Consolidated Financial Results
for the Six Months Ended December 31, 2017
[Japanese GAAP]

February 14, 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
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Phone: +81-3-3238-8040
Scheduled date of filing quarterly securities report: February 14, 2018
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, 2017 (July 1, 2017 to December 31, 2017)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2017	31,233	18.7	(2,597)	-	(2,344)	-	(1,312)	-
December 31, 2016	26,304	29.3	(2,747)	-	(2,286)	-	(1,800)	-

(Note) Comprehensive income: Six months ended December 31, 2017: ¥(47) million [- %]
Six months ended December 31, 2016: ¥(3,975) million [- %]

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
December 31, 2017	(84.86)	-
December 31, 2016	(116.96)	-

(Note) The Company conducted a share consolidation at a rate of one share for every five shares on January 1, 2017. The figures for "Net income per share" are amounts on the assumption that the Company conducts the share consolidation on the beginning of previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
December 31, 2017	120,264	53,804	44.4
June 30, 2017	113,865	54,874	47.9

(Reference) Equity: As of December 31, 2017 : ¥53,443 million
As of June 30, 2017 : ¥54,508 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, 2017	-	-	-	75.00	75.00
Fiscal year ending June 30, 2018	-	-			
Fiscal year ending June 30, 2018 (Forecast)			-	75.00	75.00

(Note)
(1) Revision to the forecast for dividends announced most recently: None
(2) The Company conducted a share consolidation at a rate of one share for every five shares on January 1, 2017.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2018 (July 1, 2017 to June 30, 2018)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	114,000	12.5	7,700	40.9	7,800	30.9	4,900	49.0	316.84

(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: 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 December 31, 2017 : 15,905,049 shares
As of June 30, 2017 : 17,331,302 shares
2) Total number of treasury stock at the end of the period:
As of December 31, 2017 : 410,682 shares
As of June 30, 2017 : 1,891,831 shares
3) Average number of shares during the period:
Six months ended December 31, 2017 : 15,465,396 shares
Six months ended December 31, 2016 : 15,395,122 shares

(Note) The Company conducted a share consolidation at a rate of one share for every five shares on January 1, 2017. The figures for “Total number of issued shares at the end of the period”, “Total number of treasury stock at the end of the period” and “Average number of shares during the period” are amounts on the assumption that the Company conducts the share consolidation on the beginning of previous fiscal year.

* These Consolidated Financial Results are not subject to quarterly review procedures.

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

The earnings forecasts and other forward-looking statements disclosed herein are based on information available to the Company as of the 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 22, 2018. 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, 2017 (from July 1, 2017 to December 31, 2017), Japan's economy continued on a moderate recovery path with signs of private consumption picking up against the background of steady improvements in employment and income. On the other hand, overseas economies saw a modest recovery though consideration must be given to the policies of the United States and Europe and the economic future in Asia.

The business environment of Nippon Koei Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") continued to be stable, and each business segment saw steady demand. The Group undertook measures for disaster prevention and mitigation, and measures to prevent deterioration of infrastructure for public works projects in the Domestic Consulting Operations, promoted strategic exporting of infrastructure systems in the International Consulting Operations, renewed power distribution equipment in the Power Engineering Operations and newly built and renovated architectural installation in the UK in the Urban & Spatial Development Operations.

Under these circumstances, based on the Medium-Term Management Plan "NK-AIM" (from July 2015 to June 2018), with the fundamental principles of "Sustainable growth of three core businesses," "Generation and expansion of new businesses," and "Autonomy and collaboration," the Group tackled the three focus themes of "Further advance of global expansion," "Further expansion of business fields and improvement of profitability by intensifying existing core businesses," and "Demonstrating the true merits of aggregated technologies for establishment of new business domains." Moreover, as companywide measures to realize these goals, the Group actively advanced "Development of next-generation core technologies and further improvement of technical strengths and productivity," "Strengthening of human resource recruitment and training," and "Promotion of collaboration and enhancement of corporate governance."

In terms of Group performance, as a result of the above, orders received decreased 18.2% year on year to ¥47,832 million for the six months ended December 31, 2017. This was due to the acceptance of orders relating to multiple large projects mainly in the transportation business area for the previous fiscal year. Net sales were up 18.7% year on year to ¥31,233 million, operating loss decreased 5.4% year on year to ¥2,597 million, ordinary loss increased 2.5% year on year to ¥2,344 million, and loss attributable to owners of parent decreased 27.1% year on year to ¥1,312 million due to the recording of a gain on sales of non-current assets in the first three months ended September 30, 2017.

Net sales for the six months ended December 31, 2017 were ¥31,233 million, an achievement rate of 27.4% against the net sales forecast of ¥114,000 million for the fiscal year ending June 30, 2018 (six months ended December 31, 2016: 26.0%). 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 a loss attributable to owners of parent for the six months ended December 31, 2017.

The Group's accounting method for net sales has been changed from the completed-contract method to the percentage-of-completion method from the first three months ended September 30, 2017. For each quarter of the previous fiscal year and the previous consolidated fiscal year, the previous completed-contract method has been applied to the quarterly consolidated financial statements and the consolidated financial statements. Details are as stated in Changes in Accounting Policies.

Business results for each segment are as follows:

[Domestic Consulting Operations]

The Domestic Consulting Operations worked to increase its business areas and market shares by specifying significant businesses, improving quality of service and profitability by restructuring work procedures, and effectively entering into alliances.

As a result, orders received decreased 9.5% year on year to ¥21,675 million due to orders for large projects received in the previous year (including approximately ¥2 billion of consulting services relating to the Greater Cairo Metro Line No.4 - Phase 1 project in Egypt), and yet steadily increased 11.2% year from two years ago. Net sales increased 49.5% year on year to ¥6,335 million, operating loss decreased 8.9% year on year to ¥3,172 million and ordinary loss decreased 5.2% year on year to ¥3,293 million.

[International Consulting Operations]

International Consulting Operations worked to improve operation strategy functions focusing on regional officers, strengthen the production system, develop a management foundation to respond to risks, and strengthen the capabilities of and cooperation with Group companies.

As a result, orders received decreased 36.1% year on year to ¥14,197 million due to orders for large projects received in the previous year (including approximately ¥8 billion of consulting services relating to the Greater Cairo Metro Line No.4 - Phase 1 project in Egypt), and yet steadily increased 28.4% year from two years ago. Net sales increased 59.9% year on year to ¥12,731 million, operating income increased 594.8% year on year to ¥1,397 million and ordinary income increased 377.9% year on year to ¥1,324 million.

[Power Engineering Operations]

In the Power Engineering Operations, we worked to increase cost competitiveness through strict cost reductions, strengthen sales and marketing capabilities through proposing cost reduction plans, enhance fusion and cooperation among the business areas of consulting, products, and construction, promote the development of products and technology, and reinforce and expand the mechanical and electromechanical consulting division. The level of outstanding orders as of the end of the previous fiscal year, however, was lower compared with previous years, thus affecting the net sales.

As a result, orders received for the six months ended December 31, 2017, decreased 1.4% year on year to ¥6,598 million. Net sales decreased 27.5% year on year to ¥5,608 million, operating income decreased 83.3% year on year to ¥240 million and ordinary income decreased 73.3% year on year to ¥376 million.

[Urban & Spatial Development Operations]

The Urban & Spatial Development Operations strove to expand the scope of business in the urban development and architectural design area by growing businesses within the UK through BDP and collaborating as a group in the Asian region.

As a result, orders received for the six months ended December 31, 2017, decreased 3.6% year on year to ¥5,356 million. Net sales increased 3.6% year on year to ¥6,209 million, operating loss was ¥10 million (an operating income of ¥76 million for the six months ended December 31, 2016) and ordinary loss was ¥22 million (an ordinary income of ¥50 million for the six months ended December 31, 2016).

[Real Estate Leasing Operations]

In the Real Estate Leasing Operations, net sales for the six months ended December 31, 2017, decreased 7.8% year on year to ¥222 million. Both operating income and ordinary income increased 0.2% year on year to ¥204 million.

(2) Explanation of Financial Position

Total assets as of the end of the current second quarter amounted to ¥120,264 million, up ¥6,398 million from the end of the previous fiscal year.

In the Assets section, current assets were ¥60,871 million, an increase of ¥6,072 million from the end of the previous fiscal year. This is mainly due to a ¥6,909 million decrease in cash and deposits, and a ¥10,296 million increase in work in process.

Non-current assets were ¥59,393 million, an increase of ¥325 million from the end of the previous fiscal year. This is mainly due to a ¥1,050 million decrease in land, and a ¥681 million increase in investment securities and a ¥872 million increase in long-term loans receivable included in other items of investments and other assets.

In the Liabilities section, current liabilities were ¥38,490 million, an increase of ¥8,148 million from the end of the previous fiscal year. This is mainly due to a ¥9,000 million increase in short-term loans payable.

Non-current liabilities were ¥27,969 million, an decrease of ¥681 million from the end of the previous fiscal year. This is mainly due to a ¥660 million increase in long-term deferred tax liabilities included in other items of non-current liabilities, and a ¥1,343 million decrease in long-term loans payable.

Net assets were ¥53,804 million, a decrease of ¥1,069 million from the end of the previous fiscal year. The primary factors behind this were ¥1,312 million in loss of attributable to owners of parent, ¥1,192 million in cash dividends paid, a ¥569 million increase in valuation difference on available-for-sale securities and a ¥719 million increase in foreign currency translation adjustments.

As a result, the shareholders' equity ratio decreased 3.5 percentage points from the end of the previous fiscal year to 44.4%.

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

The consolidated financial results forecast for the fiscal year ending June 30, 2018 have not changed from the forecast announced in the Consolidated Financial Results for the Fiscal Year Ended June 30, 2017 dated August 14, 2017.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	19,593	12,684
Notes and accounts receivable - trade	18,090	19,069
Work in process	11,727	22,024
Other	5,392	7,097
Allowance for doubtful accounts	(6)	(5)
Total current assets	54,798	60,871
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,591	5,419
Land	17,648	16,598
Other, net	1,295	1,219
Total property, plant and equipment	24,535	23,238
Intangible assets		
Goodwill	8,685	8,846
Other	5,214	5,159
Total intangible assets	13,900	14,006
Investments and other assets		
Other	20,799	22,324
Allowance for doubtful accounts	(168)	(175)
Total investments and other assets	20,630	22,148
Total non-current assets	59,067	59,393
Total assets	113,865	120,264

(Millions of yen)

	As of June 30, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,012	3,714
Short-term loans payable	-	9,000
Current portion of long-term loans payable	1,760	2,065
Income taxes payable	1,049	377
Advances received	10,797	13,349
Provision for bonuses	1,365	1,351
Provision for directors' bonuses	88	-
Provision for loss on construction contracts	54	246
Other	11,211	8,384
Total current liabilities	30,341	38,490
Non-current liabilities		
Long-term loans payable	21,413	20,069
Provision for directors' retirement benefits	45	32
Provision for environmental measures	34	34
Liability for retirement benefits	3,963	3,985
Other	3,193	3,846
Total non-current liabilities	28,650	27,969
Total liabilities	58,991	66,459
Net assets		
Shareholders' equity		
Capital stock	7,393	7,415
Capital surplus	7,240	6,427
Retained earnings	43,450	39,622
Treasury stock	(3,607)	(1,320)
Total shareholders' equity	54,477	52,144
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,016	1,586
Foreign currency translation adjustments	(1,813)	(1,094)
Defined retirement benefit plans	828	806
Total accumulated other comprehensive income	30	1,298
Non-controlling interests	365	361
Total net assets	54,874	53,804
Total liabilities and net assets	113,865	120,264

(2) Quarterly Consolidated Statements of Operating and Comprehensive Income

For the Six months ended December 31, 2017 and 2016

(Millions of yen)

	For the six months ended December 31, 2016 (From July 1, 2016 to December 31, 2016)	For the six months ended December 31, 2017 (From July 1, 2017 to December 31, 2017)
Net sales	26,304	31,233
Cost of sales	17,936	21,709
Gross profit	8,368	9,523
Selling, general and administrative expenses	11,116	12,121
Operating income (loss)	(2,747)	(2,597)
Non-operating income		
Interest income	72	81
Dividend income	116	155
Gain on sales of investment securities	-	158
Other	411	197
Total non-operating income	600	593
Non-operating expenses		
Interest expenses	88	99
Loss on valuation of investment securities	-	145
Other	52	95
Total non-operating expenses	140	339
Ordinary income (loss)	(2,286)	(2,344)
Extraordinary income		
Gain on sales of property, plant and equipment	-	1,276
Total extraordinary income	-	1,276
Extraordinary losses		
Head office transfer cost	105	488
Total extraordinary losses	105	488
Profit (loss) before income taxes	(2,392)	(1,556)
Income taxes – current	417	514
Income taxes – deferred	(1,002)	(755)
Total income taxes	(585)	(240)
Profit (loss)	(1,807)	(1,315)
Profit (loss) attributable to		
Profit (loss) attributable to owners of parent	(1,800)	(1,312)
Profit (loss) attributable to non-controlling interests	(6)	(3)
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	769	568
Foreign currency translation adjustments	(2,932)	721
Defined retirement benefit plans	(5)	(21)
Total other comprehensive income (loss)	(2,168)	1,267
Comprehensive income (loss)	(3,975)	(47)
Comprehensive income (loss) attributable to		
Comprehensive income (loss) attributable to owners of parent	(3,981)	(44)
Comprehensive income (loss) attributable to non-controlling interests	5	(3)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended December 31, 2016 (From July 1, 2016 to December 31, 2016)	For the six months ended December 31, 2017 (From July 1, 2017 to December 31, 2017)
Cash flows from operating activities		
Profit (loss) before income taxes	(2,392)	(1,556)
Depreciation	767	768
Amortization of goodwill	232	236
Loss (gain) on sales of investment securities	-	(158)
Loss (gain) on valuation of investment securities	-	145
Loss (gain) on sales of property, plant and equipment	(3)	(1,280)
Increase (decrease) in allowance for doubtful accounts	8	4
Increase (decrease) in provision for bonuses	610	(29)
Increase (decrease) in provision for loss on construction contracts	82	191
Interest and dividend income	(189)	(237)
Decrease (increase) in notes and accounts receivable - trade	3,506	(797)
Decrease (increase) in inventories	(13,114)	(10,258)
Increase (decrease) in notes and accounts payable - trade	278	(315)
Increase (decrease) in accounts payable - other	(121)	(39)
Increase (decrease) in advances received	6,652	2,548
Decrease (increase) in consumption taxes refund receivable	(1,137)	(2,043)
Other, net	(1,835)	(1,466)
Subtotal	(6,655)	(14,287)
Interest and dividend income received	75	173
Interest expenses paid	(58)	(98)
Income taxes paid	(698)	(1,106)
Net cash provided by (used in) operating activities	(7,337)	(15,319)
Cash flows from investing activities		
Net decrease (increase) in time deposits	(755)	1,137
Purchase of property, plant and equipment	(599)	(283)
Proceeds from sales of property, plant and equipment	4	2,336
Purchase of investment securities	(221)	(300)
Proceeds from sales of investment securities	-	172
Payments of loans receivable	(730)	(530)
Collection of loans receivable	319	129
Other, net	(96)	(157)
Net cash provided by (used in) investing activities	(2,078)	2,504
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(9,700)	9,000
Proceeds from long-term loans payable	22,121	-
Repayments of long-term loans payable	(939)	(1,079)
Proceeds from sales of treasury shares	102	152
Purchase of treasury shares	(27)	(24)
Cash dividends paid	(771)	(1,187)
Other, net	(27)	(27)
Net cash provided by (used in) financing activities	10,758	6,833
Effect of exchange rate change on cash and cash equivalents	(408)	132
Net increase (decrease) in cash and cash equivalents	933	(5,848)
Cash and cash equivalents at beginning of period	9,400	17,083
Cash and cash equivalents at end of period	10,334	11,234

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Notes on Significant Changes in Shareholders' Equity)

Based on the resolution made at the Board of Directors' meeting held on August 14, 2017, the Company cancelled 1,436,731 shares of treasury stock on August 31, 2017. This resulted in decreases of ¥835 million in capital surplus, ¥1,323 million in retained earnings and ¥2,158 million in treasury stock during the six months ended December 31, 2017.

In addition, based on the resolution made at the Board of Directors' meeting held on October 12, 2017, the Company issued new shares as compensation with restricted stocks for directors on November 10, 2017, resulting in increases of ¥21 million in capital stock and ¥21 million in capital reserve during the six months ended December 31, 2017.

As a result, capital stock, capital surplus, retained earnings and treasury stock were ¥7,415 million, ¥6,427 million, ¥39,622 million and ¥1,320 million, respectively, as of the end of the first six months of the fiscal year ending June 30, 2018.

(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）

The Company and domestic subsidiaries previously had been applying the completed-contract method (including partial completed-contract method) in principle when recording net sales of business contracts relating to Domestic Consulting Operations, International Consulting Operations, and Power Engineering Operations. From business contracts effective from the current first quarter, the method has been changed to the percentage-of-completion method (estimate of the degree of completion is mainly based on the cost to cost method). The previous revenue recognition standard was reviewed again. We considered the increasing opportunities to receive large project orders under the government-led strategic exporting of infrastructure systems and the expansion of the Company's international operations including the acquisition of an architectural firm in the UK. As a result, the Company judged that the percentage-of-completion method would be more appropriate to present its operating results and financial conditions. Relating systems were developed, and taking this as an opportunity, the Company has decided to make such change.

As this change was made possible with the introduction of a new accounting system, using the percentage-of-completion method to calculate retroactively is practically impossible.

Furthermore, since the cumulative impact at the beginning of the current first quarter cannot be calculated in the case where the system is applied retrospectively, the outstanding balance at the end of the previous fiscal year is treated as the outstanding balance at the beginning of the current first quarter. As for business contracts relating to work in process included at the end of the previous fiscal year, the completed-contract method will be applied in principle, and net sales will be recorded in the financial quarter in which the completion date of each business falls.

As a result, compared with the previous accounting method, net sales were ¥5,525 million, and gross profit, operating income, ordinary income, and profit before income taxes all increased by ¥1,499 million for the six months ended December 31, 2017.

Impacts on segment information and others are stated in the relevant section.

(Segment Information)

For the six months ended December 31, 2016 (from July 1, 2016 to December 31, 2016)

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

(Millions of yen)

	Reportable Segments						Others (Note)	Total
	Domestic Consulting Operations	International Consulting Operations	Power Engineering Operations	Urban & Spatial Development Operations	Real Estate Leasing Operations	Subtotal		
Net sales								
Net sales to external customers	4,237	7,959	7,738	5,993	241	26,170	134	26,304
Intersegment sales or transfers	194	6	105	2	65	373	1	374
Total	4,431	7,965	7,843	5,996	306	26,543	135	26,679
Segment profit (loss)	(3,474)	277	1,411	50	203	(1,531)	(760)	(2,292)

(Note) “Others” refers to a group of operations from which no profits are gained or that produce only incidental gains.

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

(Millions of yen)

Income	Amount
Reportable segment total	(1,531)
Profit (loss) of “others” category	(760)
Elimination of inter-segment transactions	5
Ordinary Income (loss) in the quarterly consolidated statement of operating and comprehensive income	(2,286)

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

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

(Millions of yen)

	Reportable Segments						Others (Note)	Total
	Domestic Consulting Operations	International Consulting Operations	Power Engineering Operations	Urban & Spatial Development 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 profit (loss)	(3,293)	1,324	376	(22)	204	(1,411)	(952)	(2,363)

(Note) “Others” refers to a group of operations from which no profits are gained or that produce only incidental gains.

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

(Millions of yen)

Income	Amount
Reportable segment total	(1,411)
Profit (loss) of “others” category	(952)
Elimination of inter-segment transactions	19
Ordinary Income (loss) in the quarterly consolidated statement of operating and comprehensive income	(2,344)

3) Information concerning changes to reporting segments, etc.

As stated in Changes in Accounting Policies, the accounting policy for business contracts effective from the current first quarter was changed to the percentage-of-completion method (estimate of degree of completion is mainly based on the cost to cost method). As a result of this change, compared with the previous accounting method, net sales and segment profit increased by ¥1,700 million and ¥393 million for Domestic Consulting Operations, ¥3,421 million and ¥1,013 million for International Consulting Operations, ¥324 million and ¥80 million for Power Engineering Operations, and ¥78 million and ¥11 million for Others, respectively, for the six months ended December 31, 2017.

(Significant Subsequent Events)

There is no relevant information.

3. Other Information

(1) Status of Orders and Sales

Category/Operations		For the six months ended December 31, 2016 Amount (Millions of yen)	Ratio (%)	For the six months ended December 31, 2017 Amount (Millions of yen)	Ratio (%)	For the fiscal year ended June 30, 2017 Amount (Millions of yen)	Ratio (%)
Orders received	Domestic Consulting	23,951	41.0	21,675	45.3	48,265	41.1
	International Consulting	22,229	38.0	14,197	29.7	(Note 1) 41,573	35.4
	Power Engineering	6,690	11.5	6,598	13.8	14,087	12.0
	Urban & Spatial Development	5,555	9.5	5,356	11.2	13,460	11.5
	Real Estate Leasing	-		-		-	
	Others	24	0.0	4	0.0	55	0.0
	Total	58,451	100.0	47,832	100.0	117,442	100.0
Net sales 1	Domestic Consulting	4,332	16.5	6,553	21.0	45,470	44.9
	International Consulting	8,747	33.2	13,556	43.4	26,384	26.0
	Power Engineering	6,941	26.4	4,696	15.0	14,583	14.4
	Urban & Spatial Development	5,993	22.8	6,204	19.9	14,344	14.1
	Real Estate Leasing	241	0.9	222	0.7	473	0.5
	Others	48	0.2	0	0.0	81	0.1
	Total	26,304	100.0	31,233	100.0	101,338	100.0
Net sales 2	Domestic Consulting	4,237	16.1	6,335	20.3	43,516	42.9
	International Consulting	7,959	30.3	12,731	40.7	24,491	24.2
	Power Engineering	7,738	29.4	5,608	18.0	17,577	17.3
	Urban & Spatial Development	5,993	22.8	6,209	19.9	14,347	14.2
	Real Estate Leasing	241	0.9	222	0.7	473	0.5
	Others	134	0.5	126	0.4	931	0.9
	Total	26,304	100.0	31,233	100.0	101,338	100.0

Category/Operations		As of December 31, 2016 Amount (Millions of yen)	Ratio (%)	As of December 31, 2017 Amount (Millions of yen)	Ratio (%)	As of June 30, 2017 Amount (Millions of yen)	Ratio (%)
Impact of foreign exchange fluctuations	Domestic Consulting	-		-		-	
	International Consulting	3,074		301		2,177	
	Power Engineering	-		(0)		-	
	Urban & Spatial Development	(3,039)		615		(1,678)	
	Real Estate Leasing	-		-		-	
	Others	-		-		-	
	Total	35		917		498	
Outstanding Orders	Domestic Consulting	48,157	34.1	46,455	32.3	31,333	24.8
	International Consulting	70,559	49.9	72,310	50.2	71,368	56.6
	Power Engineering	9,951	7.0	11,609	8.1	9,707	7.7
	Urban & Spatial Development	12,774	9.0	13,456	9.4	13,688	10.9
	Real Estate Leasing	-		-		-	
	Others	25	0.0	29	0.0	24	0.0
	Total	141,468	100.0	143,861	100.0	126,122	100.0

(Notes) 1. System Science Consultants Inc. became a consolidated subsidiary during the previous fiscal year, and orders received at the time of its consolidation are included. System Science Consultants Inc. merged with Koei Research Institute International Corp. (consolidated subsidiary) as of July 1, 2017, and the company name changed to Koei Research & Consulting Inc.
2. The above amounts are exclusive of consumption taxes.
3. The above amounts are for external customers.
4. Net sales 1 is by segment which received orders. Net sales 2 is by segment which provided services.