

Consolidated Financial Results for the Three Months Ended September 30, 2019 [Japanese GAAP]



November 13, 2019

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: November 13, 2019

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 Three Months Ended September 30, 2019 (July 1, 2019 to September 30, 2019)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended September 30, 2019	24,894	40.4	(1,176)	-	(935)	-	(638)	-
September 30, 2018	17,729	25.1	(1,962)	-	(2,061)	-	(1,654)	-

(Note) Comprehensive income: Three months ended September 30, 2019: ¥(1,109) million [- %]

Three months ended September 30, 2018: ¥(1,107) million [- %]

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended September 30, 2019	(41.52)	-
September 30, 2018	(106.33)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2019	122,710	56,612	45.2
June 30, 2019	113,175	60,205	52.2

(Reference) Equity: As of September 30, 2019 : ¥55,491 million

As of June 30, 2019 : ¥59,090 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2019	-	-	-	75.00	75.00
Fiscal year ending June 30, 2020	-	-	-	-	-
Fiscal year ending June 30, 2020 (Forecast)	-	-	-	100.00	100.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2020 (July 1, 2019 to June 30, 2020)
 (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
[Japanese GAAP] Full year	127,700	17.6	5,800	13.5	6,200	11.0	3,600	8.5	241.87

	Revenue		Operating income		Income before Tax		Income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
[IFRS] Full year	127,700	-	6,700	-	7,000	-	4,500	-	302.33

- (Note) 1. Revision to the financial results forecast announced most recently: None
2. The Company has decided to voluntarily apply International Financial Reporting Standards (IFRS) from the year-end of fiscal year ending June 30, 2020. Accordingly, in addition to the consolidated financial results forecast based on Japanese GAAP, the Company discloses financial estimates based on IFRS. The percentage change from the fiscal year ended June 30, 2019, for which the Japanese GAAP was applied, is not shown in the above table.
3. At the meeting of the Board of Directors on August 13, 2019, the Company resolved to acquire treasury shares. "Net income per share" and "Basic earnings per share" in the Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2020 reflect the impact of the acquisition of treasury shares.

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of issued shares (common stock)
- 1) Total number of issued shares at the end of the period (including treasury stock)

As of September 30, 2019	: 15,919,544 shares
As of June 30, 2019	: 15,919,544 shares
 - 2) Total number of treasury stock at the end of the period

As of September 30, 2019	: 749,981 shares
As of June 30, 2019	: 235,268 shares
 - 3) Average number of shares during the period

Three months ended September 30, 2019	: 15,382,360 shares
Three months ended September 30, 2018	: 15,557,162 shares

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

* Explanation of the proper use of financial results forecast and other notes
 (Caution regarding forward-looking statements)

The earnings forecasts and other forward-looking statements disclosed herein are based on information available to the Company as of the date of publication of this document and certain assumptions deemed reasonable. Actual results, etc. may differ significantly 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 first quarter of the fiscal year ending June 30, 2020 (from July 1, 2019 to September 30, 2019), the Japanese economy continued to be weak, mainly in exports. However, due to corporate earnings remaining firm and the personal consumption and employment situations improving steadily, the economy recovered moderately. While overseas economies are expected to continue to recover moderately, we need to keep in mind the impact of the U.S.-China trade problem on the global economy, the withdrawal from the EU without an agreement in the United Kingdom, which is one of our main operating bases, the impact of rising crude oil prices, fluctuations in the financial and capital markets, and other factors.

With regard to the business environment surrounding Nippon Koei Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”), in the Domestic Consulting Business, initiatives for building national resilience and measures against aging infrastructure in public works projects and, in the International Consulting Business, the Japanese government's strategy for the export of high-quality infrastructure systems are being both promoted. In the Power Engineering Business, demand for the renewal of power distribution facilities, in the Urban & Spatial Development Business, demand for construction due to the progress of urbanization in Asian countries and, in the Energy Business, demand for renewable energy due to the shift to low-carbon and distributed power sources remained steady, respectively

Under these circumstances, based on the Medium-Term Management Plan “NK-Innovation 2021” (from July 2018 to June 2021), with the fundamental principles of “Continue evolution into global consulting and engineering firm,” the Group tackled the five business strategies of “Enhancement of operating system for Railways Business,” “Overseas expansion of Urban & Spatial Development Business,” “Establishment of Energy Business,” “Creation of businesses and overseas expansion of Consulting Business,” and “Product development and overseas expansion of Power Engineering Business.” Moreover, as group-wide measures to realize these goals, the Group actively advanced “Establishment of one-stop marketing system,” “Investment in technologies and human resources,” and “Enhancement of group governance.”

As a result, the Group's consolidated results for the first quarter of the fiscal year ending June 30, 2020 were as follows: Orders received increased 2.3% year on year to ¥29,563 million. Net sales increased 40.4% year on year to ¥24,894 million, reflecting a favorable business environment and an improvement in the accuracy of the percentage-of-completion method, the basis for recording net sales. Operating loss decreased 40.0% year on year to ¥1,176 million, ordinary loss decreased 54.6% year on year to ¥935 million, and loss attributable to owners of parent decreased 61.4% year on year to ¥638 million.

Net sales for the three months ended September 30, 2019 were ¥24,894 million, an achievement rate of 19.5% against the net sales forecast of ¥127,700 million for the fiscal year ending June 30, 2020 (three months ended September 30, 2018: 15.4%). This is due to the fact that, as a form of the Group's business structure, a large proportion of operations is progressing in the second half of the fiscal year and there are seasonal fluctuations in the recording of net sales. On the other hand, because expenses such as selling, general and administrative expenses were generated fairly evenly throughout the year, the Group recorded an operating loss, an ordinary loss and loss attributable to owners of parent for the three months ended September 30, 2019.

Business results for each segment are as follows:

[Domestic Consulting]

In the Domestic Consulting Business, we further strengthened our management base and promoted efficient business management by expanding orders received in Western Japan through the restructuring of order and operating systems, securing and improving quality, reforming working styles, and other measures. In addition, we worked to support the actions under the global strategy cooperating with the International Consulting Business and the R&D Center, as well as to develop new businesses by utilizing the management know-hows, as its core, to improve the value of infrastructure.

As a result, orders received decreased 0.4% year on year to ¥14,213 million, while net sales increased 75.2% year on year to ¥10,073 million, operating loss decreased 41.7% year on year to ¥880 million and ordinary loss decreased 41.6% year on year to ¥882 million.

[International Consulting]

In the International Consulting Business, we worked to acquire and develop human resources, mainly in the railways business, as well as strengthening the operating system by enhancing project management capabilities, and practicing strict management of profit, risks and safety. In addition, we were actively involved in the Public Private Partnership (PPP) and the private sector business.

As a result, orders received decreased 16.2% year on year to ¥6,225 million, while net sales increased 22.5% year on year to ¥6,263 million, operating income was ¥33 million (operating loss of ¥33 million for the three months ended September 30, 2018) and ordinary income increased 105.5% year on year to ¥12 million.

[Power Engineering]

In the Power Engineering Business, we aggressively expanded the mechanical and electrical consulting business by entering into new areas including traffic and transportation, as well as maintenance and management in view of global development, strengthened group-wide cooperation in the energy-related business and maintenance and management business, and strove to develop products and technologies of a global standard specification. We also continued to improve price competitiveness and enhance sales force with rigorous cost reductions.

As a result, orders received increased 93.2% year on year to ¥3,674 million, and net sales increased 9.0% year on year to ¥3,365 million. In contrast, operating income decreased 75.0% year on year to ¥34 million, and ordinary income decreased 85.6% year on year to ¥17 million, due in part to intensifying competition in the overall electricity market.

[Urban & Spatial Development]

In the Urban & Spatial Development Business, we responded to changes in the U.K. market and expanded our business in Asia by promoting Group-wide collaboration in Singapore while taking steps to enter the British Commonwealth of Nations markets.

In addition to the above results, due in part to the contribution from Quadrangle Architects Limited, which joined the Group in the previous fiscal year, orders received increased 5.0% year on year to ¥5,385 million, and net sales increased 36.3% year on year to ¥4,487 million. Operating income was ¥312 million (operating loss of ¥21 million for the three months ended September 30, 2018), and ordinary income increased 902.0% year on year to ¥314 million.

[Energy Business]

The Energy Business promoted improved profitability in the power generation business such as through renewable energy and worked to develop new projects including PFI (private finance initiatives) business. In addition, we accumulated a track record in the renewable energy mainly in Europe and storage battery EPC (engineering, procurement & construction) business in the energy management business, further sought to promote the resource aggregator (an operator that plays a central role in control and management in relation to both energy operators and sources of demand) and VPP (virtual powerplant) business.

As a result, orders received decreased 76.3% year on year to ¥31 million and net sales increased 93.8% year on year to ¥414 million, while operating loss increased 162.9% year on year to ¥96 million and ordinary loss increased 46.0% year on year to ¥87 million due partly to the prior investment in an overseas energy management business.

[Real Estate Leasing]

In the Real Estate Leasing Business, net sales decreased 0.6% year on year to ¥108 million, operating income decreased 4.1% year on year to ¥102 million and ordinary income increased 23.3% year on year to ¥102 million.

(2) Explanation of Financial Position

Total assets as of the end of the first quarter of the fiscal year, amounted to ¥122,710 million, an increase of ¥9,534 million from the end of the previous fiscal year.

In the Assets section, current assets were ¥58,187 million, an increase of ¥5,740 million from the end of the previous fiscal year. This was mainly due to a ¥1,824 million decrease in work in process, while a ¥1,945 million increase in cash and deposits and a ¥5,595 million increase in notes and accounts receivable-trade.

Non-current assets were ¥64,522 million, an increase of ¥3,793 million from the end of the previous fiscal year. This was mainly due to a ¥3,829 million increase in leased assets included in other items of property, plant and equipment at overseas subsidiaries that applied IFRS 16.

In the Liabilities section, current liabilities were ¥38,847 million, an increase of ¥10,764 million from the end of the previous fiscal year. This was mainly due to a ¥725 million decrease in notes and accounts payable-trade and a ¥821 million decrease in income taxes payable, while a ¥12,000 million increase in short-term loans payable and a ¥1,471 million increase in provision for bonuses.

Non-current liabilities were ¥27,250 million, an increase of ¥2,364 million from the end of the previous fiscal year. This was mainly due to a ¥3,233 million increase in long-term lease obligations included in other items of non-current liabilities at overseas subsidiaries that applied IFRS 16.

Net assets were ¥56,612 million, a decrease of ¥3,593 million from the end of the previous fiscal year. The primary factors behind this were ¥638 million in net loss attributable to owners of parent, ¥1,193 million in cash dividends paid and a ¥1,228 million increase in treasury shares.

As a result, the shareholders' equity ratio decreased 7.0 percentage points from the end of the previous fiscal year to 45.2%.

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

The consolidated financial results forecast for the fiscal year ending June 30, 2020 have not changed from the forecast announced in the Consolidated Financial Results for the Fiscal Year Ended June 30, 2019 dated August 13, 2019.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	As of June 30, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	13,147	15,092
Notes and accounts receivable - trade	29,938	35,533
Work in process	5,709	3,885
Other	3,855	3,952
Allowance for doubtful accounts	(203)	(275)
Total current assets	52,446	58,187
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,421	5,335
Land	16,035	16,035
Other, net	8,425	12,706
Total property, plant and equipment	29,882	34,077
Intangible assets		
Goodwill	8,193	7,843
Other	5,307	5,088
Total intangible assets	13,501	12,932
Investments and other assets		
Other	17,514	17,667
Allowance for doubtful accounts	(169)	(154)
Total investments and other assets	17,345	17,513
Total non-current assets	60,728	64,522
Total assets	113,175	122,710

(Millions of yen)

	As of June 30, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,037	4,311
Short-term loans payable	-	12,000
Current portion of long-term loans payable	2,082	2,188
Income taxes payable	1,137	316
Advances received	6,687	6,329
Provision for bonuses	1,972	3,444
Provision for directors' bonuses	91	91
Provision for loss on construction contracts	119	263
Other	10,953	9,901
Total current liabilities	28,082	38,847
Non-current liabilities		
Long-term loans payable	17,639	17,379
Provision for directors' retirement benefits	30	17
Provision for environmental measures	34	34
Liability for retirement benefits	3,817	3,844
Other	3,364	5,974
Total non-current liabilities	24,886	27,250
Total liabilities	52,969	66,097
Net assets		
Shareholders' equity		
Capital stock	7,437	7,437
Capital surplus	6,488	6,488
Retained earnings	47,864	45,972
Treasury shares	(787)	(2,016)
Total shareholders' equity	61,003	57,882
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	456	345
Foreign currency translation adjustments	(3,063)	(3,438)
Defined retirement benefit plans	693	701
Total accumulated other comprehensive income	(1,913)	(2,390)
Non-controlling interests	1,115	1,120
Total net assets	60,205	56,612
Total liabilities and net assets	113,175	122,710

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

For the Three months ended September 30, 2018 and 2019

(Millions of yen)

	For the three months ended September 30, 2018 (From July 1, 2018 to September 30, 2018)	For the three months ended September 30, 2019 (From July 1, 2019 to September 30, 2019)
Net sales	17,729	24,894
Cost of sales	13,226	19,057
Gross profit	4,503	5,837
Selling, general and administrative expenses	6,466	7,014
Operating income (loss)	(1,962)	(1,176)
Non-operating income		
Interest income	74	55
Dividend income	24	13
Gain on sales of investment securities	-	186
Other	261	105
Total non-operating income	360	361
Non-operating expenses		
Interest expenses	58	100
Loss on valuation of investment securities	250	-
Share of loss of entities accounted for using equity method	62	12
Other	87	8
Total non-operating expenses	458	120
Ordinary income (loss)	(2,061)	(935)
Income (loss) before income taxes	(2,061)	(935)
Income taxes – current	331	390
Income taxes – deferred	(719)	(691)
Total income taxes	(387)	(301)
Net income (loss)	(1,673)	(634)
Net income (loss) attributable to		
Net income (loss) attributable to owners of parent	(1,654)	(638)
Net income (loss) attributable to non-controlling interests	(19)	3
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	208	(111)
Foreign currency translation adjustments	372	(418)
Remeasurements of defined benefit plans	(17)	7
Share of other comprehensive income of entities accounted for using equity method	3	47
Total other comprehensive income (loss)	566	(474)
Comprehensive income (loss)	(1,107)	(1,109)
Comprehensive income (loss) attributable to		
Comprehensive income (loss) attributable to owners of parent	(1,093)	(1,116)
Comprehensive income (loss) attributable to non-controlling interests	(13)	6

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the three months ended September 30, 2018 (From July 1, 2018 to September 30, 2018)	For the three months ended September 30, 2019 (From July 1, 2019 to September 30, 2019)
Cash flows from operating activities		
Income (loss) before income taxes	(2,061)	(935)
Depreciation	393	554
Amortization of goodwill	116	128
Loss (gain) on sales of investment securities	30	(186)
Share of loss (gain) of entities accounted for using equity method	62	12
Increase (decrease) in allowance for doubtful accounts	(5)	57
Increase (decrease) in provision for bonuses	1,263	1,514
Increase (decrease) in provision for loss on construction contracts	3	144
Interest and dividend income	(98)	(69)
Loss (gain) on derivatives	(196)	(55)
Decrease (increase) in notes and accounts receivable - trade	(1,396)	(5,726)
Decrease (increase) in inventories	(2,177)	1,836
Increase (decrease) in notes and accounts payable - trade	(617)	(709)
Increase (decrease) in accounts payable - other	(688)	(628)
Increase (decrease) in advances received	747	(356)
Increase (decrease) in accrued consumption taxes	(444)	(909)
Other, net	(513)	(278)
Subtotal	(5,583)	(5,608)
Interest and dividend income received	35	58
Interest expenses paid	(16)	(73)
Income taxes paid	(952)	(1,100)
Net cash provided by (used in) operating activities	(6,516)	(6,723)
Cash flows from investing activities		
Net decrease (increase) in time deposits	704	(187)
Purchase of property, plant and equipment	(650)	(710)
Purchase of investment securities	(98)	(98)
Proceeds from sales of investment securities	537	724
Payments of loans receivable	(205)	(460)
Other, net	(52)	(44)
Net cash provided by (used in) investing activities	235	(776)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	6,000	12,000
Repayments of long-term loans payable	(89)	(150)
Repayments of lease obligations	(6)	(171)
Proceeds from sales of treasury shares	98	110
Purchase of treasury shares	(1)	(1,338)
Cash dividends paid	(1,171)	(1,177)
Other, net	(3)	(1)
Net cash provided by (used in) financing activities	4,825	9,270
Effect of exchange rate change on cash and cash equivalents	148	(69)
Net increase (decrease) in cash and cash equivalents	(1,306)	1,700
Cash and cash equivalents at beginning of period	15,233	12,663
Cash and cash equivalents at end of period	13,926	14,363

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Notes on Significant Changes in Shareholders' Equity)

There is no relevant information.

(Accounting Policies Adopted Specially for the Preparation of Quarterly Consolidated Financial Statements)

(Deferral of cost variance)

Cost variance caused by seasonal changes in operation rates, etc. is expected to be almost completely eliminated by the end of the cost accounting period, which is, therefore, deferred as other current liabilities.

(Changes in Accounting Policies)

(Application of IFRS 16 "Leases")

Subsidiaries adopting International Financial Reporting Standards (IFRS) have applied International Financial Reporting Standard 16 "Leases" (hereinafter referred to as "IFRS 16") since the first quarter of the fiscal year ending June 30, 2020. Accordingly, the lessee shall, in principle, record all leases on the balance sheet in assets and liabilities.

The application of IFRS 16 is subject to transitional treatment and the cumulative effect of change in accounting policy is recorded in retained earnings at the beginning of the first quarter of the fiscal year ending June 30, 2020.

As a result, at the end of the first quarter of the fiscal year ending June 30, 2020, "Property, plant and equipment" increased by ¥3,821 million, "Other" of current liabilities increased by ¥673 million, and "Other" of non-current liabilities increased by ¥3,216 million. The impact on income and loss for the first quarter of the fiscal year ending June 30, 2020 and the impact on the beginning balance of the current fiscal year of retained earnings are immaterial.

(Segment Information)

For the three months ended September 30, 2018 (from July 1, 2018 to September 30, 2018)

1) Net sales and segment income or loss by reportable segment

(Millions of yen)

	Reportable segment							Others (Note)	Total
	Domestic Consulting	International Consulting	Power Engineering	Urban & Spatial Development	Energy Business	Real Estate Leasing	Subtotal		
Net sales									
Net sales to external customers	5,749	5,111	3,088	3,291	213	109	17,565	164	17,729
Intersegment sales or transfers	147	6	51	15	-	41	262	207	469
Total	5,897	5,118	3,139	3,307	213	150	17,827	371	18,199
Segment income (loss)	(1,511)	6	124	31	(59)	83	(1,325)	(751)	(2,077)

(Note) "Others" refers to a group of operations from which no income is gained or that produce only incidental gains.

2) Differences between the total amount of income or loss of reportable segments and the amounts in quarterly consolidated statement of income and comprehensive income, and major breakdown of such differences (reconciliation)

(Millions of yen)

Income	Amount
Reportable segment total	(1,325)
Loss of "others" category	(751)
Elimination of intersegment transactions	16
Ordinary Income (loss) in the quarterly consolidated statement of income and comprehensive income	(2,061)

For the three months ended September 30, 2019 (from July 1, 2019 to September 30, 2019)

1) Net sales and segment income or loss by reportable segment

(Millions of yen)

	Reportable segment							Others (Note)	Total
	Domestic Consulting	International Consulting	Power Engineering	Urban & Spatial Development	Energy Business	Real Estate Leasing	Subtotal		
Net sales									
Net sales to external customers	10,073	6,263	3,365	4,487	414	108	24,712	182	24,894
Intersegment sales or transfers	39	9	124	39	-	40	253	212	465
Total	10,113	6,272	3,490	4,526	414	149	24,966	394	25,360
Segment income (loss)	(882)	12	17	314	(87)	102	(521)	(393)	(914)

(Note) "Others" refers to a group of operations from which no income is gained or that produce only incidental gains.

2) Differences between the total amount of income or loss of reportable segments and the amounts in quarterly consolidated statement of income and comprehensive income, and major breakdown of such differences (reconciliation)

(Millions of yen)

Income	Amount
Reportable segment total	(521)
Loss of "others" category	(393)
Elimination of intersegment transactions	(21)
Ordinary Income (loss) in the quarterly consolidated statement of income and comprehensive income	(935)

(Significant Subsequent Events)

(Issuance of new shares as restricted stock compensation)

The Company decided to issue new stocks as restricted stock compensation at the extraordinary Board of Directors' meeting held on September 26, 2019 as follows.

1. Purpose and reason for issuance

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

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

2. Outline of the Issuance

(1) Payment date	October 25, 2019
(2) Class and number of shares to be issued	13,514 shares of common stock of the Company
(3) Issue price	¥3,125 per share
(4) Total issue price of shares to be issued	¥42,231,250
(5) Capitalization amount	¥1,563 per share
(6) Total capitalization amount	¥21,122,382
(7) Method of offer or allotment	Allotment of specified restricted stocks
(8) Method of contribution	In-kind contribution of monetary compensation claims
(9) Allottees, number thereof and number of shares to be allotted	13,514 shares to eight directors of the Company (excluding outside directors)
(10) Transfer restriction period	October 25, 2019, to October 24, 2022
(11) Other	Issue of new shares to be allotted is conditioned on the securities registration statement taking effect in accordance with the Financial Instruments and Exchange Act.

3. Other Information

(1) Status of Orders and Sales

Category/Segment		By period		For the three months ended		For the three months ended		For the fiscal year ended	
		September 30, 2018		September 30, 2019		June 30, 2019			
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)		
Orders received	Domestic Consulting	14,266	49.4	14,213	48.1	52,855	44.7		
	International Consulting	7,431	25.7	6,225	21.1	(Note 1) 28,482	24.1		
	Power Engineering	1,902	6.6	3,674	12.4	15,411	13.1		
	Urban & Spatial Development	5,126	17.7	5,385	18.2	(Note 1) 20,510	17.4		
	Energy Business	134	0.5	31	0.1	723	0.6		
	Real Estate Leasing	-	-	-	-	-	-		
	Others	29	0.1	31	0.1	100	0.1		
	Total	28,891	100.0	29,563	100.0	118,085	100.0		
Net sales 1	Domestic Consulting	5,984	33.8	10,538	42.3	52,183	48.1		
	International Consulting	5,589	31.5	6,668	26.9	26,424	24.3		
	Power Engineering	2,548	14.4	2,749	11.0	13,441	12.4		
	Urban & Spatial Development	3,286	18.5	4,395	17.7	15,337	14.1		
	Energy Business	186	1.1	407	1.6	641	0.6		
	Real Estate Leasing	109	0.6	108	0.4	439	0.4		
	Others	25	0.1	27	0.1	120	0.1		
	Total	17,729	100.0	24,894	100.0	108,589	100.0		
Net sales 2	Domestic Consulting	5,749	32.4	10,073	40.5	49,593	45.7		
	International Consulting	5,111	28.9	6,263	25.2	24,928	23.0		
	Power Engineering	3,088	17.4	3,365	13.5	16,531	15.2		
	Urban & Spatial Development	3,291	18.6	4,487	18.0	15,359	14.1		
	Energy Business	213	1.2	414	1.7	719	0.7		
	Real Estate Leasing	109	0.6	108	0.4	439	0.4		
	Others	164	0.9	182	0.7	1,016	0.9		
	Total	17,729	100.0	24,894	100.0	108,589	100.0		

Category/Business		By period		As of September 30, 2018		As of September 30, 2019		As of June 30, 2019	
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)		
Impact of foreign exchange fluctuations	Domestic Consulting	-		-		-		-	
	International Consulting	436		(113)		(563)			
	Power Engineering	-		-		-		-	
	Urban & Spatial Development	381		(480)		(982)			
	Energy Business	-		(12)		-		-	
	Real Estate Leasing	-		-		-		-	
	Others	-		-		-		-	
	Total	817		(606)		(1,545)			
Outstanding Orders	Domestic Consulting	39,360	28.9	35,426	25.8	31,750	23.9		
	International Consulting	68,624	50.4	67,283	49.1	67,840	51.1		
	Power Engineering	12,388	9.1	15,929	11.6	15,004	11.3		
	Urban & Spatial Development	15,710	11.5	18,189	13.3	17,679	13.3		
	Energy Business	148	0.1	237	0.2	522	0.4		
	Real Estate Leasing	23	0.0	-	-	-	-		
	Others	28	0.0	9	0.0	5	0.0		
	Total	136,284	100.0	137,075	100.0	132,801	100.0		

- Notes: 1. This includes the outstanding orders at the beginning of consolidation for Nippon Koei Mozambique Limitada, Kisho Kurokawa architect & associates, and Quadrangle Architects Limited., which were consolidated from the previous fiscal year.
2. The above amounts are exclusive of consumption taxes and other taxes.
3. The above amounts are for external customers, and do not include intersegment transactions or transfers.
4. Net sales 1 is by segment which received orders. Net sales 2 is by segment which provided services.