

Consolidated Financial Results for the Nine Months Ended March 31, 2023 [IFRS]



May 15, 2023

Company name: Nippon Koei Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 1954

URL: <https://www.n-koei.co.jp/english/>

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Scheduled date of filing quarterly securities report: May 15, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: None

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

1. Consolidated Financial Results for the Nine Months Ended March 31, 2023 (from July 1, 2022 to March 31, 2023)

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

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine Months ended March 31, 2023	102,634	7.3	9,520	0.1	8,580	(17.3)	5,528	(22.2)	4,725	(33.3)
March 31, 2022	95,682	10.6	9,509	39.0	10,373	52.6	7,108	70.9	7,083	65.9

	Basic earnings per share	Diluted earnings per share
Nine Months ended March 31, 2023	Yen 313.71	Yen 313.71
March 31, 2022	470.52	470.52

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
As of	Million yen	Million yen	Million yen	%
March 31, 2023	209,757	82,995	80,213	38.2
June 30, 2022	173,926	81,969	78,088	44.9

2. Dividends

	Dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2022	-	-	-	125.00	125.00
Fiscal year ending June 30, 2023	-	-	-	-	-
Fiscal year ending June 30, 2023 (Forecast)	-	-	-	125.00	125.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2023 (July 1, 2022 to June 30, 2023)

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	145,000	11.0	11,300	24.6	6,700	1.8	444.77

(Note) Revision to the financial results forecast announced most recently: None

*** Notes:**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes
New companies: None
Excluded companies: IRONMONT HYDRO PTE. LTD.
ACEI SINGAPORE HOLDINGS PRIVATE LTD.

- (2) Changes in accounting policies and changes in accounting estimates

- 1) Changes in accounting policies required by IFRS: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None

- (3) Total number of issued shares (ordinary shares)

- 1) Total number of issued shares at the end of the period (including treasury shares)
- | | | |
|----------------------|---|-------------------|
| As of March 31, 2023 | : | 15,068,948 shares |
| As of June 30, 2022 | : | 15,060,314 shares |
- 2) Total number of treasury shares at the end of the period
- | | | |
|----------------------|---|--------------|
| As of March 31, 2023 | : | 2,675 shares |
| As of June 30, 2022 | : | 1,811 shares |
- 3) Average number of shares during the period
- | | | |
|----------------------------------|---|-------------------|
| Nine Months Ended March 31, 2023 | : | 15,063,827 shares |
| Nine Months Ended March 31, 2022 | : | 15,055,238 shares |

* These consolidated financial results are not subject to audit procedures by certified public accountants or the audit firm.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements disclosed herein are based on information available to the Company as of the publication date of this document and it is not intended to guarantee the Company's future performance. Actual results may significantly differ from the forecasts due to a wide range of factors.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended March 31, 2023 (July 1, 2022 to March 31, 2023), the Japanese economy was recovering due to the effects of various policies as the transition to a new stage of life with COVID-19 progresses. However, while global monetary tightening, etc. continues, we need to pay close attention to the effects of price increases, supply-side constraints, and fluctuations in the financial and capital markets in addition to the risk that the downside in overseas economies would hold down the Japanese economy.

With regard to the business environment surrounding NIPPON KOEI CO., LTD. (the “Company”) and its subsidiaries (together, the “Group”), we recognize that the situation is unpredictable. There is an increasing risk of uncertainty in the international situation such as global inflation and a weak yen triggered by the COVID-19 pandemic and Russia’s invasion of Ukraine while we are facing global issues that require immediate action, such as climate change and income disparities. In the Consulting Business, the domestic market is expected to continue to secure public work budgets for national resilience and regional revitalization and the market is expected to expand especially in the field of disaster prevention and mitigation. In the overseas market, the Japanese government is aiming to strengthen budgets with “Infrastructure System Overseas Promotion Strategy 2025” as an axis, but business operations are expected to be difficult due to the delay in formation of some projects caused by the impact of COVID-19 and review of the business in association with inflation and yen depreciation. In the Urban & Spatial Development Business, the need for sustainable urban restructuring, which attracts ESG investment, is increasing in Japan, Europe and the United States. Also, the need for the urban development business including preparation and maintenance of transportation-related facilities and peripheral infrastructures is strong in developing countries. In the Energy Business, new opportunities are expected to be created leading to competition toward the target of carbon neutrality in 2050 in addition to the demand for updating the aging existing equipment in Japan. However, it is necessary to agilely cope with policy change due to the rising global energy cost although the trend of shifting to renewable energy remains unchanged.

Under such a market environment, we have drawn up the medium-term management plan “Building Resilience 2024” to implement three resilience policies, and positioned the period from July 2021 to June 2024, which is first step of the “NKG Global Strategy 2030,” as a transformation period to make the Group resilient.

As the first resilience policy, we reorganized the conventional five business operations into three domains (Consulting, Urban & Spatial Development, and Energy) to strengthen the business axis. As the second resilience policy, we will aim to realize matrix management by transitioning to a holding company structure and preparing and maintaining a regional management system. As the third resilience policy, we aim to strengthen technological development and human resource development toward the establishment of “NKG brand” and “NKG quality.” Also, we will promote “well-being management” as a basis for that.

As a result, the Group ended the nine months of the current fiscal year with orders received increased 14.7% year on year to ¥92,023 million, mainly due to steady progress in the Urban & Spatial Development Business and the Energy Business. All businesses yielded revenue steadily and increased 7.3% year on year to ¥102,634 million. Operating profit remained at the level equal to the same period of the previous year, ¥9,520 million, due to the increase in expenses in the Consulting Business and the Urban & Spatial Development Business. Profit attributable to owners of parent decreased 33.3% year on year to ¥4,725 million due to foreign exchange losses, etc.

Business results for each segment are as follows: As some of our subsidiaries have changed their reportable segments, effective from the first quarter of the current fiscal year, comparisons with the nine months of the previous fiscal year are based on the figures that have been reclassified into the new segments. For details of this change in reporting segments, please refer to “2. Condensed Quarterly Consolidated Financial Statements and Primary Notes (5) Primary Notes to Condensed Quarterly Consolidated Financial Statements (Segment Information) 2. Changes in reportable segments.”

[Consulting]

In the Consulting Business, we worked to utilize new technologies, assure quality and safety and increase productivity. We also promoted cross-sectional co-creation projects such as those related to river basin flood control, climate change, SDGs, renewable energy and multi-hazards.

As a result, orders received increased 1.8% year on year to ¥51,318 million and revenue increased 10.0% year on year to ¥59,737 million due to steady progress in the domestic projects. Operating profit decreased 12.4% year on year to ¥5,948 million due to an increase in travel costs etc. owing to inflation and increase in business travelers by easing of entry restrictions in various countries.

[Urban & Spatial Development]

In the Urban & Spatial Development Business, we worked to form urban (re-)development projects centering on NIPPON KOEI URBAN SPACE CO., LTD. ("NIPPON KOEI URBAN SPACE"), which was established by consolidating the Urban & Spatial Development Business of the Company and our group company TAMANO CONSULTANTS CO., LTD. (on July 1, 2022).

We also worked to expand business in the U.K. and North American markets and to establish a business foundation in the Asian market through group-wide collaboration.

As a result, orders received increased 32.2% year on year to ¥27,719 million due to orders for large-scale projects at BDP HOLDINGS LIMITED and its subsidiaries ("BDP"). Revenue increased 3.0% year on year to ¥27,721 million. Operating profit decreased 24.3% year on year to ¥2,000 million, as expenses associated with the construction of infrastructure for business expansion increased both in NIPPON KOEI URBAN SPACE and BDP.

[Energy]

In the Energy Business, we worked to strengthen the structure of the existing energy-related consulting and engineering projects, build a foundation for energy management projects such as battery storage and aggregation and stabilize the manufacturing projects by strengthening core products and developing new ones.

As a result, orders received increased 46.9% year on year to ¥12,854 million due to orders for large-scale projects such as EPC project for construction of next-generation energy supply base and project for substation control systems. Revenue increased 4.8% year on year to ¥14,575 million, and operating profit increased 74.6% year on year to ¥2,869 million by gain on sale of shares of PT. ARKORA HYDRO, a former associated company of the Group, and gain on investments in securities.

(2) Explanation of Financial Position

Total assets as of March 31, 2023, amounted to ¥209,757 million, an increase of ¥35,831 million from the end of the previous fiscal year. This was mainly due to a ¥16,873 million increase in contract assets.

Total liabilities were ¥126,762 million, an increase of ¥34,805 million from the end of the previous fiscal year. This was mainly due to a ¥30,461 million increase in borrowings.

Total equity was ¥82,995 million, an increase of ¥1,026 million from the end of the previous fiscal year. This was mainly due to a ¥3,171 million increase in retained earnings.

As a result, ratio of equity attributable to owners of parent to total assets decreased 6.7 percentage points from the end of the previous fiscal year to 38.2%.

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

The full-year forecasts remain unchanged from those announced on August 12, 2022 since the performance of Group for the first nine months of the current fiscal year is generally progressing within the range of the forecast of Group at the beginning of the fiscal year in each segment.

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	<u>As of June 30, 2022</u>	<u>As of March 31, 2023</u>
Assets		
Current assets		
Cash and cash equivalents	17,971	22,825
Trade and other receivables	27,042	35,073
Contract assets	26,450	43,323
Other financial assets	3,779	2,818
Other current assets	8,290	6,320
Total current assets	<u>83,535</u>	<u>110,362</u>
Non-current assets		
Property, plant and equipment	41,403	50,810
Right-of-use assets	9,067	10,204
Goodwill	10,207	10,532
Intangible assets	7,025	6,915
Investment property	6,250	5,049
Investments accounted for using equity method	2,434	2,903
Retirement benefit asset	3,624	3,655
Other financial assets	6,423	6,197
Deferred tax assets	2,429	2,380
Other non-current assets	1,523	745
Total non-current assets	<u>90,390</u>	<u>99,395</u>
Total assets	<u><u>173,926</u></u>	<u><u>209,757</u></u>

(Millions of yen)

	As of June 30, 2022	As of March 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	13,148	44,588
Lease liabilities	2,729	2,701
Trade and other payables	10,400	16,918
Contract liabilities	8,837	11,667
Other financial liabilities	4,561	3,065
Income taxes payable	2,551	2,069
Provisions	653	1,221
Other current liabilities	12,957	9,230
Total current liabilities	55,840	91,462
Non-current liabilities		
Borrowings	19,288	18,309
Lease liabilities	6,556	7,779
Other financial liabilities	665	681
Retirement benefit liability	3,896	3,722
Provisions	674	86
Deferred tax liabilities	4,683	4,473
Other non-current liabilities	351	247
Total non-current liabilities	36,116	35,299
Total liabilities	91,956	126,762
Equity		
Share capital	7,501	7,517
Capital surplus	6,454	6,470
Treasury shares	(34)	(8)
Other components of equity	5,252	4,148
Retained earnings	58,914	62,085
Total equity attributable to owners of parent	78,088	80,213
Non-controlling interests	3,881	2,782
Total equity	81,969	82,995
Total liabilities and equity	173,926	209,757

(2) Condensed Quarterly Consolidated Statements of Profit or Loss and Comprehensive Income

(Condensed Quarterly Consolidated Statement of Profit or Loss)

	(Millions of yen)	
	For the nine months ended March 31, 2022 (From July 1, 2021 to March 31, 2022)	For the nine months ended March 31, 2023 (From July 1, 2022 to March 31, 2023)
Revenue	95,682	102,634
Cost of sales	(64,425)	(70,373)
Gross profit	31,257	32,260
Selling, general and administrative expenses	(21,709)	(24,066)
Share of profit of investments accounted for using equity method	183	4
Other income	488	2,494
Other expenses	(709)	(1,172)
Operating profit	9,509	9,520
Finance income	1,212	239
Finance costs	(348)	(1,179)
Profit before tax	10,373	8,580
Income tax expense	(3,265)	(3,051)
Profit	7,108	5,528
Profit attributable to		
Owners of parent	7,083	4,725
Non-controlling interests	24	802
Profit	7,108	5,528
Earnings per share		
Basic earnings per share (Yen)	470.52	313.71
Diluted earnings per share (Yen)	470.52	313.71

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

	(Millions of yen)	
	For the nine months ended March 31, 2022 (From July 1, 2021 to March 31, 2022)	For the nine months ended March 31, 2023 (From July 1, 2022 to March 31, 2023)
Profit	7,108	5,528
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity financial assets measured at fair value through other comprehensive income	278	258
Share of other comprehensive income of investments accounted for using equity method	0	1
Total of items that will not be reclassified to profit or loss	278	259
Items that may be reclassified to profit or loss		
Cash flow hedges	4	4
Exchange differences on translation of foreign operations	1,335	(1,060)
Share of other comprehensive income of investments accounted for using equity method	41	(18)
Total of items that may be reclassified to profit or loss	1,380	(1,073)
Other comprehensive income	1,659	(813)
Comprehensive income	8,768	4,714
Comprehensive income attributable to		
Owners of parent	8,670	3,950
Non-controlling interests	98	764
Comprehensive income	8,768	4,714

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

For the Nine Months Ended March 31, 2022 (From July 1, 2021 to March 31, 2022)

(Millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Equity financial assets measured at fair value through other comprehensive income
Balance as of July 1, 2021	7,480	6,428	(0)	1,982	(30)	867
Profit	-	-	-	-	-	-
Other comprehensive income	-	-	-	1,303	4	278
Total comprehensive income	-	-	-	1,303	4	278
Issuance of new shares	21	21	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Purchase of treasury shares	-	-	(5)	-	-	-
Disposal of treasury shares	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Purchase and disposal of non-controlling interests	-	5	-	(1)	-	-
Transfer to retained earnings	-	-	-	-	-	-
Total transactions with owners	21	26	(5)	(1)	-	-
Balance as of March 31, 2022	7,501	6,454	(5)	3,284	(25)	1,145

	Equity attributable to owners of parent					Non-controlling interests	Total
	Other components of equity		Retained earnings	Total			
	Remeasurements of defined benefit plans	Total					
Balance as of July 1, 2021	-	2,820	53,996	70,725	1,569	72,294	
Profit	-	-	7,083	7,083	24	7,108	
Other comprehensive income	0	1,586	-	1,586	73	1,659	
Total comprehensive income	0	1,586	7,083	8,670	98	8,768	
Issuance of new shares	-	-	-	42	-	42	
Change in scope of consolidation	-	-	-	-	-	-	
Purchase of treasury shares	-	-	-	(5)	-	(5)	
Disposal of treasury shares	-	-	-	-	-	-	
Dividends	-	-	(1,128)	(1,128)	(15)	(1,143)	
Purchase and disposal of non-controlling interests	-	(1)	-	3	2,051	2,055	
Transfer to retained earnings	(0)	(0)	0	-	-	-	
Total transactions with owners	(0)	(1)	(1,128)	(1,087)	2,035	948	
Balance as of March 31, 2022	-	4,404	59,952	78,307	3,703	82,010	

For the Nine Months Ended March 31, 2023 (From July 1, 2022 to March 31, 2023)

(Millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Equity financial assets measured at fair value through other comprehensive income
Balance as of July 1, 2022	7,501	6,454	(34)	4,620	(24)	656
Profit	-	-	-	-	-	-
Other comprehensive income	-	-	-	(1,039)	4	258
Total comprehensive income	-	-	-	(1,039)	4	258
Issuance of new shares	15	15	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Purchase of treasury shares	-	-	(2)	-	-	-
Disposal of treasury shares	-	-	28	-	-	-
Dividends	-	-	-	-	-	-
Purchase and disposal of non-controlling interests	-	-	-	(0)	-	-
Transfer to retained earnings	-	-	-	-	-	(327)
Total transactions with owners	15	15	25	(0)	-	(327)
Balance as of March 31, 2023	7,517	6,470	(8)	3,580	(19)	587

	Equity attributable to owners of parent					
	Other components of equity		Retained earnings	Total	Non-controlling interests	Total
	Remeasurements of defined benefit plans	Total				
Balance as of July 1, 2022	-	5,252	58,914	78,088	3,881	81,969
Profit	-	-	4,725	4,725	802	5,528
Other comprehensive income	0	(775)	-	(775)	(38)	(813)
Total comprehensive income	0	(775)	4,725	3,950	764	4,714
Issuance of new shares	-	-	-	31	-	31
Change in scope of consolidation	-	-	-	-	(1,933)	(1,933)
Purchase of treasury shares	-	-	-	(2)	-	(2)
Disposal of treasury shares	-	-	-	28	-	28
Dividends	-	-	(1,882)	(1,882)	(69)	(1,951)
Purchase and disposal of non-controlling interests	-	(0)	-	(0)	139	139
Transfer to retained earnings	(0)	(328)	328	-	-	-
Total transactions with owners	(0)	(328)	(1,554)	(1,825)	(1,862)	(3,688)
Balance as of March 31, 2023	-	4,148	62,085	80,213	2,782	82,995

(4) Condensed Quarterly Consolidated Statement of Cash Flows

	(Millions of yen)	
	For the nine months ended March 31, 2022 (From July 1, 2021 to March 31, 2022)	For the nine months ended March 31, 2023 (From July 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before tax	10,373	8,580
Depreciation and amortization	3,678	3,859
Loss (gain) on financial assets measured at fair value through profit or loss	(9)	(667)
Gain on sale of shares of subsidiaries and associates	-	(1,021)
Interest and dividend income	(375)	(307)
Interest expenses	348	483
Share of loss (profit) of investments accounted for using equity method	(183)	(4)
Loss (gain) on derivatives	(489)	2
Decrease (increase) in trade and other receivables	(10,546)	(8,234)
Decrease (increase) in contract assets	(16,563)	(16,864)
Decrease (increase) in advance payments to suppliers	(2,433)	(510)
Decrease (increase) in insurance claims receivable	(770)	-
Decrease (increase) in long-term accounts receivable - other	(211)	-
Increase (decrease) in trade and other payables	2,769	2,534
Increase (decrease) in contract liabilities	(767)	2,752
Increase (decrease) in consumption taxes payable	(3,423)	(1,347)
Increase (decrease) in deposits received	(264)	(1,488)
Increase (decrease) in accrued expenses	(1,960)	(3,003)
Increase (decrease) in accounts payable - bonuses	1,098	655
Increase (decrease) in provisions	678	(15)
Other	(474)	361
Sub total	<u>(19,526)</u>	<u>(14,235)</u>
Dividends received	115	151
Interest received	257	658
Proceeds from insurance income	2	100
Interest paid	(311)	(411)
Head office relocation expenses paid	-	(74)
Income taxes paid	(3,074)	(3,739)
Net cash provided by (used in) operating activities	<u>(22,536)</u>	<u>(17,551)</u>
Cash flows from investing activities		
Payments into time deposits	(518)	(397)
Proceeds from withdrawal of time deposits	245	28
Purchase of property, plant and equipment and investment property	(1,248)	(3,427)
Purchase of intangible assets	(272)	(178)
Purchase of other financial assets	(564)	(358)
Proceeds from sale and redemption of other financial assets	98	671
Proceeds from sale of shares of subsidiaries and associates	-	428
Payments for acquisition of subsidiaries and associates	(258)	(851)
Collection of loans receivable	-	558
Other	(10)	3
Net cash provided by (used in) investing activities	<u>(2,530)</u>	<u>(3,521)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	207,500	374,500
Repayments of short-term borrowings	(172,034)	(343,027)
Proceeds from long-term borrowings	1,719	2,875
Repayments of long-term borrowings	(6,590)	(3,654)
Repayments of lease liabilities	(2,257)	(2,305)
Capital contribution from non-controlling interests	2,087	139
Dividends paid	(1,146)	(1,897)
Other	(39)	25
Net cash provided by (used in) financing activities	<u>29,237</u>	<u>26,655</u>
Net increase (decrease) in cash and cash equivalents	4,170	5,582
Cash and cash equivalents at beginning of period	17,838	17,971
Effect of exchange rate changes on cash and cash equivalents	332	(728)
Cash and cash equivalents at end of period	<u>22,342</u>	<u>22,825</u>

(5) Primary Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Notes on Significant Changes in Shareholders' Equity)

Issuance of restricted stock compensation

In accordance with the resolution of the Extraordinary Board of Directors Meeting held on September 29, 2022, we issued new shares as restricted stock compensation for directors on October 28, 2022. As a result, share capital and capital surplus increased by ¥15 million, respectively, during the nine months ended March 31, 2023.

Subsequently, share capital and capital surplus as of March 31, 2023 were ¥7,517 million and ¥6,470 million, respectively.

(Segment Information)

1. Outline of reportable segments

(1) 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 are periodically 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 type 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."

(2) Types of products and services by reportable segment

The "Consulting" engages in business within and outside Japan such as site surveying, planning, evaluation/assessment, designing, and construction management. It 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, information systems, etc.

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

The "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 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 third quarter of the previous fiscal year is provided based on the new reporting segments.

3. Information about reportable segments

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

4. Major change in segment assets

Due to the progress of the European battery project, assets of “Energy” increased by ¥9,356 million from the end of the previous fiscal year.

For the nine months ended March 31, 2022 (from July 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable Segments			
	Consulting	Urban & Spatial Development	Energy	Total
Revenue				
Revenue from external customers	54,298	26,904	13,906	95,108
Intersegment revenue and transfers	278	164	228	670
Total	54,576	27,068	14,134	95,779
Segment profit (loss)	6,788	2,644	1,642	11,076
Finance income				
Finance costs				
Profit before tax				

	Others (Note1)	Total	Adjustments (Note 2)	Consolidated
Revenue				
Revenue from external customers	574	95,682	-	95,682
Intersegment revenue and transfers	579	1,250	(1,250)	-
Total	1,153	96,933	(1,250)	95,682
Segment profit (loss)	(1,551)	9,524	(14)	9,509
Finance income				1,212
Finance costs				(348)
Profit before tax				10,373

Notes: 1. The category of “Others” includes revenues from constituent units that have not earned revenues or earn only incidental revenues.

2. "Adjustments" is mainly elimination of transaction between segments.

For the nine months ended March 31, 2023 (from July 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable Segments			
	Consulting	Urban & Spatial Development	Energy	Total
Revenue				
Revenue from external customers	59,737	27,721	14,575	102,034
Intersegment revenue and transfers	392	373	232	998
Total	60,130	28,094	14,807	103,032
Segment profit (loss)	5,948	2,000	2,869	10,818
Finance income				
Finance costs				
Profit before tax				

	Others (Note1)	Total	Adjustments (Note 2)	Consolidated
Revenue				
Revenue from external customers	600	102,634	-	102,634
Intersegment revenue and transfers	732	1,730	(1,730)	-
Total	1,332	104,365	(1,730)	102,634
Segment profit (loss)	(1,288)	9,530	(9)	9,520
Finance income				239
Finance costs				(1,179)
Profit before tax				8,580

Notes: 1. The category of "Others" includes revenues from constituent units that have not earned revenues or earn only incidental revenues.

2. "Adjustments" is mainly elimination of transaction between segments.

(Significant Subsequent Events)

At the Board of Directors meeting on April 14, 2023, the Company approved conclusion of Absorption-type Demerger Agreement with Nippon Koei Business Partners Co., Ltd. (hereinafter referred to as “NKBP”) and Nippon Koei Energy Solutions Co., Ltd. (hereinafter referred to as “NKES”) respectively as follows. (Hereinafter “NKBP” and “NKES” are collectively referred to as “Counterparts.”)

1. Counterparts of the Absorption-type Demerger

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

Company name	Nippon Koei Business Partners Co., Ltd.
Location of head office	5-4 Kojimachi, Chiyoda-ku, Tokyo
Name of representative	Yasushi Hirusaki, Representative Director and President
Amount of capital	10 million yen
Amount of net assets	10 million yen
Amount of total assets	10 million yen
Description of business	Business management, etc. (commissioned or agency business in accounting, human resource, and general affairs tasks; planning and promotion of sales and local strategies as well as commissioned or agency business in the related tasks; and planning and promotion of engineering, IT, and human resource strategies as well as commissioned or agency business in the related tasks; etc.) Before the Absorption-type Demerger Agreement is put into effect (July 1, 2023), NKBP is preparing for the start of business.

Company name	Nippon Koei Energy Solutions Co., Ltd.
Location of head office	5-4 Kojimachi, Chiyoda-ku, Tokyo
Name of representative	Hiroshi Yokota, Representative Director and President
Amount of capital	50 million yen
Amount of net assets	50 million yen
Amount of total assets	50 million yen
Description of business	Energy business (manufacturing and sales of electric power equipment and control systems; planning and designing of electromechanical equipment and communication facilities; construction work; supervising construction work; and energy management utilizing decentralized energy resources) Before the Absorption-type Demerger Agreement is put into effect (October 1, 2023), NKES is preparing for the start of business.

(2) Revenue, operating profit, ordinary profit, and net profit of the fiscal years ended in the last three years

Since the Counterparts are companies to be launched, revenue, operating profit, ordinary profit and net profit of the fiscal years ended the last three years are not described.

(3) The name of the chief shareholder and percentage of shares held

Name of chief shareholder	Percentage of shares held
Nippon Koei Co., Ltd.	100%

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

Capital ties	The Counterparts are consolidated subsidiaries wholly owned by the Company.
Personnel ties	Some concurrently hold posts of officers in both companies.
Business ties	There are no ties at present

2. Objectives of the Absorption-type Demerger

As announced in “Announcement of Transition to a Pure Holding Company Structure through a Share Transfer” dated August 12, 2022, the Company plans to establish Integrated Design & Engineering Holdings Co., Ltd. (hereinafter referred to as “Holdings Co.”) by transferring shares on July 3, 2023, and make a shift to a holding company structure by splitting part of the Company’s businesses.

To facilitate the preparation for splitting part of the Company’s businesses through a demerger, the Company has established NKBP and NKES (Both of them are subsidiaries wholly owned by the Company).

In addition, an Absorption-type Demerger Agreement is to be concluded with the Company being the Splitting Company and NKBP being the Successor Company (hereinafter referred to as “Absorption-type Demerger 1”) to hand over businesses performed by the Company’s Corporate Management Headquarters, Business Promotion Headquarters and Business Strategy Headquarters. Another Absorption-Type Demerger Agreement is to be concluded with the Company being the Splitting Company and NKES being the Successor Company (hereinafter referred to as “Absorption-type Demerger 2”) to hand over businesses performed by the Company’s Energy Headquarters (hereinafter, the two Absorption-type Demerger Agreements are referred to as “the Absorption-type Demerger Agreements”).

The following is a summary of the above.

Absorption-type Demerger Agreements	Successor Company	Businesses to be handed over	Date of effect
Absorption-type Demerger 1	NKBP	Business performed by the Company’s Corporate Management Headquarters, Business Promotion Headquarters and Business Strategy Headquarters	July 1, 2023
Absorption-type Demerger 2	NKES	Businesses performed by the Company’s Energy Headquarters	October 1, 2023

3. Method of the Absorption-type Demerger, details about shares in the Absorption-type Demerger, and other details of the Absorption-type Demerger Agreements

(1) Method of demerger

This is an Absorption-type Demerger in which the Company is the Splitting Company and NKBP and NKES are Successor Companies, and they are to be subsidiaries wholly owned by the Company.

(2) Details about shares in the Absorption-type Demerger

At the Absorption-type Demerger, both Successor Companies are to issue 1,000 new ordinary shares, and allocate them to the Company.

(3) Other details of the Absorption-type Demerger Agreements

A. Schedule for the Absorption-type Demerger

Board of Directors meeting to approve the Absorption-type Demerger Agreements	April 14, 2023
Date of conclusion of the Absorption-type Demerger Agreements	May 8, 2023
Date of effect for the Absorption-type Demerger 1	July 1, 2023 (scheduled) (note1)
The Company's shareholders' meeting to approve Absorption-type Demerger 2	July 3, 2023 (scheduled) (note2)
Date of effect for the Absorption-type Demerger 2	October 1, 2023 (scheduled)

Notes: 1. Absorption-type Demerger 1 falls within the category of simple demerger specified in the Corporation Law and will be put into effect without obtaining approval at the Company's shareholders' meeting.

2. The base date system for the voting rights at the annual shareholders' meeting is to end on June 30, 2023, and Holdings Co. owns one voting right at the shareholders' meeting on the day.

B. Increase in capital due to the Absorption-type Demerger

There will be no increase or decrease in the capital of the Company associated with the Absorption-type Demerger Agreements.

C. Splitting Company's stock acquisition right and its stock acquisition right attached to corporate bonds

There is no relevant information.

D. Rights and obligations to be handed over to the Successor Companies

The Successor Companies are to take over assets, debts, contracts and other rights and obligations related to the businesses to be handed over on the date of effect within the range specified in each Absorption-type Demerger Agreement.

4. Rationale for the calculation of shares in the Absorption-Type Demerger

The Counterparts are subsidiaries wholly owned by the Company, and all of the shares issued by the Counterparts at the Absorption-type Demerger will be allocated to the Company. Therefore, the number of shares to be allocated was decided through a discussion between the Company and the Counterparts.

5. Assets and debts to be split and book values

Absorption-type Demerger 1

Assets		Liabilities	
Current assets	1,623 million yen	Current liabilities	633 million yen
Non-current assets	975 million yen	Non-current liabilities	667 million yen
Total	2,598 million yen	Total	1,301 million yen

Note: The above values were calculated based on the balance sheet as of December 31, 2022. Therefore, the actual amount to be handed over will be adjusted based on the increase and decrease by the date of effect.

Absorption-type Demerger 2

Assets		Liabilities	
Current assets	14,995 million yen	Current liabilities	8,973 million yen
Non-current assets	13,825 million yen	Non-current liabilities	6,035 million yen
Total	28,820 million yen	Total	15,008 million yen

Note: The above values were calculated based on the balance sheet as of December 31, 2022. Therefore, the actual amount to be handed over will be adjusted based on the increase and decrease by the date of effect.

6. Name of the company that become the successor after the Absorption-type Demerger, location of the head office, name of representative, amount of capital, amount of net assets, amount of total assets, and description of business

Company name	Nippon Koei Business Partners Co., Ltd.
Location of head office	5-4 Kojimachi, Chiyoda-ku, Tokyo
Name of representative	Yasushi Hirusaki, Representative Director and President
Amount of capital	100 million yen (To be increased on the date of effect for the Absorption-type Demerger 1)
Amount of net assets	1,297 million yen (Estimate)
Amount of total assets	2,598 million yen (Estimate)
Description of business	Business management, etc. (commissioned or agency business in accounting, human resource, and general affairs tasks; planning and promotion of sales and local strategies as well as commissioned or agency business in the related tasks; and planning and promotion of engineering, IT, and human resource strategies as well as commissioned or agency business in the related tasks; etc.)

Company Name	Nippon Koei Energy Solutions Co., Ltd.
Location of head office	5-4 Kojimachi, Chiyoda-ku, Tokyo
Name of the representative	Hiroshi Yokota, Representative Director and President
Amount of capital	2,900 million yen (To be increased on the date of effect for the Absorption-type Demerger 2)
Amount of net assets	13,812 million yen (Estimate)
Amount of total assets	28,820 million yen (Estimate)
Description of business	Energy business (manufacturing and sales of electric power equipment and control systems; planning and designing of electromechanical equipment and communication facilities; construction work; supervising construction work; and energy management utilizing decentralized energy resources)

3. Other Information

(1) Status of Orders and Revenue

By period		For the nine months ended March 31, 2022		For the nine months ended March 31, 2023		For the fiscal year ended June 30, 2022	
		Amount (Millions of yen)	Composition (%)	Amount (Millions of yen)	Composition (%)	Amount (Millions of yen)	Composition (%)
Orders received	Consulting	50,412	62.9	(note 1) 51,318	55.8	84,717	64.6
	Urban & Spatial Development	20,973	26.1	27,719	30.1	31,981	24.4
	Energy	8,751	10.9	12,854	14.0	14,343	10.9
	Others	78	0.1	132	0.1	123	0.1
	Total	80,215	100.0	92,023	100.0	131,166	100.0
Revenue 1	Consulting	58,141	60.7	62,595	61.0	80,299	61.5
	Urban & Spatial Development	26,086	27.3	27,722	27.0	34,787	26.6
	Energy	10,881	11.4	11,716	11.4	14,804	11.3
	Others	574	0.6	600	0.6	783	0.6
	Total	95,682	100.0	102,634	100.0	130,674	100.0
Revenue 2	Consulting	54,298	56.8	59,737	58.2	75,000	57.4
	Urban & Spatial Development	26,904	28.1	27,721	27.0	36,091	27.6
	Energy	13,906	14.5	14,575	14.2	18,799	14.4
	Others	574	0.6	600	0.6	783	0.6
	Total	95,682	100.0	102,634	100.0	130,674	100.0

By period		For the nine months ended March 31, 2022		For the nine months ended March 31, 2023		For the fiscal year ended June 30, 2022	
		Amount (Millions of yen)	Composition (%)	Amount (Millions of yen)	Composition (%)	Amount (Millions of yen)	Composition (%)
Foreign exchange and other adjustments	Consulting	930		(2,858)		6,761	
	Urban & Spatial Development	968		(255)		1,758	
	Energy	4		49		(2)	
	Others	-		-		-	
	Total	1,903		(3,064)		8,518	
Outstanding Orders	Consulting	122,685	71.5	126,739	69.7	140,734	72.4
	Urban & Spatial Development	27,672	16.1	30,511	16.8	30,769	15.8
	Energy	21,218	12.4	24,633	13.5	23,004	11.8
	Others	-	-	1	0.0	-	-
	Total	171,576	100.0	181,884	100.0	194,508	100.0

Notes: 1. The above amounts include the outstanding orders at the start of consolidation of ASAP MOBILITY SDN. BHD. which was consolidated from the first quarter of the current fiscal year.

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

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

4. Foreign exchange and other adjustments include those related to exchange differences and outstanding order revisions.

5. As disclosed in "2. Condensed Quarterly Consolidated Financial Statements and Primary Notes (5) Primary Notes to Condensed Quarterly Consolidated Financial Statements (Segment information) 2 Changes in reportable segments," the Group has changed its reportable segments since the first quarter of the current fiscal year. The figures for the nine months ended March 31, 2022 and for the fiscal year ended June 30, 2022 have been provided based on the new reporting segments.