

# **Presentation of Financial Results 2Q, FYE June 30, 2023**

February 21, 2023



Representative Director and President  
Hiroaki Shinya

On July 3, 2023, Nippon Koei Co., Ltd., will be establishing ID&E Holdings and transition to a pure holding company structure.

**Nippon Koei Co., Ltd.**



- Accounting Report  
(July 2022 - Dec 2022, FYE23/6)
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## 2Q Results for FYE June 30, 2023

**Orders and revenue increased year-on-year, while operating profit declined due to an increase in general administrative expenses and other project costs.**

### Consolidated results

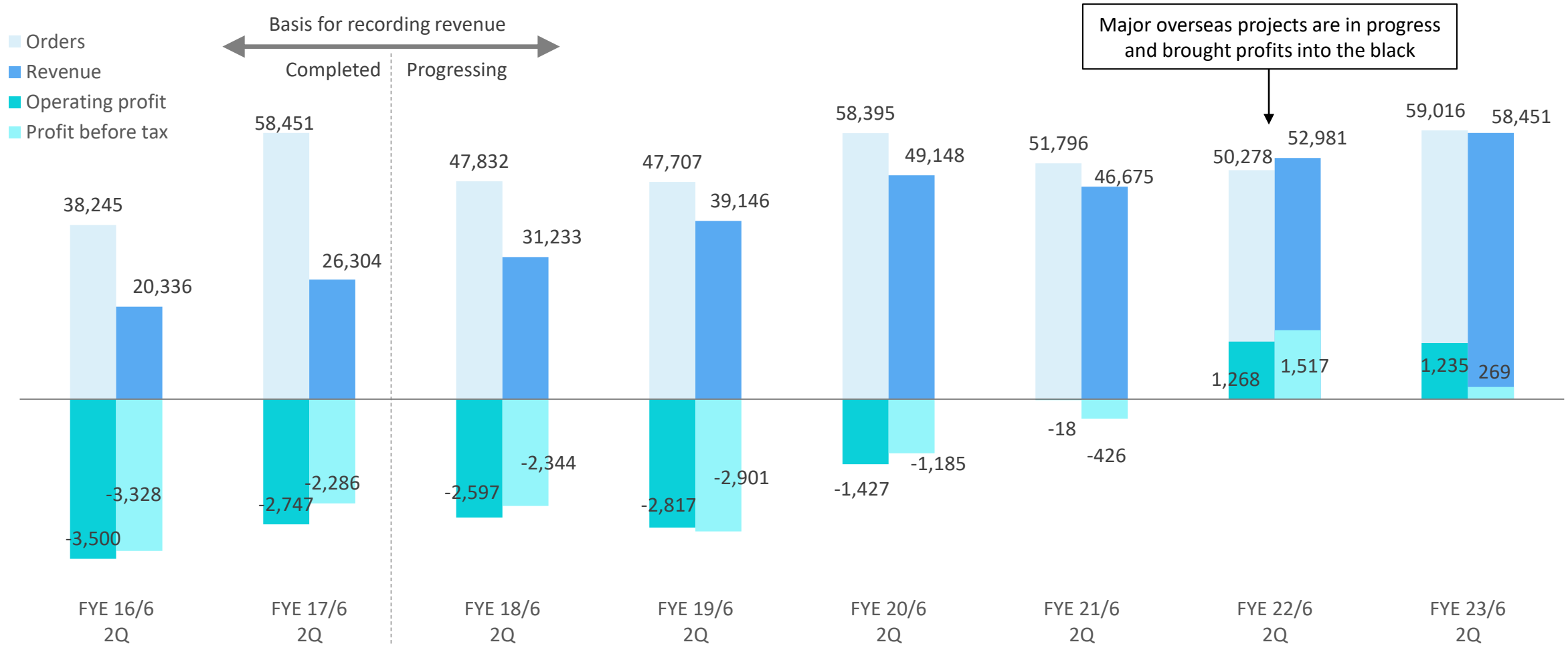
- Orders increased year-on-year due to steady progress in the Urban & Spatial Development Business and Energy Business.
- Operating profit decreased mainly due to an increase in general administrative expenses in the Consulting and Urban & Spatial Development Businesses.
- Quarterly profit decreased due to a decrease in operating profit and foreign exchange losses.

(Million yen)	FYF22/6 2Q Results	FYE23/6 2Q Results	YoY Change	
			Amount	%
Orders	50,278	59,016	8,738	117.4%
Revenue	52,981	58,451	5,470	110.3%
Gross profit	14,915	15,913	998	106.7%
Operating profit	1,268	1,235	-32	97.4%
Profit before tax	1,517	269	-1,248	17.7%
Profit attributable to owners of parent	615	-1,054	-1,670	-

# 2Q Performance Trends

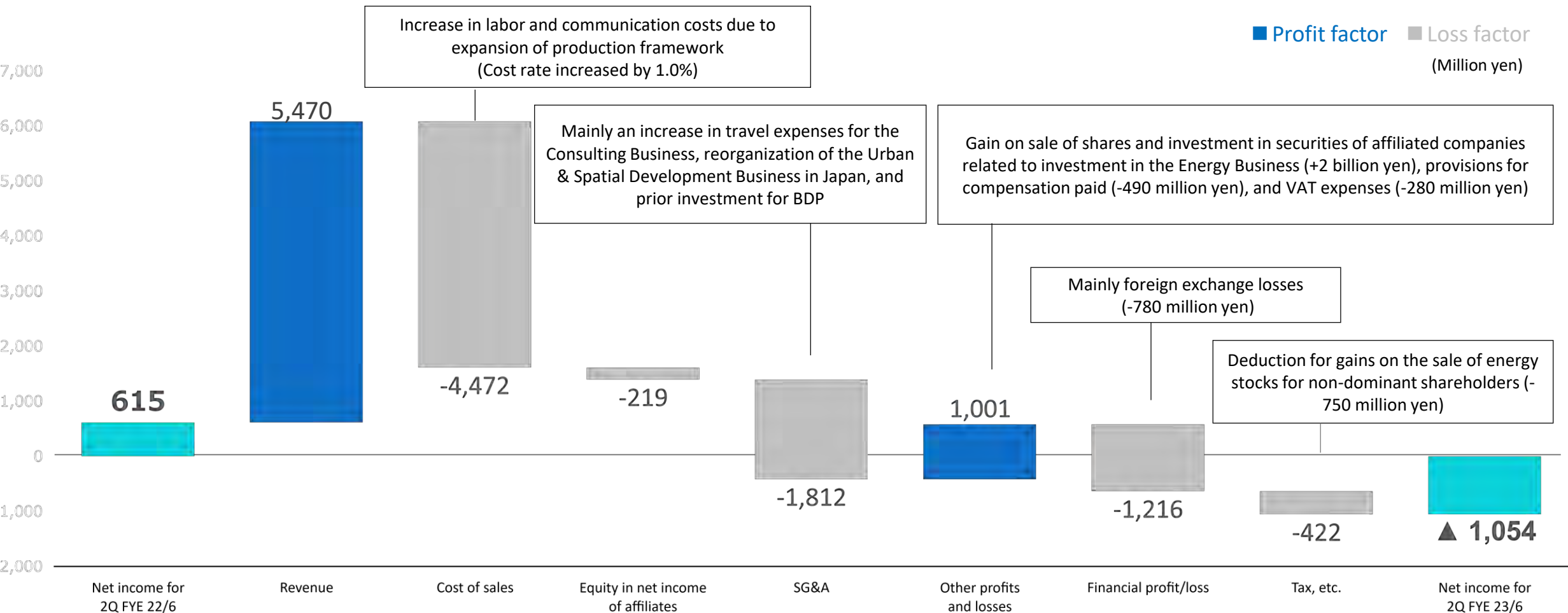
Revenue increased steadily, operating profit and profit before tax returned to the black gradually in 2Q.

2Q Performance Trends (Million yen)



# Profit/Loss Analysis

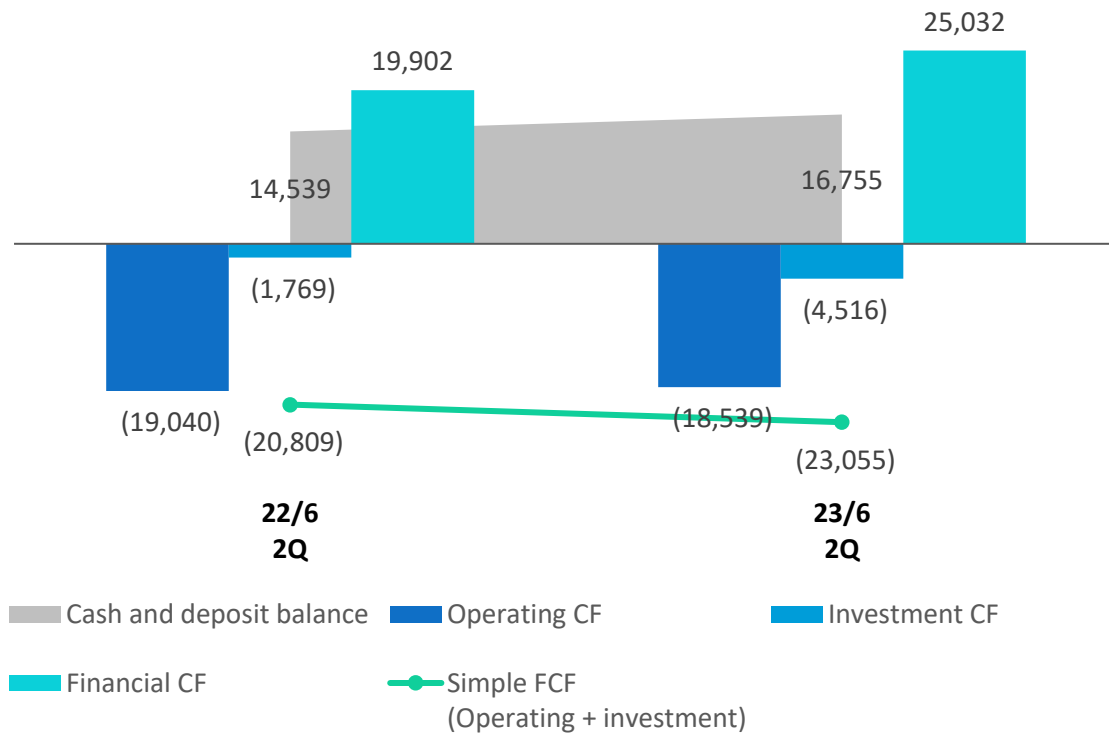
Decreased mainly due to an increase in general administrative expenses and foreign exchange losses in the Consulting and Urban & Spatial Development Businesses.



# Cash Flows / Balance Sheet

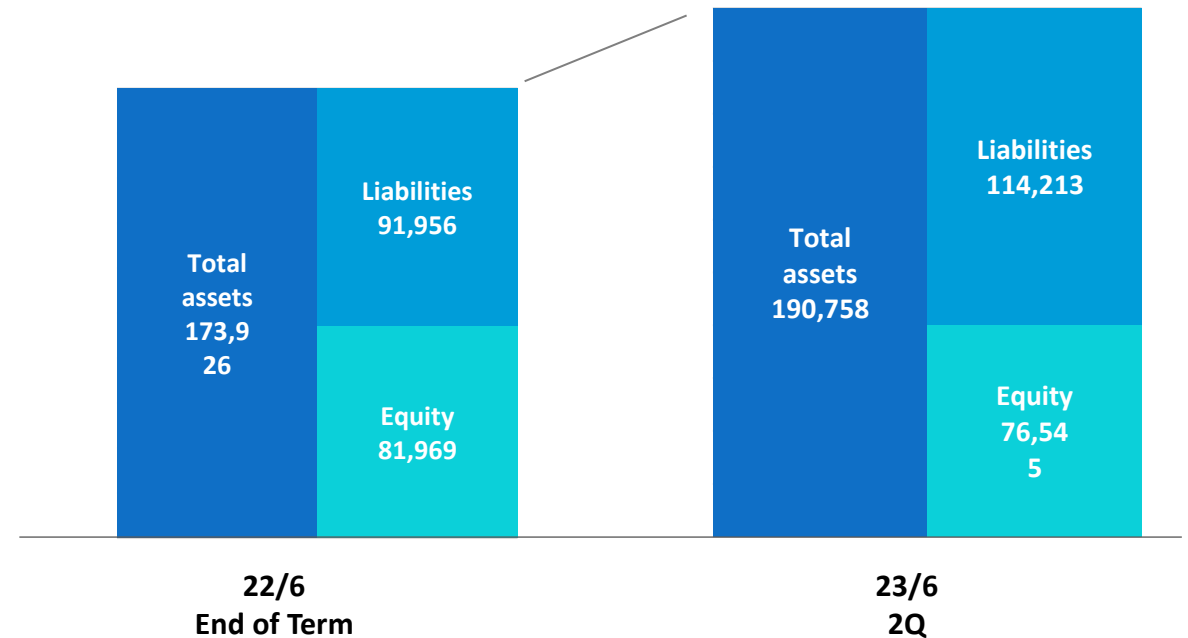
## Cash Flows (million yen)

- Investment cash flows decreased due to the fact that although income increased due to the sale of shares of companies related to Energy Business investments, expenses exceeded that due to acquiring fixed assets and shares of related companies.
- Financial cash flows increased mainly due to seasonal borrowing.



## Balance sheet (million yen)

- Increase in assets was mainly due to an increase in contract assets.
- Increase in liabilities was due to an increase in borrowings and decrease in equity was due to a decrease in retained earnings.



# Results by Business Segment (Orders/Revenue/Operating profit)

(Million yen)		2Q FYE June 2022 Results		2Q FYE June 2023 Results		YoY Change	
						Amount	%
<b>Consulting Business</b>	Orders	29,285	(Sales ratio)	29,708	(Sales ratio)	423	101.4%
	Revenue	28,487	100.0%	33,042	100.0%	4,555	116.0%
	Cost of expenses	21,995	77.2%	25,181	76.2%	3,185	114.5%
	Gross profit	6,491	22.8%	7,861	23.8%	1,370	121.1%
	SG&A, etc.	5,843	20.5%	8,081	24.5%	2,237	138.3%
	Operating profit	647	2.3%	-219	-	-867	-
<b>Urban &amp; Spatial Development Business</b>	Orders	14,687	(Sales ratio)	19,770	(Sales ratio)	5,083	134.6%
	Revenue	15,538	100.0%	16,399	100.0%	861	105.5%
	Cost of expenses	9,916	63.8%	10,534	64.2%	617	106.2%
	Gross profit	5,621	36.2%	5,865	35.8%	243	104.3%
	SG&A, etc.	5,066	32.6%	5,666	34.6%	600	111.8%
	Operating profit	555	3.6%	198	1.2%	-356	35.8%
<b>Energy Business</b>	Orders	6,247	(Sales ratio)	9,418	(Sales ratio)	3,170	150.7%
	Revenue	8,565	100.0%	8,577	100.0%	12	100.1%
	Cost of expenses	5,981	69.8%	6,363	74.2%	382	106.4%
	Gross profit	2,583	30.2%	2,213	25.8%	-369	85.7%
	SG&A, etc.	1,647	19.2%	165	1.9%	-1,481	10.1%
	Operating profit	936	10.9%	2,047	23.9%	1,111	218.7%

# Results by Business Segment: Consulting Business

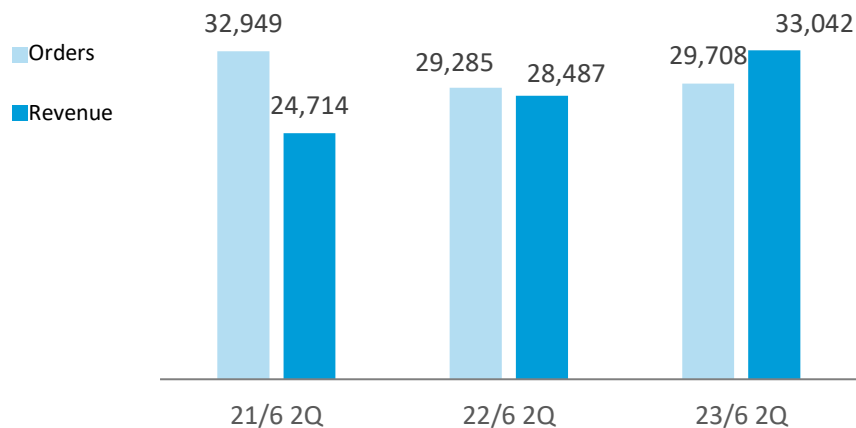
## Progress status in the first half

- Orders: Although they were sluggish in Japan due to the front loading of orders in the first half as a result of early execution of the budget, they increased year-on-year due to overseas orders for the Indian bullet train, etc.
- Revenue: Revenue increased due to steady progress in domestic transportation and environmental sectors, and projects in the transportation sector in South and Southeast Asia.
- Operating profit: Overseas, profit decreased due to higher costs such as travel expenses, and losses from the return of VAT (Value Added Tax) from a small hydropower project in Indonesia.

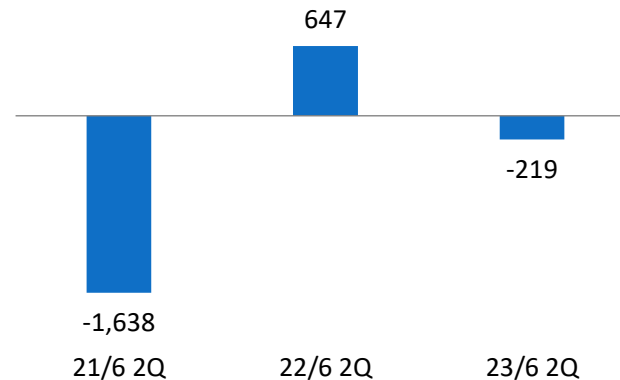
## Points for the second half

- In Japan, the government is expanding national resilience projects and defense-related infrastructure projects in line with the public works budget, while overseas, strategic order activities are being implemented based on the production system in response to orders associated with the expansion of the general account ODA budget.
- In order to improve productivity and ensure quality and safety, we will promote initiatives to improve the quality of our products through design checks and thorough implementation of quality improvement measures by professional organizations.

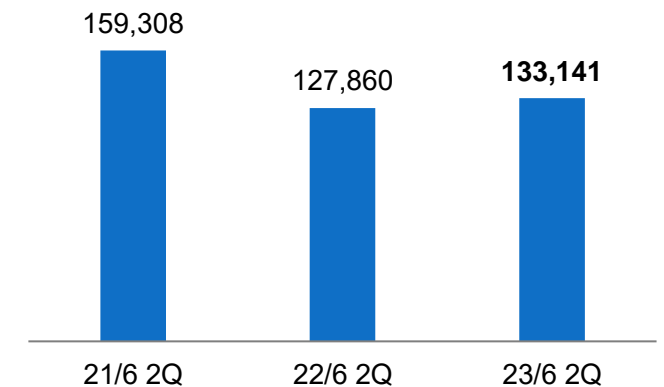
■ Orders • Revenue (Million yen)



■ Operating profit (Million yen)



■ Outstanding orders (Million yen)



\*Results for 2Q of FYE June 2021 in the graph are approximate figures excluding those for the former Tamano Consultants Co., Ltd.



# Results by Business Segment: Urban & Spatial Development Business

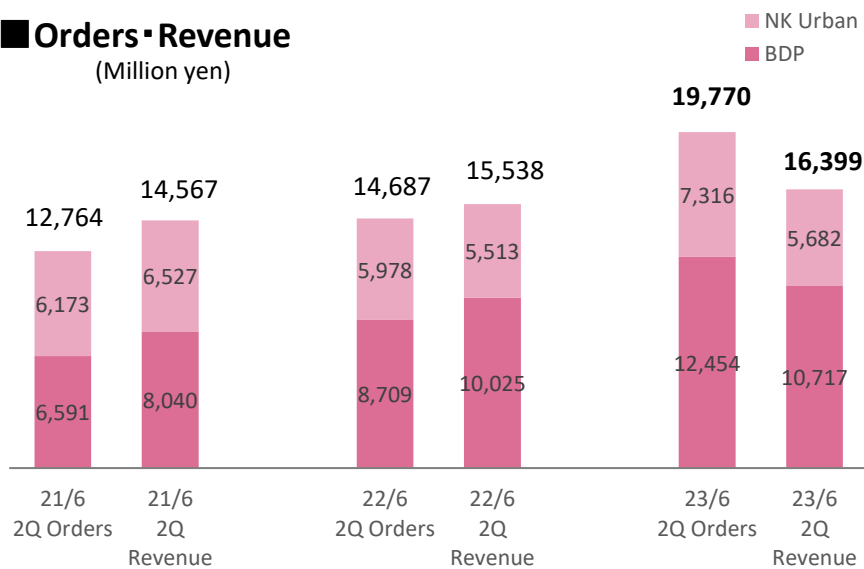
## Progress status in the first half

- Orders: Large-scale orders for BDP in the UK and large-scale housing orders for Quadrangle in Canada contributed to a year-on-year increase.
- Revenue: Sales increased due to strong progress of on-hand orders with BDP and depreciation of the yen.
- Operating profit: Decreased due to increased labor costs and general administrative expenses in BDP's business activities, the impact of inflation, and an increase related to the construction of infrastructure for expanding business for both BDP and NKUrban.

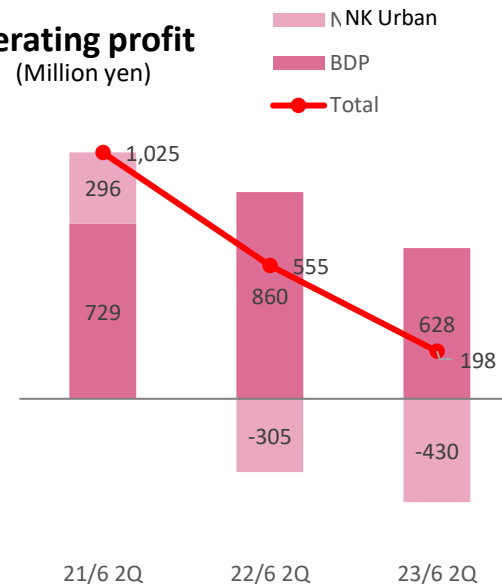
## Points for the second half

- In the UK, we will continue to take orders and implement measures as we assess business changes such as the impact of inflation. For projects outside the UK, we will focus on business acquisition by reinforcing local leader-class personnel.
- In order to secure orders and sales in Japan, we will actively bid for proposals and use comprehensive evaluation bidding methods in the public sector.

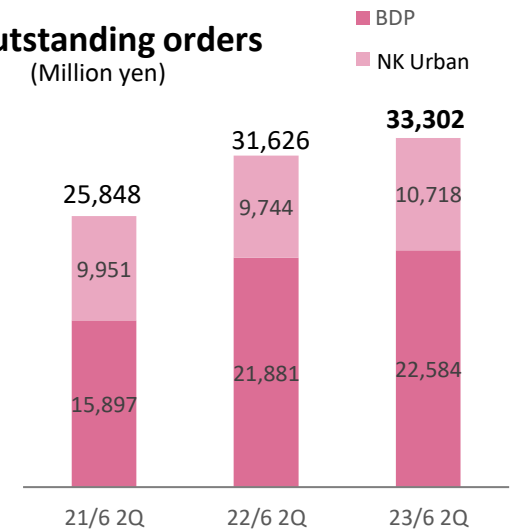
■ Orders\* Revenue  
(Million yen)



■ Operating profit  
(Million yen)



■ Outstanding orders  
(Million yen)



\* The actual exchange rate in 2Q of FYE June 30, 2023: £1=163.91 yen (the assumed exchange rate for FYE June 30, 2023: £1= 154.00 yen)

\* Results for 2Q of FYE June 2021 in the graph are approximate figures including those for the former Tamano Consultants Co., Ltd.

# Results by Business Segment: Energy Business

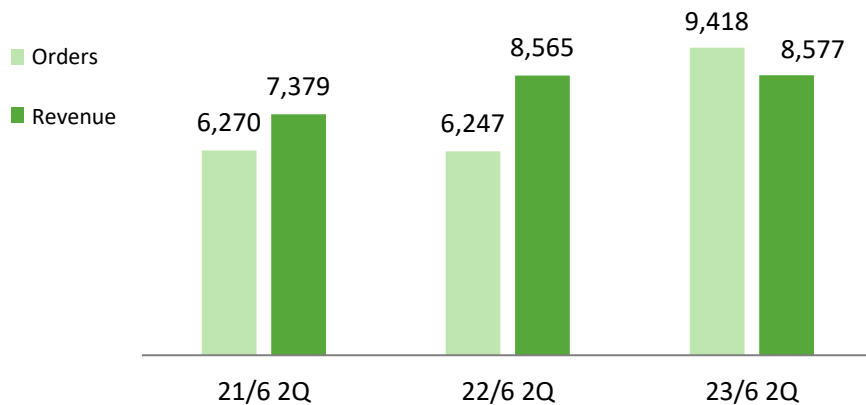
## Progress status in the first half

- **Orders:** Increase year-on-year due to strong orders in the Power Construction Division and large private-sector orders in the Plant Division, which remained at a higher level than usual.
- **Revenue:** Remained at the same level compared to the same period for the previous year due to a decrease in the number of orders for dam monitoring and control system projects in the Manufacturing Division and longer delivery times for parts, despite on-hand projects such as large-scale renovation of power plants, which were ordered by government agencies, progressing as planned.
- **Operating profit:** While profits were sluggish due to decreased sales in the Manufacturing Division, operating profit increased due to the recording of the gain on the sale of shares of PT.ARKORA HYDRO, which was an affiliated company of the Company, and the gain on investment into securities (+2 billion yen).

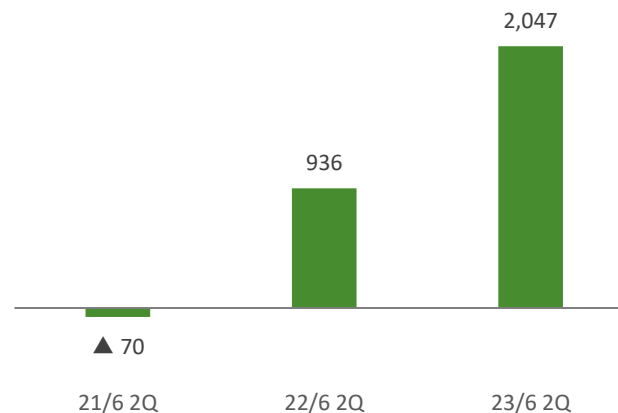
## Points for the second half

- Thorough progress management for order receiving work and incoming shipments in response to long delivery times for materials in the Manufacturing Division. Promote cost reduction by improving work efficiency and reviewing specifications.
- Aim for an early start in the design of projects and early acceptance of pre-contract projects.

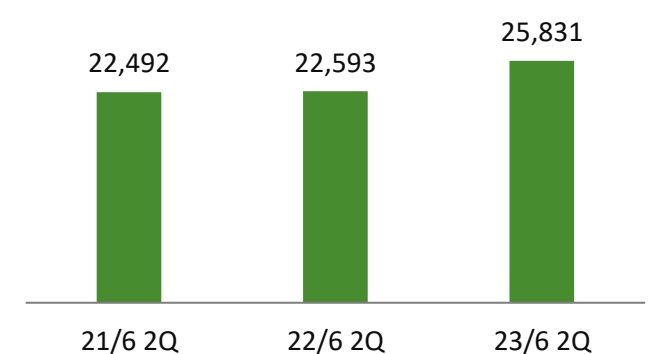
■ **Orders • Revenue** (Million yen)



■ **Operating profit** (Million yen)



■ **Outstanding orders** (Million yen)





- **FYE June 2023 Forecast**
- **(From July 2022 to June 2023 )**

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# FYE June 2023 Forecast

Orders, revenue and profits increased from the previous fiscal year, and there are no changes to the revenue or profit growth plans for any segment.

(Million yen)	FYE 2022/6 Results	FYE 2023/6 Plan	YoY Change	
			Amount	%
<b>Orders</b>	131,166	140,000	8,833	106.7%
Consulting Business	84,551	85,000	448	100.5%
Urban & Spatial Development Business	32,147	40,000	7,852	124.4%
Energy Business	14,343	16,000	1,656	111.6%
<b>Revenue</b>	130,674	145,000	14,325	111.0%
Consulting Business	75,000	81,500	6,499	108.7%
Urban & Spatial Development Business	36,091	40,000	3,908	110.8%
Energy Business	18,799	22,500	3,700	119.7%
Other	783	1,000	216	127.7%
<b>Operating profit</b>	9,065	11,300	2,234	124.6%
Consulting Business	7,971	9,200	1,228	115.4%
Urban & Spatial Development Business	2,599	2,800	200	107.7%
Energy Business	1,290	2,400	1,109	186.0%
Other	-2,796	-3,100	-303	-
<b>Profit attributable to owners of parent</b>	6,579	6,700	120	101.8%
<b>ROE</b>	8.8%	8.5%	-0.3%	

\* Nippon Koei Urban Space Co., Ltd. (established by consolidating former Tamano Consultants Co., Ltd. and the Urban & Spatial Development Business of Nippon Koei), its subsidiary Tamano Ecost Co., Ltd. and our consolidated subsidiary Nakaze Kamp Co., Ltd. changed their segment classification from the "Consulting Business" to the "Urban & Spatial Development Business" from the fiscal year ending June 2023. Therefore, the segment information for the fiscal year ending June 2022 is provided based on the new reportable segment classification.



- **Progress of the Medium-Term Management Plan**
- **-Building Resilience 2024-**
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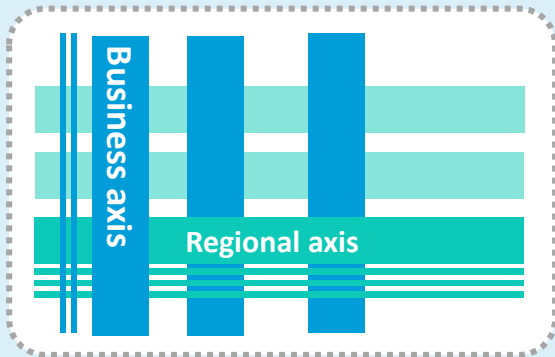
# Medium-term Management Plan (July 2021 to June 2024)

## Enhancing resilience of the Nippon Koei Group Building Resilience 2024

### Three Resilience Measures

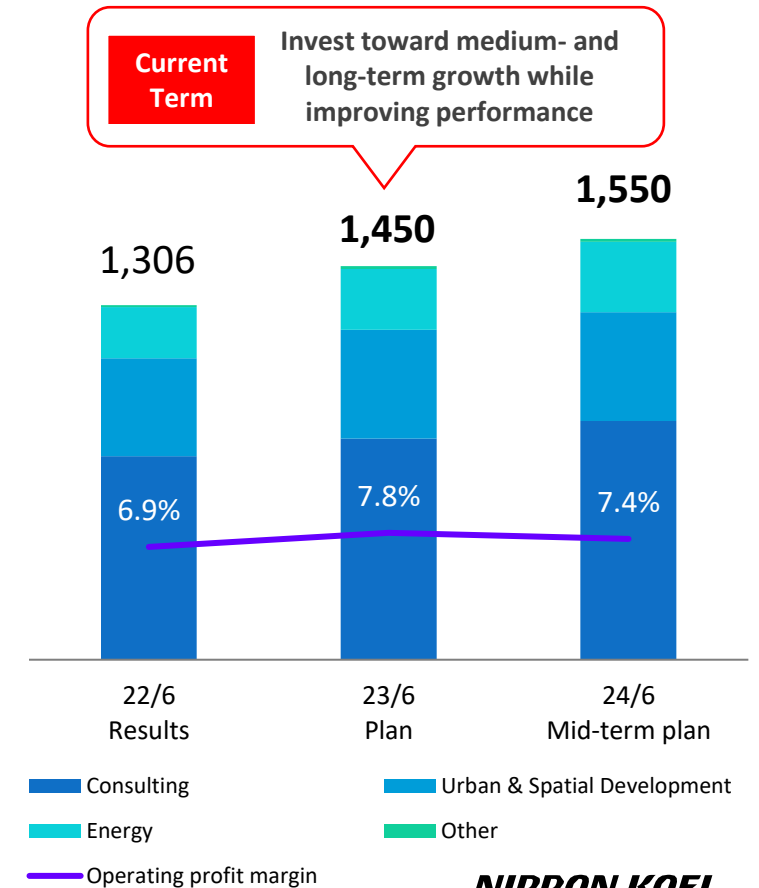
- Resilience policy 1** Boosting business through three independent domains
- Resilience policy 2** Group management structure that realizes matrix management across businesses and regions
- Resilience policy 3** Embodying the NKG brand and NKG quality

Formulation of measures linked to seven materialities



Strengthen business and regional axes to establish brand quality throughout the organization

■ Revenue (Billion yen) Profit margin (%)



# Resilience policy 1: Boosting business through three independent domains- Consulting Business

Policies for  
FYE June 2023 (2nd Year)

Develop new services by using new technologies and expand business by utilizing co-creation partners.

23/6 (2nd Year) 2Q Results

Strong dam restoration business, acquired co-creation partners such as ASAP, and proposed new technologies to overseas customers, such as Bhutan.

Segment targets in the Medium-term Management Plan	Materialities	Key strategies & Initiative policy for FYE 23/6	FYE23/6 (2nd Year) 2Q Progress	Evaluation	FYE23/6 Second Half Actions
Actual segment sales increased by 1.3 times	-	<ul style="list-style-type: none"> <li>● Integrated management of domestic, overseas and research institutes</li> <li>● Deliver exceptional technology and quality for global markets</li> </ul>	<ul style="list-style-type: none"> <li>■ Revenue up 16% year-on-year, profit turning negative</li> <li>■ Enhancing training and support for hybrid personnel</li> </ul>		<ul style="list-style-type: none"> <li>■ Strategic order taking activities against a booming market environment</li> <li>■ Efficient order and production activities</li> </ul>
Advancement and global deployment of disaster prevention and mitigation technologies	M1	<ul style="list-style-type: none"> <li>● Development and renewal of infrastructure to protect people's lives</li> <li>● Data utilization that contributes to people's peace of mind</li> </ul>	<ul style="list-style-type: none"> <li>■ Expanding dam restoration and new dam projects</li> <li>■ Trialing monitoring technology for bridges in Bhutan</li> </ul>		<ul style="list-style-type: none"> <li>■ Conduct nationwide guidance examinations and practical training sessions</li> <li>■ Review organization for dealing with overseas dam projects</li> </ul>
Expansion of transportation-related businesses	M2 M3	<ul style="list-style-type: none"> <li>● Strengthening of intercity transportation networks</li> <li>● Promotion of next-generation mobility data utilization in transportation services</li> </ul>	<ul style="list-style-type: none"> <li>■ Received orders for Indian high-speed rail project</li> <li>■ Dhaka TOD, Panama TOD projects underway</li> <li>■ Acquired ASAP</li> </ul>		<ul style="list-style-type: none"> <li>■ Continue developing system for railway projects and study the construction of business schemes</li> <li>■ ASAP begin participating in the project</li> </ul>
Promote decarbonization-contributed services	M4	<ul style="list-style-type: none"> <li>● Measures against global warming by utilizing new technology</li> <li>● Support for sustainable business activities through renewable and new energy sources, among others</li> </ul>	<ul style="list-style-type: none"> <li>■ Demonstrating diagnostic tools for SDGs in multiple municipalities, receiving orders for tool creation support</li> <li>■ Promoting research and development such as forest monitoring and identification of ocean plastics using satellites, AI, and drones</li> </ul>		<ul style="list-style-type: none"> <li>■ Continue cooperation between headquarters and branch offices for SDGs-related services</li> <li>■ Stakeholder discussions to form next-generation projects that utilize advanced technologies</li> </ul>
Full-scale development of the management field	M1-4	<ul style="list-style-type: none"> <li>● Support new infrastructure management practices (comprehensive management, PPP, AI inspection and diagnosis)</li> <li>● Accumulation of management technologies</li> </ul>	<ul style="list-style-type: none"> <li>■ Proposals and discussions on feasibility regarding the use of new technologies in defense projects</li> </ul>		<ul style="list-style-type: none"> <li>■ Consider feasibility of introduction for multiple projects, technical proposals/technology sales for other defense facilities</li> </ul>

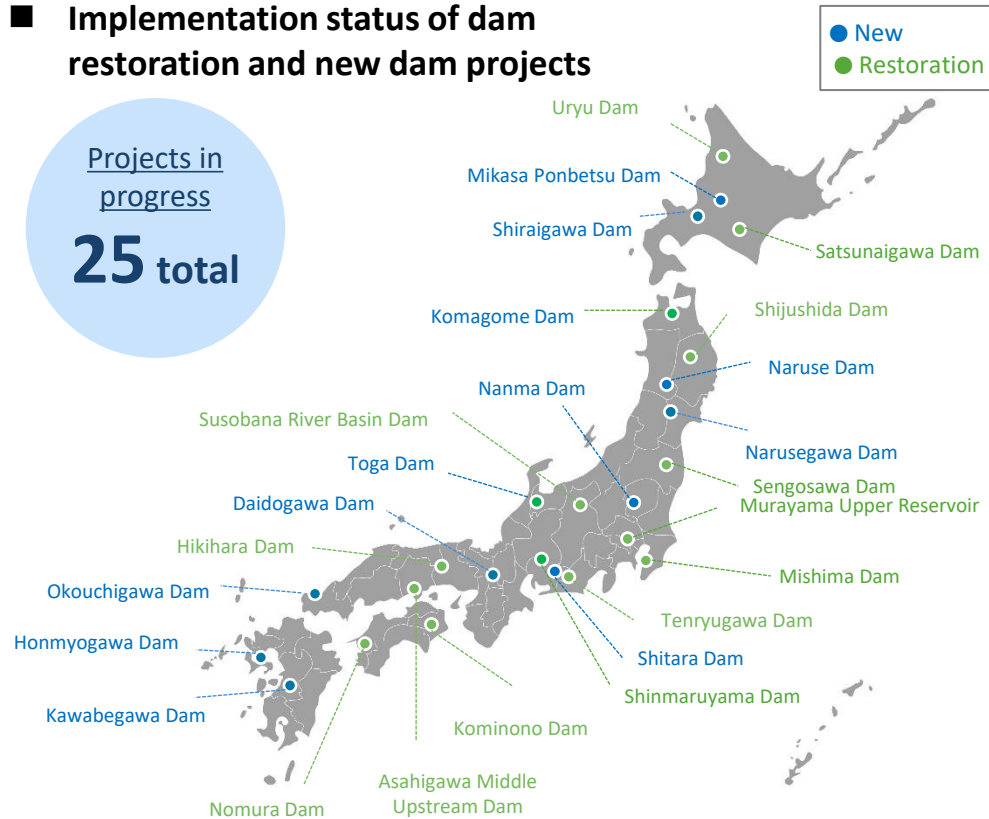
■ Business activities' materialities M1: Infrastructure development to protect safe and secure living, M2: Develop of smart city, M3: Creation of attractive cities, M4: Challenge to decarbonization

# [Topic] Consulting Business: Advancement and Global Expansion of Disaster Prevention and Mitigation Technologies

## Expanding dam restoration and new dam businesses

### Implementation status of dam restoration and new dam projects

Projects in progress  
**25 total**



#### Shijushida Dam

Survey/design

- Japan's first restoration project raising a hybrid gravity concrete dam and rockfill dam
- Work is being carried out through inter-departmental collaboration (dam design, geology, geotechnical engineering, central research laboratory)



#### Shinmaruyama Dam

Construction

- One of the tallest raises for a large multipurpose dam in Japan (raised height: 20.2 m).
- A technologically advanced dam unprecedented in Japan in terms of design and construction method, in which large-scale raising work will be carried out by moving the dam downstream while maintaining the functions of the Maruyama Dam.



#### Advantages and future developments

- ✓ Leverage domestic achievements and technologies to expand to overseas dam and power generation projects with great potential
- ✓ Technological development through fusion of traditional and new technologies
- ✓ Technical succession by senior engineers

**Maintain the No. 1 share in domestic dam restoration business, contribute to national resilience and river basin flood control, and promote overseas expansion**








# Resilience policy 1: Boosting business through three independent domains - Urban & Spatial Development Business

Policies for  
FYE June 2023 (2nd Year)

23/6 (2nd Year) 2Q Results

Strengthen integrated operations within the segment and promote joint orders. BDP entered the North American market.

Orders for transportation-related collaborations, including development around Indian high-speed rail stations, have progressed. BDP has started to expand outside the UK, including in North America.

Segment targets in the medium-term management plan	Materialities	Key strategies & Initiative policy for FYE 23/6	FYE23/6 (2nd Year) 2Q Progress	Evaluation	FYE23/6 Second Half Actions
Segment sales grow twice	-	<ul style="list-style-type: none"> <li>Develop new markets through integrated group operations within the segments</li> <li>Develop North American market</li> </ul>	<ul style="list-style-type: none"> <li>Revenue +5.5% year-on-year</li> <li>On the profit side, higher general administrative expenses</li> </ul>		<ul style="list-style-type: none"> <li>Actively bid for proposals and use comprehensive evaluation bidding methods in the public sector in order to secure orders and sales in Japan</li> </ul>
Building smart city projects in consideration of decarbonization, safety and security	M2	<ul style="list-style-type: none"> <li>Utilization of underused or unused land through public-private partnership</li> <li>Increase transportation related architecture orders, expand participation in urban development around stations</li> <li>Technology utilization for future</li> </ul>	<ul style="list-style-type: none"> <li>Progress made on additional orders for Peru TOD, Dhaka Line 6, and Metro Manila, as well as development around Indian high-speed rail stations</li> <li>Orders related to regional revitalization utilizing green infrastructure, energy solutions, etc., are on the way</li> </ul>		<ul style="list-style-type: none"> <li>Continue project formation centered on transportation hubs</li> </ul>
Realization of one-stop operations in urban (re)development projects	M3	<ul style="list-style-type: none"> <li>Participate in urban (re)development projects in local cities and large cities</li> <li>Strengthening cooperation within the segment</li> </ul>	<ul style="list-style-type: none"> <li>Although the project is still in the formation stage, gradually achieving results such as receiving orders for large projects (e.g., Tado district integrated elementary and junior high school development project)</li> </ul>		<ul style="list-style-type: none"> <li>Continue project meetings by site, strengthen technical sales</li> </ul>
BDP 's market expansion	M3	<ul style="list-style-type: none"> <li>Establish Asian market network</li> <li>Entry the North American market and expand business</li> <li>Participate design of sports stadium</li> </ul>	<ul style="list-style-type: none"> <li>Promoting expansion into North America and Western Asia</li> <li>Reviewing Asian regional cooperation for NK-BDP <a href="#">▶ P.18</a></li> </ul>		<ul style="list-style-type: none"> <li>Focus on highly reliable international stadium-related projects</li> </ul>
Full-scale development of the urban management field	M3	<ul style="list-style-type: none"> <li>Acquisition of PM/CM/FM businesses in expanding domestic building market</li> </ul>	<ul style="list-style-type: none"> <li>Receiving orders for new private projects, actively participating in technical sales and bidding <a href="#">▶ P.19</a></li> </ul>		<ul style="list-style-type: none"> <li>Build information gathering and production systems for new private sales and public orders</li> </ul>

■ Business activities' materialities M1:Infrastructure development to protect safe and secure living, M2: Develop of smart city, M3: Creation of attractive cities, M4:Challenge to decarbonization

# [Topic] Urban & Spatial Development Business: BDP Market Expansion

## Promoting BDP Group's expansion into markets outside the UK

### BDP Group's expansion outside the UK

#### Toronto, Canada

- Due to booming housing demand, Quadrangle increased staff and relocated the studio
- Won Canada's most prestigious architecture award, improving visibility and increasing orders
- Hospital master plan ordered



#### China

Promote projects such as regional development and stadium design, taking advantage of BDP's strengths

#### Asia

- Focus on sales of development projects around stations to win NK-BDP orders
- Established design center in India

#### NY

- Studio opened in September 2022
- Multiple orders received, including the design of an outdoor brand's Broadway flagship store
- Aiming to acquire hospitals and commercial facilities in the sectors where BDP excels

#### Middle East

- Aiming to win new orders for international-level sports facilities based on Pattern's design of two Qatar World Cup stadiums



### BDP market strategy

- BDP has had many projects in the UK, and there are issues influenced by the UK market environment
- Construction market is booming in Canada with the acquisition of Quadrangle (2019) and the opening of a New York office (2022) to expand into North America
- Continuing development of cities and towns in Asia through NK cooperation
- Aiming to enter the Middle East using the stadium development of Pattern, which specializes in sports facilities, as a foothold

### BDP Group non-UK sales ratio target

2022	▶	2023	▶	2030
27%		33%		40%

Aim to win orders in North America, the Middle East, and Asia to lead the global building industry and stabilize operations

# [Topic] Urban & Spatial Development Business: Full-scale Expansion into the Urban Management Sector

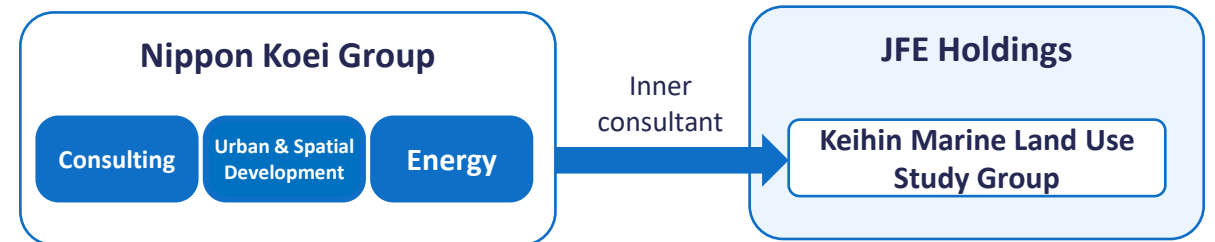
## Undertaking inner consulting work for coastal land use conversion project, which includes the site of a former steel mill

- The JFE Steel East Japan Works (Keihin area) located in Ogishima, Kawasaki, is scheduled to suspend its blast furnace operation in September 2023.
- As an inner consultant of JFE Holdings, NK Group assisted in the study of land use for the site (Ogishima area, about 222 ha).
- The project also targets the JFE-owned Minamiwatarida area (about 52 ha), which aims for a cross-segment response to contribute to the local community through land use.

### ■ Areas covered



### ■ Project structure



### ■ Schedule

	FY21	FY23	FY27	FY30~
▲	NKG Received order	Announcement of Ogishima development policy	Minamiwatarida partially opened to public	Ogishima partially opened to public

Respond to the diverse technological needs of customers, including those in the private sector, in order to create disaster-resistant cities

# Resilience policy 1: Boosting business through three independent domains

## - Energy Business

Policies for  
FYE June 2023 (2nd Year)

Establish a foundation for improving production efficiency and quality of core products. Implement specific measures to respond to changes in the domestic energy market.

23/6 (2nd Year) 2Q Results

Progress has been made in the energy management business in both Europe and Japan. Strengthening production of mainstay products is an ongoing issue.

Segment targets in the Medium-term Management Plan	Materialities	Key strategies & Initiative policy for FYE 23/6	FYE23/6 (2nd Year) 2Q Progress	Evaluation	FYE23/6 Second Half Actions
Segment sales increased by 1.5 times	-	Building a foundation for the Energy Business Stabilization of manufacturing business by strengthening core products and developing new products	<ul style="list-style-type: none"> <li>Strong orders due to the acquisition of orders for hydroelectric power generation and substations</li> <li>Revenue was flat year-on-year</li> </ul>		<ul style="list-style-type: none"> <li>Thorough progress management for order receiving work and incoming shipments in response to long delivery times for materials in the Manufacturing Division</li> </ul>
Establish a foundation for power generation and energy management business	M1 M4	<ul style="list-style-type: none"> <li>Improvement of disaster prevention capabilities of existing power systems</li> <li>Entry into the renewable energy aggregator business and support for RE 100</li> <li>Expansion of the operation of in-house hydroelectric power generation</li> <li>Stabilize energy management business in Japan and develop in Asia</li> </ul>	<ul style="list-style-type: none"> <li>ENEOS energy base orders <b>▶ P.21-22</b></li> <li>European energy storage project progressing</li> <li>Entry into supply-demand adjustment market delayed to July 2023, FIP conversion of own hydropower plants postponed to April 2023</li> </ul>		<ul style="list-style-type: none"> <li>Reliably implement domestic aggregation business</li> <li>Begin operation of Belgium energy storage project</li> <li>Aim to complete UK energy storage project</li> <li>Commence operations for development of supply and demand company (BRP)</li> </ul>
Strengthen manufacture core products and develop new products	M1	<ul style="list-style-type: none"> <li>Renewal of aging power facilities and introduction of digital technology</li> <li>Improve profitability and promote commercialization of new technology</li> <li>Strengthening mobile networks and meeting ICT utilization needs overseas</li> </ul>	<ul style="list-style-type: none"> <li>Started making Fukushima Plant a smart factory, completed study, partially introduced</li> <li>Continuing orders for the Ministry of Internal Affairs and Communications' Thailand smart factory demonstrations</li> </ul>		<ul style="list-style-type: none"> <li>Study and discuss development specifications with major electric power companies</li> <li>Study and verify the transition to smart factories for the introduction of inventory management and product information systems</li> <li>Develop new customers and partners</li> </ul>

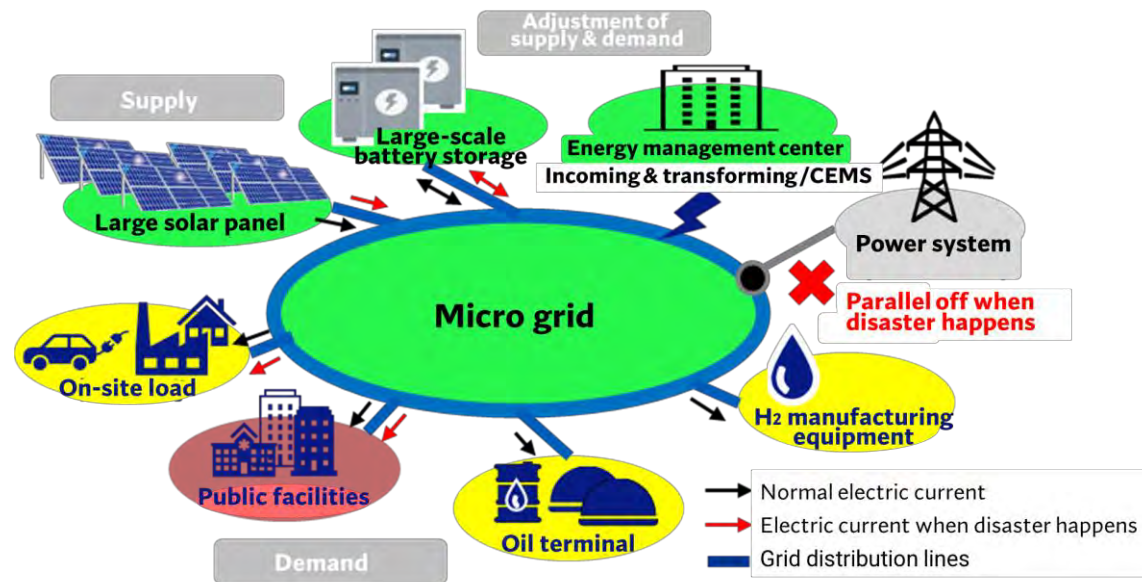
■ Business activities' materialities M1:Infrastructure development to protect safe and secure living, M2: Develop of smart city, M3: Creation of attractive cities, M4:Challenge to decarbonization

# [Topic] Energy Business: Building a Foundation for Power Generation and Energy Management Business

## ENEOS next-generation energy supply base construction (EPC), energy management system construction

- The largest energy management facility operated by NK Group in Japan (site area: about 42,000 m<sup>2</sup>).
- From April 2024 (planned), locally produced electricity derived from renewable energy will be supplied to nearby public facilities and is expected to contribute to local disaster prevention and mitigation in the event of a disaster.

### ■ Image of energy supply system



### ■ Realize integrated collaboration within the energy segment and collaboration within the Group

Facility	Facility Overview	Responsible Segment/Division
Civil engineering work	Earthworks, retaining wall works, paving work, stairway works, water supply works, drainage works, intrusion prevention works, etc.	Energy (Plant) Nippon Koei Urban Space
Construction work	Energy management center RC single-story building Total floor space: 189 m <sup>2</sup>	Energy (Plant) Nippon Koei Urban Space
Mega solar	3,600kW	Energy (Plant)
Large storage batteries	3,850kW 7,700kWh	Energy (P&D)
Power receiving and transforming equipment	6.6 kV x 2 lines receiving, 7,720 kW (maximum)	Energy (Plant)
Private line	6.6 kV high voltage distribution line (On premises, for customers)	Energy (Plant)
CEMS		Energy (P&D)

Expanding the domestic energy management business through integrated cooperation within the Group and the utilization of conventional power transmission and distribution technology and European storage know-how

# [Topic] Energy Business: Building Foundation for Power Generation and Energy Management Business





## Ancillary service launched in Belgian Ruien project

- From January 2023, we connected to the electric power system in Belgium and started an electricity supply and demand adjustment service (ancillary service).
- It is one of the largest battery systems to be connected to the country's power grid, and the first to achieve a long charge/discharge time of four hours.

■ View of Ruien's 25 MW/100 MWh storage location (about 0.5 ha)



■ Schedule for ongoing projects

Project	FYE22/6	FYE23/6	FYE24/6	FYE25/6	FYE26/6
 Ruien (25MW/100MWh)	Nov. 2021 Began construction	Jan. 2023 Start of operation (Services provided: frequency control, arbitrage, imbalance adjustment transaction, capacity market)			
 UK Tollgate (49.5MW/64.5MWh)	Jan. 2022 Began construction	Spring 2023 Operation planned to start			
 UK Cuxton (49.5MW/64.5MWh)	Jan. 2022 Start of construction *Construction expected to be delayed from original schedule	Operation start schedule being adjusted			
 Expansion into the Japanese market	★ April 2022 FIP system/aggregation license system established		★ 2024 Capacity market/supply and demand adjustment market primary and secondary		
	★ Aggregation and retail license acquisition				

Accumulate know-how of ancillary services in Europe, and leading and accelerating deployment to Japan and Asia market.

# Resilience policy 2: Group management structure that realizes matrix management across businesses and regions

Policies for  
FYE June 2023 (2nd Year)

Prepare for transition to HD organization, strengthen orders for regional management and domestic strategies, consider working styles under work-from-home, and promote diversity.

23/6 (2nd Year) 2Q Progress

Strengthening risk management by introducing an investment deal system and establishing an information security committee.

Medium-term Management Plan targets	Materialities	Key strategies & Initiative policy for FYE 23/6	FYE23/6 (2nd Year) 2Q Progress	Evaluation	FYE23/6 Second Half Actions
Organizational strategy	M5	<ul style="list-style-type: none"> <li>Various restructuring procedures for HD, operating companies, and management companies</li> <li>Strengthening group financial functions</li> <li>Sustainability measures (climate change, strengthening human rights response)</li> </ul>	<ul style="list-style-type: none"> <li>Prepared HD, operating companies, and management companies for operation</li> <li>Verified optimal consolidated capital structure</li> <li>Prepared for introduction of new investment monitoring system</li> </ul>		<ul style="list-style-type: none"> <li>Establish specific rules for the organization and regulations after the spin-off</li> </ul>
Sales strategy	M5	<ul style="list-style-type: none"> <li>Formulating basic policies, establishing operational structure and thorough risk management for regional management</li> <li>Creating new business areas to meet local needs (using business incubation functions)</li> </ul>	<ul style="list-style-type: none"> <li>Local task force set up for Asian expansion of renewable energy/storage consulting business</li> <li>Incubation investment (1 project) in progress</li> </ul>		<ul style="list-style-type: none"> <li>Full-scale activities and acquisition of orders for task force on renewable energy/storage</li> <li>Consider measures for exchange/information sharing between sites after spin-off</li> </ul>
HR and technology strategy	M6 M7	<ul style="list-style-type: none"> <li>Consideration for flexible working styles</li> <li>Promoting diversity and inclusion (Increase the percentage of female managers and promote the employment of people with disabilities)</li> </ul>	<ul style="list-style-type: none"> <li>Updated telework guidelines</li> <li>Considerations for elimination of disparities, management support for special subsidiaries</li> <li>Information security committee established</li> </ul>		<ul style="list-style-type: none"> <li>Consider measures based on results of monitoring satellite and headquarters use</li> <li>Use professional positions</li> </ul>

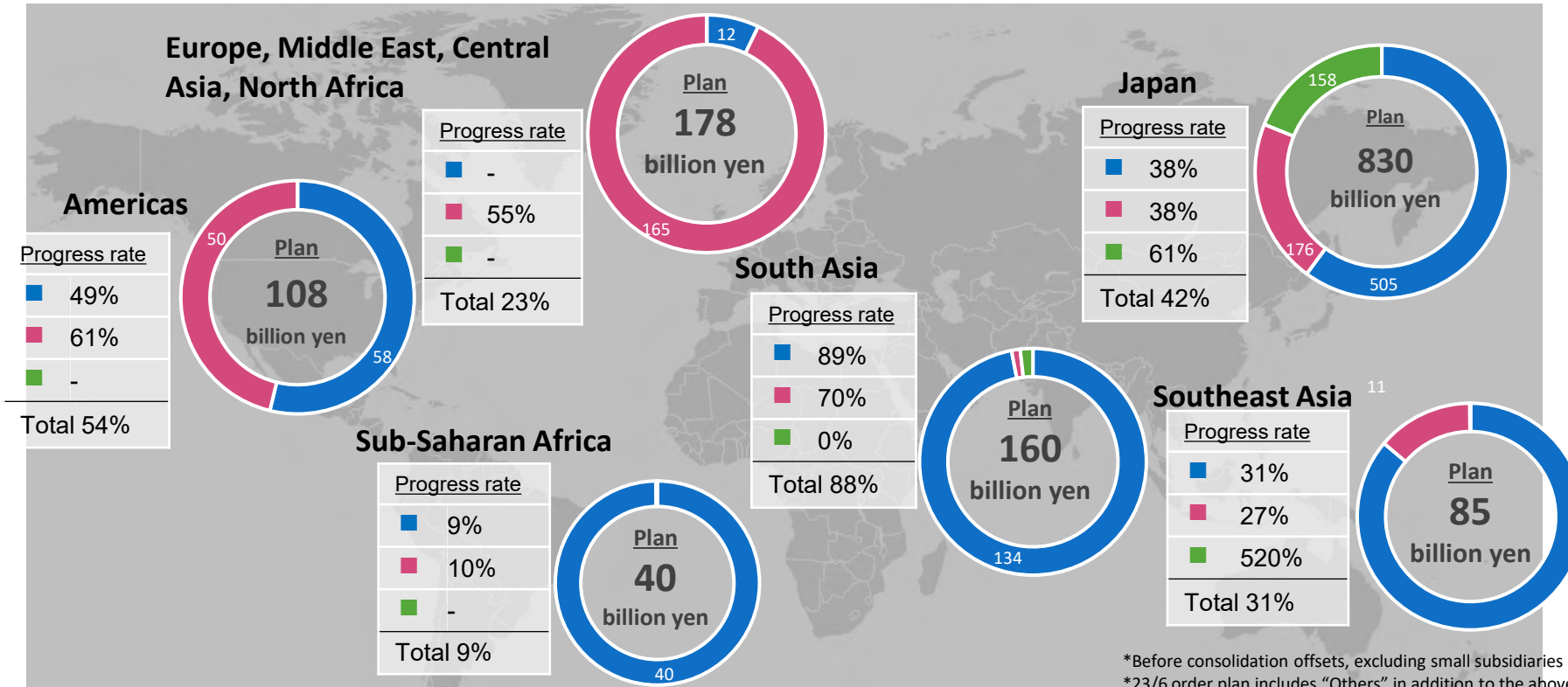
■ Business activities' materialities M1:Infrastructure development to protect safe and secure living, M2: Develop of smart city, M3: Creation of attractive cities, M4:Challenge to decarbonization

# [Topic] Sales Strategy - Matrix Management

## Regional targets for the realization of business and regional matrix management

### FY23 target orders by region/2Q progress rate

■ Consulting ■ Urban & Spatial Development ■ Energy



### Order trends and initiatives

- Appoint regional supervisors and conduct monitoring
- The results of regional management are showing, with a higher progress rate in South Asia due to the Indian High-Speed Rail in Consulting and in the Americas due to the strong performance of Quadrangle in Urban & Spatial Development
- In order to ensure smooth business operations after the conversion to HD in the next fiscal year, we are reviewing regional classifications, formulating regular regional meetings, etc.

Optimize the Group's overall business portfolio and promote Think Globally, Act Locally



# Resilience policy 3: Embodying the NKG brand and NKG quality

Policies for  
FYE June 2023 (2nd Year)

23/6 (2nd Year) 2Q Progress

Design systems for the advancement of professional human resources and accelerate DX promotion.

Strengthened rules development and internal penetration efforts for BIM and DX. New technology development also performed well.

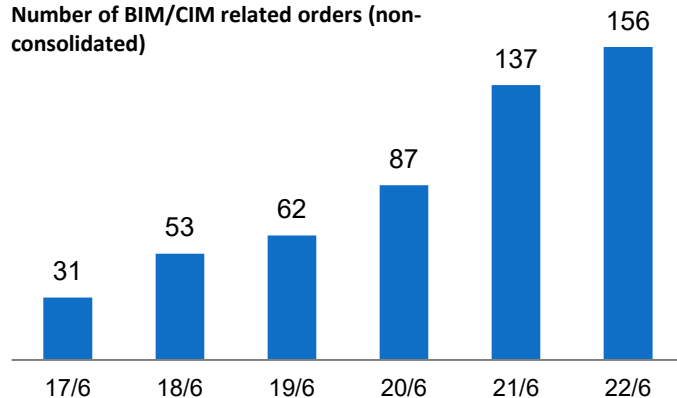
Medium-term Management Plan targets	Materialities	Key strategies & Initiative policy for FYE 23/6	FYE23/6 (2nd Year) 2Q Progress	Evaluation	FYE23/6 Second Half Actions
Human resource development and technological development	M7	<ul style="list-style-type: none"> <li>Digital business promotion, digital technology development, productivity innovation, DX human resource development</li> <li>Building the NKG Global Academy</li> </ul>	<ul style="list-style-type: none"> <li>Launch BIM internal qualification system <b>▶ P.26</b></li> <li>Formulate DX vision and hold regular DX briefings</li> <li>Received orders for 3D model-related work and smart city projects in the disaster prevention sector</li> <li>Technological development related to the metaverse</li> </ul>		<ul style="list-style-type: none"> <li>Realize and schedule DX human resources development</li> <li>Accumulate know-how and expand laterally in projects utilizing advanced technologies</li> </ul>

■ Management Activities M5: Strengthening corporate governance M6: A rewarding work environment where human rights are respected M7: Development of human resources and technology

## BIM/CIM enhancement

- Enhance response ahead of adoption of BIM/CIM principles

Number of BIM/CIM related orders (non-consolidated)



## DX enhancement

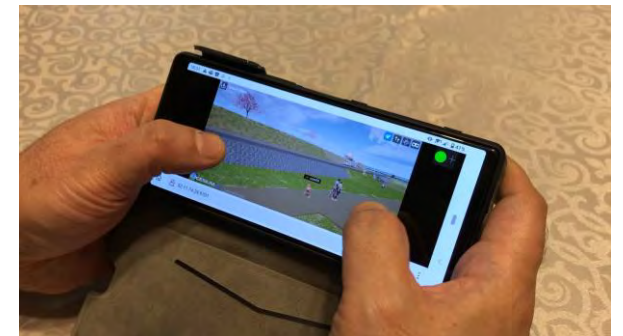
- Analysis of NJSS (data bidding information bulletin service for governments, local governments, public institutions, organizations, and universities)
- We have the largest market share for DX orders in the industry

NJSS bidder share

Company	Share
Nippon Koei	4.9%
Competitor A	1.9%
Competitor B	0.6%

## New technology development

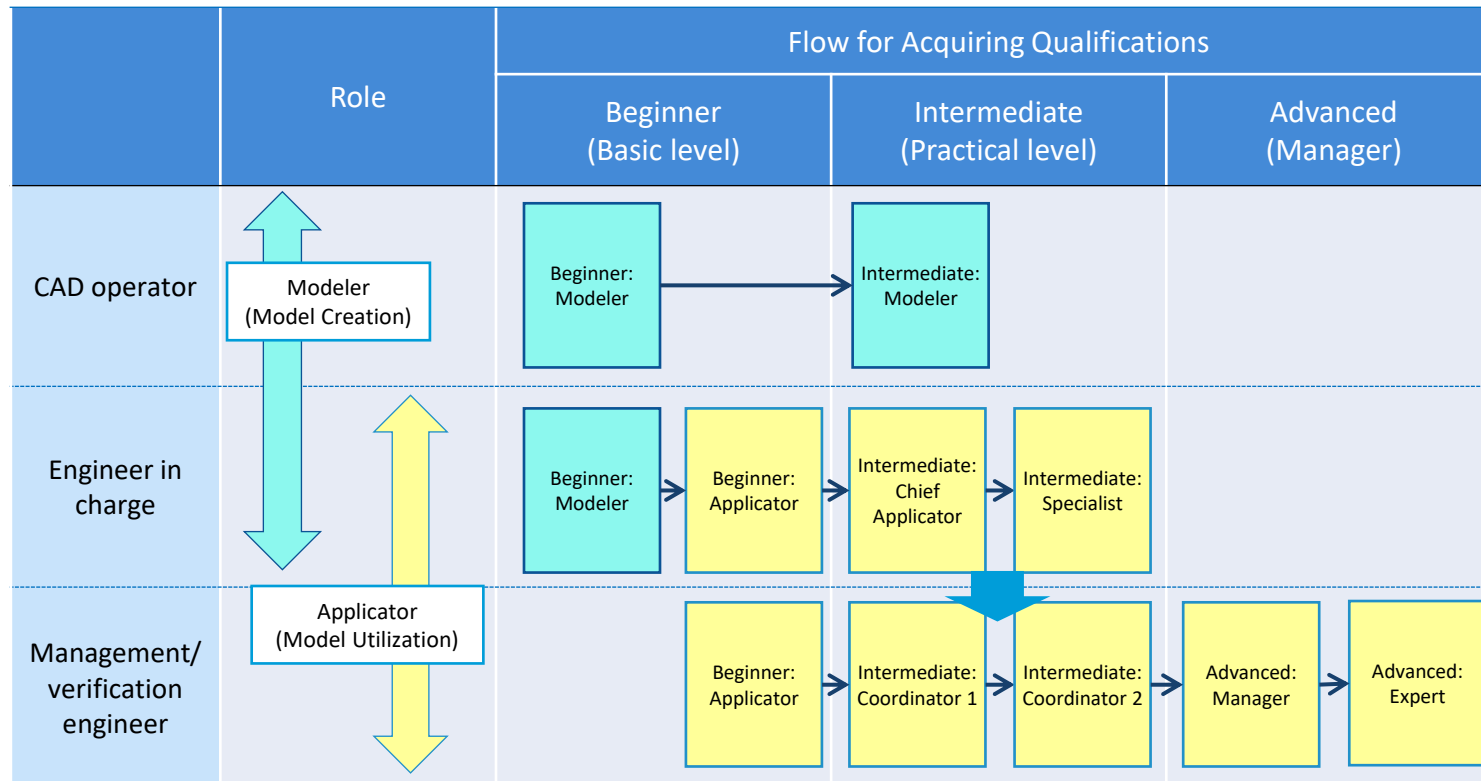
- Develop technology around metaverse and enhance visualization technology (user experience)



# [Topic] Human Resource Development and Technological Development

## Established and launched BIM/CIM internal qualification system

- An internal qualification system was established with the aim of quickly disseminating and deploying BIM/CIM in the company and improving the motivation of employees.
- All technical employees handling consulting are eligible for the training.



### Overview

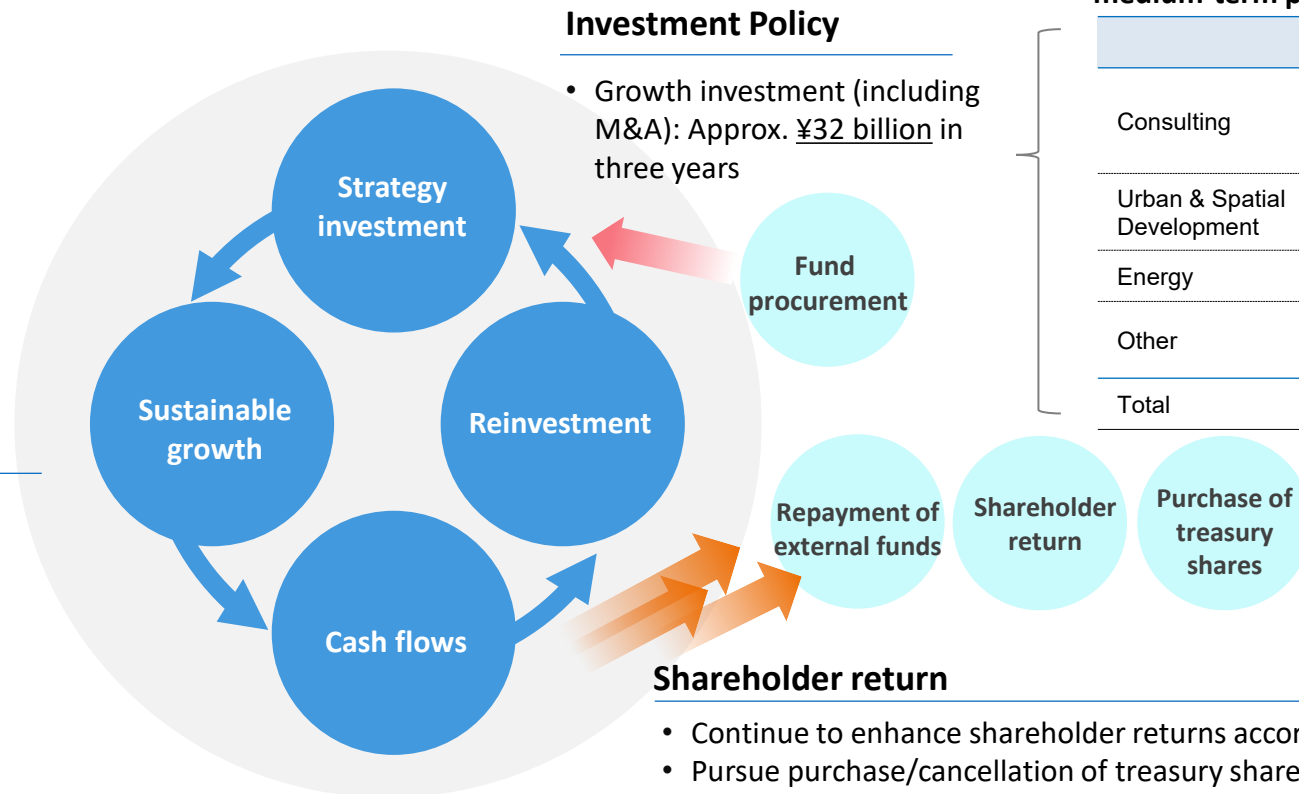
- Qualification categories are Beginner, Intermediate, and Advanced, with a step-up system
- Since roles differ among CAD operators, engineers in charge, and management/verification engineers, certification is based on the role and acquisition flows have been set
- Beginner qualification started in October 2022, Intermediate and Advanced qualifications begin in phases from 2023

# Dividend Payout Ratio

- The dividend payout ratio targets around 30%, and the company will continue to maintain stable dividends and enhance shareholder returns according to profit levels.
- Acquire/cancel treasury stock when there is a good opportunity to achieve an appropriate total return ratio.
- The dividend for FYE June 2023 continued at 125 yen per share.

## Securing financial soundness

- Keep the own capital ratio at 40% even in concentrated investment period of to secure financial soundness.



## Performance of growth investments during the period of the medium-term plan (as of FY23 2Q/million yen)

	Details	Total
Consulting	Satellite operations related, ASAP (railway system company), concessions, etc.	1,688
Urban & Spatial Development	Park-PFI related	10
Energy	European energy storage project related	6,166
Other	Asian transportation electronic payment service affiliate	54
<b>Total</b>		<b>7,918</b>

## Shareholder return

- Continue to enhance shareholder returns according to stable dividends
- Pursue purchase/cancellation of treasury shares as needed in order to achieve an appropriate total return ratio.

# Transition to a Holding Company Structure

Deepen group management from a medium- to long-term perspective and transition to a pure holding company structure to ensure future growth

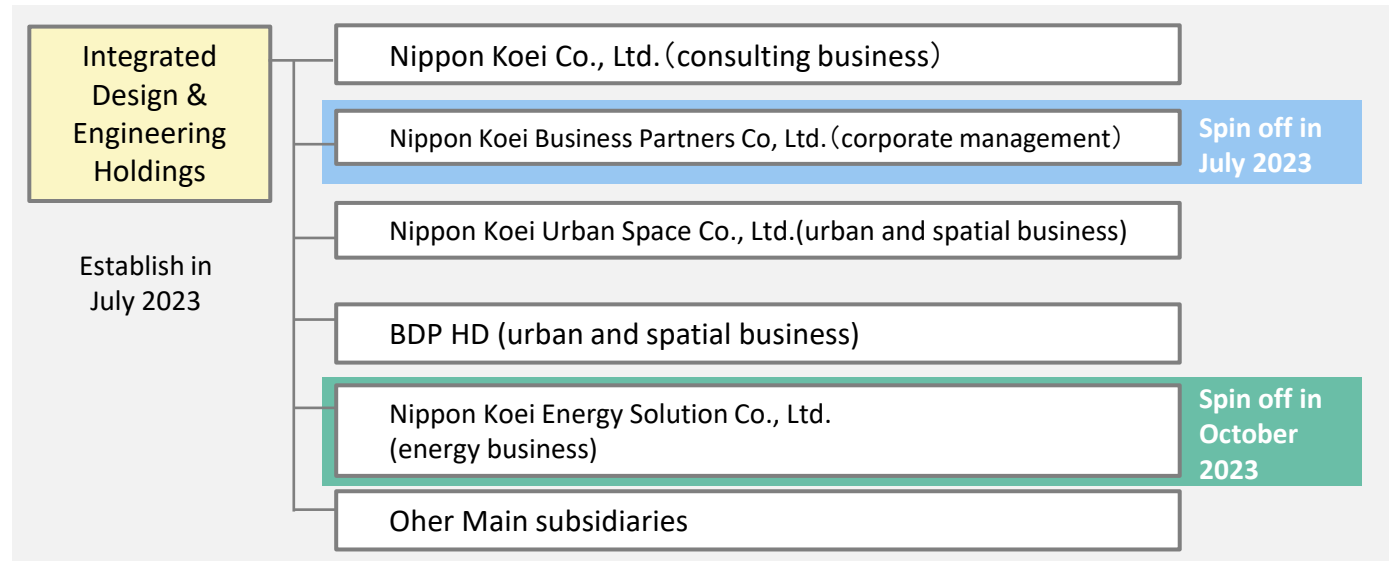
## Integrated Design & Engineering Holdings Co., Ltd.



### ■ Schedule

July 2022	Established Nippon Koei Urban Space Co., Ltd., integrating Tamano Consultants Co., Ltd., and Nippon Koei's Urban & Spatial Development Business
September 2022	Shareholders meeting resolution for stock transfer plan and amendment to Articles of Incorporation
July 2023	<b>Establish ID&amp;E Holdings</b> Spin off Nippon Koei Business Partners Co., Ltd.
October 2023	Spin off Nippon Koei Energy Solution Co., Ltd.

### ■ Group structure after reorganization





Working Together Toward A Future Without Boundaries

***NIPPON KOEI***



## Appendix

# Corporate Profile (As of June 30, 2022)

- Corporate name: Nippon Koei Co., Ltd.
- Established: June 7, 1946
- Capital: ¥7,501 million
- Number of employees: 6,163 [consolidated] 2,663 [non-consolidated]
- Number of subsidiaries: 84
- Business description: Consulting Business (domestic, international), Urban & Spatial Development Business, Energy Business
- Management philosophy: Act with integrity and contribute to society through technology and engineering.

## ■ Founder: Yutaka Kubota (1890–1986)

Before WWII, Yutaka Kubota was engaged in the development of hydropower resources (Sup'ung Dam 700 MW) in the Korean Peninsula, one of the largest projects at the time.

After the war, in a bid to work toward the restoration of Japan and reconstruction of countries damaged by the war, he founded the Company at the age of 56.

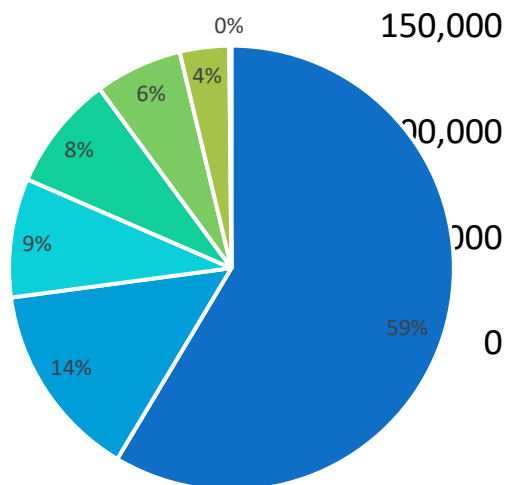
Known as the “Father of Overseas Engineering Cooperation,” he was awarded the Grand Cordon of the Order of the Rising Sun in 1985.

He directed projects in many countries around the world until he was 90 years old, contributing to development in developing countries.

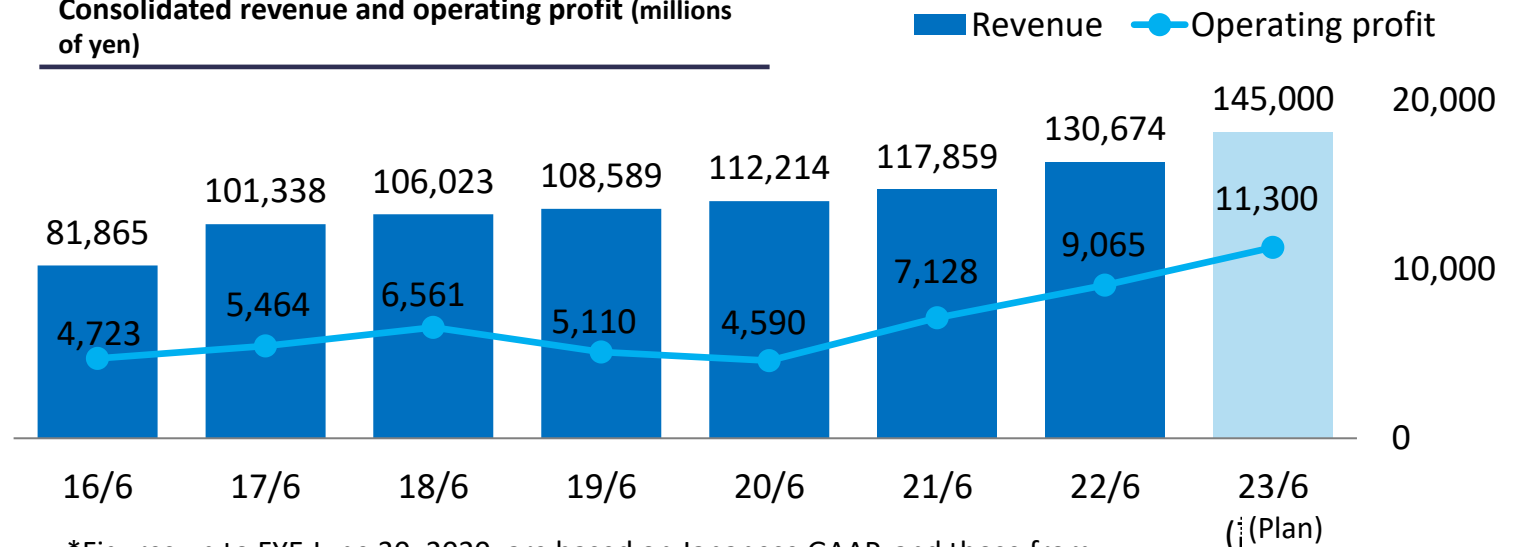


## Net sales by region

- Japan
- Europe, the Middle East, Central Asia, North Africa
- Southeast Asia, East Asia, Oceania
- South Asia
- Americas
- Sub-Saharan Africa
- Other



## Consolidated revenue and operating profit (millions of yen)



\*Figures up to FYE June 30, 2020, are based on Japanese GAAP, and those from FYE June 30, 2021, are based on IFRS.

# Business Development

## Consulting Business



With expertise in civil engineering and other professional technologies, we engage in the consulting business, such as planning and design associated with the development and maintenance of infrastructure and safety measures, for the state, local governments, overseas government institutions, private firms and others. In response to increasingly complex social issues, construction consultants are required more than ever to demonstrate their high level of expertise, technical capabilities, and comprehensive abilities. Nippon Koei supports social infrastructure by undertaking various roles as a comprehensive partner to business operators.

## Urban & Spatial Development Business



One of the growing areas that account for a large percentage of the sales of the world's construction companies is architecture. With a view to pursuing business development by integrating architecture and civil engineering in response to the massive demand for urban development in many locations around the world, the Company made BDP, a UK-based architectural design company, a subsidiary in March 2016 and made Quadrangle, a Canadian firm, a subsidiary in February 2019. By incorporating the architectural know-how of both firms, we are engaging to create urban & spatial development that accommodates the needs of the new era.

## Energy Business



We provide services for power and electric facilities in Japan and abroad in all phases from planning and research to design, construction, manufacturing of equipment and maintenance. In addition, the world is advancing toward decarbonization, and the renewable energy-related businesses are going through major changes. Accordingly, we are focusing on services for electric power distribution networks to stably manage and control energy provided from various power sources with the use of battery storage as well as on virtual power plant (VPP)-related businesses.

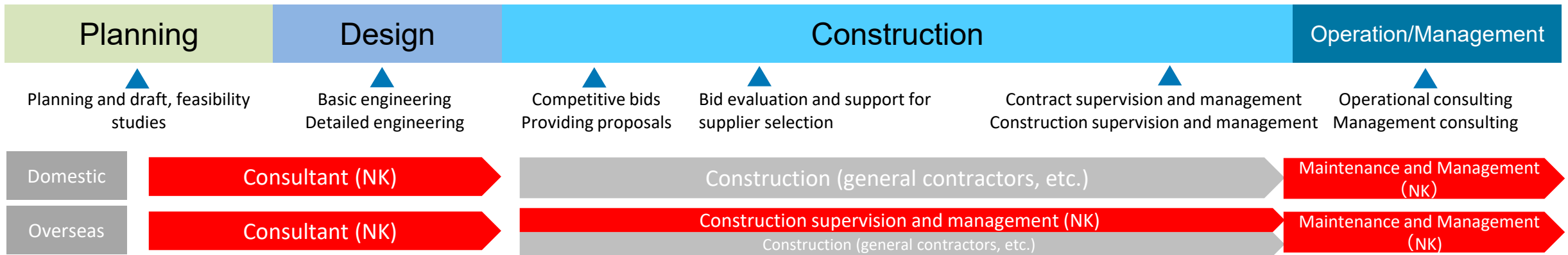
\* Effective FYE June 2022, we are managing our businesses under a three-segment structure consisting of the "Consulting Business" formed by integrating the conventional domestic consulting and international consulting businesses, the "Energy Business" encompassing the power engineering and energy businesses, and the "Urban & Spatial Development Business."



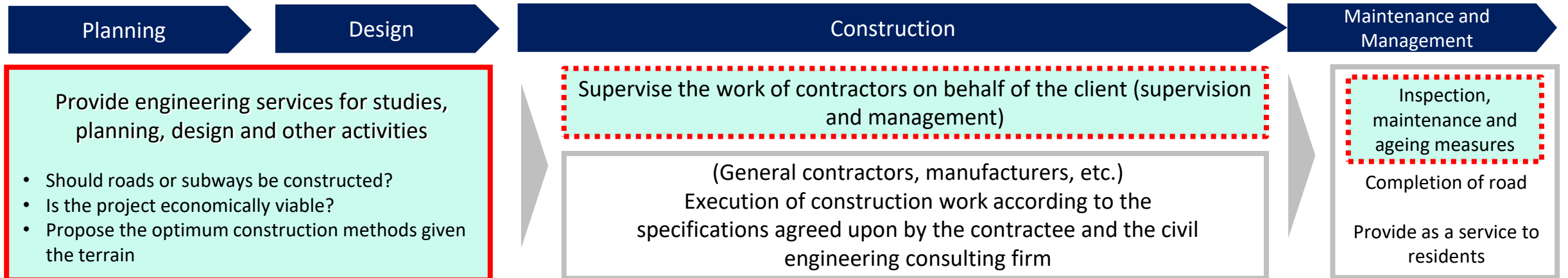
# Job Description for Civil Engineering Consultants

Domestic: Mainly involve in design stage. Main customers are primary government organizations including the Ministry of Land, Infrastructure, Transport and Tourism, and secondary government organizations including prefectural and other local governments.

Overseas: Involvement varies by project and can range from planning and construction to construction supervision and management. Main customers include the Japan International Cooperation Agency (JICA), other governmental agencies, the United Nations and the World Bank.



Example: Chronic traffic congestion problems in Region A



# Strengths of the Nippon Koei Group

(1) Sustainable business model grows with society  
(Win-win relationship between society & Nippon Koei)

Transforming to meet market demands



Commercialize solutions to social problems

(2) Japan's leading engineering consulting firm  
(Business domains, technologies, and human resources)

**Comprehensive strength** Capable of solving sophisticated & complex issues

**Human Resources** Largest number of professional engineers in industry

**Technology** In-house R&D facilities and patents

Consolidated net sales  
**¥130.6 billion**

Business over  
**160** countries

Orders over  
**9,000** per year

**85**  
Patents

**1,743**  
Professional engineers

\*As of June 2022

Coping with changing times, achieving sustainable business expansion and profitability growth.

# Position in Industry

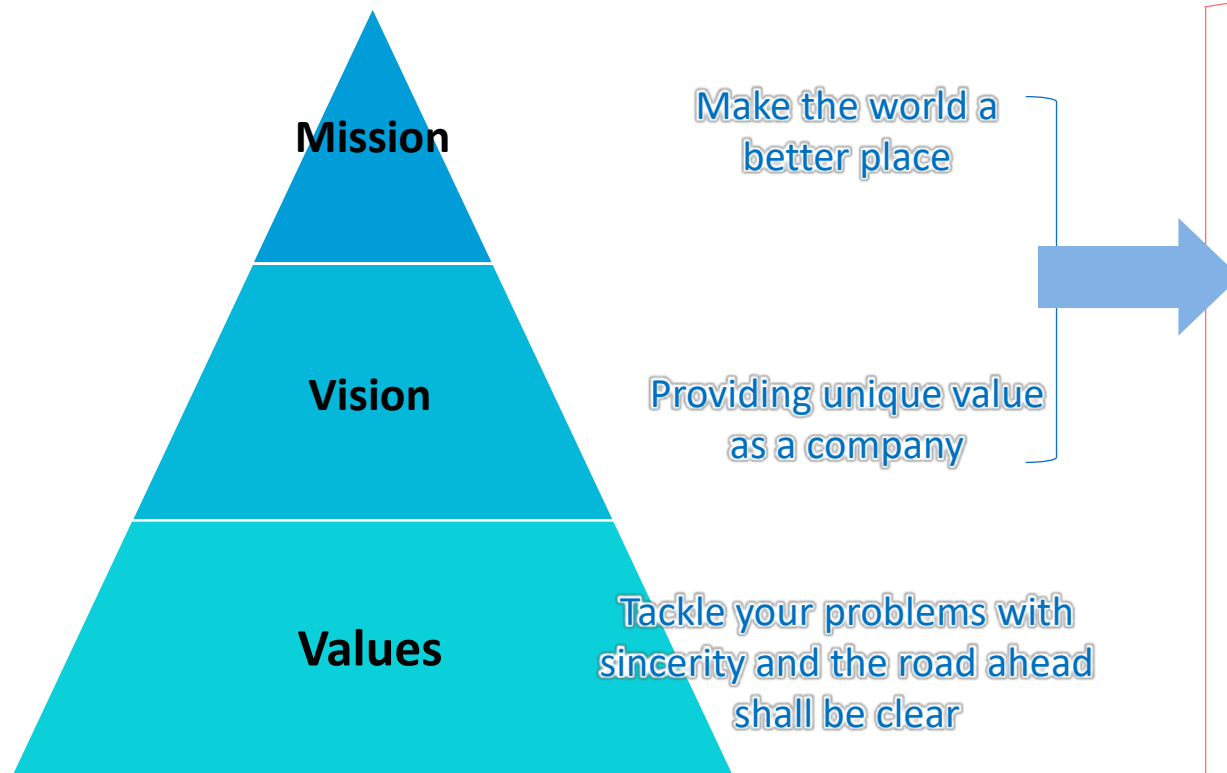
Nippon Koei is Japan's leading civil engineering consultant.

Ranking	Corporate name	Sales (Million yen/Non-consolidated)	
		Engineering consultant division	Corporate Total
1	Nippon Koei	58,427	73,970
2	Pacific Consultants Co., Ltd.	51,358	52,931
3	CTI Engineering Co., Ltd.	46,636	48,591
4	Oriental Consultants Co., Ltd.	26,865	27,131
5	Oriental Consultants Global Co., Ltd.	22,867	22,867
6	Eight-Japan Engineering Consultants Inc.	22,051	24,122
7	Nihon Suido Consultants Co., Ltd.	21,674	21,791
8	Yachiyo Engineering Co., Ltd.	21,650	22,219
9	JR East Consultants Company	21,586	23,861
10	PASCO Corporation	21,335	50,298
23	Tamano Consultants Co., Ltd. (Integrated with Urban & Spatial Development Business, NK in July 2022 )	12,038	14,050
88	Nippon Civic Consulting Engineers Co., Ltd. (strong in shield tunneling)	2,753	2,800

\*Source: Nikkei Construction, April 20, 2022, edition. Ranking by engineering consultant division sales (according to published financial results)

# Mission and Materiality of the Nippon Koei Group

Reviewed 'Mission, Vision and Values', specified materiality to contribute to SDGs actively and increase corporate value



## Nippon Koei Group's Materiality

### ■ Materiality related to business activities

1. Development of infrastructure to protect safe living
2. Development of infrastructure where all people can freely interact and play an active role
3. Creation of attractive cities where a diversity of people and industries are concentrated
4. Conservation of the global environment by achieving a decarbonized society

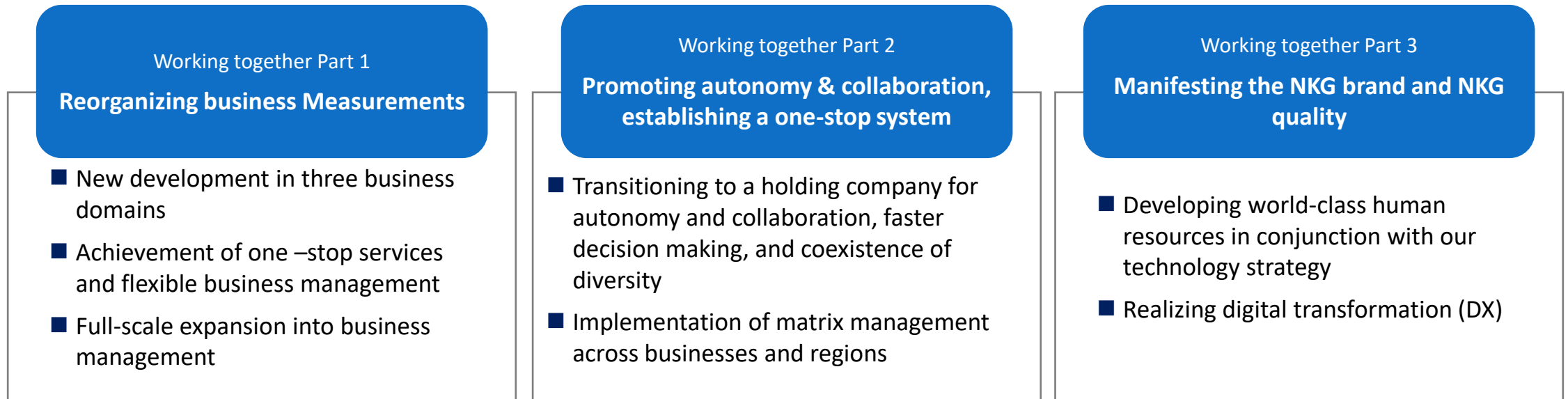
### ■ Materiality related to management foundations

5. Strengthening corporate governance
6. A rewarding work environment where human rights are respected
7. Development of human resources and technology

# Long-term Management Strategy: Concept

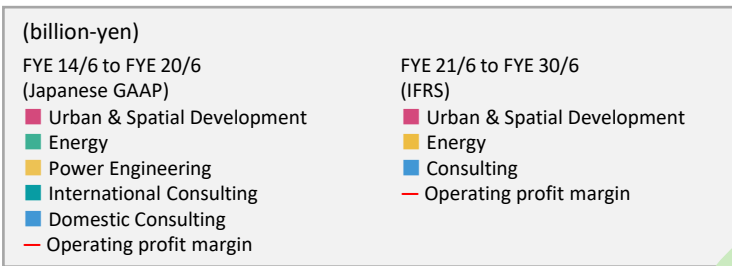
## NKG Global Strategy 2030 —Working Together Toward A Future Without Boundaries

<b>Basic Policy</b>	Providing new value and realizing a sustainable society through the exploration of wisdom and innovation and integration of technology			
<b>FYE June 2030 Numerical Targets (IFRS)</b>	Revenue <b>250</b> billion yen	Operating profit <b>25</b> billion yen	Operating profit margin <b>10%</b>	ROE <b>15%</b>

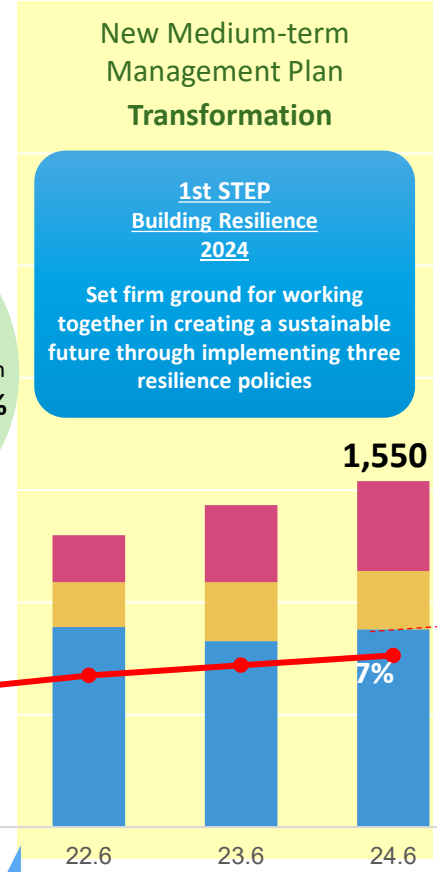
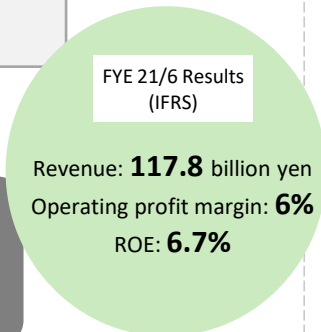


# 2030 Vision

By working together with various internal and external partners, we will pursue wisdom and integrate wisdom with technological innovation to provide new values in an aim to become a corporate group that contributes to realizing a society in which people can feel enriched.



Expand existing businesses (Consulting, Power Engineering)  
Establish/deploy new businesses (Urban & Spatial Development, Energy)

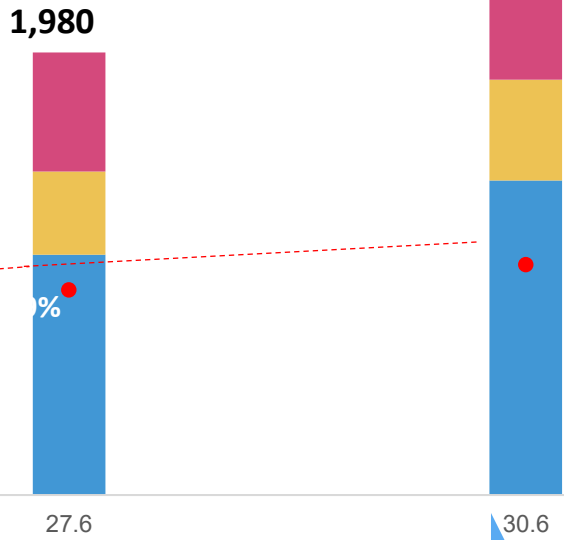
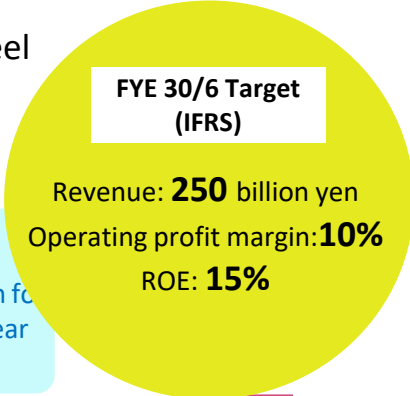


**Expansion**

**2nd STEP**  
Accelerate expansion into new businesses and new markets

**Breakthrough**

**3rd STEP**  
Build the foundation for becoming a 100-year company



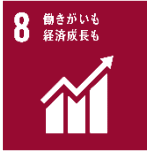



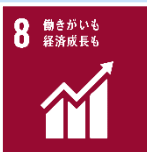








Previous Long-term Management Strategy

NKG Global Strategy 2030 — Working Together Toward A Future Without Boundaries

# Materiality Related to Business Activities and Corresponding SDGs










Link business activities with materiality, identify what the Nippon Koei Group can do about common issues in the world and contribute to achieving the sustainable development goals (SDGs) while driving these initiatives to also increase corporate value of the Company.

Materiality	Key relevant SDGs	Examples of initiatives for each materiality
Development of infrastructure to protect safe living	   	<ul style="list-style-type: none"> <li>Develop high-quality infrastructure in a wide range of areas.</li> <li>Provide services for preventing/mitigating disasters in terms of both hardware (tangible elements such as facilities and equipment) and software (intangible elements such as human resources and technology).</li> </ul>
Development of infrastructure where all people can freely interact and play an active role	   	<ul style="list-style-type: none"> <li>Realize a mobility society by putting in place transportation sites, including airports and railways, and networks.</li> <li>Develop electric power infrastructure in overseas regions lacking power sources.</li> </ul>
Creation of attractive cities where a diversity of people and industries are concentrated	 	<ul style="list-style-type: none"> <li>Develop a smart city by promoting working together among Consulting, Urban &amp; Spatial Development and Energy.</li> </ul>
Conservation of the global environment by achieving a decarbonized society	  	<ul style="list-style-type: none"> <li>Provide consulting services to counter climate change.</li> <li>Expand the renewable energy business in Japan and abroad.</li> </ul>

# Materiality Related to Management Base and Corresponding SDGs



Link business activities with materiality, identify what the Nippon Koei Group can do about common issues in the world and contribute to achieving the sustainable development goals (SDGs) while driving these initiatives to also increase corporate value of the Company.

Materiality	Key relevant SDGs	Examples of initiatives for each materiality
Strengthening corporate governance		<ul style="list-style-type: none"> <li>Review institutional design.</li> <li>Reinforce compliance activities.</li> </ul>
A rewarding work environment where human rights are respected	  	<ul style="list-style-type: none"> <li>Further promote well-being management.</li> </ul>
Development of human resources and technology	  	<ul style="list-style-type: none"> <li>Develop human resources for manifesting the NKG brand through the NKG Global Academy.</li> <li>Create new added value by utilizing DX.</li> </ul>



## Medium-term Management Plan Building Resilience 2024 - Numerical Targets (IFRS)

(Million yen)	FYE June 2021 Results	FYE June 2024 Plan	Amount	%
Orders	133,304	150,000	16,695	112.5%
Revenue	117,859	155,000	37,140	131.5%
Operating profit	7,128	11,500	4,371	161.3%
Operating profit margin	6.0%	7.4%	1.4%	
Profit before tax	7,176	11,000	3,823	153.3%
Profit attributable to owners of parent	4,531	7,100	2,569	156.7%
ROE	6.7%	9.0%	2.3 %	

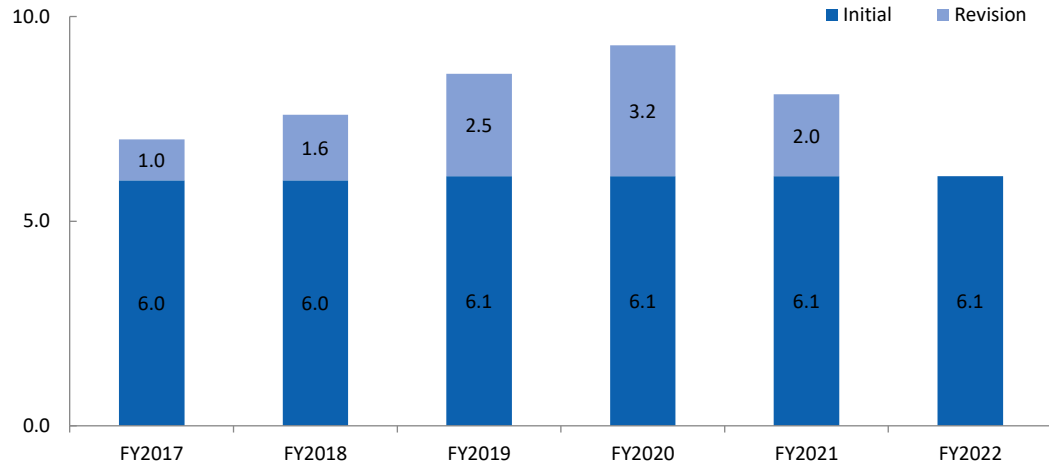
# Medium-term Management Plan Building Resilience 2024 - Numerical Targets by Segment (IFRS)

(Million yen)	FYE 2021/6 Results	FYE 2024/6 Plan	Amount	%
<b>Orders</b>	133,304	150,000	16,695	112.5%
Consulting Business	97,769	92,000	-5,769	94.1%
Urban & Spatial Development Business	21,457	39,000	17,542	181.8%
Energy Business	13,991	19,000	5,008	135.8%
<b>Revenue</b>	117,859	155,000	37,140	131.5%
Consulting Business	80,098	88,000	7,901	109.9%
Urban & Spatial Development Business	20,274	40,000	19,725	197.3%
Energy Business	16,621	26,000	9,378	156.4%
Other	865	1,000	134	115.6%
<b>Operating profit</b>	7,128	11,500	4,371	161.3%
Consulting Business	6,126	8,200	2,073	133.8%
Urban & Spatial Development Business	2,266	3,200	933	141.2%
Energy Business	814	3,300	2,485	405.4%
Other	-2,079	-3,200	-1,120	-

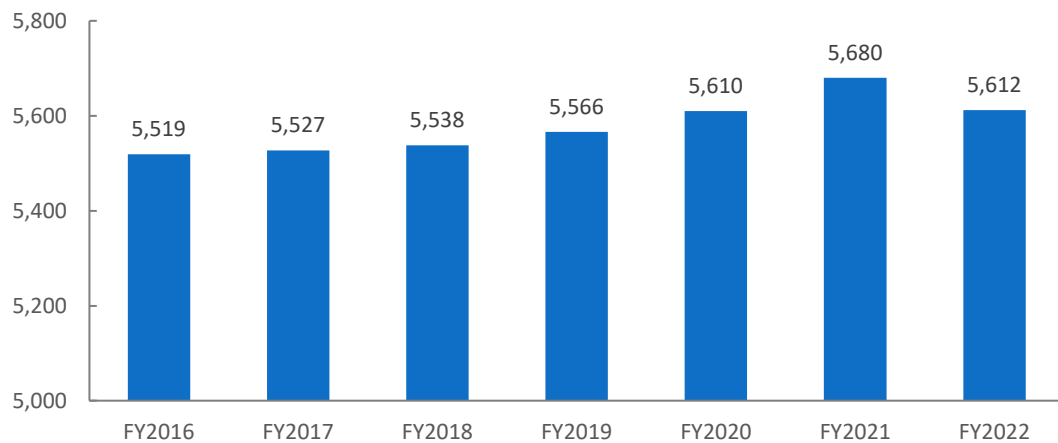
\*With the transfer of PT. CIKAENGAN TIRTA ENERGI (from the Energy Business to the Consulting Business), the results of CIKAENGAN were recorded in the Consulting Business.

# Consulting Business: Market Trends and Operating Results

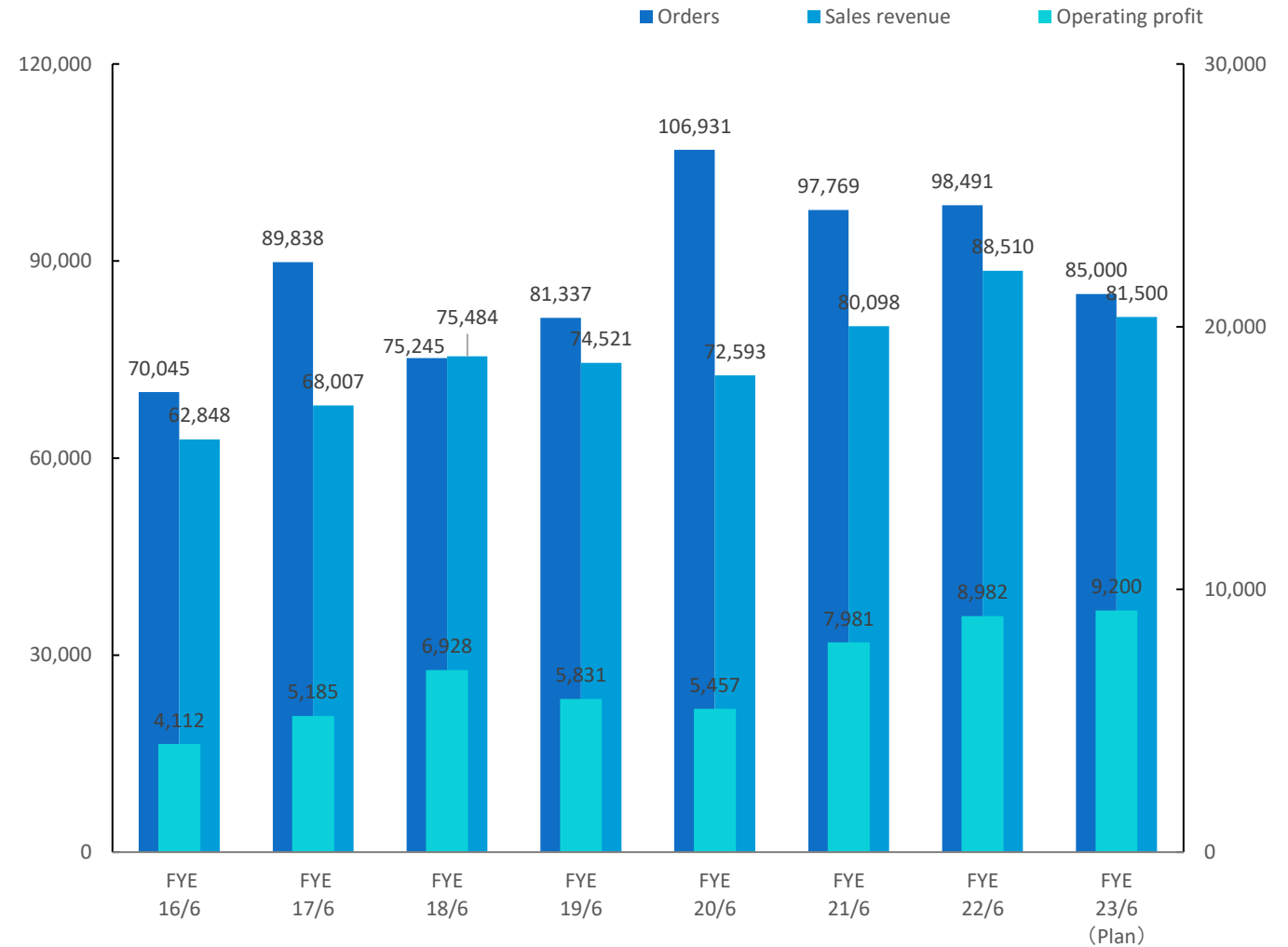
## Public Works Expenditures (Trillion yen)



## Initial ODA Budget in the General Account (billion yen)



## Nippon Koei Consulting Business: Operating Results (Million yen)

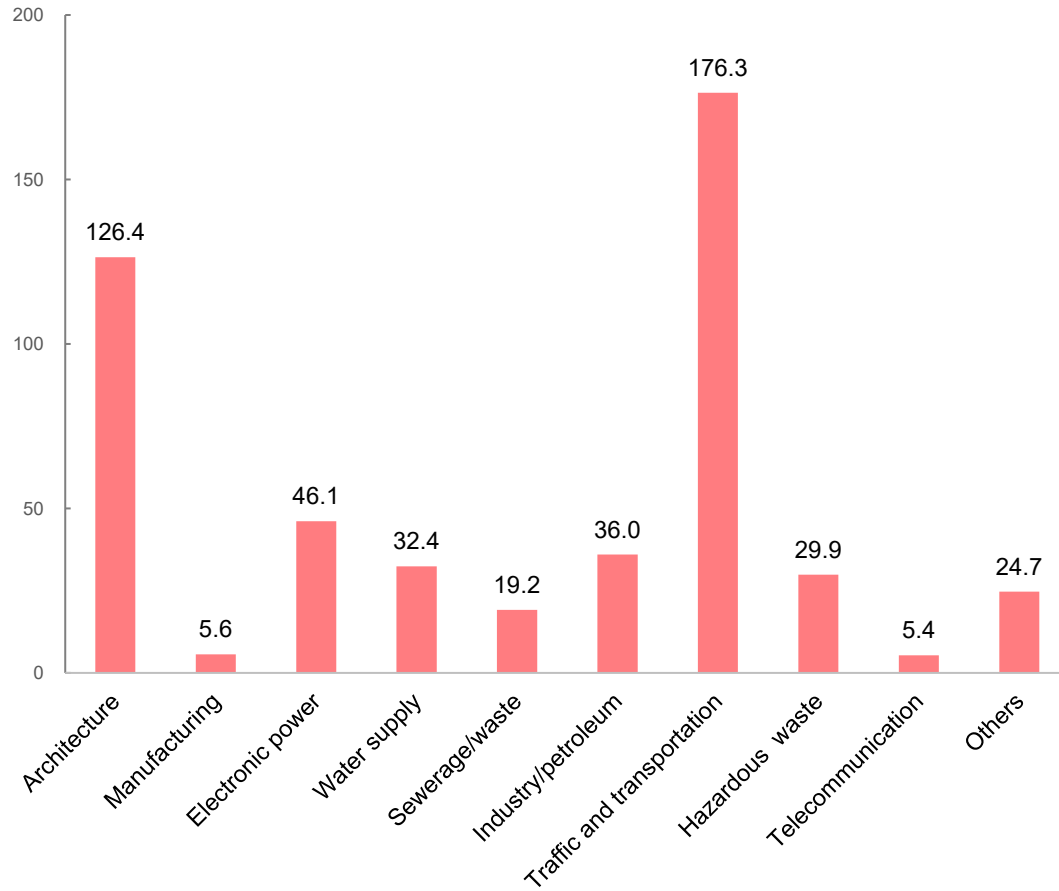


\*Figures showing operating results for FYE 16/6 through FYE 20/6 are simple aggregations of the figures for Domestic Consulting and International Consulting Businesses before intercompany eliminations.

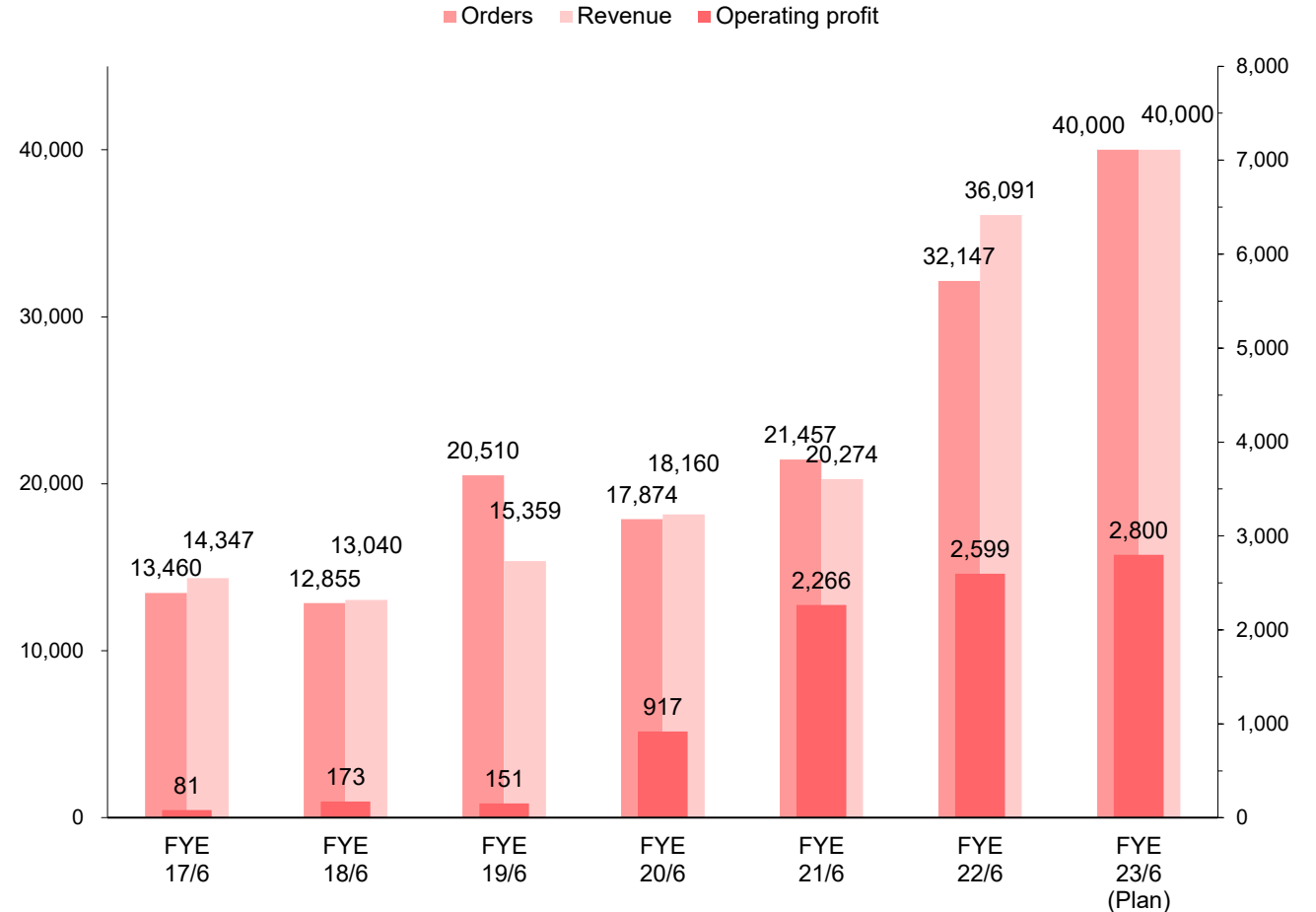
\*Operating results for years up to FYE 20/6 are based on Japanese GAAP while those for FYE 21/6 and onward are based on the IFRS.

# Urban & Spatial Development Business: Market Trends and Operating Results

Sales of Top 164 Firms in FY2021 by Sector (billion US dollars)



Nippon Koei's Operating Results in Urban & Spatial Development Business (Million yen)

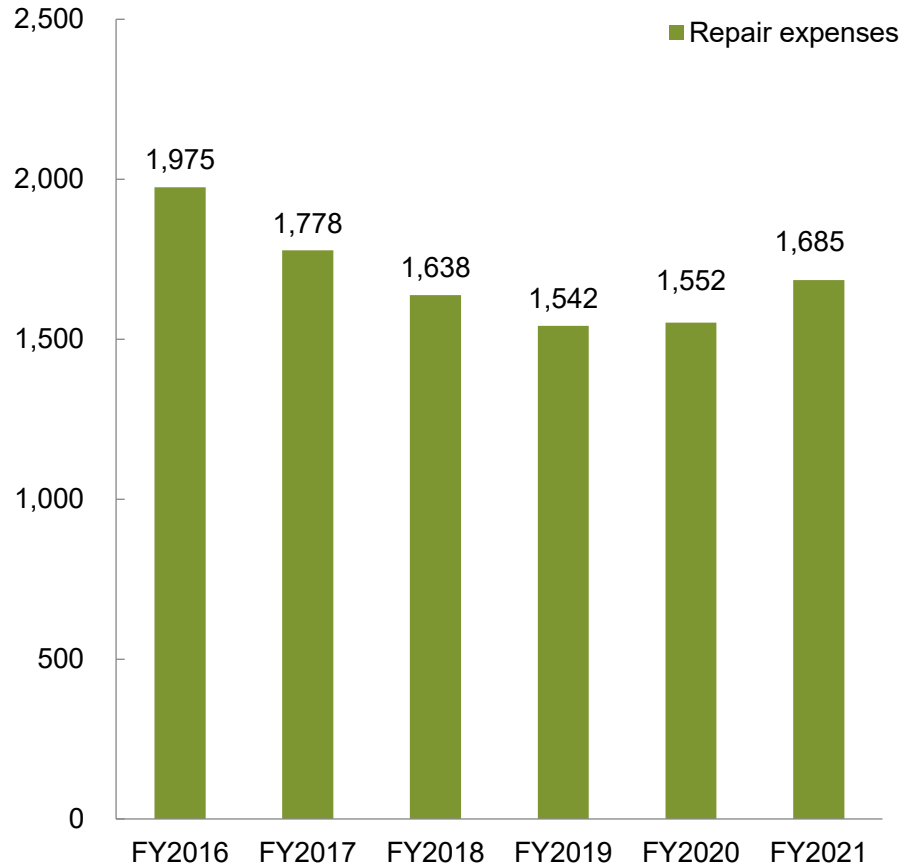


\*Source: Compiled by the Company based on information available in the ENR magazine (issued in August 2022)

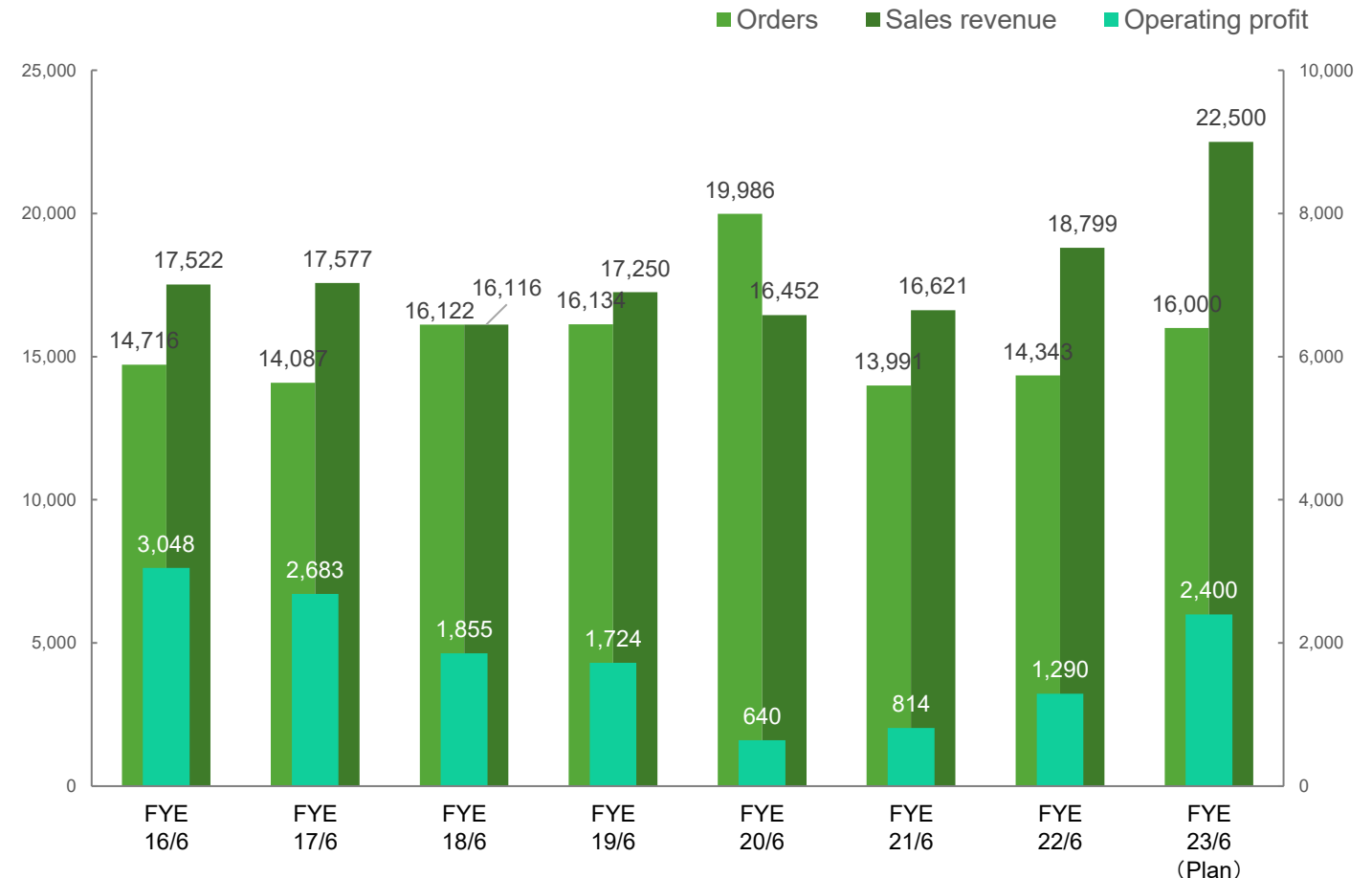
\*Operating results for years up to FYE 20/6 are based on Japanese GAAP while those for FYE 21/6 and onward are based on the IFRS.

# Energy Business: Market Trends and Operating Results

Repair Expenses for Tokyo Electric Power Company Holdings, Inc. (billion yen)



Nippon Koei's Operating Results in Energy Business (Million yen)



\*Figures showing operating results for FYE 16/6 through FYE 20/6 are simple aggregations of the figures for the Power Engineering and Energy Businesses before intercompany eliminations.

\*Operating results for years up to FYE 20/6 are based on Japanese GAAP while those for FYE 21/6 and onward are based on the IFRS.

The logo for Nippon Koei, featuring the company name in a bold, italicized, blue sans-serif font. The background of the slide is a light blue and white geometric pattern with a network of glowing blue lines and nodes, suggesting a digital or technological theme.

***NIPPON KOEI***

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