Consolidated Financial Results
for the Six Months Ended December 31, 2018
[Japanese GAAP]

February 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/
Representative: Ryuichi Arimoto, Representative Director and President
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Phone: +81-3-3238-8040
Scheduled date of filing quarterly securities report: February 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: Yes (for investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended December 31, 2018 (July 1, 2018 to December 31, 2018)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2018	39,146	25.3	(2,817)	-	(2,901)	-	(2,331)	-
December 31, 2017	31,233	18.7	(2,597)	-	(2,344)	-	(1,312)	-

(Note) Comprehensive income: Six months ended December 31, 2018 : ¥(3,472) million [- %]
Six months ended December 31, 2017 : ¥(47) million [- %]

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
December 31, 2018	(149.66)	-
December 31, 2017	(84.86)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
December 31, 2018	122,072	55,022	44.2
June 30, 2018	113,890	59,449	51.2

(Reference) Equity: As of December 31, 2018 : ¥53,960 million
As of June 30, 2018 : ¥58,363 million

(Note) From the beginning of the first quarter of the fiscal year ending June 30, 2019, the Company has adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018), etc. The accounting standard is retrospectively applied to the amount as of June 30, 2018.

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, 2018	-	-	-	75.00	75.00
Fiscal year ending June 30, 2019	-	-			
Fiscal year ending June 30, 2019 (Forecast)			-	75.00	75.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2019 (July 1, 2018 to June 30, 2019)

(% 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
Full year	115,000	8.5	6,200	(5.5)	6,100	(9.2)	4,100	(10.0)	263.14

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

*** 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: None
2) Changes in accounting policies other than 1) above: Yes
3) Changes in accounting estimates: Yes
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 December 31, 2018	:	15,919,544 shares
As of June 30, 2018	:	15,905,049 shares

2) Total number of treasury stock at the end of the period

As of December 31, 2018	:	296,210 shares
As of June 30, 2018	:	364,422 shares

3) Average number of shares during the period

Six months ended December 31, 2018	:	15,581,280 shares
Six months ended December 31, 2017	:	15,465,396 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.

The Company is scheduled to hold a financial results briefing session for investors and analysts on February 26, 2019. The financial briefing materials to be distributed at this briefing session will be subsequently posted on the Company’s website.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended December 31, 2018 (from July 1, 2018 to December 31, 2018), Japan’s economy continued on a moderate recovery path with signs of private consumption picking up against the background of steady improvements in employment conditions and income. While overseas economies are seeing a moderate recovery, negotiations on trade issues, the outlook for emerging economies, changeable foreign policies, fluctuations in financial and capital markets, and other factors continued to be uncertain.

The business environment of Nippon Koei Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) experienced firm demand in each business segment. In the Domestic Consulting Operations, the Group undertook measures to prevent and mitigate disaster, and also to prevent deterioration of infrastructure for public works projects. In the International Consulting Operations, we promoted the Japanese government's infrastructure and systems export strategy, while the Power Engineering Operations saw demand in a replacement of power distribution equipment. In the Urban & Spatial Development Operations, BDP Holdings Limited and its subsidiaries (hereinafter referred to under the general label “BDP”) were involved in the construction and renovation of public facilities in the United Kingdom, its main market, and the Energy Business Operations experienced rising demand for renewable energy as a result of the shift towards low-carbon societies and distributed power sources.

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.”

In terms of Group Performance, as a result of the above, orders received were ¥47,707 million, unchanged year on year. Net sales increased 25.3% year on year to ¥39,146 million due to an application of the percentage-of-completion method to contracts started during the previous fiscal year. Operating loss increased 8.5% year on year to ¥2,817 million, and ordinary loss increased 23.8% year on year to ¥2,901 million due partly to a loss on valuation of investment securities. Loss attributable to owners of parent was ¥2,331 million from the previous year in which gain on sales of non-current assets were recorded.

Net sales for the six months ended December 31, 2018 were ¥39,146 million, an achievement rate of 34.0% against the net sales forecast of ¥115,000 million for the fiscal year ending June 30, 2019 (six months ended December 31, 2017: 29.5%). This is attributable to seasonal fluctuations in the Group’s net sales where a significant percentage of its business commonly tends to increase its percentage of achievement in the second half of the fiscal year. In addition, 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 six months ended December 31, 2018.

Business results for each segment are as follows:

[Domestic Consulting Operations]

The Domestic Consulting Operations worked to further reinforce the management base, by reconstructing order-receiving and production systems, securing and improving quality, while also pursuing more effective business management. In addition, we worked to support the actions under the global strategy cooperating with the International Consulting Operations 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 increased 8.3% year on year to ¥23,471 million. Net sales increased 122.1% year on year to ¥14,071 million, operating loss decreased 37.3% year on year to ¥1,990 million and ordinary loss decreased 39.6% year on year to ¥1,987 million.

[International Consulting Operations]

In the International Consulting Operations, we worked to acquire and develop human resources, mainly in the railways business, as well as strengthening the production system by enhancing project management capabilities, and practicing strict management of profit, risks and safety. In addition, we were actively involved in the concessions business, which leverage public sector facility concessions in the Public Private Partnership (PPP), Private Finance Initiative (PFI) businesses and the private sector business.

As a result, orders received decreased 18.5% year on year to ¥11,569 million. Net sales decreased 16.1% year on year to ¥10,685 million, operating loss was ¥72 million (operating income of ¥ 1,397 million for the six months ended December 31, 2017) and ordinary loss was ¥87 million (ordinary income of 1,324 million for the six months ended December 31, 2017).

[Power Engineering Operations]

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

As a result, orders received decreased 30.8% year on year to ¥4,568 million. Net sales increased 19.8% year on year to ¥6,718 million, operating income increased 116.4% year on year to ¥519 million and ordinary income increased 29.5% year on year to ¥487 million.

[Urban & Spatial Development Operations]

In the Urban & Spatial Development Operations, as well as responding to changes in the UK market, we expanded our business in the Asian market through collaboration with another Group member located in Singapore, also aiming to break into the markets of British Commonwealth of Nations countries.

As a result, orders received increased 46.1% year on year to ¥7,824 million. Net sales increased 8.9% year on year to ¥6,761 million, operating loss increased 111.7% year on year to ¥21 million and ordinary loss decreased 7.1% year on year to ¥21 million.

[Energy Business Operations]

The Energy Business Operations promoted improved profitability in the power generation business such as through renewable energy and worked to form new projects including PFI business. In addition, we accumulated a track record in the renewable energy 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 power plant) businesses.

As a result, we saw orders received of ¥225 million, net sales of ¥364 million, operating loss of ¥113 million and ordinary loss of ¥123 million.

[Real Estate Leasing Operations]

In the Real Estate Leasing Operations, net sales decreased 2.3% year on year to ¥217 million. Both operating income and ordinary income were ¥204 million, almost unchanged year on year.

(2) Explanation of Financial Position

Total assets as of the end of the second quarter of the fiscal year, amounted to ¥122,072 million, an increase of ¥8,182 million from the end of the previous fiscal year.

In the Assets section, current assets were ¥63,909 million, an increase of ¥9,645 million from the end of the previous fiscal year. This was mainly due to a ¥5,031 million increase in notes and accounts receivable-trade and a ¥4,285 million increase in work in process.

Non-current assets were ¥58,163 million, a decrease of ¥1,463 million from the end of the previous fiscal year. This was mainly due to a ¥1,649 million decrease in investment securities included in other items of investments and other assets.

In the Liabilities section, current liabilities were ¥43,161 million, an increase of ¥14,720 million from the end of the previous fiscal year. This was mainly due to a ¥878 million decrease in accrued expenses, a ¥477 million decrease in accounts payable-other, and a ¥398 million decrease in accrued consumption tax included in other items of current liabilities, while a ¥17 billion increase in short-term loans payable.

Non-current liabilities were ¥23,887 million, a decrease of ¥2,111 million from the end of the previous fiscal year. This was mainly due to a ¥1,061 million decrease in long-term loans payable and a ¥1,171 million decrease in deferred tax liabilities included in other items of non-current liabilities.

Net assets were ¥55,022 million, a decrease of ¥4,426 million from the end of the previous fiscal year. The primary factors behind this were ¥2,331 million in net loss attributable to owners of parent, ¥1,192 million in cash dividends paid, a ¥623 million decrease in valuation difference on available-for-sale securities and a ¥470 million decrease in foreign currency translation adjustments.

As a result, the shareholders' equity ratio decreased 7.0 percentage points from the end of the previous fiscal year to 44.2%.

Moreover, the Company has adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances from the beginning of the first quarter ended September 30, 2018. These accounting standards have been applied retrospectively for comparison and analysis with financial position in the previous fiscal year.

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

The consolidated financial results forecast for the fiscal year ending June 30, 2019 have not changed from the forecast announced in the Consolidated Financial Results for the Fiscal Year Ended June 30, 2018 dated August 13, 2018.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	16,392	16,146
Notes and accounts receivable - trade	26,214	31,246
Work in process	7,942	12,228
Other	3,796	4,366
Allowance for doubtful accounts	(83)	(78)
Total current assets	54,263	63,909
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,082	5,951
Land	16,598	16,600
Other, net	4,943	5,409
Total property, plant and equipment	27,624	27,961
Intangible assets		
Goodwill	8,185	7,725
Other	4,778	4,381
Total intangible assets	12,964	12,106
Investments and other assets		
Other	19,214	18,259
Allowance for doubtful accounts	(177)	(164)
Total investments and other assets	19,037	18,095
Total non-current assets	59,626	58,163
Total assets	113,890	122,072

(Millions of yen)

	As of June 30, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,164	3,734
Short-term loans payable	-	17,000
Current portion of long-term loans payable	2,050	1,763
Income taxes payable	1,012	360
Advances received	8,693	10,217
Provision for bonuses	1,860	1,418
Provision for directors' bonuses	83	-
Provision for loss on construction contracts	176	194
Other	10,398	8,472
Total current liabilities	28,441	43,161
Non-current liabilities		
Long-term loans payable	18,934	17,873
Provision for directors' retirement benefits	32	30
Provision for environmental measures	34	34
Liability for retirement benefits	3,873	3,931
Other	3,124	2,018
Total non-current liabilities	25,999	23,887
Total liabilities	54,440	67,049
Net assets		
Shareholders' equity		
Capital stock	7,415	7,437
Capital surplus	6,466	6,488
Retained earnings	45,528	42,004
Treasury shares	(1,180)	(972)
Total shareholders' equity	58,229	54,957
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,195	571
Foreign currency translation adjustments	(2,045)	(2,516)
Defined retirement benefit plans	983	946
Total accumulated other comprehensive income	133	(997)
Non-controlling interests	1,086	1,062
Total net assets	59,449	55,022
Total liabilities and net assets	113,890	122,072

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

For the Six months ended December 31, 2017 and 2018

(Millions of yen)

	For the six months ended December 31, 2017 (From July 1, 2017 to December 31, 2017)	For the six months ended December 31, 2018 (From July 1, 2018 to December 31, 2018)
Net sales	31,233	39,146
Cost of sales	21,709	28,930
Gross profit	9,523	10,215
Selling, general and administrative expenses	12,121	13,033
Operating income (loss)	(2,597)	(2,817)
Non-operating income		
Interest income	81	129
Dividend income	155	87
Gain on sales of investment securities	158	-
Other	197	219
Total non-operating income	593	435
Non-operating expenses		
Interest expenses	99	124
Loss on valuation of investment securities	145	254
Share of loss of entities accounted for using equity method	-	106
Other	95	34
Total non-operating expenses	339	519
Ordinary income (loss)	(2,344)	(2,901)
Extraordinary income		
Gain on sales of property, plant and equipment	1,276	-
Total extraordinary income	1,276	-
Extraordinary losses		
Head office transfer expenses	488	-
Total extraordinary losses	488	-
Income (loss) before income taxes	(1,556)	(2,901)
Income taxes – current	514	491
Income taxes – deferred	(755)	(1,052)
Total income taxes	(240)	(560)
Net income (loss)	(1,315)	(2,340)
Net income (loss) attributable to		
Net income (loss) attributable to owners of parent	(1,312)	(2,331)
Net income (loss) attributable to non-controlling interests	(3)	(8)
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	568	(625)
Foreign currency translation adjustments	721	(474)
Remeasurements of defined benefit plans	(21)	(36)
Share of other comprehensive income of entities accounted for using equity method	-	4
Total other comprehensive income (loss)	1,267	(1,131)
Comprehensive income (loss)	(47)	(3,472)
Comprehensive income (loss) attributable to		
Comprehensive income (loss) attributable to owners of parent	(44)	(3,463)
Comprehensive income (loss) attributable to non-controlling	(3)	(8)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended December 31, 2017 (From July 1, 2017 to December 31, 2017)	For the six months ended December 31, 2018 (From July 1, 2018 to December 31, 2018)
Cash flows from operating activities		
Income (loss) before income taxes	(1,556)	(2,901)
Depreciation	768	779
Amortization of goodwill	236	230
Loss (gain) on sales of investment securities	(158)	16
Loss (gain) on valuation of investment securities	145	254
Share of loss (gain) of entities accounted for using equity method	-	106
Loss (gain) on sales of property, plant and equipment	(1,280)	0
Increase (decrease) in allowance for doubtful accounts	4	(18)
Increase (decrease) in provision for bonuses	(29)	(431)
Increase (decrease) in provision for loss on construction contracts	191	17
Interest and dividend income	(237)	(216)
Loss (gain) on derivatives	(102)	(75)
Decrease (increase) in notes and accounts receivable - trade	(797)	(5,140)
Decrease (increase) in inventories	(10,258)	(4,261)
Increase (decrease) in notes and accounts payable - trade	(315)	(426)
Increase (decrease) in accounts payable - other	(39)	(477)
Increase (decrease) in advances received	2,548	1,529
Decrease (increase) in consumption taxes refund receivable	(2,043)	(912)
Other, net	(1,363)	(828)
Subtotal	(14,287)	(12,755)
Interest and dividend income received	173	130
Interest expenses paid	(98)	(120)
Income taxes paid	(1,106)	(1,070)
Net cash provided by (used in) operating activities	(15,319)	(13,816)
Cash flows from investing activities		
Net decrease (increase) in time deposits	1,137	601
Purchase of property, plant and equipment	(283)	(796)
Proceeds from sales of property, plant and equipment	2,336	1
Purchase of investment securities	(300)	(179)
Proceeds from sales of investment securities	172	555
Payments of loans receivable	(530)	(416)
Collection of loans receivable	129	-
Other, net	(157)	(75)
Net cash provided by (used in) investing activities	2,504	(310)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	9,000	17,000
Repayments of long-term loans payable	(1,079)	(1,367)
Proceeds from sales of treasury shares	152	213
Purchase of treasury shares	(24)	(5)
Cash dividends paid	(1,187)	(1,186)
Other, net	(27)	(17)
Net cash provided by (used in) financing activities	6,833	14,636
Effect of exchange rate change on cash and cash equivalents	132	(173)
Net increase (decrease) in cash and cash equivalents	(5,848)	335
Cash and cash equivalents at beginning of period	17,083	15,233
Cash and cash equivalents at end of period	11,234	15,569

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Notes on Significant Changes in Shareholders' Equity)

In accordance with the resolution of the Extraordinary Board of Directors Meeting held on September 27, 2018, we issued new shares as restricted stock compensation for Directors on October 26, 2018. As a result, capital stock and capital reserve increased by ¥22 million, respectively, during the six months ended December 31, 2018.
Subsequently, capital stock and capital surplus at the end of the first six months of the fiscal year were ¥7,437 million and ¥6,488 million, respectively.

(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 that are difficult to distinguish from Changes in Accounting Estimates, and Changes in Accounting Estimates)

(Change in depreciation method for property, plant and equipment)

We took the opportunity provided by drawing up the Medium-term Management Plan, whose first year is the current fiscal year, to investigate the status of property, plant and equipment usage. As a result, because it is expected that the economic benefit derived from property, plant and equipment will be consumed equally over its useful life at some of our domestic subsidiaries, from the first quarter ended September 30, 2018 the depreciation method for property, plant and equipment has been changed from the declining-balance method to the straight-line method, and costs have been allocated more appropriately.

Also, as a consequence of this change in the depreciation method, for certain property, plant and equipment assets, upon consideration of the price at the time of disposal, the residual value has been changed to a memorandum of value.

As a result of this change, the depreciation expenses for the second quarter of the fiscal year decreased by ¥33 million, and each of operating loss, ordinary loss, and loss before income taxes decreased by ¥33 million from the amounts based on the previous method.

(Segment Information)

For the six months ended December 31, 2017 (from July 1, 2017 to December 31, 2017)

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

(Millions of yen)

	Reportable segment							Others (Note)	Total
	Domestic Consulting Operations	International Consulting Operations	Power Engineering Operations	Urban & Spatial Development Operations	Energy Business Operations	Real Estate Leasing Operations	Subtotal		
Net sales									
Net sales to external customers	6,335	12,731	5,608	6,209	-	222	31,107	126	31,233
Intersegment sales or transfers	265	11	109	14	-	78	480	1	481
Total	6,600	12,742	5,718	6,224	-	301	31,587	127	31,714
Segment income (loss)	(3,293)	1,324	376	(22)	-	204	(1,411)	(952)	(2,363)

(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	(1,411)
Loss of “others” category	(952)
Elimination of intersegment transactions	19
Ordinary Income (loss) in the quarterly consolidated statement of income and comprehensive income	(2,344)

For the six months ended December 31, 2018 (from July 1, 2018 to December 31, 2018)

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

(Millions of yen)

	Reportable segment							Others (Note)	Total
	Domestic Consulting Operations	International Consulting Operations	Power Engineering Operations	Urban & Spatial Development Operations	Energy Business Operations	Real Estate Leasing Operations	Subtotal		
Net sales									
Net sales to external customers	14,071	10,685	6,718	6,761	364	217	38,819	326	39,146
Intersegment sales or transfers	373	18	136	32	-	82	643	444	1,088
Total	14,445	10,704	6,855	6,793	364	300	39,463	771	40,234
Segment income (loss)	(1,987)	(87)	487	(21)	(123)	204	(1,527)	(1,385)	(2,912)

(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	(1,527)
Loss of "others" category	(1,385)
Elimination of intersegment transactions	11
Ordinary Income (loss) in the quarterly consolidated statement of income and comprehensive income	(2,901)

3) Information regarding changes in reportable segments, etc.

In the previous fiscal year, we established the Energy Business Division with its business domains of electric power generation and energy management using distributed energy, and therefore added "Energy Business Operations" to the reportable segments.

The segment information for the six months ended December 31, 2017 disclosed as comparative information to the six months ended December 31, 2018 is stated according to the revised designation of the reportable segment.

(Significant Subsequent Events)

Business Combination by Acquisition

As of February 4, 2019, a consolidated subsidiary of BDP Holdings Limited (hereinafter referred to as “BDP”) which is our consolidated subsidiary acquired shares in Quadrangle Architects Limited (hereinafter referred to as “Quadrangle”), a Canadian architectural design firm.

1. Overview of business combination

(1) Name and business line of the acquired company

Name of the acquired company: Quadrangle Architects Limited

Business line: Architectural design

(2) Main reasons for business Combination

Nippon Koei and BDP place “overseas expansion of Urban & Spatial business” as a focus area in the Medium-Term Management Plan “NK-Innovation 2021”, promoting business expansion outside the U.K. as their growth strategy. Quadrangle is a comprehensive architecture and interior design company having strengths in architectural design of commercial facilities, complex facilities, condominiums, etc., in Canada, with over 200 architects and interior designers.

With Quadrangle in the Group, synergies are expected through leveraging the company’s business in Canada, which shares many similarities in business with the U.K. and utilizing the strength of both companies enabling business expansion into the Canadian market.

(3) Date of business combination

February 4, 2019

(4) Legal form of business combination

Stock acquisition

(5) Name of the acquired company after business combination

Quadrangle Architects Limited

(6) Percentage of voting rights acquired

49%

(7) Main rationale for determining the company acquired

A consolidated subsidiary of BDP, which is our consolidated subsidiary, acquired shares of Quadrangle in exchange for cash.

2. Acquisition cost and breakdown of type of consideration

Consideration	Cash	34 million Canadian dollars
Acquisition cost		34

3. Amount of goodwill occurred, cause of occurrence, method and period of amortization

Not yet determined.

4. Amount of assets and liabilities assumed on the date of the business combination, and the major breakdown

Not yet determined.

3. Other Information

(1) Status of Orders and Sales

Category/Segment		For the six months ended December 31, 2017 Amount (Millions of yen)	Ratio (%)	For the six months ended December 31, 2018 Amount (Millions of yen)	Ratio (%)	For the fiscal year ended June 30, 2018 Amount (Millions of yen)	Ratio (%)
Orders received	Domestic Consulting	21,675	45.3	23,471	49.2	48,529	46.5
	International Consulting	14,197	29.7	11,569	24.3	(Note 1) 26,716	25.6
	Power Engineering	6,598	13.8	4,568	9.5	15,943	15.3
	Urban & Spatial Development	5,356	11.2	7,824	16.4	12,855	12.3
	Energy Business	-		225	0.5	179	0.2
	Real Estate Leasing	-		-		-	
	Others	4	0.0	48	0.1	(Note 1) 126	0.1
	Total	47,832	100.0	47,707	100.0	104,350	100.0
Net sales 1	Domestic Consulting	6,553	21.0	14,714	37.6	48,784	46.0
	International Consulting	13,556	43.4	11,472	29.3	30,703	29.0
	Power Engineering	4,696	15.0	5,638	14.4	12,616	11.9
	Urban & Spatial Development	6,204	19.9	6,748	17.2	12,998	12.3
	Energy Business	-		310	0.8	354	0.3
	Real Estate Leasing	222	0.7	217	0.6	440	0.4
	Others	0	0.0	45	0.1	125	0.1
	Total	31,233	100.0	39,146	100.0	106,023	100.0
Net sales 2	Domestic Consulting	6,335	20.3	14,071	35.9	46,595	43.9
	International Consulting	12,731	40.7	10,685	27.3	28,889	27.3
	Power Engineering	5,608	18.0	6,718	17.2	15,762	14.9
	Urban & Spatial Development	6,209	19.9	6,761	17.3	13,040	12.3
	Energy Business	-		364	0.9	354	0.3
	Real Estate Leasing	222	0.7	217	0.6	440	0.4
	Others	126	0.4	326	0.8	940	0.9
	Total	31,233	100.0	39,146	100.0	106,023	100.0

Category/Segment		As of December 31, 2017 Amount (Millions of yen)	Ratio (%)	As of December 31, 2018 Amount (Millions of yen)	Ratio (%)	As of June 30, 2018 Amount (Millions of yen)	Ratio (%)
Impact of foreign exchange fluctuations	Domestic Consulting	-		-		-	
	International Consulting	301		25		(1,036)	
	Power Engineering	(0)		-		0	
	Urban & Spatial Development	615		(422)		(57)	
	Energy Business	-		-		-	
	Real Estate Leasing	-		-		-	
	Others	-		-		-	
	Total	917		(396)		(1,093)	
Outstanding Orders	Domestic Consulting	46,455	32.3	39,835	30.0	31,078	25.0
	International Consulting	72,310	50.2	66,467	50.1	66,345	53.5
	Power Engineering	11,609	8.1	11,964	9.0	13,034	10.5
	Urban & Spatial Development	13,456	9.4	14,142	10.7	13,488	10.9
	Energy Business	-		196	0.2	116	0.1
	Real Estate Leasing	-		-		-	
	Others	29	0.0	27	0.0	24	0.0
	Total	143,861	100.0	132,635	100.0	124,087	100.0

Notes: 1. This includes the outstanding orders at the beginning of consolidation for Myanmar Koei International Ltd. and DSI Inc., which were consolidated from the previous fiscal year.
2. The above amounts are exclusive of consumption 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.