

Supplementary Materials for the Summary of Financial Reports 1Q, FYE June 30, 2021

December 14, 2020

Nippon Koei Co., Ltd.

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1Q Results for FYE June 30, 2020

Revenue decreased year-on-year due to overseas business being affected by COVID-19, but operating loss was lowered through domestic cost reductions.

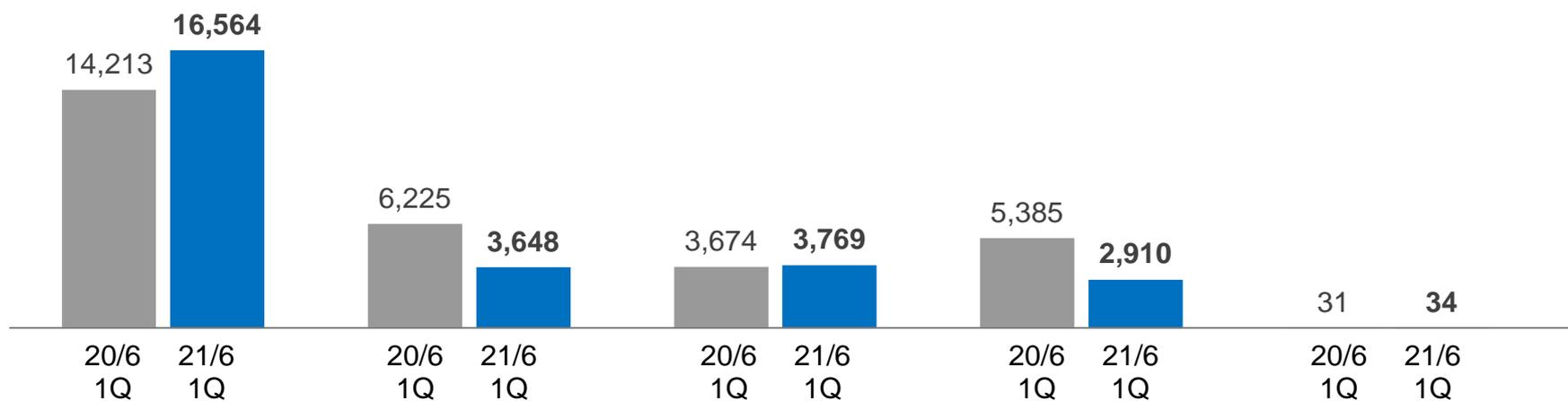
(Millions of yen)	FYE20/6 1Q Results	FYE21/6 1Q Results	YoY Change	
			Amount	%
Orders	29,563	26,965	Δ2,597	91.2%
Net sales	24,894	20,690	Δ4,204	83.1%
Gross profit	5,837	5,759	Δ78	98.7%
Operating Income	Δ1,176	Δ1,090	85	-
Ordinary Income	Δ935	Δ1,436	Δ500	-
Profit attributable to owners of parent	Δ638	Δ1,168	Δ529	-

- Orders received decreased year-on-year due to the COVID-19 pandemic affecting the International Consulting and Urban & Spatial Development businesses.
- Net sales decreased in segments other than Urban & Spatial Development.
- Operating loss decreased with the contribution of cost reduction efforts by Domestic Consulting.

Results by Business Segment (Orders)

(Millions of yen)	FYE20/6 1Q Results	FYE21/6 1Q Results	YoY Change	
			Amount	%
Orders	29,563	26,965	Δ2,597	91.2%
Domestic Consulting	14,213	16,564	2,351	116.5%
International Consulting	6,225	3,648	Δ2,576	58.6%
Power Engineering	3,674	3,769	95	102.6%
Urban & Spatial Development	5,385	2,910	Δ2,475	54.0%
Energy	31	34	2	108.9%

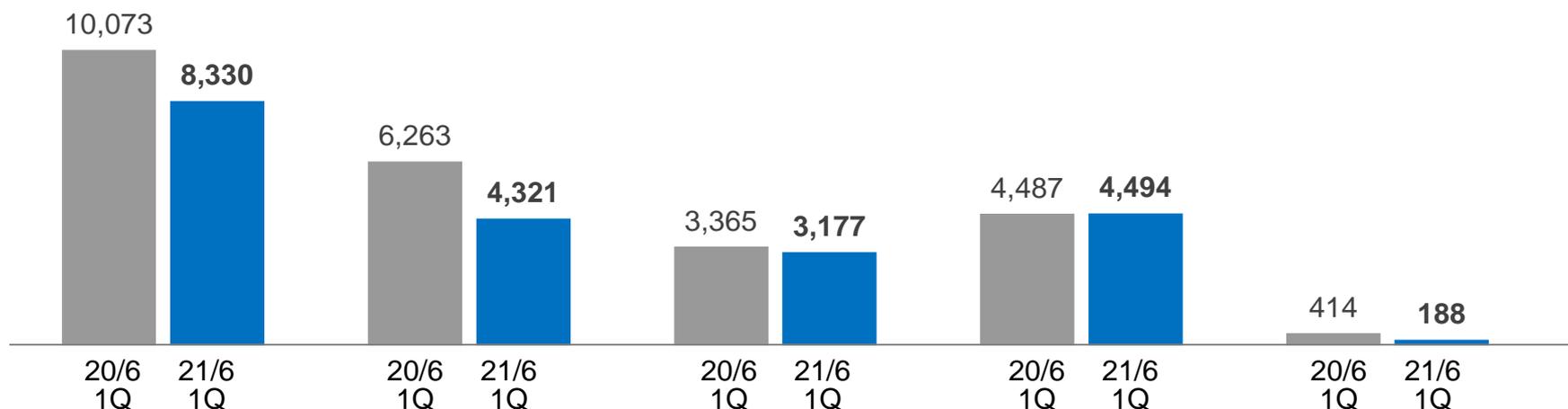
■ Domestic Consulting
 ■ International Consulting
 ■ Power Engineering
 ■ Urban & Spatial Development
 ■ Energy



Results by Business Segment (Net sales)

(Millions of yen)	FYE20/6 1Q Results	FYE21/6 1Q Results	YoY Change	
			Amount	%
Net sales	24,894	20,690	△4,204	83.1%
Domestic Consulting	10,073	8,330	△1,743	82.7%
International Consulting	6,263	4,321	△1,941	69.0%
Power Engineering	3,365	3,177	△188	94.4%
Urban & Spatial Development	4,487	4,494	7	100.2%
Energy	414	188	△226	45.4%
Real Estate/Others	290	178	△112	61.3%

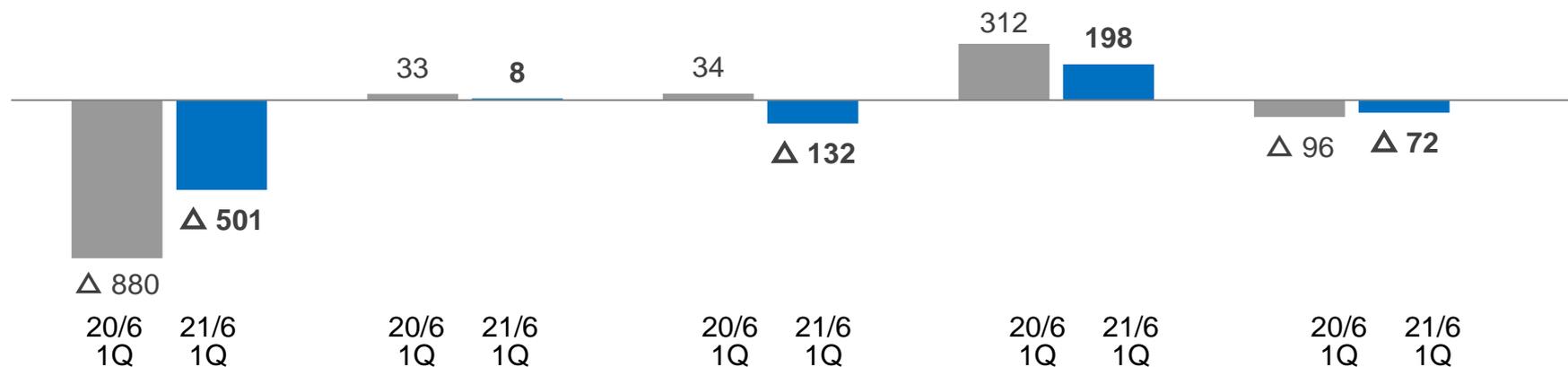
■ Domestic Consulting
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 ■ Energy



Results by Business Segment (Operating Income)

(Millions of yen)	FYE20/6 1Q Results	FYE21/6 1Q Results	YoY Change	
			Amount	%
Operating Income	△1,176	△1,090	85	-
Domestic Consulting	△880	△501	379	-
International Consulting	33	8	△24	26.2%
Power Engineering	34	△132	△167	-
Urban & Spatial Development	312	198	△113	63.6%
Energy	△96	△72	24	-
Real Estate/Others	△580	△592	△12	-

■ Domestic Consulting
 ■ International Consulting
 ■ Power Engineering
 ■ Urban & Spatial Development
 ■ Energy



Overview of Performance by Business Segment

Domestic Consulting

- Orders received increased year-on-year on the back of a favorable business environment. Orders were accepted actively through collaboration in and outside Japan.
- Revenue decreased following the application of the completion standard for all projects in the same period of the previous year, and the transfer of the Urban Development Dept. to Urban & Spatial Development Headquarters associated with the structural reform of the current fiscal year.
- Operating loss decreased through reducing costs and business trip expenses amid the COVID-19 crisis.

International Consulting

- Though steadily accepted orders that were postponed in the previous period, orders received decreased year-on-year due mainly to a delay in concluding additional contracts because of COVID-19.
- Net sales and operating income decreased year-on-year due to COVID-19 travel restrictions that affected JICA projects and work delays in the business areas of group companies.

Power Engineering

- Orders received remained strong at the same level as the previous fiscal year, contributed to by projects postponed from the previous fiscal year and large-scale projects.
- Net sales decreased year-on-year due to the extended temporary suspension of construction because of the postponed Tokyo Olympic Games and a delay in the construction work of an overseas plant-related project, while the impacts of COVID-19 on domestic projects have been immaterial.
- Operating income decreased due to a decrease in sales and the recognition of provision for loss on construction contracts.

Overview of Performance by Business Segment

Urban & Spatial Development

- Orders received fell year-on-year due to downsized orders and delays in contract procedures caused by the COVID-19 pandemic.
- Net sales were unchanged year-on-year due to a shift to remote work, etc., promoted by BDP during COVID-19, and a transfer of Urban Development Dept. to Urban & Spatial Development Headquarters associated with the structural reform of the current fiscal year.
- Operating income fell year-on-year due to a decrease in gross profit due to BDP's sales decrease.

* The fixed exchange rate applied to the results for the 1st quarter of FYE June 30, 2021: 1 GBP = 137.91 JPY (the rate used in the plan for FYE June 30, 2021 was 1 GBP = 136.23 JPY)

** The amount of amortization expense of Urban & Spatial Development business for FYE June 30, 2021 is approx. 700 million JPY (goodwill: approx. 400 million JPY; other intangible fixed assets: approx. 300 million JPY).

Energy

- Orders received increased year-on-year contributed to mainly by orders received for energy-saving projects in Japan.
- Net sales decreased from the same period of the previous fiscal year when a storage battery EPC service was completed.
- Operating loss decreased as a result of cost reduction efforts to respond to the COVID-19 crisis.

Project Highlights

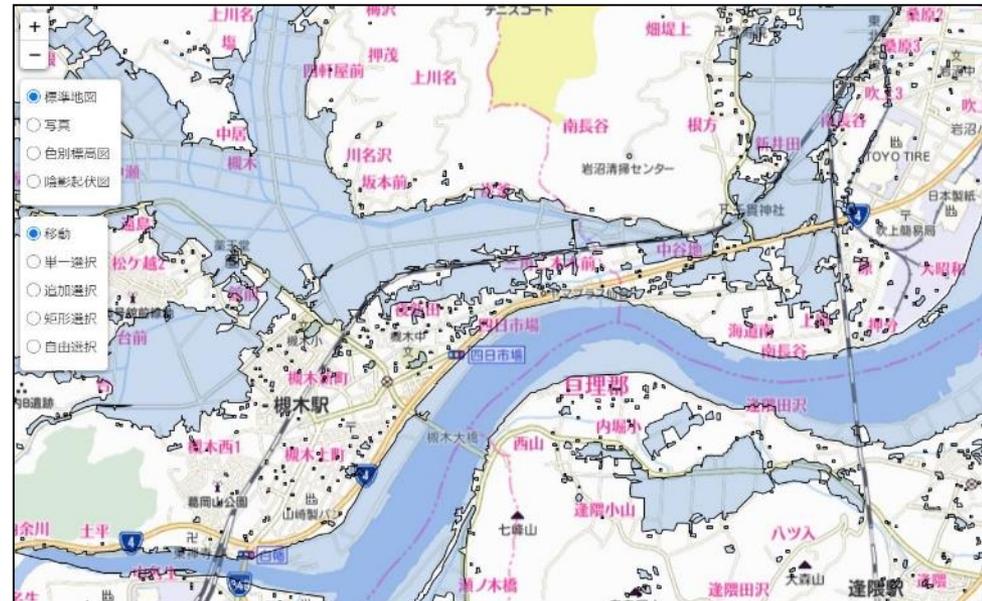
Interpretation of satellite data over inundated areas

Client	River Planning Division, Chubu Regional Development Bureau
Contract value	Approx. 210 million yen
Contract construction period	From June 2020 to March 2021
Summary of disaster	<ul style="list-style-type: none">■ Uses SAR and optical EO satellite data over areas hit by flooding and landslides to quickly assess damage of such areas within six hours after capturing satellite data■ Prepares a manual for methods of satellite data interpretation, and provides methods of disaster response using analysis results and best practices combining non-satellite methods, etc.

Satellite data (optical EO)



Extracted inundated areas



Display system using Zenrin map (identifiable on a house level)

Project Highlights

Contracting the design of an “AI-driven infrastructure inspection and diagnosis system”

Client
Summary of disaster

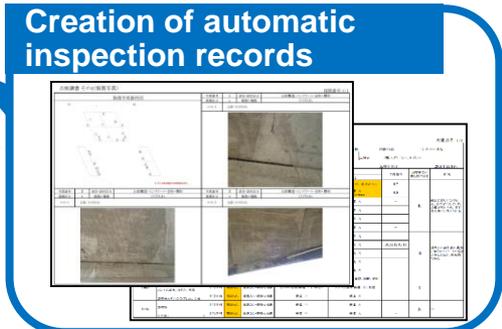
Yamaguchi Prefecture

- Needs efficient infrastructure maintenance and management (inspection and diagnosis) due to labor shortage
- Consultation has begun to develop an efficient way to maintain and manage bridges using AI technology, etc.
- Technology to create automatic inspection records using tablets was developed, and an ideal method of AI-driven diagnosis support and its operation were organized through demonstration experiments
- Based on the above, a roadmap for developing an AI-driven infrastructure inspection and diagnosis system was created

Input



Output



Project Highlights

MRT Blue Line Extension Project in Thailand

Client

Mass Rapid Transit Authority of Thailand(MRTA)
Ministry of Transport (Mass Transit Authority of Thailand)

Summary of disaster

- Provided consulting service for the extension of MRT Blue Line ((i) Hua Lamphong to Bang Khae; and (ii) Tao Poon to Tha Phra), sponsored by the Thai government
- Section (i) started operation in September 2019 and section (ii) in March 2020
- The Group's first completion project of MRT



Project Highlights

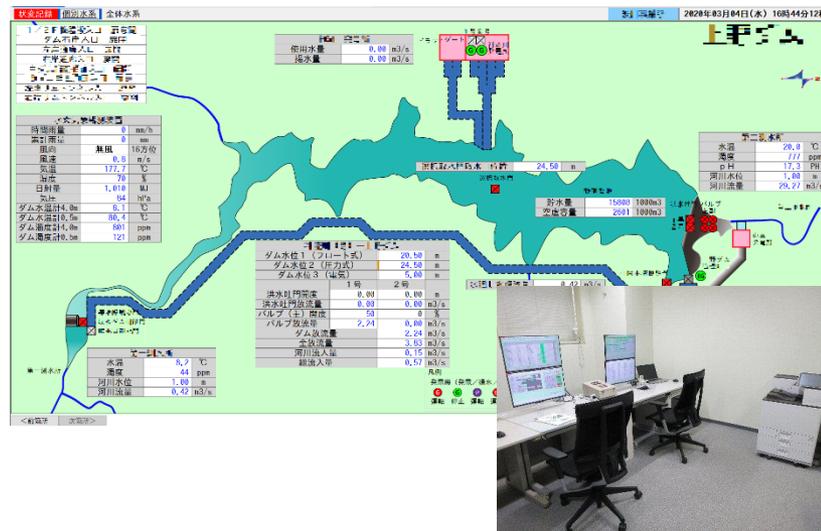
Matarbari Port Development Project, Bangladesh

Client	Chittagong Port Authority
Contract value	1.45 billion yen
Summary of disaster	<ul style="list-style-type: none"> Accepted an order for consulting service for the Matarbari Port Development project in September 2020 Constructed a multi-purpose commercial port (depth of 16 m) that can accept medium and large vessels including containers and general cargo A contribution to raising the country's cargo handling capacity and enhancing its logistics with neighboring countries



Monitoring and controlling system for hydraulic civil engineering (Tochigi and Gunma Prefectures)

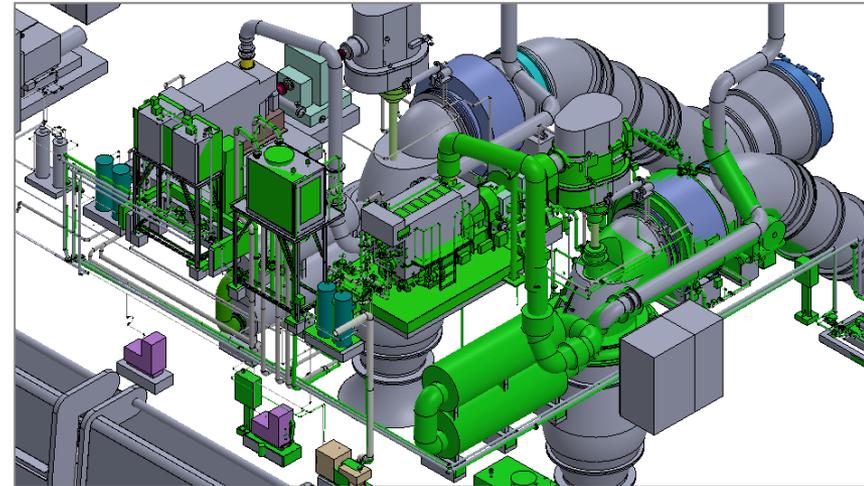
Client	TEPCO Renewable Power, Inc.
Summary of disaster	<ul style="list-style-type: none"> Constructed and delivered a standard system that is directed to unify the operability and the system configuration promoted by TEPCO Renewable Power The system prevents the operators from making incorrect operations and increases safety and operability NK has already delivered standard models nos. 1 to 4 NK showed short delivery time and its maintenance advantage using standard software, and won orders for units nos. 5 and 6 in succession



Project Highlights

Consultation on introducing a method to develop 3D models of machine equipment, etc.

Client	National Institute for Land and Infrastructure Management, Ministry of Land, Infrastructure and Transport
Summary of disaster	<ul style="list-style-type: none">Tasks carried out include:<ul style="list-style-type: none">Development of 3D models of machine equipmentTechnical consultation on a procedure for developing 3D models of machine equipmentTechnical consultation on unifying 3D models of machine equipment and those of BIM/CIM.The 3D model developed by NK was referred to in Chapter 7 (Machine Equipment) of MLIT's CIM introduction Guidelines (draft)



The method is used to visualize the final shape of a 3D model of machine equipment (gray) and point cloud data (green)

Renewal of a water turbine generator and other equipment, Daidogawa Power Plant

Client	Kansai Electric Power Company, Inc.
Contract value	300 million yen
Contract construction period	From July 2022 to November 2024
Summary of disaster	<ul style="list-style-type: none">Will renew aged equipment in the about 100-year-old building of the oldest hydroelectric power plant in Shiga prefecture.NK's proposal for technical upgrades by replacing the existing two main pieces of equipment with a single piece of equipment (turbine output power 1,798 kW) was positively regarded, and NK accepted an order.Will deliver a set of power generation equipment including a water turbine, a generator, and an integrated protection and control system



Project Highlights

CLATTERBRIDGE CANCER CENTRE

Client NHS

Summary of disaster

- A cancer center, the largest and the most well-equipped in the UK, opened in June 2020 in the central area of Liverpool
- BDP was responsible for the outer design, landscape design, and interior design, etc.
- The building's external skin is a reflection of the cutting edge research and care it provides. The building provides external terrace space and panoramic views across Liverpool to patients, staff, and visitors.



The new park in West Gorton

Client City of Manchester

Summary of disaster

- BDP, responsible for landscape design, introduced a design to reduce flooding due to the effects of climate change using a range of biodiverse vegetation to mimic the area's natural environment.
- This is the first UK demonstrator project for the GrowGreen Initiative, a partnership for greener cities. The University of Manchester will examine how effective the park is in reducing flooding, and the data they gather will be used to inform the design of other green spaces across the EU.



FYE June 2021 Forecast

- No changes have been made to the forecast
- Standardization of accounting standards within the Group by adoption of IFRS (results are disclosed at the end of the fiscal year)

(Millions of yen)	FYE 20/6 Results*	FYE21/6 Forecast (Japanese GAAP)	YoY Change Amount	YoY Change %	FYE21/6 Forecast (IFRS)
Orders	141,632	104,900	△ 36,732	74.1%	104,900
Domestic Consulting	56,184	49,800	△ 6,384	88.6%	49,800
International Consulting	47,508	23,900	△ 23,608	50.3%	23,900
Power Engineering	19,829	13,000	△ 6,829	65.6%	13,000
Urban & Spatial Development	17,874	16,000	△ 1,874	89.5%	16,000
Energy	156	2,200	2,043	1401.6%	2,200
Net sales	112,214	102,600	△ 9,614	91.4%	102,600
Domestic Consulting	51,333	41,700	△ 9,633	81.2%	41,700
International Consulting	24,508	22,100	△ 2,408	90.2%	22,100
Power Engineering	15,747	18,000	2,252	114.3%	18,000
Urban & Spatial Development	18,160	18,300	139	100.8%	18,300
Energy	1,187	1,100	△ 87	92.6%	1,100
Real Estate Leasing/Others	1,276	1,400	123	109.7%	1,400
Operating income	4,590	1,500	△ 3,090	32.7%	3,000
Domestic Consulting	5,227	2,100	△ 3,127	40.2%	2,100
International Consulting	684	300	△ 384	43.8%	300
Power Engineering	1,069	1,800	730	168.3%	1,800
Urban & Spatial Development	917	400	△ 517	43.6%	700
Energy	△ 383	△ 700	△ 316	-	300
Real Estate Leasing/Others	△ 2,924	△ 2,400	524	-	△ 2,200
Ordinary Income	4,603	2,100	△ 2,503	45.6%	-
Profit attributable to owners of parent	2,726	500	△ 2,226	18.3%	1,200
Operating margin (%)	4.1	1.5			2.9
ROE (%)	4.6	0.8			1.9

*The Fiscal Year Ended June 30, 2020 reflects the correction as of December 14, 2020.

Delay in announcement of financial results and retroactive adjustment

As a result of reviewing total cost estimates concerning a specific project of vertical water turbines under the control of power engineering, it has been confirmed that a certain amount of loss will be caused. Since review of financial results of the previous year and additional auditing procedures are needed, the announcement of financial results must be postponed.

NK expresses its deepest regret to its shareholders, business partners, and all other parties concerned for the occurrence of the incident and apologizes for any inconvenience and concern it may have caused.

Causal analysis	<p>As a result of a careful investigation in line with the guidance of the external advisory team, it was found that it took time to resolve technical issues during the work process in five projects of vertical water turbines under construction and that a decision to increase the budget was delayed due to inadequate budgetary management by processes.</p> <p>As a result of the investigation, it was confirmed that there was no fact that the company intentionally set a low cost budget to record a false and unreasonable profit or that a budget overrun was concealed in the process of production management.</p>
Prevention measures	<p>NK strives to develop internal controls, enhance the system of the hydroelectric power division, and strengthen the management system by:</p> <ul style="list-style-type: none">(1) Development and improvement of internal controls<ul style="list-style-type: none">(i) Formulating the rules for budget management and cost estimation by subdividing by work process for large-scale vertical water turbine projects(ii) Improving the methods for estimating and confirming the amount of provision for loss on construction contracts of large-scale vertical water turbine projects(iii) Strengthening the checking function of and establishing a reporting system for events that occur during the period from the day following the account settlement up to the date of submission of an annual securities report(2) Expansion of the system of the hydroelectric power division<ul style="list-style-type: none">(i) Increasing staff levels(ii) Taking measures to improve the accuracy of bidding quotations(iii) Improving the order process and promoting collaboration with contractors for cutting outsourcing costs(iv) Implementing measures to strengthen and streamline the production system(3) Strengthening of the project risk management system<ul style="list-style-type: none">(i) Developing and improving the project management system(ii) Holding risk management meetings to promptly identify and share technical issues(iii) Thoroughly improving the budget management method

* For details, please refer to the December 14, 2020, "Notice of submission of Consolidated Financial Results for the Three Months Ended September 30, 2020, and Summary of Financial Results for the Three Months Ended September 30, 2020, and correction made to Consolidated Financial Results for the Fiscal Year Ended June 30, 2020, and other reports, and Summary of Financial Results for the Year Ended June 30, 2020."