Consolidated Financial Results
for the Three Months Ended September 30, 2018
[Japanese GAAP]

November 12, 2018

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
Contact: Tetsumi Aoki, General Manager, Accounting Department
Phone: +81-3-3238-8040
Scheduled date of filing quarterly securities report: November 13, 2018
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, 2018 (July 1, 2018 to September 30, 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	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2018	17,729	25.1	(1,962)	-	(2,061)	-	(1,654)	-
September 30, 2017	14,168	15.4	(1,557)	-	(1,189)	-	8	-

(Note) Comprehensive income: Three months ended September 30, 2018 : ¥(1,107) million [- %]
Three months ended September 30, 2017 : ¥849 million [- %]

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
September 30, 2018	(106.33)	-
September 30, 2017	0.55	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
September 30, 2018	116,122	57,245	48.4
June 30, 2018	113,890	59,449	51.2

(Reference) Equity: As of September 30, 2018 : ¥56,173 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)	263.54

(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 September 30, 2018 : 15,905,049 shares
As of June 30, 2018 : 15,905,049 shares
2) Total number of treasury stock at the end of the period
As of September 30, 2018 : 332,704 shares
As of June 30, 2018 : 364,422 shares
3) Average number of shares during the period
Three months ended September 30, 2018 : 15,557,162 shares
Three months ended September 30, 2017 : 15,451,565 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 three months ended September 30, 2018 (from July 1, 2018 to September 30, 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. Also, despite the need to bear in mind the global uncertainty about economic policies, beginning with those of the United States and Europe, and the outlook for Asian countries, overseas economies showed a moderate trend of recovery.

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 increased 8.2% year on year to ¥28,891 million for the three months ended September 30, 2018. Net sales increased 25.1% year on year to ¥17,729 million due to an application of the percentage-of-completion method to contracts started during the previous fiscal year. Operating loss increased 26.0% year on year to ¥1,962 million, ordinary loss increased 73.3% year on year to ¥2,061 million, and loss attributable to owners of parent was ¥1,654 million (net income attributable to owners of parent for the three months ended September 30, 2017: ¥8 million).

Net sales for the three months ended September 30, 2018 were ¥17,729 million, an achievement rate of 15.4% against the net sales forecast of ¥115,000 million for the fiscal year ending June 30, 2019 (three months ended September 30, 2017: 13.4%). 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 three months ended September 30, 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 6.6% year on year to ¥14,266 million. Net sales increased 191.1% year on year to ¥5,749 million, operating loss decreased 23.7% year on year to ¥1,511 million and ordinary loss decreased 22.9% year on year to ¥1,511 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 increased 12.7% year on year to ¥7,431 million. Net sales decreased 12.4% year on year to ¥5,111 million, operating loss was ¥33 million (operating income of ¥ 678million for the three months ended September 30, 2017) and ordinary income decreased 99.1% year on year to ¥6 million.

[Power Engineering Operations]

In the Power Engineering Operations, we strove to expand the mechanical and electrical consulting business by extending into new areas such as traffic, transport and maintenance-management, with a focus on global expansion. In addition to reinforcing cooperation with the Group companies in the energy-related business and the maintenance-management business, we promoted technology development and the development of products built to global standard specifications. While we continued to implement strict cost reduction programs to improve price competitiveness, and worked to strengthen sales capabilities, competition in the power market as a whole intensified, and also had an impact on the Group.

As a result, orders received decreased 53.3% year on year to ¥1,902 million. Net sales decreased 0.5% year on year to ¥3,088 million, operating income decreased 42.5% year on year to ¥138 million and ordinary income decreased 68.2% year on year to ¥124 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 92.7% year on year to ¥5,126 million. Net sales increased 6.0% year on year to ¥3,291 million, operating loss was ¥21 million (operating income of ¥ 41million for the three months ended September 30, 2017) and ordinary income decreased 54.7% year on year to ¥31 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 powerplant) businesses.

As a result, we saw orders received of ¥134 million, net sales of ¥213 million, operating loss of ¥36 million and ordinary loss of ¥59 million.

[Real Estate Leasing Operations]

In the Real Estate Leasing Operations, net sales decreased 3.3% year on year to ¥109 million, operating income increased 1.5% year on year to ¥106 million and ordinary income decreased 20.9% year on year to ¥83 million.

(2) Explanation of Financial Position

Total assets as of the end of the first quarter of the fiscal year, amounted to ¥116,122 million, an increase of ¥2,232 million from the end of the previous fiscal year.

In the Assets section, current assets were ¥56,054 million, an increase of ¥1,791 million from the end of the previous fiscal year. This was mainly due to a ¥1,942 million decrease in cash and deposits, while a ¥1,479 million increase in notes and accounts receivable-trade and a ¥2,197 million increase in work in process.

Non-current assets were ¥60,067 million, an increase of ¥441 million from the end of the previous fiscal year. This was mainly due to a ¥416 million increase in construction in progress included in other items of property, plant and equipment.

In the Liabilities section, current liabilities were ¥33,271 million, an increase of ¥4,829 million from the end of the previous fiscal year. This was mainly due to a ¥778 million decrease in other payables, a ¥521 million decrease in consumption tax payable and a ¥719 million decrease in deposit received included in other items of current liabilities, while a ¥6,000 million increase in short-term loans payable and a ¥1,284 million increase in provision for bonuses.

Non-current liabilities were ¥25,605 million, a decrease of ¥393 million from the end of the previous fiscal year. This was mainly due to a ¥461 million decrease in deferred tax liabilities included in other items of non-current liabilities.

Net assets were ¥57,245 million, a decrease of ¥2,203 million from the end of the previous fiscal year. The primary factors behind this were ¥1,654 million in net loss attributable to owners of parent, ¥1,192 million in cash dividends paid, a ¥209 million increase in valuation difference on available-for-sale securities and a ¥368 million increase in foreign currency translation adjustments.

As a result, the shareholders' equity ratio decreased 2.9 percentage points from the end of the previous fiscal year to 48.4%.

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 September 30, 2018
Assets		
Current assets		
Cash and deposits	16,392	14,449
Notes and accounts receivable - trade	26,214	27,694
Work in process	7,942	10,140
Other	3,796	3,855
Allowance for doubtful accounts	(83)	(85)
Total current assets	54,263	56,054
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,082	6,021
Land	16,598	16,600
Other, net	4,943	5,348
Total property, plant and equipment	27,624	27,970
Intangible assets		
Goodwill	8,185	8,282
Other	4,778	4,739
Total intangible assets	12,964	13,022
Investments and other assets		
Other	19,214	19,245
Allowance for doubtful accounts	(177)	(170)
Total investments and other assets	19,037	19,074
Total non-current assets	59,626	60,067
Total assets	113,890	116,122

(Millions of yen)

	As of June 30, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,164	3,543
Short-term loans payable	-	6,000
Current portion of long-term loans payable	2,050	2,065
Income taxes payable	1,012	259
Advances received	8,693	9,436
Provision for bonuses	1,860	3,144
Provision for directors' bonuses	83	83
Provision for loss on construction contracts	176	180
Other	10,398	8,556
Total current liabilities	28,441	33,271
Non-current liabilities		
Long-term loans payable	18,934	18,951
Provision for directors' retirement benefits	32	30
Provision for environmental measures	34	34
Liability for retirement benefits	3,873	3,890
Other	3,124	2,699
Total non-current liabilities	25,999	25,605
Total liabilities	54,440	58,877
Net assets		
Shareholders' equity		
Capital stock	7,415	7,415
Capital surplus	6,466	6,466
Retained earnings	45,528	42,681
Treasury shares	(1,180)	(1,083)
Total shareholders' equity	58,229	55,479
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,195	1,404
Foreign currency translation adjustments	(2,045)	(1,676)
Defined retirement benefit plans	983	965
Total accumulated other comprehensive income	133	694
Non-controlling interests	1,086	1,072
Total net assets	59,449	57,245
Total liabilities and net assets	113,890	116,122

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

For the Three months ended September 30, 2017 and 2018

(Millions of yen)

	For the three months ended September 30, 2017 (From July 1, 2017 to September 30, 2017)	For the three months ended September 30, 2018 (From July 1, 2018 to September 30, 2018)
Net sales	14,168	17,729
Cost of sales	9,698	13,226
Gross profit	4,470	4,503
Selling, general and administrative expenses	6,027	6,466
Operating income (loss)	(1,557)	(1,962)
Non-operating income		
Interest income	38	74
Dividend income	63	24
Gain on sales of investment securities	158	-
Gain on derivatives	75	196
Other	86	64
Total non-operating income	422	360
Non-operating expenses		
Interest expenses	47	58
Loss on valuation of investment securities	-	250
Share of loss of entities accounted for using equity method	-	62
Other	6	87
Total non-operating expenses	54	458
Ordinary income (loss)	(1,189)	(2,061)
Extraordinary income		
Gain on sales of property, plant and equipment	1,276	-
Total extraordinary income	1,276	-
Income (loss) before income taxes	86	(2,061)
Income taxes – current	306	331
Income taxes – deferred	(225)	(719)
Total income taxes	80	(387)
Net income (loss)	6	(1,673)
Net income (loss) attributable to		
Net income (loss) attributable to owners of parent	8	(1,654)
Net income (loss) attributable to non-controlling interests	(2)	(19)
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	274	208
Foreign currency translation adjustments	580	372
Remeasurements of defined benefit plans	(10)	(17)
Share of other comprehensive income of entities accounted for using equity method	-	3
Total other comprehensive income (loss)	843	566
Comprehensive income (loss)	849	(1,107)
Comprehensive income (loss) attributable to		
Comprehensive income (loss) attributable to owners of parent	853	(1,093)
Comprehensive income (loss) attributable to non-controlling interests	(4)	(13)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the three months ended September 30, 2017 (From July 1, 2017 to September 30, 2017)	For the three months ended September 30, 2018 (From July 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Income (loss) before income taxes	86	(2,061)
Depreciation	381	393
Amortization of goodwill	116	116
Loss (gain) on sales of investment securities	(158)	30
Loss (gain) on valuation of investment securities	-	250
Share of loss (gain) of entities accounted for using equity method	-	62
Loss (gain) on sales of property, plant and equipment	(1,277)	0
Increase (decrease) in allowance for doubtful accounts	25	(5)
Increase (decrease) in provision for bonuses	1,215	1,263
Increase (decrease) in provision for loss on construction contracts	54	3
Interest and dividend income	(102)	(98)
Loss (gain) on derivatives	(75)	(196)
Decrease (increase) in notes and accounts receivable - trade	1,977	(1,396)
Decrease (increase) in inventories	(5,203)	(2,177)
Increase (decrease) in notes and accounts payable - trade	(456)	(617)
Increase (decrease) in accounts payable - other	218	(688)
Increase (decrease) in advances received	2,633	747
Increase (decrease) in accrued consumption taxes	(1,185)	(444)
Other, net	(675)	(764)
Subtotal	(2,425)	(5,583)
Interest and dividend income received	53	35
Interest expenses paid	(7)	(16)
Income taxes paid	(978)	(952)
Net cash provided by (used in) operating activities	(3,358)	(6,516)
Cash flows from investing activities		
Net decrease (increase) in time deposits	686	704
Purchase of property, plant and equipment	(158)	(650)
Proceeds from sales of property, plant and equipment	2,327	0
Purchase of investment securities	(167)	(98)
Proceeds from sales of investment securities	172	537
Payments of loans receivable	(312)	(205)
Collection of loans receivable	57	-
Other, net	(75)	(53)
Net cash provided by (used in) investing activities	2,530	235
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-	6,000
Repayments of long-term loans payable	(109)	(89)
Proceeds from sales of treasury shares	78	98
Purchase of treasury shares	(14)	(1)
Cash dividends paid	(1,178)	(1,171)
Other, net	(14)	(10)
Net cash provided by (used in) financing activities	(1,237)	4,825
Effect of exchange rate change on cash and cash equivalents	84	148
Net increase (decrease) in cash and cash equivalents	(1,982)	(1,306)
Cash and cash equivalents at beginning of period	17,083	15,233
Cash and cash equivalents at end of period	15,101	13,926

(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 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 first quarter of the fiscal year decreased by ¥15 million, and each of operating loss, ordinary loss, and loss before income taxes decreased by ¥14 million from the amounts based on the previous method.

(Segment Information)

For the three months ended September 30, 2017 (from July 1, 2017 to September 30, 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	1,974	5,837	3,103	3,104	-	113	14,133	35	14,168
Intersegment sales or transfers	113	3	49	6	-	39	211	0	211
Total	2,088	5,840	3,152	3,110	-	152	14,344	36	14,380
Segment income (loss)	(1,959)	667	390	69	-	105	(726)	(496)	(1,222)

(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	(726)
Loss of "others" category	(496)
Elimination of intersegment transactions	33
Ordinary Income (loss) in the quarterly consolidated statement of income and comprehensive income	(1,189)

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 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	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)

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 three months ended September 30, 2017 disclosed as comparative information to the three months ended September 30, 2018 is stated according to the revised designation of the reportable segment.

(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 27, 2018, and the procedure for payment was completed on October 26, 2018.

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 26, 2018
(2) Class and number of shares to be issued	14,495 shares of common stock of the Company
(3) Issue price	¥3,095 per share
(4) Total issue price of shares to be issued	¥44,862,025
(5) Capitalization amount	¥1,548 per share
(6) Total capitalization amount	¥22,438,260
(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	14,495 shares to nine directors of the Company (excluding outside directors)
(10) Transfer restriction period	October 26, 2018, to October 25, 2021
(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		For the three months ended September 30, 2017 Amount (Millions of yen)	Ratio (%)	For the three months ended September 30, 2018 Amount (Millions of yen)	Ratio (%)	For the fiscal year ended June 30, 2018 Amount (Millions of yen)	Ratio (%)
Orders received	Domestic Consulting	13,383	50.1	14,226	49.4	48,529	46.5
	International Consulting	6,595	24.7	7,431	25.7	(Note 1) 26,716	25.6
	Power Engineering	4,069	15.2	1,902	6.6	15,943	15.3
	Urban & Spatial Development	2,660	10.0	5,126	17.7	12,855	12.3
	Energy Business	-		134	0.5	179	0.2
	Real Estate Leasing	-		-		-	
	Others	4	0.0	29	0.1	(Note 1) 126	0.1
	Total	26,713	100.0	28,891	100.0	104,350	100.0
Net sales 1	Domestic Consulting	2,016	14.2	5,984	33.8	48,784	46.0
	International Consulting	6,189	43.7	5,589	31.5	30,703	29.0
	Power Engineering	2,745	19.4	2,548	14.4	12,616	11.9
	Urban & Spatial Development	3,104	21.9	3,286	18.5	12,998	12.3
	Energy Business	-		186	1.1	354	0.3
	Real Estate Leasing	113	0.8	109	0.6	440	0.4
	Others	0	0.0	25	0.1	125	0.1
	Total	14,168	100.0	17,729	100.0	106,023	100.0
Net sales 2	Domestic Consulting	1,974	13.9	5,749	32.4	46,595	43.9
	International Consulting	5,837	41.2	5,111	28.9	28,889	27.3
	Power Engineering	3,103	21.9	3,088	17.4	15,762	14.9
	Urban & Spatial Development	3,104	21.9	3,291	18.6	13,040	12.3
	Energy Business	-		213	1.2	354	0.3
	Real Estate Leasing	113	0.8	109	0.6	440	0.4
	Others	35	0.3	164	0.9	940	0.9
	Total	14,168	100.0	17,729	100.0	106,023	100.0

Category/Segment		As of September 30, 2017 Amount (Millions of yen)	Ratio (%)	As of September 30, 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	(74)		436		(1,036)	
	Power Engineering	-		-		0	
	Urban & Spatial Development	538		381		(57)	
	Energy Business	-		-		-	
	Real Estate Leasing	-		-		-	
	Others	-		-		-	
	Total	463		817		(1,093)	
Outstanding Orders	Domestic Consulting	42,700	30.7	39,360	28.9	31,078	25.0
	International Consulting	71,699	51.5	68,624	50.4	66,345	53.5
	Power Engineering	11,030	7.9	12,388	9.1	13,034	10.5
	Urban & Spatial Development	13,783	9.9	15,710	11.5	13,488	10.9
	Energy Business	-		148	0.1	116	0.1
	Real Estate Leasing	-		23	0.0	-	
	Others	29	0.0	28	0.0	24	0.0
	Total	139,243	100.0	136,284	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.