

Consolidated Financial Results
for the Six Months Ended December 31, 2016
[Japanese GAAP]



February 13, 2017

Company name: Nippon Koei Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 1954

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

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Scheduled date of filing quarterly securities report: February 13, 2017

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, 2016 (July 1, 2016 to December 31, 2016)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Profit (loss) attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended December 31, 2016	26,304	29.3	(2,747)	-	(2,286)	-	(1,800)	-
December 31, 2015	20,336	20.7	(3,500)	-	(3,328)	-	(2,651)	-

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

Six months ended December 31, 2015: ¥(3,189) million [- %]

	Net income (loss) per share	Diluted net income (loss) per share
Six months ended	Yen	Yen
December 31, 2016	(116.96)	-
December 31, 2015	(173.46)	-

(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 (loss) 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, 2016	113,878	46,786	40.8
June 30, 2016	100,989	51,460	50.6

(Reference) Equity: As of December 31, 2016 : ¥46,444 million

As of June 30, 2016 : ¥51,122 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended June 30, 2016	Yen -	Yen -	Yen -	Yen 10.00	Yen 10.00
Fiscal year ending June 30, 2017	-	-			
Fiscal year ending June 30, 2017 (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. The figure for “Year-end annual dividends” for fiscal year ending June 30, 2017 (Forecast) is an amount that takes into account the share consolidation. For details, please refer to “* Explanation of the proper use of financial results forecast and other notes.”

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2017(July 1, 2016 to June 30, 2017)

(% indicates changes from the previous corresponding period.)

Full year	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
	105,000	28.3	6,000	27.0	6,300	44.3	3,600	97.5	233.84

(Note)

- (1) Revision to the financial results forecast 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. The figure for “Net income per share” of full year in the Consolidated Financial Results Forecasts for the Fiscal Year Ending June 30, 2017 is an amount that takes into account the share consolidation. For details, please refer to “* Explanation of the proper use of financial results forecast and other notes.”

* Notes:

- (1) Changes in significant subsidiaries during the period (Changes in scope of consolidations resulting from change in subsidiaries): 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: None
- 3) Changes in accounting estimates: None
- 4) Retrospective restatement: None

- (4) Total number of issued shares (common stock)

- 1) Total number of issued shares at the end of the period (including treasury stock):

As of December 31, 2016 : 17,331,302 shares

As of June 30, 2016 : 17,331,302 shares

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

As of December 31, 2016 : 1,914,108 shares

As of June 30, 2016 : 1,963,228 shares

- 3) Average number of shares during the period:

Six months ended December 31, 2016 : 15,395,122 shares

Six months ended December 31, 2015 : 15,283,229 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.

* Presentation regarding the implementation status of the quarterly review procedures

At the time of disclosure of these quarterly financial results, quarterly review procedures for the quarterly consolidated financial statements have not been completed.

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

1. 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. With regard to the assumptions and other related matters concerning forecasts for the fiscal year ending June 30, 2017, refer to “1 Analysis of Operating Results and Financial Position” on page 2, contained in the attached documents.
2. Following the approval of the proposal concerning the share consolidation at the 72nd Ordinary General Meeting of Shareholders held on September 29, 2016, the Company conducted a share consolidation at a rate of one share for every five shares on January 1, 2017. Forecast of dividend and Consolidated Financial Results for the Fiscal Year Ending June 30, 2017 with and without taking into account the share consolidation are as follows:

- (1) Dividend Forecast for the Fiscal Year Ending June 30, 2017

	Without taking into account the share consolidation	With taking into account the share consolidation
	Yen	Yen
Year-end dividend per share	15.00	75.00

- (2) Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2017

	Without taking into account the share consolidation	With taking into account the share consolidation
	Yen	Yen
Net income per share of full year	46.77	233.84

3. The Company is scheduled to hold a financial results briefing session for investors and analysts on February 23, 2017. 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. Analysis of Operating Results and Financial Position

(1) Analysis of Consolidated Operating Results

During the six months ended December 31, 2016 (from July 1, 2016 to December 31, 2016), 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. Overseas economies continued to have a sense of growing the risk of economic downturns in the emerging markets of China and other Asian countries, as well as uncertainty about the economic policies of the United States and Europe.

The business environment of Nippon Koei Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") continued to be stable, and each business segment had steady demand: front-loaded implementation of budgets for public works for Domestic Consulting Operations; strategic exporting of infrastructure systems for International Consulting Operations; and renewal of power distribution equipment for Power Engineering Operations. Regarding Urban & Spatial Development Operations, demand for architectural design in the UK was solid, although it was affected by the yen's appreciation against the pound sterling.

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 3 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 profitability by intensifying existing core businesses," and "Demonstrating the true merits of aggregated technologies for establishment of new business domains." 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."

As a result of the above, and due mainly to the acceptance of an order for consulting services relating to the Greater Cairo Metro Line No.4 phase 1 project in Egypt, and consolidation of the balance sheet of BDP HOLDINGS LIMITED, as well as its subsidiaries (together, "BDP") from the end of the previous fiscal year, orders received increased 52.8% year on year to ¥58,451 million, net sales increased 29.3% year on year to ¥26,304 million, operating loss decreased 21.5% year on year to ¥2,747 million, ordinary loss decreased 31.3% year on year to ¥2,286 million, and loss attributable to owners of parent decreased 32.1% to ¥1,800 million.

Net sales for the six months ended December 31, 2016 were ¥26,304 million, an achievement rate of 25.1% against the net sales forecast of ¥105,000 million for the fiscal year ending June 30, 2017 (six months ended December 31, 2015: 24.8%). This is attributable to seasonal fluctuations that resulted in recorded net sales being concentrated in the second half of the fiscal year, due to the concentration of consulting services and product deliveries to government agencies and power companies, the Company's major customers, in the second half. On the other hand, because expenses such as selling, general and administrative expenses were generated fairly evenly throughout the year, the Group recorded an operating loss, an ordinary loss, and a loss attributable to owners of parent for the six months ended December 31, 2016.

Business results for each segment are as follows:

[Domestic Consulting Operations]

Domestic Consulting Operations promoted increasing business areas and market shares by specifying significant businesses, improving profitability by restructuring work procedures, and effectively entering into alliances.

As a result, orders received for the six months ended December 31, 2016, increased 22.9% year on year to ¥23,951 million. Net sales decreased 5.2% year on year to ¥4,237 million. Operating loss decreased 1.5% year on year to ¥3,482 million. Ordinary loss decreased 1.5% year on year to ¥3,474 million.

[International Consulting Operations]

With the strength of our region-based operating systems in the four regions of—Asia, Middle East and North Africa, Sub-Saharan Africa, and Latin America—International Consulting Operations secured a stable business foundation through the expansion of the share of Official Development Assistance (ODA) projects and expanding business scale by urban development and Public-Private Partnership (PPP) businesses.

As a result, orders received for the six months ended December 31, 2016, increased 101.1% year on year to ¥22,229 million. Net sales decreased 4.7% year on year to ¥7,959 million. Operating income was ¥201 million (an operating loss of ¥118 million was recorded for the six months ended December 31, 2015) and ordinary income was ¥277 million (an ordinary loss of ¥342 million was recorded for the six months ended December 31, 2015).

[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 products and technology development, and reinforce and expand the mechanical and electromechanical consulting division.

As a result, orders received decreased 13.1% year on year to ¥6,690 million. Net sales increased 8.2% year on year to ¥7,738 million. Operating income increased 23.7% year on year to ¥1,442 million. Ordinary income increased 23.3% year on year to ¥1,411 million.

[Urban & Spatial Development Operations]

Urban & Spatial Development Operations promoted expanding the scope of business in the urban development and architectural design area by growing businesses within the UK and promoting collaborations in the Asian region.

As a result, the Group achieved orders received of ¥5,555 million, net sales of ¥5,993 million, operating income of ¥76 million, and ordinary income of ¥50 million.

BDP has become a consolidated subsidiary of the Company from the previous fiscal year, consolidating only the balance sheets. Subsequently, BDP's statement of income started to be consolidated from the quarter ended September 30, 2016..

[Real Estate Leasing Operations]

Real Estate Leasing Operations saw a decline in the number of rental contracts caused by reconstruction of the headquarters building.

As a result, net sales decreased 10.7% year on year to ¥241 million, operating income increased 1.3% year on year to ¥203 million, and ordinary income increased 1.2% year on year to ¥203 million.

(2) Analysis of Consolidated Financial Position

Total assets at the end of the current second quarter amounted to ¥113,878 million, up ¥12,888 million from the end of the previous fiscal year.

In the Assets section, current assets were ¥58,400 million, an increase of ¥12,246 million from the end of the previous fiscal year, due primarily to a ¥13,235 million increase in work in process, a ¥1,496 million increase in cash and deposits, and a ¥3,960 million decrease in notes and accounts receivable - trade resulting from their collection.

Non-current assets were ¥55,478 million, an increase of ¥642 million from the end of the previous fiscal year, due primarily to an increase in investment securities and long-term loans receivable, and a decrease in goodwill and trademark right from the impact of foreign currency translations of overseas subsidiary companies.

In the Liabilities section, current liabilities were ¥38,986 million, a decrease of ¥4,121 million from the end of the previous fiscal year. This decrease was mainly attributable to a ¥9,700 million decrease in short-term loans payable, a ¥6,706 million increase in advances received, and a ¥2,147 decrease in accrued expenses included in other current liabilities.

Non-current liabilities were ¥28,105 million, an increase of ¥21,683 million from the end of the previous fiscal year. This increase was mainly attributable to a ¥19,888 million increase in long-term loans payable.

Net assets amounted to ¥46,786 million, a decrease of ¥4,673 million from the end of the previous fiscal year. The primary factors behind this decrease were a ¥1,800 million loss attributable to owners of parent for the current second quarter due to net sales being concentrated in the second half of the fiscal year, ¥771 million in cash dividends paid, a ¥769 million increase in valuation difference on available-for-sale securities, and a ¥2,944 million decrease in foreign currency translation adjustment.

As a result, the shareholders' equity ratio decreased 9.8 percentage points from the end of the previous fiscal year to 40.8%.

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

The consolidated financial results forecast for the fiscal year ending June 30, 2017 have not changed from the forecast announced in the Consolidated Financial Results for the Fiscal Year Ended June 30, 2016 dated August 12, 2016.

2. Matters Relating to Summary Information (Notes)

- (1) Changes in Significant Subsidiaries during the Period (Changes in scope of consolidations resulting from changes in subsidiaries)

There were no material changes in subsidiaries.

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

(Deferral of cost variance)

Because most of the cost variance attributable to seasonal fluctuations due primarily to capacity utilization is expected to be resolved by the end of the cost accounting period, it is deferred as other current liability.

- (3) Changes in Accounting Policies and Changes in Accounting Estimates and Retrospective Restatement

There were no material changes in Accounting Policies and Changes in Accounting Estimates and Retrospective Restatement.

- (4) Additional Information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the first quarter ended September 30, 2016, the Company adopted the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016).

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	(Million yen)	
	Previous fiscal year (As of June 30, 2016)	Current second quarter (As of December 31, 2016)
Assets		
Current assets		
Cash and deposits	11,174	12,671
Notes and accounts receivable - trade	17,715	13,755
Work in process	12,253	25,489
Other	5,017	6,491
Allowance for doubtful accounts	(8)	(7)
Total current assets	46,153	58,400
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,079	5,954
Land	17,332	17,408
Other, net	1,148	1,247
Total property, plant and equipment	24,561	24,609
Intangible assets		
Goodwill	10,312	8,204
Other	6,308	5,000
Total intangible assets	16,620	13,205
Investments and other assets		
Other	13,814	17,834
Allowance for doubtful accounts	(160)	(171)
Total investments and other assets	13,654	17,663
Total non-current assets	54,836	55,478
Total assets	100,989	113,878

(Million yen)

	Previous fiscal year (As of June 30, 2016)	Current second quarter (As of December 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,105	5,372
Short-term loans payable	16,000	6,300
Current portion of long-term loans payable	266	1,915
Income taxes payable	808	300
Advances received	8,181	14,888
Provision for bonuses	983	1,536
Provision for directors' bonuses	82	-
Provision for loss on construction contracts	59	141
Other	11,620	8,531
Total current liabilities	43,107	38,986
Non-current liabilities		
Long-term loans payable	1,260	21,148
Provision for directors' retirement benefits	45	45
Provision for environmental measures	34	34
Net defined benefit liability	2,554	4,049
Other	2,526	2,827
Total non-current liabilities	6,421	28,105
Total liabilities	49,529	67,091
Net assets		
Shareholders' equity		
Capital stock	7,393	7,393
Capital surplus	6,209	6,209
Retained earnings	40,821	38,249
Treasury shares	(3,020)	(2,945)
Total shareholders' equity	51,403	48,906
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(8)	761
Foreign currency translation adjustment	(301)	(3,246)
Remeasurements of defined benefit plans	28	22
Total accumulated other comprehensive income	(280)	(2,462)
Non-controlling interests	337	342
Total net assets	51,460	46,786
Total liabilities and net assets	100,989	113,878

(2) Quarterly Consolidated Statements of Operating and Comprehensive Income

Six months ended December 31

(Million yen)

	For the six months ended December 31, 2015 (From July 1, 2015 to December 31, 2015)	For the six months ended December 31, 2016 (From July 1, 2016 to December 31, 2016)
Net sales	20,336	26,304
Cost of sales	15,599	17,936
Gross profit	4,736	8,368
Selling, general and administrative expenses	8,237	11,116
Operating loss	(3,500)	(2,747)
Non-operating income		
Interest income	55	72
Dividend income	115	116
Gain on sales of investment securities	124	-
Gain on derivatives	-	253
Other	65	158
Total non-operating income	361	600
Non-operating expenses		
Interest expenses	14	88
Foreign exchange losses	159	33
Other	14	18
Total non-operating expenses	189	140
Ordinary loss	(3,328)	(2,286)
Extraordinary income		
State subsidy	42	-
Total extraordinary income	42	-
Extraordinary losses		
Head office transfer cost	162	105
Loss on reduction of non-current assets	38	-
Total extraordinary losses	200	105
Loss before income taxes	(3,487)	(2,392)
Income taxes - current	413	417
Income taxes - deferred	(1,241)	(1,002)
Total income taxes	(827)	(585)
Loss	(2,659)	(1,807)
Profit attributable to		
Loss attributable to owners of parent	(2,651)	(1,800)
Loss attributable to non-controlling interests	(8)	(6)
Other comprehensive income		
Valuation difference on available-for-sale securities	(464)	769
Foreign currency translation adjustment	(61)	(2,932)
Remeasurements of defined benefit plans, net of tax	(4)	(5)
Total other comprehensive income	(529)	(2,168)
Comprehensive income	(3,189)	(3,975)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,174)	(3,981)
Comprehensive income attributable to non-controlling interests	(14)	5

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended December 31, 2015 (From July 1, 2015 to December 31, 2015)	For the six months ended December 31, 2016 (From July 1, 2016 to December 31, 2016)
Cash flows from operating activities		
Loss before income taxes	(3,487)	(2,392)
Depreciation	763	767
Amortization of goodwill	-	232
Head office transfer cost	162	105
Increase (decrease) in allowance for doubtful accounts	(192)	8
Increase (decrease) in provision for bonuses	(24)	610
Increase (decrease) in provision for loss on construction contracts	89	82
Interest and dividend income	(171)	(189)
Loss (gain) on investment of derivatives	-	(253)
Decrease (increase) in notes and accounts receivable - trade	3,327	3,506
Decrease (increase) in inventories	(12,246)	(13,114)
Increase (decrease) in notes and accounts payable - trade	37	278
Increase (decrease) in advances received	3,749	6,652
Decrease (increase) in consumption taxes refund receivable	(2,185)	(1,137)
Other, net	(2,465)	(1,694)
Subtotal	(12,643)	(6,537)
Interest and dividend income received	112	75
Interest expenses paid	(13)	(58)
Payments for head office transfer cost	(443)	(118)
Income taxes paid	(1,650)	(698)
Net cash provided by (used in) operating activities	(14,639)	(7,337)
Cash flows from investing activities		
Net decrease (increase) in time deposits	128	(755)
Purchase of property, plant and equipment	(1,060)	(599)
Purchase of intangible assets	(79)	(96)
Purchase of investment securities	(1,372)	(221)
Payments of loans receivable	(1,321)	(730)
Collection of loans receivable	36	319
Other, net	612	4
Net cash provided by (used in) investing activities	(3,057)	(2,078)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	12,000	(9,700)
Proceeds from long-term loans payable	-	22,121
Repayments of long-term loans payable	(65)	(939)
Proceeds from sales of treasury shares	92	102
Purchase of treasury shares	(6)	(27)
Cash dividends paid	(769)	(771)
Other, net	(32)	(27)
Net cash provided by (used in) financing activities	11,218	10,758
Effect of exchange rate change on cash and cash equivalents	(52)	(408)
Net increase (decrease) in cash and cash equivalents	(6,530)	933
Cash and cash equivalents at beginning of period	11,673	9,400
Cash and cash equivalents at end of period	5,142	10,334

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

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

There is no relevant information.

(Significant Changes in Shareholders' Equity)

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

There is no relevant information.

(Segment Information)

For the six months ended December 31, 2015 (from July 1, 2015, to December 31, 2015)

1) Information about net sales and income or loss for each reportable segment

(Million yen)

	Reportable segment						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	4,470	8,347	7,148	-	270	20,237	98	20,336
Intersegment sales or transfers	172	0	109	-	62	344	1	345
Total	4,643	8,348	7,258	-	332	20,582	99	20,682
Segment profit (loss)	(3,528)	(342)	1,144	-	201	(2,524)	(799)	(3,324)

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

2) Differences between total segment profit or loss and ordinary income or loss in the quarterly consolidated statement of operations and comprehensive income and main details of these differences

(Million yen)

Income	Amount
Reportable segment total	(2,524)
Loss of "Others" category	(799)
Elimination of inter-segment transactions	(3)
Ordinary loss in the quarterly consolidated statement of operations and comprehensive income	(3,328)

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

1) Information about net sales and income or loss for each reportable segment

(Million yen)

	Reportable segment						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 total segment profit or loss and ordinary income or loss in the quarterly consolidated statement of operations and comprehensive income and main details of these differences

(Million yen)

Income	Amount
Reportable Segment total	(1,531)
Loss of "Others" category	(760)
Elimination of intersegment transactions	5
Ordinary loss in the quarterly consolidated statement of operations and comprehensive income	(2,286)

3) Information concerning changes to reporting segments, etc.

In the previous fiscal year, the Company acquired the issued stock of BDP HOLDINGS LIMITED, including it and its subsidiaries within the scope of consolidation. Following this event in the recorded segment, the reportable segment "Urban & Spatial Development Operations" was added.

The segment information for the six months ended December 31 2015 disclosed as comparative information to the six months ended December 31, 2016 is stated according to the revised designation of the reporting segment.

(Subsequent Events)

Change in the Number of Share Units and Share Consolidation

At the meeting of the Board of Directors held on August 12, 2016, the Company resolved to change the number of Share Units, and presented the proposal concerning the share consolidation at the 72nd Ordinary General Meeting of Shareholders held on September 29, 2016. The share consolidation was approved at the Meeting of Shareholders. The change in the number of Share Units and the share consolidation came into effect from January 1, 2017. The outline is summarized as follows:

1) Change in the number of Share Units

(a) Reason for change

Domestic stock exchanges in Japan announced the “Action Plan for Consolidating Trading Units” which aims to standardize trading units for common stock of listed domestic companies at 100 shares. As a company listed on the Tokyo Stock Exchange, the Company respects the aim and decided to change the number of Share Units to 100 shares.

(b) Details of the change

The Company changed the number of Share Units from 1,000 shares to 100 shares.

2) Share consolidation

(a) Purpose of the share consolidation

Even after the change in the number of Share Units as mentioned in (1) above, the Company decided to implement the share consolidation at a rate of one share for every five shares in order to adjust its investment unit to an appropriate level, which is required by stock exchanges to be between ¥50 thousand and ¥500 thousand. The total number of authorized shares changed from 189,580,000 shares to 38,000,000 shares according to the consolidation ratio.

(b) Details of share consolidation

i) Class of stock to be consolidated: Common stock

ii) Consolidation method and ratio:

On January 1, 2017, the Company will consolidate every five shares into one share based on the number of shares owned by shareholders listed in the register of shareholders as of December 31, 2016.

iii) Total number of authorized shares as of effective date: 38,000,000 shares

According to the Companies Act, the articles of incorporation stipulating the total number of authorized shares shall be deemed to have changed from 189,580,000 shares to 38,000,000 shares on the effective date of the share consolidation, January 1, 2017.

iv) Change in number of shares due to consolidation:

Total number of outstanding shares before share consolidation	
(as of December 31, 2016)	86,656,510 shares
<u>Change in number of shares due to share consolidation</u>	<u>69,325,208 shares</u>
<u>Total number of outstanding shares after share consolidation</u>	<u>17,331,302 shares</u>

v) Treatment of fractional shares less than one share:

If any fractional shares less than one share are produced as a result of the share consolidation, the Company will sell or purchase such shares in bulk in accordance with the Companies Act, and the proceeds from the transactions will be distributed to shareholders of fractional shares at the ratio of fractional shares ownership.

3) Schedule

Date of resolution by the Board of Directors	August 12, 2016
Date of resolution at the Ordinary General Meeting of Shareholders	September 29, 2016
Effective date	January 1, 2017

4. Supplementary Information

(1) Status of Orders and Sales

By period		For the six months ended December 31, 2015		For the six months ended December 31, 2016		For the fiscal year ended June 30, 2016	
		Amount (Million yen)	Composition (%)	Amount (Million yen)	Composition (%)	Amount (Million yen)	Composition (%)
Orders received	Domestic Consulting	19,487	51.0	23,951	41.0	44,109	42.4
	International consulting	11,052	28.9	22,229	38.0	28,876	27.8
	Power Engineering	7,697	20.1	6,690	11.5	14,716	14.1
	Urban & Spatial Development (Note 1)	-		5,555	9.5	16,251	15.6
	Real Estate Leasing	-		-		-	
	Other	7	0.0	24	0.0	64	0.1
	Total	38,245	100.0	58,451	100.0	104,019	100.0
Net sales 1	Domestic Consulting	4,929	24.2	4,332	16.5	43,545	53.2
	International consulting	8,921	43.9	8,747	33.2	23,362	28.6
	Power Engineering	6,213	30.6	6,941	26.4	14,421	17.6
	Urban & Spatial Development (Note 1)	-		5,993	22.8	-	
	Real Estate Leasing	270	1.3	241	0.9	514	0.6
	Other	0	0.0	48	0.2	21	0.0
	Total	20,336	100.0	26,304	100.0	81,865	100.0
Net sales 2	Domestic Consulting	4,470	22.0	4,237	16.1	40,778	49.8
	International consulting	8,347	41.0	7,959	30.3	22,070	27.0
	Power Engineering	7,148	35.2	7,738	29.4	17,522	21.4
	Urban & Spatial Development (Note 1)	-		5,993	22.8	-	
	Real Estate Leasing	270	1.3	241	0.9	514	0.6
	Other	98	0.5	134	0.5	979	1.2
	Total	20,336	100.0	26,304	100.0	81,865	100.0

By period		As of December 31, 2015		As of December 31, 2016		As of June 30, 2016	
		Amount (Million yen)	Composition (%)	Amount (Million yen)	Composition (%)	Amount (Million yen)	Composition (%)
Impact of foreign exchange fluctuations	Domestic Consulting	-		-		-	
	International consulting	(694)		3,074		(2,940)	
	Power Engineering	-		-		-	
	Urban & Spatial Development (Note 1)	-		(3,039)		-	
	Real Estate Leasing	-		-		-	
	Other	-		-		-	
	Total	(694)		35		(2,940)	
Outstanding Orders	Domestic Consulting	42,531	39.8	48,157	34.1	28,538	26.2
	International consulting	52,864	49.5	70,559	49.9	54,001	49.5
	Power Engineering	11,392	10.7	9,951	7.0	10,203	9.4
	Urban & Spatial Development (Note 1)	-		12,774	9.0	16,251	14.9
	Real Estate Leasing	-		-		-	
	Other	13	0.0	25	0.0	49	0.0
	Total	106,801	100.0	141,468	100.0	109,044	100.0

- (Notes) 1. Urban & Spatial Development Operations has been added to reportable segments due to the inclusion of BDP HOLDINGS LIMITED and its subsidiaries, which were consolidated from the end of the previous fiscal year.
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.
5. From the three months ended September 30, 2016, the impact of foreign exchange fluctuations is listed separately from orders received, and the year for comparison is also reclassified.