measured at fair value through profit or loss:			
Interest rate and currency swaps	**—**	—	**—**
Total	**¥4,121**	¥5,226	**$28,471**
Current liabilities	**¥3,439**	¥4,561	**$23,757**
Non-current liabilities	**682**	665	**4,713**
Total	**¥4,121**	¥5,226	**$28,471**

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, 2023	As of June 30, 2022	**As of June 30, 2023**
Present value of funded defined benefit obligations	**¥14,277**	¥14,096	**$98,616**
Fair value of institutional assets	**(22,594)**	(20,295)	**(156,063)**
Total	**¥(8,316)**	¥(6,198)	**$(57,446)**
Present value of non-funded defined benefit obligations	**3,537**	3,858	**24,432**
Impact of asset cap	**5,273**	2,611	**36,425**
Net defined benefit liability (asset)	**¥493**	¥271	**$3,410**
Amount on the consolidated statement of financial position:			
Retirement benefit liability	**3,566**	3,896	**24,633**
Retirement benefit asset	**(3,072)**	(3,624)	**(21,223)**
Net amount of defined benefit liability (asset) recorded on the consolidated statement of financial position	**¥493**	¥271	**$3,410**

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, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Balance of present value of defined benefit obligations at beginning of year	**¥17,954**	¥18,087	**$124,018**
Service cost	**1,376**	1,364	**9,510**
Interest costs	**120**	73	**832**
Remeasurement	**(384)**	(323)	**(2,658)**
Mathematical differences caused by changes in demographic assumptions	**—**	(23)	**—**
Actuarial variances caused by changes in financial assumptions	**(440)**	(386)	**(3,043)**
Mathematical differences caused by performance revisions	**55**	86	**384**
Benefit payment amount	**(1,195)**	(1,256)	**(8,255)**
Others	**(57)**	9	**(398)**
Balance of present value of defined benefit obligations at end of year	**¥17,814**	¥17,954	**$123,048**

The weighted average duration of defined benefit plan liabilities as of June 30, 2023 and as of June 30, 2022 are 8.3 years and 8.5 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, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Balance of fair value of institutional assets at beginning of year	**¥20,295**	¥20,253	**$140,184**
Interest income	**143**	80	**990**
Remeasurement	**1,782**	(150)	**12,309**
Revenue on institutional assets	**1,782**	(150)	**12,309**
Contribution from business owner	**1,201**	1,164	**8,299**
Benefit payment amount	**(832)**	(1,058)	**(5,750)**
Others	**4**	6	**29**
Balance of fair value of institutional assets at end of year	**¥22,594**	¥20,295	**$156,063**

The Group plans to make contributions of ¥1,227 million to the plan assets during the fiscal year ending June 30, 2024.

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, 2023	As of June 30, 2022	**As of June 30, 2023**
Cash and cash equivalents	**¥0**	¥0	**$0**
Equity instruments	**9,742**	8,323	**67,295**
Domestic stocks	**5,045**	4,444	**34,848**
Foreign stocks	**4,697**	3,879	**32,446**
Debt instruments	**8,218**	7,426	**56,770**
Domestic bonds	**5,978**	5,669	**41,297**
Foreign bonds	**2,240**	1,756	**15,472**
Life insurance general account	**4,048**	3,852	**27,965**
Others	**583**	692	**4,031**
Total	**¥22,594**	¥20,295	**$156,063**

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, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Impact of asset cap at balance at beginning of year	**¥2,611**	¥1,635	**$18,041**
Limit of interest income	**18**	6	**129**
Remeasurement	**2,642**	969	**18,253**
Fluctuations in the impact of asset cap	**2,642**	969	**18,253**
Impact of asset cap at balance at end of year	**¥5,273**	¥2,611	**$36,425**

f. Main Actuarial Assumptions

Main assumptions used for actuarial calculation are as follows:

	As of June 30, 2023	As of June 30, 2022
Discount rate	**1.02%**	0.69%

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, 2023	As of June 30, 2022	**As of June 30, 2023**
Discount rate rise by 0.5%	**¥(653)**	¥(684)	**$(4,512)**
Discount rate drop by 0.5%	**702**	736	**4,851**

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, 2023	As of June 30, 2022	**As of June 30, 2023**
Amount of pension assets	**¥93,421**	¥92,388	**$645,284**
Sum of the actuarial debt in pension finance calculation and the amount of minimum reserve	**71,564**	70,975	**494,318**
Deduction amount	**¥21,856**	¥21,412	**$150,966**
Contribution ratio of the company and domestic subsidiaries	**14.06%**	13.74%	**14.06%**
	(As of end of March 2023)	(As of end of March 2022)	**(As of end of March 2023)**

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 ¥268 million in the next consolidated fiscal year.

(2) Defined Contribution Plan
The amount recognized as expenses for the defined contribution plan is ¥2,430 million ($16,787 thousand) and ¥2,307 million for the years ended June 30, 2023 and 2022, 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 ¥60,445 million ($417,513 thousand) and ¥56,739 for the years ended June 30, 2023 and 2022, 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 as of July 1, 2022	**¥131**	**¥522**	**¥600**	**¥74**	**¥1,328**
Increase during period	448	1,844	29	308	2,630
Decrease during period (used for purposes)	(275)	(210)	(629)	(28)	(1,144)
Decrease during period (reversal)	176	(1,592)	—	(107)	(1,523)
Interest expense by discounting	—	—	—	0	0
Exchange differences on translation of foreign operations	—	—	—	—	—
Balance as of June 30, 2023	**¥480**	**¥564**	**¥ —**	**¥247**	**¥1,291**

	Thousands of U.S. Dollars				
	Provision for loss on construction contracts	Provision for compensation	Provision for loss on litigation	Other provisions	**Total**
Balance as of July 1, 2022	**$906**	**$3,609**	**$4,144**	**$514**	**$9,174**
Increase during period	3,097	12,743	201	2,130	18,172
Decrease during period (used for purposes)	(1,902)	(1,455)	(4,345)	(198)	(7,902)
Decrease during period (reversal)	1,217	(10,999)	—	(740)	(10,522)
Interest expense by discounting	—	—	—	2	2
Exchange differences on translation of foreign operations	—	—	—	—	—
Balance as of June 30, 2023	**$3,317**	**$3,898**	**$ —**	**$1,707**	**$8,923**

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, 2023	As of June 30, 2022	**As of June 30, 2023**
Current liabilities	**¥1,197**	¥653	**$8,270**
Non-current liabilities	**94**	674	**653**
Total	**¥1,291**	¥1,328	**$8,923**

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. The timing of expenditures will be affected by progress of the project in the future.

b. Provision for Compensation
As we have present legal or constructive obligations as a result of past events, 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.

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 “**40. Subsequent Events.**”

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, 2023	As of June 30, 2022	**As of June 30, 2023**
Other current liabilities:			
Outstanding paid leave	**¥3,964**	¥3,080	**$27,380**
Accrued consumption taxes	**2,733**	2,286	**18,882**
Accrued expenses	**1,884**	1,394	**13,018**
Accrued bonuses	**5,211**	5,662	**35,999**
Remuneration payable for directors	**3**	114	**21**
Others	**438**	419	**3,027**
Total	**¥14,235**	¥12,957	**$98,330**
Other non-current liabilities:			
Others	**¥208**	¥351	**$1,442**
Total	**¥208**	¥351	**$1,442**

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, 2023	Year Ended June 30, 2022
Number of authorized shares:		
Balance at beginning of period	**38,000,000**	38,000,000
Changes during the period	**—**	—
Balance at end of period	**38,000,000**	38,000,000
Total number of issued shares:		
Balance at beginning of period	**15,060,314**	15,048,568
Changes during the period (Note 2,3)	**5,838**	11,746
Balance at end of period	**15,066,152**	15,060,314

(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, 2022 is an increase of 11,746 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, 2023 are an increase of 8,634 shares due to the issuance of new shares as restricted stock compensation and a decrease of 2,796 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, 2021	**¥0**	**60**
Changes during the period (Note 1)	(34)	1,751
As of June 30, 2022	**¥(34)**	**1,811**
Changes during the period (Note 2)	34	(1,811)
As of June 30, 2023	**¥ —**	**—**

	Thousands of U.S Dollars
As of June 30, 2022	**$(238)**
Changes during the period (Note 2)	238
As of June 30, 2023	**$ —**

(Notes)
1. The breakdown of changes for the year ended June 30, 2022 is as follows:
   Purchase of shares less than one unit: 1,751 shares
2. The breakdown of changes for the year ended June 30, 2023 is as follows:
   Purchase of shares less than one unit: 985 shares
   Cancellation of treasury shares in accordance with the provisions of Article 178 of the Companies Act: (2,796) shares

(3) Capital Surplus
The Companies Act in Japan 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, 2023

Resolution	Total cash paid (Millions of Yen)	Cash dividends per share (Yen)	Record date	Effective date
August 26, 2022 Extraordinary Board of Directors' meeting	**¥1,882**	**¥125**	June 30, 2022	September 12, 2022

Total cash paid (Thousands of U.S. Dollars)	Cash dividends per share (U.S. Dollars)
$13,001	**$0.86**

For the year ended June 30, 2022

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

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

For the year ended June 30, 2023

Resolution	Total cash paid (Millions of Yen)	Cash dividends per share (Yen)	Record date	Effective date
September 8, 2023 Ordinary General Meeting of Shareholders	**¥1,883**	**¥125**	June 30, 2023	September 11, 2023

Total cash paid (Thousands of U.S. Dollars)	Cash dividends per share (U.S. Dollars)
$13,008	**$0.86**

For the year ended June 30, 2022

Resolution	Total cash paid (Millions of Yen)	Cash dividends per share (Yen)	Record date	Effective date
August 26, 2022 Extraordinary Board of Directors' meeting	¥1,882	¥125	June 30, 2022	September 12, 2022

27. Revenue

(1) Disaggregation of Revenue
Revenue is disaggregated by region based on service areas. The breakdown of revenue and its relationship to segment revenue is as follows:

	Millions of Yen					
	Year ended June 30, 2023					
	Reportable Segments					
	Consulting	Urban & Spatial Development	Energy	Subtotal	Others	**Total**
Japan	**¥46,047**	**¥15,341**	**¥18,845**	**¥80,235**	**¥782**	**¥81,017**
Europe, Middle East, Central Asia, North Africa	**1,585**	**17,155**	**899**	**19,640**	**—**	**19,640**
Southeast Asia, East Asia, Oceania	**11,247**	**811**	**558**	**12,617**	**—**	**12,617**
South Asia	**12,971**	**359**	**197**	**13,528**	**—**	**13,528**
America	**5,432**	**4,301**	**64**	**9,798**	**—**	**9,798**
Sub-Saharan Africa, Africa	**4,346**	**102**	**289**	**4,738**	**—**	**4,738**
Others	**187**	**—**	**—**	**187**	**—**	**187**
Total revenue	**¥81,818**	**¥38,071**	**¥20,855**	**¥140,745**	**¥782**	**¥141,527**

	Thousands of U.S. Dollars					
	Year ended June 30, 2023					
	Reportable Segments					
	Consulting	Urban & Spatial Development	Energy	Subtotal	Others	**Total**
Japan	**$318,062**	**$105,968**	**$130,173**	**$554,205**	**$5,402**	**$559,607**
Europe, Middle East, Central Asia, North Africa	**10,950**	**118,500**	**6,210**	**135,661**	**—**	**135,661**
Southeast Asia, East Asia, Oceania	**77,688**	**5,604**	**3,859**	**87,151**	**—**	**87,151**
South Asia	**89,600**	**2,480**	**1,365**	**93,445**	**—**	**93,445**
America	**37,524**	**29,708**	**448**	**67,681**	**—**	**67,681**
Sub-Saharan Africa, Africa	**30,021**	**708**	**2,000**	**32,729**	**—**	**32,729**
Others	**1,293**	**—**	**—**	**1,293**	**—**	**1,293**
Total revenue	**$565,141**	**$262,971**	**$144,056**	**$972,169**	**$5,402**	**$977,571**

	Millions of Yen					
	Year ended June 30, 2022					
	Reportable Segments					
	Consulting	Urban & Spatial Development	Energy	Subtotal	Others	**Total**
Japan	¥44,089	¥14,466	¥17,207	¥75,762	¥783	¥76,546
Europe, Middle East, Central Asia, North Africa	1,453	16,627	607	18,688	—	18,688
Southeast Asia, East Asia, Oceania	9,958	857	488	11,304	—	11,304
South Asia	10,389	312	240	10,941	—	10,941
America	4,533	3,748	22	8,304	—	8,304
Sub-Saharan Africa, Africa	4,373	79	234	4,687	—	4,687
Others	202	—	—	202	—	202
Total revenue	¥75,000	¥36,091	¥18,799	¥129,891	¥783	¥130,674

(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
	As of June 30, 2023	As of June 30, 2022	As of July 1, 2021	**As of June 30, 2023**
Receivables arising from contracts with customers	**¥24,299**	¥24,880	¥20,092	**$167,845**
Contract assets	**32,146**	26,450	24,327	**222,044**
Contract liabilities	**10,663**	8,837	10,645	**73,657**

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, 2023 are an increase of ¥94,312 million ($651,441 thousand) due to progress on contracts and a decrease of ¥88,900 million ($614,056 thousand) due to the transfer to receivables. Significant changes in contract assets for the year ended June 30, 2022 are an increase of ¥85,943 million due to progress on contracts and a decrease of ¥84,105 million due to the transfer to receivables.

Significant changes in contract liabilities for the year ended June 30, 2023 are an increase of ¥31,604 million ($218,302 thousand) due to the receipt of advances received and a decrease of ¥30,027 million ($207,410 thousand) due to revenue recognition. Significant changes in contract liabilities for the year ended June 30, 2022 are an increase of ¥29,511 million due to the receipt of advances and a decrease of ¥31,661 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, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period	**¥7,626**	¥8,248	**$52,677**

The amounts of revenue recognized in the year ended June 30, 2023 and 2022 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) is as follows:

	Millions of Yen				
	Reportable Segments			Others	**Total**
As of June 30, 2023	Consulting	Urban & Spatial Development	Energy		
Transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations	**¥135,807**	**¥37,651**	**¥25,495**	**¥1**	**¥198,956**

	Thousands of U.S Dollars				
	Reportable Segments			Others	**Total**
As of June 30, 2023	Consulting	Urban & Spatial Development	Energy		
Transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations	**$938,055**	**$260,071**	**$176,105**	**$11**	**$1,374,244**

(Note)
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 8 years in the Consulting Business, approximately 2 years in the Urban & Spatial Development Business and approximately 5 years in the Energy Business.

	Millions of Yen				
	Reportable Segments			Others	**Total**
As of June 30, 2022	Consulting	Urban & Spatial Development	Energy		
Transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations	¥140,734	¥30,769	¥23,004	¥ —	¥194,508

(Note)
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 8 years in the Consulting Business, approximately 2 years in the Urban & Spatial Development Business and approximately 6 years in the Energy Business.

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, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Employee benefits expenses	**¥60,445**	¥56,739	**$417,513**
Outsourcing expenses	**38,990**	36,219	**269,320**
Communication and transportation expenses	**7,200**	5,265	**49,735**
Depreciation and amortization	**5,305**	4,976	**36,643**

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, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Dividend income:			
Financial assets measured at fair value through profit or loss	**¥84**	¥65	**$581**
Gain on investments in securities:			
Financial assets measured at fair value through profit or loss	**629**	74	**4,348**
Gain on sale of shares of subsidiaries and associates	**1,061**	—	**7,328**
Others	**5**	—	**36**
Government grants	**381**	284	**2,636**
Insurance claim income	**908**	365	**6,277**
Others	**606**	299	**4,189**
Total	**¥3,677**	¥1,090	**$25,400**

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

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Loss on investments in securities:			
Financial assets measured at fair value through profit or loss	**¥50**	¥ —	**$349**
Impairment losses	**3,943**	281	**27,240**
Provision for compensation	**936**	542	**6,469**
Provision for loss on litigation	**—**	315	**—**
Others	**497**	205	**3,434**
Total	**¥5,428**	¥1,344	**$37,494**

(Note)
Financial assets measured at fair value through profit or loss includes a return of ¥891 million yen ($5,100 thousand) on the investment of PT. Arkora Hydro shares. Gain on sale of shares of subsidiaries and associates was the result of sales of shares of PT. Arkora Hydro and shares of Ironmont Hydro Pte. Ltd., which was a subsidiary of the Company. Among gain on sale of shares of subsidiaries and associates, the residual interest in Ironmont Hydro Pte. Ltd., which the Company holds after the loss of control, measured at fair value as of the date of loss of control is ¥738 million yen ($6,157 thousand).

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, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Interest income:			
Financial assets measured at amortized cost	**¥242**	¥350	**$1,678**
Dividend income:			
Equity financial assets measured at fair value through other comprehensive income	**168**	98	**1,164**
Foreign exchange gain	**388**	787	**2,683**
Gain on valuation of derivatives	**274**	979	**1,892**
Others	**0**	2	**1**
Total	**¥1,074**	¥2,218	**$7,420**

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

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Interest expenses	**¥658**	¥483	**$4,547**
Others	**123**	—	**851**
Total	**¥781**	¥483	**$5,398**

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, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Item that will not be reclassified to profit or loss:			
Equity financial assets measured at fair value through other comprehensive income:			
Changes during the year	**¥622**	¥(288)	**$4,302**
Amount of tax effects	**(198)**	91	**(1,369)**
Equity financial assets measured at fair value through other comprehensive income	**424**	(196)	**2,933**
Remeasurements of defined benefit plans:			
Changes during the year	**(486)**	(800)	**(3,362)**
Amount of tax effects	**152**	252	**1,056**
Remeasurements of defined benefit plans	**(333)**	(547)	**(2,306)**
Share of other comprehensive income of investments accounted for using equity method:			
Changes during the year	**1**	(1)	**9**
Amount of tax effects	**—**	—	**—**
Share of other comprehensive income of investments accounted for using equity method	**1**	(1)	**9**
Total of items that will not be reclassified to profit or loss	**92**	(745)	**637**
Items that may be reclassified to profit or loss:			
Cash flow hedges:			
Changes during the year	**—**	—	**—**
Reclassification adjustments	**8**	8	**61**
Amount before income tax effect	**8**	8	**61**
Amount of tax effects	**(2)**	(2)	**(19)**
Cash flow hedges	**6**	6	**41**
Exchange differences on translation of foreign operations:			
Changes during the year	**1,415**	2,788	**9,779**
Reclassification adjustments	**—**	—	**—**
Amount before income tax effect	**1,415**	2,788	**9,779**
Amount of tax effects	**(22)**	(30)	**(157)**
Exchange differences on translation of foreign operations	**1,392**	2,757	**9,621**
Share of other comprehensive income of investments accounted for using equity method:			
Reclassification adjustments	**72**	77	**503**
Before adjustments to tax effects	**—**	—	**—**
Amount before income tax effect	**72**	77	**503**
Amount of tax effects	**—**	—	**—**
Share of other comprehensive income of investments accounted for using equity method	**72**	77	**503**
Items that may be reclassified to profit or loss	**1,471**	2,841	**10,166**
Total other comprehensive income	**¥1,564**	¥2,096	**$10,803**

32. Earnings per Share

	Millions of Yen		Thousands of U.S.Dollars
	Year ended June 30, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Profit attributable to owners of parent	**¥3,093**	¥6,579	**$21,366**

	Shares	
	Year ended June 30, 2023	Year ended June 30, 2022
Weighted-average number of shares of common stock	**15,064,420**	15,056,069

	Yen		U.S.Dollars
	Year ended June 30, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Basic earnings per share	**¥205.34**	¥436.98	**$1.42**

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

33. Cash Flow Information

(1) Changes in Liabilities from Financing Activities
Changes in liabilities from financing activities are as follows:

	Millions of Yen				
	Short-term borrowings	Long-term borrowings	Lease liabilities	Derivative liabilities (Note)	Total
Balance as of July 1, 2021	**¥ —**	**¥27,032**	**¥9,378**	**¥(39)**	**¥36,372**
Changes due to cash flows from financing activities	7,464	(3,346)	(3,050)	—	1,067
Changes arising from acquisition or loss of control over subsidiaries or other businesses	35	—	—	—	35
Impact of changes in foreign exchange rates	—	1,636	345	—	1,509
Changes in fair value	—	—	—	(900)	(900)
New lease agreements	—	—	4,229	—	4,229
Decrease due to deconsolidation	—	—	(1,614)	—	(1,614)
Other changes	—	86	(2)	—	84
Balance as of June 30, 2022	**¥7,500**	**¥24,936**	**¥9,286**	**¥(940)**	**¥40,782**
Changes due to cash flows from financing activities	14,506	(1,299)	(3,173)	—	10,033
Changes arising from acquisition or loss of control over subsidiaries or other businesses	27	45	—	—	72
Impact of changes in foreign exchange rates	(1)	331	540	—	870
Changes in fair value	—	—	—	(0)	(0)
New lease agreements	—	—	4,336	—	4,336
Decrease due to deconsolidation	—	—	(523)	—	(523)
Other changes	16	38	82	—	137
Balance as of June 30, 2023	**¥22,047**	**¥24,053**	**¥10,549**	**¥(940)**	**¥55,709**

	Thousands of U.S. Dollars				
	Short-term borrowings	Long-term borrowings	Lease liabilities	Derivative liabilities (Note)	Total
Balance as of June 30, 2022	**$51,804**	**$172,245**	**$64,141**	**$(6,493)**	**$281,698**
Changes due to cash flows from financing activities	100,196	(8,974)	(21,917)	—	69,304
Changes arising from acquisition or loss of control over subsidiaries or other businesses	187	314	—	—	501
Impact of changes in foreign exchange rates	(7)	2,288	3,732	—	6,012
Changes in fair value	—	—	—	(4)	(4)
New lease agreements	—	—	29,951	—	29,951
Decrease due to deconsolidation	—	—	(3,615)	—	(3,615)
Other changes	110	268	572	—	951
Balance as of June 30, 2023	**$152,291**	**$166,142**	**$72,864**	**$(6,497)**	**$384,801**

Note: 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**.

(3) Sale of shares of companies accounted for using equity method

The Company sold a part of shares of PT. Arkora Hydro, which is a company accounted for using the equity method, during the fiscal year ended June 30, 2023. The proceeds from sale of shares of ¥1,636 million ($11,303 thousand) are included in “Proceeds from sale of shares of subsidiaries and associates” in the **Consolidated Statement of Cash Flows.**

(4) Loss of control over a subsidiary

The following are the main contents of assets and liabilities, and the relationship of income and expenditure by received consideration and transfer at the time of loss of control over a subsidiary as a result of a sale of all shares.

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Assets at loss of control:			
Current assets	**¥3,731**	¥ —	**$25,772**
Non-current assets	**1,582**	—	**10,931**
Liabilities at loss of control:			
Current liabilities	**32**	—	**225**
Non-current liabilities	**—**	—	**—**

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Consideration received in cash	**¥2,724**	¥ —	**$644**
Cash and cash equivalents out of assets at the time of the loss of control	**(2,637)**	—	**(623)**
Proceeds from sale of the subsidiary	**¥87**	¥ —	**$20**

Note: Proceeds from sale of the subsidiary of ¥87 million ($20 thousand) are included in “Proceeds from sale of shares of subsidiaries and associates” in the **Consolidated Statement of Cash Flows.**

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.

	2022	2021	2020	2019	2018
Number of shares granted (Shares)	8,634	11,746	14,996	13,514	14,495
Weighted-average fair value at the grant date (Yen)	¥3,605	¥3,595	¥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) Share-based Payment Expenses

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Share-based payment expenses:			
Restricted stock compensation system	**¥44**	¥43	**$310**
Total	**¥44**	¥43	**$310**

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 attributable to owners of parent are as follows:

	As of June 30, 2023	As of June 30, 2022
Ratio of equity attributable to owners of parent	**41.4%**	44.9%
Return on equity attributable to owners of parent	**3.9%**	8.8%

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, 2023		
	Trade and other receivables, Contract assets	Lifetime expected credit losses	Expected credit loss rates
Non credit-impaired financial assets	¥58,859	¥90	0.15%
Credit-impaired financial assets	1,330	1,139	85.67
Total	**¥60,189**	**¥1,230**	2.04%

	Thousands of U.S. Dollars	
	As of June 30, 2023	
	Trade and other receivables, Contract assets	Lifetime expected credit losses
Non credit-impaired financial assets	$406,555	$626
Credit-impaired financial assets	9,190	7,873
Total	**$415,746**	**$8,500**

	Millions of Yen		%
	As of June 30, 2022		
	Trade and other receivables, Contract assets	Lifetime expected credit losses	Expected credit loss rates
Non credit-impaired financial assets	¥53,449	¥70	0.13%
Credit-impaired financial assets	1,036	922	88.99
Total	**¥54,485**	**¥992**	1.82%

Changes in the 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 as of July 1, 2021	**¥86**	**¥964**
Increases during period	70	163
Decreases during period (reversal)	(86)	(178)
Decreases during period (direct depreciation)	—	(43)
Others	—	16
Balance as of June 30, 2022	**¥70**	**¥922**
Increases during period	90	343
Decreases during period (reversal)	(70)	(87)
Decreases during period (direct depreciation)	—	(55)
Others	—	17
Balance as of June 30, 2023	**¥90**	**¥1,139**

	Thousands of U.S. Dollars	
	Non credit-impaired financial assets	Credit-impaired financial assets
Balance as of June 30, 2022	**$487**	**$6,369**
Increases during period	626	2,374
Decreases during period (reversal)	(487)	(604)
Decreases during period (direct depreciation)	—	(385)
Others	—	118
Balance as of June 30, 2023	**$626**	**$7,873**

Provision and reversal of allowance for expected credit losses are recorded in "Selling, general and administrative expenses" on **Consolidated statement of profit or loss.**

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			
	As of June 30, 2023			
	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	**¥22,047**	**¥22,047**	**¥ —**	**¥ —**
Trade Payables	**15,177**	**15,177**	**—**	**—**
Long-term borrowings	**26,393**	**7,210**	**13,577**	**5,605**
Deposit	**11,965**	**3,029**	**5,997**	**2,938**
Lease liabilities	**3,439**	**3,439**	**—**	**—**
Others	**682**	**—**	**—**	**682**
Derivative financial assets:				
Proceeds	**(3,842)**	**(1,285)**	**(2,556)**	**—**
Payments	**2,919**	**976**	**1,942**	**—**
Total	**¥78,783**	**¥50,596**	**¥18,960**	**¥9,226**

	Thousands of U.S. Dollars			
	As of June 30, 2023			
	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	**$152,291**	**$152,291**	**$ —**	**$ —**
Trade Payables	**104,836**	**104,836**	**—**	**—**
Long-term borrowings	**182,307**	**49,805**	**93,783**	**38,719**
Deposit	**82,648**	**20,926**	**41,424**	**20,298**
Lease liabilities	**23,757**	**23,757**	**—**	**—**
Others	**4,713**	**—**	**—**	**4,713**
Derivative financial assets:				
Proceeds	**(26,540)**	**(8,879)**	**(17,661)**	**—**
Payments	**20,165**	**6,746**	**13,418**	**—**
Total	**$544,180**	**$349,484**	**$130,965**	**$63,730**

	Millions of Yen			
	As of June 30, 2022			
	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	¥7,500	¥7,500	¥ —	¥ —
Trade Payables	10,400	10,400	—	—
Long-term borrowings	26,670	5,896	16,771	4,001
Deposit	10,321	2,912	5,429	1,979
Lease liabilities	4,561	4,561	—	—
Others	665	—	—	665
Derivative financial assets:				
Proceeds	(4,880)	(1,233)	(3,647)	—
Payments	3,899	980	2,919	—
Total	¥59,138	¥31,018	¥21,473	¥6,646

(5) Foreign Exchange Risk Management

Since the Group is 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 Japanese 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, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Profit before tax	**¥(388)**	¥164	**$(2,684)**

(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 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).

It is assumed that other variables are constant in the analysis.

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Profit before tax	**¥204**	¥198	**$1,415**
Other comprehensive income	**229**	351	**1,588**

(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.

As contingent consideration from a business combination, 30% of the share acquisition price will be paid back based on an earn-out agreement in the case that the accumulated profit after taxes of ASAP Mobility Sdn. Bhd. fails to reach the target from the fiscal year ended December 2022 to the fiscal year ending December 2024. This contingent consideration is also recognized as a financial asset measured at fair value through profit or loss. The fair value of the contingent consideration is calculated as present value that incorporates the probability of achieving the target in terms of an amount that can be paid back. Change in fair value related to the contingent consideration is recorded in “Finance costs” or “Finance income.”

(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, 2023	As of June 30, 2022	**As of June 30, 2023**
Carrying amount:			
Financial liabilities measured at amortized cost:			
Long term borrowings	**¥24,053**	¥24,936	**$166,142**
Fair value:			
Financial liabilities measured at amortized cost:			
Long term borrowings	**23,798**	26,436	**164,380**

(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, 2023			
	Level 1	Level 2	Level 3	**Total**
Financial assets:				
Financial assets measured at fair value through profit or loss:				
Derivative assets	**¥ —**	**¥940**	**¥ —**	**¥940**
Other financial assets	**1,027**	**—**	**1,021**	**2,049**
Financial assets measured at fair value through other comprehensive income:				
Other financial assets	**2,046**	**—**	**253**	**2,299**
Total	**¥3,074**	**¥940**	**¥1,274**	**¥5,289**
Financial liabilities:				
Financial assets measured at fair value through profit or loss:				
Derivative liabilities	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Total	**¥ —**	**¥ —**	**¥ —**	**¥ —**

	Thousands of U.S. Dollars			
	As of June 30, 2023			
	Level 1	Level 2	Level 3	**Total**
Financial assets:				
Financial assets measured at fair value through profit or loss:				
Derivative assets	**$ —**	**$6,497**	**$ —**	**$6,497**
Other financial assets	**7,098**	**—**	**7,055**	**14,153**
Financial assets measured at fair value through other comprehensive income:				
Other financial assets	**14,134**	**—**	**1,749**	**15,883**
Total	**$21,232**	**$6,497**	**$8,804**	**$36,534**
Financial liabilities:				
Financial assets measured at fair value through profit or loss:				
Derivative liabilities	**$ —**	**$ —**	**$ —**	**$ —**
Total	**$ —**	**$ —**	**$ —**	**$ —**

	Millions of Yen			
	As of June 30, 2022			
	Level 1	Level 2	Level 3	**Total**
Financial assets:				
Financial assets measured at fair value through profit or loss:				
Derivative assets	¥ —	¥940	¥ —	¥940
Other financial assets	1,202	—	782	1,984
Financial assets measured at fair value through other comprehensive income:				
Other financial assets	3,250	—	267	3,517
Total	¥4,452	¥940	¥1,049	¥6,442
Financial liabilities:				
Financial assets measured at fair value through profit or loss:				
Derivative liabilities	¥ —	¥ —	¥ —	¥ —
Total	¥ —	¥ —	¥ —	¥ —

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, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Balance at beginning of period	**¥1,049**	¥1,020	**$7,251**
Total gains or losses:			
Profit or loss (Note 1)	**(47)**	(27)	**(328)**
Other comprehensive income (Note 2)	**(14)**	(451)	**(99)**
Purchases	**300**	567	**2,072**
Sales	**—**	—	**—**
Transfer from Level 3	**—**	—	**—**
Receipt from contingent consideration (Note 3)	**124**	—	**862**
Change in fair value of contingent considerations	**(123)**	—	**(851)**
Others	**(14)**	(58)	**(101)**
Balance at end of period	**¥1,274**	¥1,049	**$8,804**

(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 ¥(47) million ($(324) thousand) and ¥(27) million for the years ended June 30, 2023 and 2022, 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. The financial asset that was recognized as contingent consideration at the time of acquiring shares of ASAP Mobility Sdn. Bhd. to conduct a business combination.

36. Significant Consolidated Subsidiaries

Significant consolidated subsidiaries as of June 30, 2023 are as follows:

Name	Location	Segment	Proportion of Voting Rights Held (%)
Nippon Civic Consulting Engineers Co., Ltd.	Japan	Consulting	85.3
El Koei Co., Ltd.	Japan	Consulting	100.0
Geoplan Namtech Inc.	Japan	Consulting	56.0
Koei Research & Consulting Inc.	Japan	Consulting	100.0
Nippon Koei Latin America-Caribbean Co., Ltd.	Japan	Consulting	100.0
Nippon Koei Lac, Inc.	Panama	Consulting	100.0
Nippon Koei Latin America - Caribbean, Mexico S. De R. L. De C.V.	Mexico	Consulting	100.0
Nippon Koei India Pvt. Ltd.	India	Consulting	99.9
Nippon Koei Bangladesh Ltd.	Bangladesh	Consulting	99.9
Nippon Koei Vietnam International Co., Ltd.	Vietnam	Consulting	100.0
Philkoei International, Inc.	Philippines	Consulting	40.0
PT. Indokoei International	Indonesia	Consulting	80.0
Myanmar Koei International Ltd.	Myanmar	Consulting	70.0
PT. Cikaengan Tirta Energi	Indonesia	Consulting	90.0
ASAP Mobility Sdn. Bhd.	Malaysia	Consulting	80.0
Nippon Koei Urban Space Co., Ltd.	Japan	Urban & Spatial Development	100.0
Kisho Kurokawa Architect & Associates Co., Ltd.	Japan	Urban & Spatial Development	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
Nippon Koei Energy Solution Co., Ltd	Japan	Energy	100.0
Koei System Inc.	Japan	Energy	100.0
Koei Energy Co., Ltd	Japan	Energy	100.0
Nippon Koei Energy Europe B.V.	Netherland	Energy	100.0
RNK UK Investments Limited	United Kingdom	Energy	80.0
Tollcux Investments Limited	United Kingdom	Energy	51.2
Tollcux Finance Limited	United Kingdom	Energy	100.0
Tollgate Energy Storage Limited	United Kingdom	Energy	100.0
Cuxton Energy Storage Limited	United Kingdom	Energy	100.0
Ruien Energy Storage NV	Belgium	Energy	51.0
Nippon Koei Business Partners Co., Ltd	Japan	Others	100.0
Nikki Corporation	Japan	Others	100.0

(Notes)

1. Our equity in Philkoei International, Inc. and Quadrangle Architects Limited is 50% or below; however, they are treated as subsidiaries given our effective control over them.
2. Tamano Consultants Co., Ltd. succeeded the Company's Urban & Spatial Development Business through a company split (simple absorption-type split) on July 1, 2022, changed its trade name to Nippon Koei Urban Space Co., Ltd. and changed its segment classification from the "Consulting Business" to the "Urban & Spatial Development Business" on the same date.

There are no subsidiaries with individually significant non-controlling interests for the years ended June 30, 2023 and 2022.

37. Related Party Transactions

(1) Related Party Transactions
Transactions with related parties for the year ended June 30, 2023 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 during the years ended June 30, 2023 and 2022.

(2) Compensation for Main Executive Management

	Millions of Yen		Thousands of U.S. Dollars
	Year ended June 30, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Short-term employee benefit expenses	**¥311**	¥423	**$2,148**
Share-based payment expenses	**44**	43	**310**
Total	**¥355**	¥467	**$2,458**

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, 2023	As of June 30, 2022	**As of June 30, 2023**
Purchase of property, plant and equipment	**¥1,188**	¥8,074	**$8,212**
Total	**¥1,188**	¥8,074	**$8,212**

39. Contingent Liabilities

(1) Guaranteed Liabilities
The Group provides the following guarantees for borrowings from financial institutions of companies other than consolidated companies.

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2023	As of June 30, 2022	**As of June 30, 2023**
Bank loans of associates	**¥ —**	¥2,617	**$ —**

(2) 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. The Osaka High Court rendered a judgement on September 29, 2022, ruling that the Company should pay damages of ¥623 million ($4,308 thousand) and delinquency charges on and after July 6, 2022, for ¥394 million ($2,725 thousand) of ¥623 million ($4,308 thousand), and the judgement became final. The Company paid the amount of the judgment to Osaka Prefecture in October 2022.
The Group has no provision for some litigation cases currently pending as a reasonable estimate is not available based on information currently available. 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.
In accordance with Paragraph 92 of the International Accounting Standard 37, "Provisions, Contingent Liabilities and Contingent Assets," we do not provide detailed disclosure of those cases considering that such disclosure could possibly put the Group in a disadvantageous position.

40. Subsequent Events

(1) The Company established “Integrated Design and Engineering Holdings Co., Ltd.” (referred to as “Holdings Co.” hereinafter) that is a holding company through a sole share transfer on July 3, 2023. In the wake of the establishment of Holdings Co., the shares of the Company that became a wholly-owned subsidiary were delisted on June 29, 2023, and Holdings Co. was listed on the Tokyo Stock Exchange on July 3, 2023.

(2) The Company resolved at its Board of Directors meeting on August 9, 2023, to have Holdings Co. succeed the Company’s real estate management business and management of shares of subsidiaries and associates based on the absorption-type demerger (hereinafter, the “Absorption-type Demerger”) effective October 1, 2023. Accordingly, the Company and Holdings Co. entered into the Absorption-type Demerger Agreement on August 14, 2023.

a. Matters Concerning the Counterparty of the Absorption-type Demerger

(i) Company name, location of the head office, name of the representative, amount of share capital, amount of net assets, amount of total assets and description of business

Company name	Integrated Design & Engineering Holdings Co., Ltd.
Location of head office	5-4 Kojimachi, Chiyoda-ku, Tokyo
Name of representative	Hiroaki Shinya, Director and Representative Executive President
Amount of share capital	7,522 million yen
Amount of net assets	To be determined
Amount of total assets	To be determined
Description of business	Management of business activities and related thereto of group companies

(ii) Revenue, operating profit, ordinary profit, and net profit of the fiscal years ended in the most recent three years
Since Holdings Co. was established on July 3, 2023, there is no financial position or operating results for the latest fiscal year.

(iii) Chief shareholders and percentage of shares held against total number of issued shares

Name of chief shareholder	Percentage of shares held by chief shareholder (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	12.23
The ID&E Holdings Group Employee Shareholding Association	7.10
Custody Bank of Japan, Ltd. (Trust Account)	6.89
MUFG Bank, Ltd.	4.91
Meiji Yasuda Life Insurance Company	3.75
Mizuho Securities Co., Ltd.	2.54
Custody Bank of Japan, Ltd. (Pension Trust Account)	2.38
RE FUND 107–CLIENT AC	2.08
DFA INTL SMALL CAP VALUE PORTFOLIO	1.84
GOVERNMENT OF NORWAY	1.61

(iv) Capital, personnel and business ties with the reporting company

Capital ties	Holdings Co. holds all of the issued shares of the Company.
Personnel ties	Some officers concurrently hold posts in both companies.
Business ties	The Company and Holdings Co. have concluded agreements such as outsourcing.

b. Objectives of the Absorption-type Demerger

To deepen group management from a medium- to long-term perspective and to ensure future growth toward achieving the long-term management strategy of the Group, we established Holdings Co. as a wholly owned parent company through a share transfer on July 3, 2023, and transitioned into a holding company structure by splitting part of the Company’s businesses. In addition, to facilitate management of the Group going forward, we decided to implement the Absorption-type Demerger with the Company being the Splitting Company and Holdings Co. being the Successor Company for the Company’s real estate management business and management of shares of subsidiaries and associates.

c. Method of the Absorption-type Demerger, Allotment Related to the Absorption-type Demerger and Other Details of the Absorption-type Demerger Agreement

(i) Method of the Absorption-type Demerger

This is an absorption-type demerger in which the Company is the Splitting Company and Holdings Co. is the Successor Company.

(ii) Allotment related to the Absorption-type Demerger

As Holdings Co. holds all of the Company's shares, there is no allotment of shares or other monetary items under the Absorption-type Demerger.

(iii) Other details of the Absorption-type Demerger Agreement

(a) Schedule of the Absorption-type Demerger and related procedures

Board of Directors meeting (the Company) to approve the Absorption-type Demerger Agreements	August 9, 2023
Board of Directors meeting (Holdings Co.) to approve the Absorption-type Demerger Agreement	August 14, 2023
Conclusion of the Absorption-type Demerger Agreement (the Company and Holdings Co.)	August 14, 2023
Effective date of the Absorption-type Demerger	October 1, 2023

Note: Since the Absorption-type Demerger falls within the category of a simple demerger specified in Article 784, Paragraph 1 of the Companies Act for the Company and corresponds to a simplified absorption-type demerger set out in Article 796, Paragraph 2 of the Companies Act for Holdings Co., it is put into effect without holding shareholders' meetings for approval for the Absorption-type Demerger, respectively.

(b) Increase in share capital due to the Absorption-type Demerger

There will be no increase in the share capital of Holdings Co. associated with the Absorption-type Demerger.

(c) Handling of stock acquisition rights and corporate bonds with stock acquisition rights associated with the Absorption-type Demerger

There is no relevant information.

(d) Rights and obligations to be handed over to the Successor Company

Among the rights and obligations of the Company associated with its real estate management business and management of shares of subsidiaries and associates, Holdings Co. shall take over those set out in the Absorption-type Demerger Agreement associated with the Absorption-type Demerger.

d. Rationale for the Calculation of Shares in the Absorption-type Demerger

There is no relevant information.

e. Name of the Company that Becomes the Successor Company after the Absorption-type Demerger, Location of the Head Office, Name of Representative, Amount of Share Capital, Amount of Net Assets, Amount of Total Assets and Description of Business

Company name	Integrated Design & Engineering Holdings Co., Ltd.
Location of head office	5-4 Kojimachi, Chiyoda-ku, Tokyo
Name of representative	Hiroaki Shinya, Director and Representative Executive President
Amount of share capital	¥7,522 million
Amount of net assets	To be determined
Amount of total assets	To be determined
Description of business	Management of business activities and related thereto of group companies

(3) At the Board of Directors meeting on August 9, 2023, the Company resolved the proposal on the decrease in amounts of share capital and legal capital surplus and the disposal of other surplus, and the proposal was approved by the extraordinary shareholders' meeting (written resolution) on August 14.

a. Objectives

The objectives are to pursue the optimal capital strategy and financial strategy for group management and to enhance the shareholder value of Holdings Co..

b. Summary of Decrease in Amounts of Share Capital and Legal Capital Surplus

(i) Amount of decrease

(a) Share capital

Before capital reduction ¥7,517 million After capital reduction ¥500 million

(b) Legal capital surplus

Before capital reduction ¥6,216 million After capital reduction ¥125 million

(ii) Summary

This will be a so-called reduction of capital without compensation that does not involve repayment to shareholders for both share capital and legal capital surplus. There is no change to the total number of shares issued, and the total amount of decrease in share capital and legal capital surplus of ¥13,108 million will be transferred to "Other capital surplus."

c. Changes in Retained Earnings and Other Earnings

(i) Items to decrease and the amount

Legal retained earnings ¥1,546 million

Voluntary retained earnings ¥24,287 million

(Breakdown: Reserve for market development ¥1,920 million, General reserve ¥22,367 million)

(ii) Items to increase and the amount

Retained earnings brought forward ¥25,833 million

d. Schedule for this Treatment

Board of Directors meeting to approve the treatment	August 9, 2023
Resolution (written resolution) of the shareholders' meeting to approve the treatment	August 14, 2023
Date of execution (effective date)	September 30, 2023

II. Others

Quarterly information for the year ended June 30, 2023

Cumulative period

	Millions of Yen			Yen
	Revenue	Profit (loss) before taxes	Profit (loss) attributable to owners of parent	Basic earnings (loss) per share
For the three months ended September 30,2022	¥26,782	¥1,555	¥584	¥38.84
For the six months ended December 31, 2022	58,451	269	(1,054)	(70.03)
For the nine months ended March 31, 2023	102,634	8,580	4,725	313.71
For the twelve months ended June 30, 2023	141,527	6,373	3,093	205.34

	Thousands of U.S. Dollars			U.S. Dollars
	Revenue	Profit (loss) before taxes	Profit (loss) attributable to owners of parent	Basic earnings (loss) per share
For the three months ended September 30,2022	$184,995	$10,744	$4,039	$0.27
For the six months ended December 31, 2022	403,741	1,860	(7,286)	(0.48)
For the nine months ended March 31, 2023	708,925	59,267	32,641	2.17
For the twelve months ended June 30, 2023	977,571	44,023	21,366	1.42

Fiscal period

	Yen	U.S. Dollars
	Basic earnings (loss) per share	Basic earnings (loss) per share
For the three months ended September 30,2022	¥38.84	$0.27
For the three months ended December 31, 2022	(108.83)	(0.75)
For the three months ended March 31, 2023	383.68	2.65
For the three months ended June 30, 2023	(108.34)	(0.75)

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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, 2023, 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, 2023, 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.

In the audit of the consolidated financial statements of the previous period, we determined the following matters were key audit matters:

- Revenue recognition in contracts for which revenue is recognized over time
- Valuation of goodwill and trademarks attributable to BDP Holdings Limited Group

From the matters communicated with those charged with governance in the current fiscal year, we verified which matters were appropriate to be treated as key audit matters considering the changes in the assessment of significant risk and areas of higher risk of material misstatement, significant judgments in our audit, the impact of material events or transactions that occurred in the current fiscal year, and the relative importance in our audit and company-specific matters.

As a result, we concluded that the key audit matters in the audit of consolidated financial statements of the current fiscal year are the same as the previous year.

PricewaterhouseCoopers Aarata LLC
Otemachi Park Building, 1-1-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
T: +81 (3) 6212 6800, F: +81 (3) 6212 6801, www.pwc.com/jp/assurance

Revenue recognition in contracts for which revenue is recognized over time	
Key audit matter description	How our audit addressed the key audit matter
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 141,527 million yen in revenue in the consolidated statements of income 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, large-scale vertical axis hydroelectric power projects, 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 is specifically recognized based on the actual service report approved by project managers. Due to the nature of the contracts, revenue recognition involves management judgment and requires evaluation on a contract-by-contract basis. Accordingly, we have	In reviewing the appropriateness of revenue recognition for these contracts, we performed the following principal audit procedures: 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. 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, large-scale vertical axis hydroelectric power projects, 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 • Agreed the estimated billing amount with the incurred expense and other output measures used to measure progress • Recalculated revenue recognized • Agreed deposit vouchers to revenue booked • Reviewed monthly trends in revenues and profit margins to assess reasonableness • Compared the estimated total costs and actual costs for completed projects

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determined that this matter constitutes a key audit matter.	

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 7,327 million yen and 4,990 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 Pattern Design Limited, a British construction design firm in 2021, and recorded goodwill and trademarks as a result. As described in Note 15. Impairment of Non-Financial Assets (2) Impairment Test for 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. As a result of the above calculations, in the current consolidated fiscal year, the value in use was less than the book value, therefore the book value was reduced to the value in use, and 3,943 million yen was recorded as an impairment loss.	In reviewing the appropriateness of the valuation of goodwill and trademarks attributable to the BDP Group, we performed the following principal audit procedures: • 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 the discount rate • Compared the significant assumptions used by management in the previous year and the actual • Inquired of management regarding the business plan to understand the forecasting process • 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 independent calculation of the discount rate was based on publicly-available market data. Evaluated the methods applied by management in calculating the discount rate

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.	

Other Information

The other information comprises the information included in the Financial Report, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 accounting principles 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 Standards, 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.

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.

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Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended June 30, 2023 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:
Masataka Kubota
7199A40671244E5

Masataka Kubota

Designated Engagement Partner
Certified Public Accountant

DocuSigned by:
近藤 仁
1AF71E694F944A0

Hitoshi Kondo

Designated Engagement Partner
Certified Public Accountant

November 14, 2023

【Nonconsolidated Financial Statements】
Nonconsolidated Balance Sheet

Nippon Koei Co., Ltd.
June 30, 2023

Assets	Note	Millions of Yen As of June 30, 2023	Millions of Yen As of June 30, 2022	Thousands of U.S. Dollars (Note 1) As of June 30, 2023
Current assets:				
Cash and deposits		**¥12,627**	¥7,050	**$87,219**
Accounts receivable - trade	7 (1)	**14,940**	16,790	**103,197**
Contract asset		**22,664**	18,205	**156,550**
Short-term loan receivables	7 (1)	**4,637**	3,421	**32,030**
Current portion of long-term receivables	7 (1)	**303**	280	**2,097**
Other	7 (1)	**3,841**	3,185	**26,532**
Allowance for doubtful accounts		**(458)**	(483)	**(3,167)**
Total current assets		**58,555**	48,451	**404,460**
Non-current assets:				
Property, plant and equipment:				
Buildings	7 (4)	**21,471**	21,387	**148,307**
Accumulated depreciation		**(8,402)**	(7,776)	**(58,040)**
Buildings, net		**13,068**	13,611	**90,266**
Structures		**822**	799	**5,683**
Accumulated depreciation		**(710)**	(696)	**(4,908)**
Structures, net		**112**	102	**774**
Machinery and equipment	7 (4)	**2,577**	2,547	**17,802**
Accumulated depreciation		**(2,277)**	(2,189)	**(15,728)**
Machinery and equipment, net		**300**	357	**2,074**
Furniture and fixtures		**2,786**	2,643	**19,247**
Accumulated depreciation		**(2,095)**	(1,951)	**(14,471)**
Furniture and fixtures, net		**691**	691	**4,776**
Land		**13,384**	13,384	**92,453**
Construction in progress		**79**	44	**546**
Other, net		**295**	247	**2,044**
Total property, plant and equipment		**27,932**	28,439	**192,936**
Intangible assets:				
Leasehold interests in land		**627**	627	**4,334**
Software		**359**	346	**2,485**
Other		**109**	109	**753**
Total intangible assets		**1,096**	1,084	**7,573**
Investments and other assets:				
Shares of subsidiaries and associates		**27,907**	27,794	**192,766**
Long-term loans receivable from subsidiaries and associates		**9,648**	7,705	**66,642**
Prepaid pension costs		**3,968**	3,446	**27,408**
Other		**4,696**	5,709	**32,442**
Allowance for doubtful accounts		**(1,805)**	(1,753)	**(12,473)**
Total investments and other assets		**44,414**	42,903	**306,785**
Total non-current assets		**73,443**	72,427	**507,296**
Total assets		**¥131,999**	¥120,878	**$911,756**

Liabilities and equity	Note	Millions of Yen As of June 30, 2023	Millions of Yen As of June 30, 2022	Thousands of U.S. Dollars (Note 1) As of June 30, 2023
Current liabilities:				
Accounts payable - trade	7 (1)	**¥6,869**	¥5,904	**$47,450**
Short-term borrowings	7 (1)(3)	**22,000**	14,160	**151,959**
Current portion of long-term borrowings		**6,374**	5,328	**44,031**
Contract liabilities		**5,927**	3,538	**40,942**
Provision for bonuses		**1,023**	1,026	**7,072**
Provision for directors' bonuses		**—**	110	**—**
Provision for loss on construction contracts		**291**	117	**2,011**
Provision for compensation		**562**	522	**3,883**
Other	7 (1)	**10,211**	12,210	**70,534**
Total current liabilities		**53,260**	42,918	**367,885**
Non-current liabilities:				
Long-term borrowings		**12,462**	17,207	**86,081**
Liability for retirement benefits		**—**	71	**—**
Provision for environmental measures		**—**	25	**—**
Deferred tax liabilities		**794**	698	**5,489**
Other		**714**	677	**4,935**
Total non-current liabilities		**13,971**	18,680	**96,506**
Total liabilities		**67,232**	61,598	**464,391**
Net assets:				
Shareholder's equity:				
Share capital		**7,517**	7,501	**51,922**
Capital surplus:				
Legal capital surplus		**6,216**	6,200	**42,937**
Retained earnings:				
Legal reserve		**1,546**	1,546	**10,678**
Other retained earnings:				
Reserve for tax purpose reduction entry of non-current assets		**2,700**	2,723	**18,652**
Reserve for market development		**1,920**	1,920	**13,261**
General reserve		**22,367**	22,367	**154,494**
Retained earnings brought forward		**22,009**	16,339	**152,025**
Total retained earnings		**50,542**	44,896	**349,113**
Treasury shares		**—**	(5)	**—**
Total shareholders' equity		**64,276**	58,592	**443,973**
Valuation difference on available-for-sale securities		**491**	687	**3,391**
Total net assets		**64,767**	59,280	**447,364**
Total liabilities and net assets		**¥131,999**	¥120,878	**$911,756**

See notes to nonconsolidated financial statements.

Nonconsolidated Statement of Income

Nippon Koei Co., Ltd.
Year ended June 30, 2023

	Note	Millions of Yen		Thousands of U.S. Dollars (Note 1)
		Year ended June 30, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Net sales	8 (1)	**¥85,728**	¥80,796	**$592,151**
Cost of sales	8 (1)	**63,830**	59,373	**440,891**
Gross profit		**21,898**	21,422	**151,260**
Selling, general and administrative expenses	8 (1)(2)	**18,305**	17,135	**126,438**
Operating profit		**3,593**	4,287	**24,822**
Other income:				
Interest income	8 (1)	**471**	186	**3,255**
Gain on sale of shares of subsidiaries and associates		**1,636**	—	**11,301**
Gain on sale of investment securities		**912**	22	**6,302**
Dividend income	8 (1)	**2,180**	1,606	**15,064**
Insurance claim income		**798**	—	**5,512**
Other	8 (1)	**1,378**	2,059	**9,523**
Total other income		**7,377**	3,875	**50,960**
Other expenses:				
Interest expense	8 (1)	**339**	219	**2,342**
Compensation expenses		**694**	—	**4,798**
Provision for compensation		**239**	522	**1,656**
Other		**179**	319	**1,238**
Total other expenses		**1,452**	1,062	**10,035**
Ordinary Profit		**9,518**	7,100	**65,747**
Income before income taxes		**9,518**	7,100	**65,747**
Income taxes:				
Current		**1,796**	2,184	**12,411**
Deferred		**183**	(320)	**1,266**
Total income taxes		**1,980**	1,863	**13,677**
Net profit		**¥7,538**	¥5,236	**$52,069**

Nonconsolidated Statement of Cost of Sales

Nippon Koei Co., Ltd.
Year ended June 30, 2023

	Millions of Yen	Ratio(%)	Millions of Yen	Ratio(%)	Thousands of U.S.Dollars
	Year ended June 30, 2023		Year ended June 30, 2022		**Year ended June 30, 2023**
Materials costs	**¥2,722**	4.3	¥1,746	2.9	**$18,805**
Labor costs	**24,575**	38.5	24,784	41.8	**169,750**
Expenses (Note)	**36,529**	57.2	32,791	55.3	**252,318**
Total expenses in the current period	**63,827**	100.0	59,322	100.0	**440,874**
Beginning Work in process	**186**		674		**1,288**
Cumulative effect of changes in accounting policy	**—**		(437)		**—**
Total	**64,014**		59,559		**442,163**
Ending Work in process	**184**		186		**1,271**
Cost of sales	**¥63,830**		¥59,373		**$440,891**

(Note) The main breakdown is as follows:

	Millions of Yen		Thousands of U.S.Dollars
	Year ended June 30, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Outsourcing expenses	**¥26,876**	¥25,342	**$185,642**
Travel and transportation expenses	**5,118**	3,860	**35,354**
Rent expenses	**1,634**	1,357	**11,287**
Report Preparation Fee	**891**	920	**6,158**
Depreciation	**500**	448	**3,456**

(Notes)
1. The Company uses cost accounting based on a job-order cost system.
2. The amount of "Cumulative effect of changes in accounting policy" represents the decrease resulting from the adoption of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020).

Nonconsolidated Statement of Changes in Net Assets

Nippon Koei Co., Ltd.
Year ended June 30, 2023

Millions of Yen

	Share capital	Capital surplus	Retained earnings						Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total net assets
				Unappropriated								
		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				
Balance as of July 1, 2021	**¥7,480**	**¥6,179**	**¥1,546**	**¥2,746**	**¥1,920**	**¥22,367**	**¥12,208**	**¥40,788**	**¥(0)**	**¥54,447**	**¥595**	**¥55,043**
Changes during the annual period:												
Issuance of new shares	21	21	—	—	—	—	—	—	—	42	—	42
Cash dividends	—	—	—	—	—	—	(1,128)	(1,128)	—	(1,128)	—	(1,128)
Reversal of reserve for tax purpose reduction entry of non-current assets	—	—	—	(23)	—	—	23	—	—	—	—	—
Net income	—	—	—	—	—	—	5,236	5,236	—	5,236	—	5,236
Purchase of treasury shares	—	—	—	—	—	—	—	—	(5)	(5)	—	(5)
Cancellation of treasury shares	—	—	—	—	—	—	—	—	—	—	—	—
Net changes in items other than shareholder's equity	—	—	—	—	—	—	—	—	—	—	92	92
Net change in the year	21	21	—	(23)	—	—	4,131	4,108	(5)	4,144	92	4,236
Balance as of June 30, 2022	**¥7,501**	**¥6,200**	**¥1,546**	**¥2,723**	**¥1,920**	**¥22,367**	**¥16,339**	**¥44,896**	**¥(5)**	**¥58,592**	**¥687**	**¥59,280**
Changes during the annual period:												—
Issuance of new shares	15	15	—	—	—	—	—	—	—	31	—	31
Cash dividends	—	—	—	—	—	—	(1,882)	(1,882)	—	(1,882)	—	(1,882)
Reversal of reserve for tax purpose reduction entry of non-current assets	—	—	—	(23)	—	—	23	—	—	—	—	—
Net income	—	—	—	—	—	—	7,538	7,538	—	7,538	—	7,538
Purchase of treasury shares	—	—	—	—	—	—	—	—	(3)	(3)	—	(3)
Cancellation of treasury shares	—	—	—	—	—	—	(9)	(9)	9	—	—	—
Net changes in items other than shareholder's equity	—	—	—	—	—	—	—	—	—	—	(196)	(196)
Net change in the year	15	15	—	(23)	—	—	5,669	5,646	5	5,683	(196)	5,487
Balance as of June 30, 2023	**¥7,517**	**¥6,216**	**¥1,546**	**¥2,700**	**¥1,920**	**¥22,367**	**¥22,009**	**¥50,542**	**¥ —**	**¥64,276**	**¥491**	**¥64,767**

Thousands of U.S. Dollars (Note 1)

	Share capital	Capital surplus	Retained earnings						Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total net assets
				Unappropriated								
		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				
Balance as of June 30, 2022	**$51,815**	**$42,829**	**$10,678**	**$18,813**	**$13,261**	**$154,494**	**$112,861**	**$310,110**	**$(40)**	**$404,714**	**$4,750**	**$409,464**
Changes during the annual period:												
Issuance of new shares	107	107	—	—	—	—	—	—	—	214	—	214
Cash dividends	—	—	—	—	—	—	(13,001)	(13,001)	—	(13,001)	—	(13,001)
Reversal of reserve for tax purpose reduction entry of non-current assets	—	—	—	(160)	—	—	160	—	—	—	—	—
Net income	—	—	—	—	—	—	52,069	52,069	—	52,069	—	52,069
Purchase of treasury shares	—	—	—	—	—	—	—	—	(23)	(23)	—	(23)
Cancellation of treasury shares	—	—	—	—	—	—	(64)	(64)	64	—	—	—
Net changes in items other than shareholder's equity	—	—	—	—	—	—	—	—	—	—	(1,358)	(1,358)
Net change in the year	107	107	—	(160)	—	—	39,163	39,003	40	39,259	(1,358)	37,900
Balance as of June 30, 2023	**$51,922**	**$42,937**	**$10,678**	**$18,652**	**$13,261**	**$154,494**	**$152,025**	**$349,113**	**$ —**	**$443,973**	**$3,391**	**$447,364**

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 ¥144.775 to $1, the approximate rate of exchange at June 30, 2023. 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
Other than non-marketable shares
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 securities sold is calculated based on the moving average method)
Non-marketable shares
Cost method based on the moving average method.

b. Valuation Standards and Methods for Derivatives

Market value method

c. 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: 2–45 years
Machinery and equipment: 2–15 years
Tools, furniture and fixtures: 2–20 years
(2) Intangible Assets (excluding lease assets)
Straight-line method
(3) Lease Assets
Lease assets for non-ownership-transfer finance lease
The straight-line method is used when the lease period matches the useful life and zero residual value.

d. 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.

e. 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 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.

(4) Provision for Compensation

As we have present legal or constructive obligations as a result of past events, we have reasonably estimated the amount required at the end of the current fiscal year and recorded the expected amount of loss, in order to prepare for expenditures likely to be incurred with the compensation of future damages.

(5) 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.

f. Recognition Criteria for Significant Revenue and Expense

The Company recognizes revenue for contracts with customers by applying the following steps.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 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

“Consulting” and “Energy” provide services such as planning, designing, and supervision mainly for civil engineering and electric power.

The Company’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 Company’s performance as the Company performs; (b) the Company’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company’s performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

Sales are 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.

The large-scale vertical axis hydroelectric power projects, 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 of 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 identify 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, progress is recognized based on incurred expense and other output measures used to measure progress after approval by the project manager.
Contract assets are the Company's rights to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditioned on something other than the passage of time. Contract liabilities are the Company's obligation to transfer goods or services to a customer for which the Company 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.

g. *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.
(Hedge relationships subject to "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR")
The Company applies a special treatment specified in the practical solution report to all hedge relationships included in the applicable scope of "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ PITF No. 40 issued on March 17, 2022). Details of the hedge relationships that the practical solution report applies to are as follows.

Hedge accounting method:	Follow the special treatment of interest rate swap
Hedging method:	Interest rate swap transactions
Hedged targets:	Interest paid on borrowings
Type of hedge transaction:	To fix cash flows

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

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 Recorded in Nonconsolidated Statement of Income

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2023	As of June 30, 2022	**As of June 30, 2023**
Net sales	**¥85,728**	¥80,796	**$592,151**

(2) Information on the Significant Accounting Estimates

Sales are recognized based on progress toward the full satisfaction of performance obligations when progress can be reasonably measured, or, if progress cannot be reasonably measured, to the extent of costs incurred until the outcome of the performance obligation can be reasonably measured.

The measurement of progress is generally based on cost budgets and actual costs incurred, as the main cost elements of the business are labor and subcontracting costs. In estimating cost budgets for large-scale vertical axis hydroelectric power projects, estimates of total cost may vary after the fact due to the lack of information on completed similar projects and other information referenced when estimating total cost and the inclusion of significant assumptions such as subcontracting costs. To ensure the accuracy of total cost estimates, we take measures to detect abnormal values of costs and other items at an early stage and revise cost budgets in a timely manner by conducting budget management subdivided by construction type and individually checking the appropriateness of estimated total costs at each fiscal period.

In addition, the measurement of progress for some large projects is based on actual operating and cost performance (volume). When sales are recognized at the estimated invoiced amount, it is based on the actual volume performance vouchers that have gone through the approval process by the project manager.

However, if future changes in the business environment or other factors cause significant fluctuations in estimates of total costs or other items, sales for the following fiscal year may be affected.

b. BDP HOLDINGS Limited Holdings Stocks

(3) The Balance Recorded in Nonconsolidated Balance Sheet

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2023	As of June 30, 2022	**As of June 30, 2023**
Shares of subsidiaries and associates	**¥16,898**	¥16,898	**$116,720**

(4) Information on Significant Accounting Estimates

Since the stocks are classified as stocks with no market price, 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.

In respect of excess earning power, the Company decides whether or not there is a decrease in the excess earning power and the degree thereof expected at the time of acquiring shares by taking into account the progress in the business plan formulated at the time of acquiring shares and the latest business plan that the management have approved.

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 Accounting Policy

Adoption of the Implementation Guidance on Accounting Standard for Fair Value Measurement

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; referred to as the "Fair Value Measurement Accounting Standard Implementation Guidance" hereinafter) was adopted at the beginning of the current fiscal year. It is intended to prospectively apply new accounting policies to be provided by the Fair Value Measurement Accounting Standard Implementation Guidance in accordance with transitional arrangement stipulated in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance. There is no impact on the balance sheet for the current fiscal year.

5. Changes in Presentation

Statement of Income

"Gain on sale of investment securities" (¥22 million in the previous fiscal year), which was included in "Other" under non-operating income in the previous fiscal year, is presented separately in the current fiscal year because it has become significant in terms of amount.

"Foreign exchange gains" (¥536 million ($3,708 thousand) in the current fiscal year) and "Gain on valuation of derivatives" (¥276 million ($1,911 thousand) in the current fiscal year) under "Other income" listed separately for the previous fiscal year is included in "Other" for the current fiscal year because its amount is immaterial.

"Loss on sale of property, plant and equipment" (¥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 because its amount is immaterial.

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, 2023	As of June 30, 2022	**As of June 30, 2023**
Short-term accounts receivable	**¥5,334**	¥4,016	**$36,848**
Short-term accounts payable	**1,342**	7,758	**9,273**

(2) Contingent Liabilities
The Company provides the following guarantees:

	Millions of Yen		Thousands of U.S.Dollars
	As of June 30, 2023	As of June 30, 2022	**As of June 30, 2023**
Bank refundment bonds of subsidiaries	**¥459**	¥713	**$3,177**
Bank guarantee bonds of subsidiaries	**9,010**	22,531	**62,237**
Total	**¥9,470**	¥23,245	**$65,414**

(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, 2023	As of June 30, 2022	**As of June 30, 2023**
Total amount of medium-term commitment lines and overdraft limits	**¥41,500**	¥41,500	**$286,651**
Balance of borrowings	**22,000**	7,500	**151,959**
Balance of unused portion	**¥19,500**	¥34,000	**$134,691**

(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, 2023	As of June 30, 2022	**As of June 30, 2023**
Buildings	**¥9**	¥9	**$64**
Machinery and equipment	**179**	147	**1,242**
Total	**¥189**	¥156	**$1,306**

7. Statement 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, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Sales	**¥455**	¥443	**$3,142**
Cost of purchased goods	**4,645**	4,252	**32,087**
Selling, general and administrative expenses	**1,136**	1,038	**7,848**
Non-operating income	**2,797**	1,959	**19,322**
Non-operating expenses	**19**	22	**133**

(2) The ratio of selling expenses to total selling, general and administrative expenses for years ended June 30, 2023 and 2022, was 17% and 16%, respectively. The ratio of general and administrative expenses to total selling general administrative expenses for years ended June 30, 2023 and 2022, were 83% and 84%, 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, 2023	Year ended June 30, 2022	**Year ended June 30, 2023**
Salaries and allowance	**¥5,735**	¥5,566	**$39,615**
Provision for bonuses	**309**	302	**2,136**
Retirement benefit expenses	**227**	229	**1,572**
Depreciation	**659**	634	**4,556**
Operations consignment expenses	**2,133**	1,880	**14,733**

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, 2023	As of June 30, 2022	**As of June 30, 2023**
Due within one year	**¥300**	¥276	**$2,078**
Due after one year	**277**	536	**1,915**
Total	**¥578**	¥812	**$3,993**

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 30,2023	As of June 30, 2022	**As of June 30,2023**
Investment in subsidiaries that do not have a quoted market price in an active market	**¥27,034**	¥26,921	**$186,731**
Investments in associated companies that do not have a quoted market price in an active market	**873**	873	**6,034**
Total	**¥27,907**	¥27,794	**$192,766**

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, 2023	As of June 30, 2022	**As of June 30, 2023**
Deferred tax assets:			
Loss on valuation of shares of subsidiaries and associates	**¥435**	¥437	**$3,009**
Allowance for doubtful accounts	**693**	684	**4,789**
Accrued bonuses	**794**	840	**5,489**
Accrued enterprise tax	**112**	130	**775**
Accrued foreign tax	**1**	3	**10**
Provision for compensation	**172**	159	**1,189**
Provision for bonuses	**313**	314	**2,165**
Provision for loss on construction contracts	**89**	35	**615**
Liability for retirement benefits for employees	**20**	21	**141**
Provision for environmental measures	**—**	7	**—**
Over depreciation	**65**	77	**453**
Loss on impairment of long-lived assets	**61**	61	**427**
Loss on valuation of investment securities	**15**	76	**107**
Others	**787**	794	**5,440**
Less valuation allowance	**(1,510)**	(1,500)	**(10,433)**
Total deferred tax assets	**2,053**	2,145	**14,181**
Deferred tax liabilities:			
Prepaid pension cost	**(1,215)**	(1,055)	**(8,392)**
Reserve for deferred gains on sale of property	**(1,191)**	(1,202)	**(8,232)**
Unrealized gain on available-for-sale securities	**(216)**	(303)	**(1,496)**
Others	**(224)**	(282)	**(1,549)**
Total deferred tax liabilities	**(2,847)**	(2,843)	**(19,671)**
Net deferred tax liabilities	**¥(794)**	¥(698)	**$(5,489)**

(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:

	2023	2022
Normal effective statutory tax rate	**30.6%**	30.6%
Per capita levy of local tax	**0.9**	1.2
Expenses not deductible for tax purposes	**0.3**	1.4
Foreign income tax	**3.3**	2.1
Valuation allowance	**0.1**	0.5
Special tax credit	**(3.9)**	(2.1)
Income not included for tax purposes	**(10.5)**	(6.3)
Income taxes for prior periods	**0.1**	(0.6)
Other – net	**(0.1)**	(0.6)
Actual effective tax rate	**20.8%**	26.2%

11. Revenue Recognition

(Information on the basis for understanding revenues arising from contracts with customers)
Statement is omitted as the information is disclosed in Notes to Nonconsolidated Financial Statements, **"2. Significant Accounting Policies,** *f. Recognition Criteria for Significant Revenue and Expense.*"

12. Significant Subsequent Events

Statement is omitted, as the information is disclosed in Notes to Consolidated Financial Statements, "**40. Subsequent Events**."

1. Investment Securities

a. Shares

Issue name	Number of shares	Millions of Yen Carrying amount	Thousands of U.S. Dollars Carrying amount
Institute for Q-shu Pioneers of Space, Inc.	**11,429**	**¥800**	**$5,526**
Mitsubishi UFJ Financial Group, Inc.	**713,000**	**759**	**5,245**
Sumitomo Realty & Development Co., Ltd.	**150,000**	**532**	**3,681**
OILES CORPORATION	**238,500**	**475**	**3,283**
PowerSource Group Development Corporation	**26,812**	**201**	**1,394**
Mizuho Financial Group, Inc.	**43,263**	**95**	**657**
YAKUSHIMA DENKO CO.,LTD.	**150,000**	**85**	**588**
JESK HORIUCHI CO., LTD.	**80,000**	**80**	**553**
DN HOLDINGS CO., LTD.	**56,760**	**78**	**542**
Kansai International Airport Land Company, ltd.	**840**	**42**	**290**
CENTRAL JAPAN INTERNATIONAL AIRPORT COMPNAY, LTD.	**304**	**15**	**104**
Resona Holdings, Inc.	**17,189**	**11**	**81**
PT AINO INDONESIA	**19**	**6**	**42**
HACHIYO Consultant Co., Ltd.	**200**	**2**	**13**
OPMAC Corporation	**30**	**1**	**10**
MANAGEMENT SYSTEM ASSESSMENT CENTER	**20**	**1**	**6**
R&D Security K.K.	**20**	**1**	**6**
International Development Journal	**2,000**	**1**	**6**
Japan Pipeline Development & Operation Inc.	**4,200,420**	**0**	**4**
ZAIKEI JUTAKU KINYU CO.,LTD	**3**	**0**	**4**
Bangkok Club Co., Ltd.	**12,500**	**0**	**1**
Yugen Kaisha Kyodo Doshitu Shiken	**2**	**0**	**0**
Chanthaburi Country Club Co., Ltd.	**12,500**	**0**	**0**
Total	**5,715,811**	**¥3,191**	**$22,046**

b. Bonds

Issue name	Millions of Yen	
	Total face value	Carrying amount
Argentine Republic scheduled redemption step-up bond due 2041	**¥2**	**¥0**
Argentine Republic scheduled redemption bond due 2029	**0**	**0**
Argentine Republic GDP-linked securities denominated in EUR	**0**	**0**
Total	**¥2**	**¥0**

Issue name	Thousands of U.S. Dollars	
	Total face value	Carrying amount
Argentine Republic scheduled redemption step-up bond due 2041	**$17**	**$0**
Argentine Republic scheduled redemption bond due 2029	**0**	**0**
Argentine Republic GDP-linked securities denominated in EUR	**2**	**0**
Total	**$20**	**$0**

2. 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	¥13,611	¥87	¥1	¥628	¥13,068	¥8,402	¥21,471
Structures	102	24	0	14	112	710	822
Machinery and equipment	357	32	0	89	300	2,277	2,577
Vehicles	12	—	—	4	8	89	97
Tools, furniture and fixtures	691	180	8	171	691	2,095	2,786
Land	13,384	—	—	—	13,384	—	13,384
Leased assets	234	153	—	100	287	199	487
Construction in progress	44	167	132	—	79	—	79
Total	**¥28,439**	**¥644**	**¥142**	**¥1,009**	**¥27,932**	**¥13,774**	**¥41,707**
Intangible assets:							
Leasehold interests in land	¥627	¥ —	¥ —	¥ —	¥627		
Telephone subscription right	44	—	0	—	44		
Right to use water facilities	0	—	—	0	0		
Software	346	147	0	134	359		
Software development in progress	64	47	47	—	64		
Total	**¥1,084**	**¥194**	**¥48**	**¥134**	**¥1,096**		

	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	$94,015	$601	$10	$4,340	$90,266	$58,040	$148,307
Structures	710	167	0	102	774	4,908	5,683
Machinery and equipment	2,472	222	0	619	2,074	15,728	17,802
Vehicles	86	—	—	31	55	617	673
Tools, furniture and fixtures	4,777	1,244	60	1,184	4,776	14,471	19,247
Land	92,453	—	—	—	92,453	—	92,453
Leased assets	1,620	1,061	—	693	1,988	1,378	3,367
Construction in progress	304	1,157	915	—	546	—	546
Total	**$196,439**	**$4,454**	**$987**	**$6,971**	**$192,936**	**$95,145**	**$288,081**
Intangible assets:							
Leasehold interests in land	$4,334	$ —	$ —	$ —	$4,334		
Telephone subscription right	309	—	1	—	307		
Right to use water facilities	1	—	—	0	0		
Software	2,396	1,019	3	926	2,485		
Software development in progress	448	326	329	—	445		
Total	**$7,490**	**$1,345**	**$334**	**$927**	**$7,573**		

3. Allowance and Provision

	Millions of Yen			
	Balance at beginning of period	Increase	Decrease	Balance at end of period
Allowance for doubtful accounts	**¥2,236**	¥55	¥27	**¥2,264**
Provision for bonuses	**1,026**	1,023	1,026	**1,023**
Provision for directors' bonuses	**110**	—	110	**—**
Provision for loss on construction contracts	**117**	283	109	**291**
Provision for environmental measures	**25**	—	25	**—**
Provision for compensation	**522**	562	522	**562**

	Thousands of U.S. Dollars			
	Balance at beginning of period	Increase	Decrease	Balance at end of period
Allowance for doubtful accounts	**$15,449**	$382	$192	**$15,640**
Provision for bonuses	**7,091**	7,072	7,091	**7,072**
Provision for directors' bonuses	**761**	—	761	**—**
Provision for loss on construction contracts	**811**	1,954	755	**2,011**
Provision for environmental measures	**175**	—	175	**—**
Provision for compensation	**3,609**	3,883	3,609	**3,883**

[Principal Assets and Liabilities]

Statement is omitted, as the information is disclosed in consolidated financial statements.

[Others]

There is no applicable information.

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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, 2023, and the nonconsolidated statement of income, nonconsolidated statement of changes in net assets for the year then ended, and notes to the financial statements.

In our opinion, the accompanying nonconsolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2023, 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.

In the audit of the nonconsolidated financial statements of the previous period, we determined the following matters were key audit matters.

- Revenue recognition in contracts for which revenue is recognized over time
- Valuation of BDP Holdings Limited shares

From the matters communicated with those charged with governance in the current fiscal year, we verified which matters were appropriate to be treated as key audit matters considering the changes in the assessment of significant risk and areas of higher risk of material misstatement, significant judgments in our audit, the impact of material events or transactions that occurred in the current fiscal year, and the relative importance in our audit and company-specific matters.

As a result, we concluded that the key audit matters in the audit of nonconsolidated financial statements of the current fiscal year are the same as the previous year.

PricewaterhouseCoopers Aarata LLC
Otemachi Park Building, 1-1-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
T: +81 (3) 6212 6800, F: +81 (3) 6212 6801, www.pwc.com/jp/assurance

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 85,728 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 f. Recognition Criteria for Significant Revenue and Expense, 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 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, large-scale vertical axis hydroelectric power projects, 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, revenue recognized based on output measures for large-scale projects is specifically recognized based on the actual service report approved by project managers. 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: 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. 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, large-scale vertical axis hydroelectric power projects, 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 • Agreed the estimated billing amount with the incurred expense and other output measures used to measure progress • Recalculated revenue recognized • Agreed deposit vouchers to revenue booked • Reviewed monthly trends in revenues and profit margins to assess reasonableness • Compared of estimated total costs and actual costs for completed projects

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 27,907 million yen of shares of subsidiaries and associates whose fair value is not readily determinable as of June 30, 2023. 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, a UK based construction design company, in 2016 with the aim of expanding the urban development market. The acquisition occurred at a higher price than the net asset value per share, reflecting BDP's excess earnings power. For unlisted shares of subsidiaries, the Company recognizes impairment losses when the net asset value of the shares, which reflects excess earnings power, 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. BDP's excess earnings power is determined by considering the achievement of the business plan formulated at the time of the share acquisition and the latest business plan approved by management to determine whether and how much there is a decrease in excess earnings power from the time of the share acquisition. The Company has not recorded an impairment loss as a result of a review in accordance with this policy. Due to the quantitative significance of the investment in BDP's shares and the fact that the assessment of whether and how much there is a decrease in excess earnings capacity involves estimates with high uncertainty and subjective judgments by management, we determined that such matters constitute a key audit matter.	In considering the reasonableness of the valuation of the investment in unlisted shares of BDP, we performed the following principal audit procedures: - Evaluated the design and implementation and tested the operating effectiveness of internal controls related to the share valuation of unlisted shares of subsidiaries - Performed the following procedures to determine whether the excess earnings power from the time of the share acquisition was reduced and the extent of the decline • Evaluated whether the outcomes of the Company's assessment of whether and how much there is a decrease in excess earnings power from the time of the share acquisition is reasonable based on the achievement status of the corporate plan formulated at the time of the share acquisition and the latest business plan • Inquired with management and reviewed the minutes of the board of directors' meetings to understand the business environment of BDP and evaluate whether there were conditions that indicated possibility of deterioration in the financial position • Inquired with management regarding the business plan to understand the developing process • We verified the net asset value of the shares calculation accurately reflected BDP's excess earnings power. We also compared the book value of the shares against the net asset value of the shares.

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Other Information

The other information comprises the information included in the Financial Report, but does not include the nonconsolidated financial statements and our auditor's report thereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Company's reporting process of the other information.
Our opinion on the nonconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the nonconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the nonconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 nonconsolidated 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.

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, 2023 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.

DocuSigned by: Masataka Kubota 7199A40671244E5	DocuSigned by: 近藤 仁 1AF71E894F944A0
Masataka Kubota	Hitoshi Kondo
Designated Engagement Partner Certified Public Accountant	Designated Engagement Partner Certified Public Accountant

November 14, 2023

NIPPON KOEI CO.,LTD.

5-4 Kojimachi, Chiyoda-ku, Tokyo 102-8539, Japan
Telephone: +81 3 5276 2454 **Facsimile:** +81 3 5276 2656
http://www.n-koei.co.jp **E-mail:** info@n-koei.co.jp

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