

Presentation of Financial Results FYE June 30, 2019

September 2, 2019

Nippon Koei Co., Ltd.
Representative Director and President
Ryuichi Arimoto

I: Accounting Report

(July 2018 -June 2019, FYE19/6)

Results for FYE June 30, 2019

Orders and Net sales hit a record high, and operating income fell.

(Millions of yen)	FYE18/6 Results	FYE19/6 Results	YoY Change		FYE19/6 Plan	vs. Plan	
			Amount	%		Amount	%
Orders	104,350	118,085	13,734	113.2%	125,000	- 6,914	94.5%
Net sales	106,023	108,589	2,565	102.4%	115,000	- 6,410	94.4%
Gross profit	32,359	32,962	602	101.9%	34,400	- 1,437	95.8%
Operating Income	6,561	5,110	- 1,451	77.9%	6,200	- 1,089	82.4%
Ordinary Income	6,721	5,584	- 1,137	83.1%	6,100	- 515	91.5%
Profit attributable to owners of parent	4,555	3,318	- 1,237	72.8%	4,100	- 781	80.9%

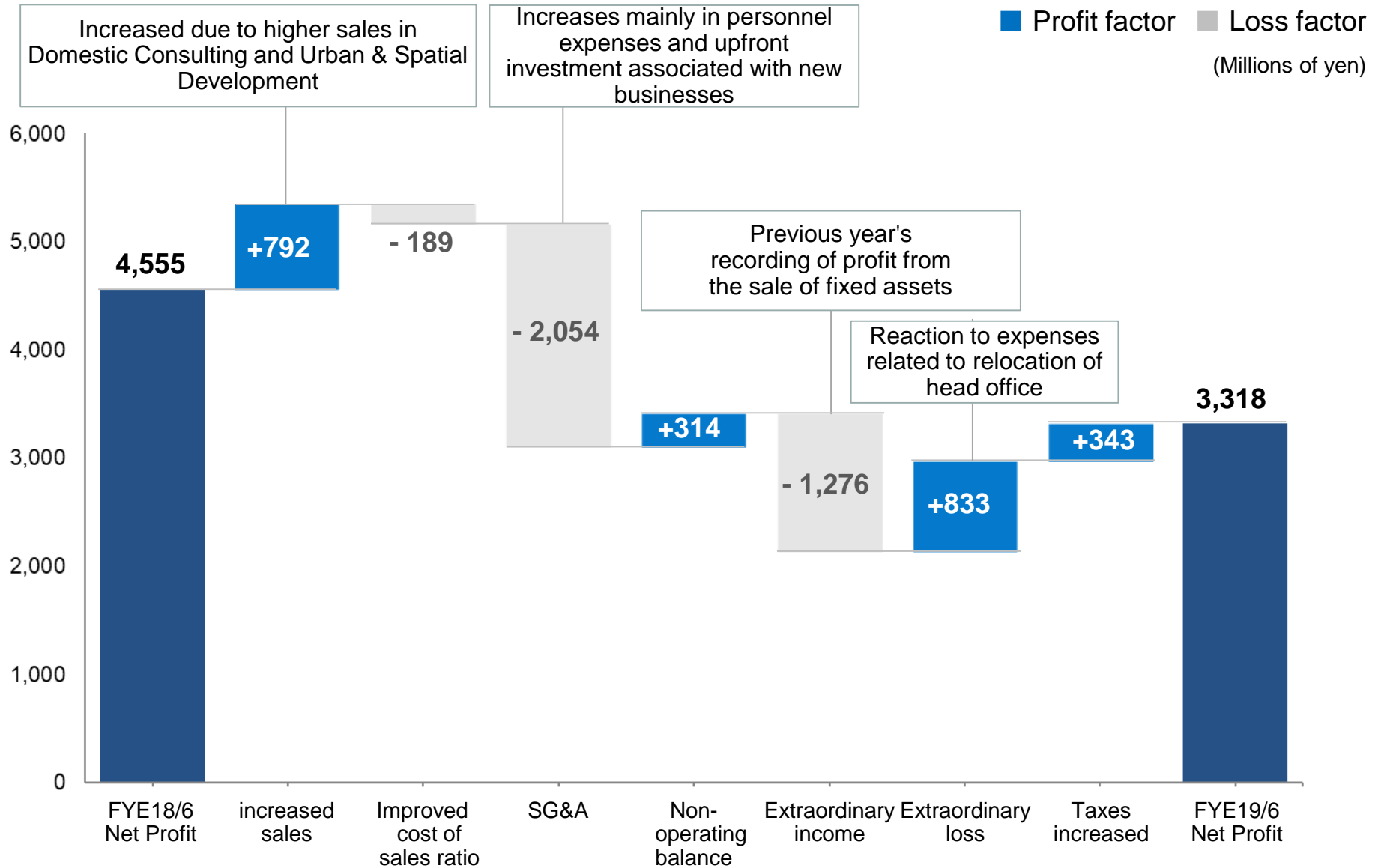
- Orders received and net sales: Although orders received and net sales increased year on year due mainly to strong performance in the Domestic Consulting segment, results fell short of the plan.
- Operating income and ordinary income: Due to lower earnings in International Consulting and upfront expenses related to new businesses, operating income and ordinary income decreased from the previous year and fell short of the plan.
- Net income: Net income declined year on year due mainly to the realignment of offices, in addition to the above factors, and fell short of the plan.

Consolidated Profit and Loss Summary

Selling, general and administrative expenses increased due to personnel expenses and upfront investment in new businesses.

(Millions of yen)	FYE18/6 Results		FYE19/6 Results		YoY Change	
	Amount	Ratio	Amount	Ratio	Amount	%
Orders	104,350	Ratio (vs sales)	118,085	Ratio (vs sales)	13,734	113.2%
Net sales	106,023	100.0%	108,589	100.0%	2,565	102.4%
Cost of sales	73,664	69.5%	75,627	69.6%	1,962	102.7%
Gross Profit	32,359	30.5%	32,962	30.4%	602	101.9%
SG&A	25,797	24.3%	27,851	25.6%	2,053	108.0%
Operating income	6,561	6.2%	5,110	4.7%	- 1,451	77.9%
Non-operating income/expenses	159	0.2%	473	0.9%	314	296.8%
Ordinary income	6,721	6.3%	5,584	0.4%	- 1,137	83.1%
Extraordinary income/loss	443	0.4%	0	-	- 443	-
Profit attributable to owners of parent	4,555	4.3%	3,318	3.1%	- 1,237	72.8%

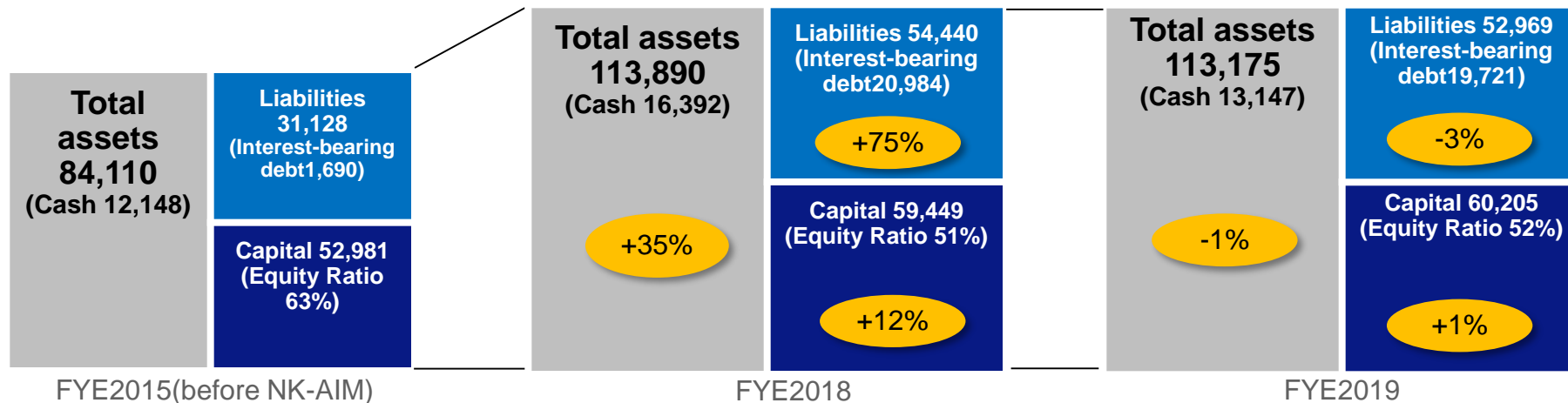
Profit/Loss Analysis



Balance sheet / Cash Flows

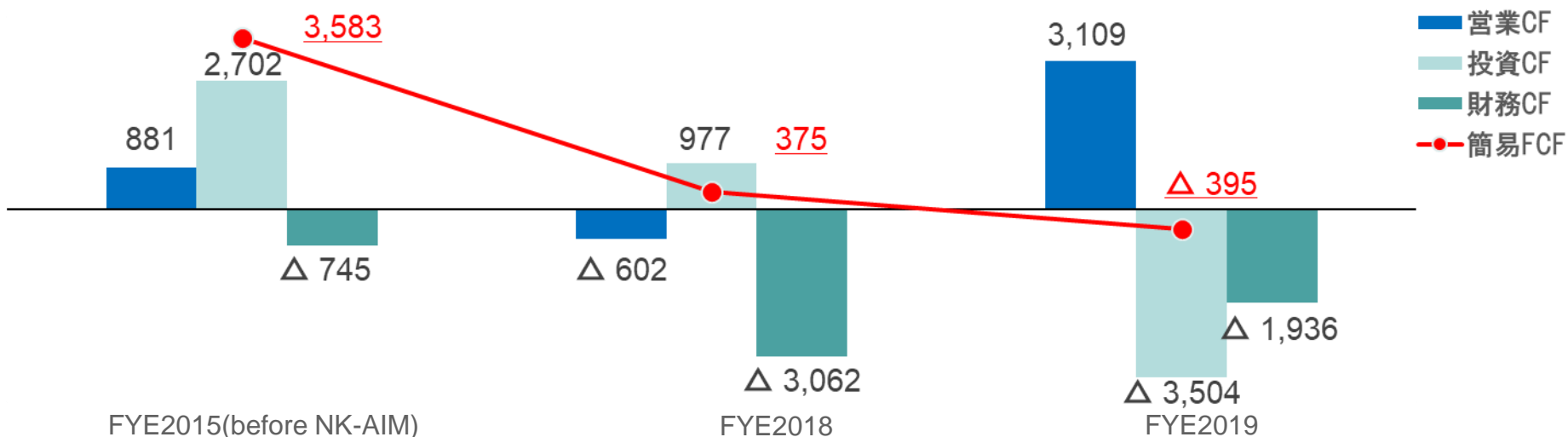
Balance sheet (millions of yen)

Equity ratio was maintained at the target level of 50%



Cash Flows (millions of yen)

Aggressive investment in technology and human resources



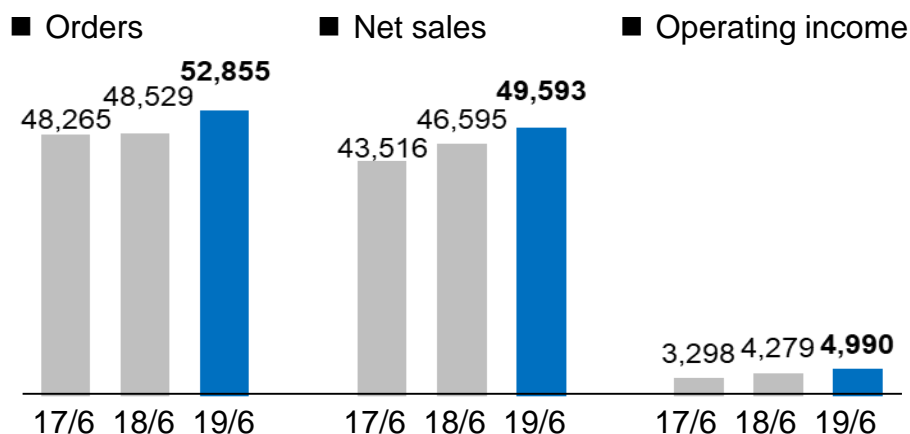
Results by Business Segment (Orders/Net Sales)

(millions of yen)	FYE18/6 Results	FYE19/6 Results	YoY Change		vs. Plan	
			Amount	%	Amount	%
Orders	104,350	118,085	13,734	113.2%	- 6,914	94.5%
Domestic Consulting	48,529	52,855	4,326	108.9%	6,855	114.9%
International Consulting	26,716	28,482	1,765	106.6%	- 15,517	64.7%
Power Engineering	15,943	15,411	- 531	96.7%	1,411	110.1%
Urban & Spatial Development	12,855	20,510	7,655	159.5%	4,510	128.2%
Energy	179	723	544	403.3%	- 3,276	18.1%
Net sales	106,023	108,589	2,565	102.4%	- 6,410	94.4%
Domestic Consulting	46,595	49,593	2,997	106.4%	5,593	112.7%
International Consulting	28,889	24,928	- 3,960	86.3%	- 6,071	80.4%
Power Engineering	15,762	16,531	769	104.9%	- 3,468	82.7%
Urban & Spatial Development	13,040	15,359	2,319	117.8%	- 1,140	93.1%
Energy	354	719	364	202.8%	- 1,780	28.8%
Real Estate Leasing/Others	1,381	1,456	75	105.4%	456	145.6%
Operating income	6,561	5,110	- 1,451	77.9%	- 1,089	82.4%
Domestic Consulting	4,279	4,990	710	116.6%	1,490	142.6%
International Consulting	2,649	841	- 1,807	31.8%	- 1,558	35.1%
Power Engineering	1,873	2,089	215	111.5%	- 510	80.4%
Urban & Spatial Development	173	151	- 21	87.4%	- 448	25.3%
Energy	- 18	- 365	- 346	-	- 265	-
Real Estate Leasing/Others	- 2,396	- 2,597	- 201	-	202	-

Domestic Consulting

- The amount of orders received significantly exceeded both the level of the previous fiscal year and the plan due to disaster countermeasures and marked a record high.
- Net sales were significantly higher than those of the previous fiscal year and the plan, thanks to the active initiatives taken for projects related to disaster prevention and mitigation, and national resilience.
- Operating income was higher than both the level of the previous fiscal year and the plan due to higher net sales and a decrease in unprofitable projects resulting from quality assurance and productivity improvements.

(millions of yen)	FYE18/6 Results		FYE19/6 Results		YoY Change		FYE19/6 Plan	vs. Plan	
	Amount	Ratio (vs. Sales)	Amount	Ratio (vs. Sales)	Amount	%		Amount	%
Orders	48,529		52,855		4,326	108.9%	46,000	6,855	114.9%
Net sales	46,595	100.0%	49,593	100.0%	2,997	106.4%	44,000	5,593	112.7%
Cost of sales	33,743	72.4%	35,618	71.8%	1,874	105.6%	32,206	3,412	110.6%
Gross profit	12,851	27.6%	13,974	28.2%	1,122	108.7%	11,793	2,181	118.5%
SG & A	8,571	18.4%	8,984	18.1%	412	104.8%	8,293	691	108.3%
Operating income	4,279	9.2%	4,990	10.1%	710	116.6%	3,500	1,490	142.6%



Progress of business strategy

- **Further strengthening of the management base**
Decision made to incorporate GeoplanNamtech Inc. into the Group → Page 28
- **Supporting global expansion**
Launch of part of domestic and overseas cooperation measures
- **Business creation**
Business divisions worked together in implementing initiatives for business expansion
- **Promotion of efficient business management**
Promoted performance management and meeting efficiency enhancement

Project Case Study / Domestic Consulting

Yamba Dam related project

Client	Kanto Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism
Contract value	370 million yen (for the year ended June 2019)
Summary of project	At Yamba Dam, a wide range of work was carried out in conjunction with the dam construction, including dam design, geological analysis, study of the stability and monitoring plan of the slope around the reservoir, study of mountain stream disaster-prevention facilities, and study of tourism promotion plan. Initial impoundment is scheduled for October 2019.



Disaster recovery operations following the Hokkaido Eastern Iburi Earthquake

Client	Hokkaido Regional Development Bureau, Hokkaido, Sapporo City, etc.
Contract value	470 million yen (total)
Summary of project	Following the Hokkaido Eastern Iburi Earthquake (magnitude 6.7; maximum seismic intensity 7 (Atsuma Town)) in September 2018, carried out the following: Identification and monitoring of the present state of landslide disasters and river channel blockage, liquefaction damage, damage to embankments and bridges, and traffic disturbance caused by long-term power failure from landslides and other wide-ranging disasters; investigation, examination and design for disaster recovery; and preparation of discussion materials with related organizations.



Source: Website of the Ministry of Land, Infrastructure, Transport and Tourism

Project Case Study / Domestic Consulting

Bridge design using BIM/CIM technology

Client	Nagano National Highway Office, Kanto Regional Development Bureau
Contract value	60 million yen
Summary of project	<ul style="list-style-type: none">• Detailed bridge design work for the National Highway No. 158 Matsumoto-Hata Road (motorway)• In addition to improving design quality by utilizing BIM/CIM technology, improved construction quality by utilizing the technology at the construction stage• Received the Kanto Regional Development Bureau Chief's Award

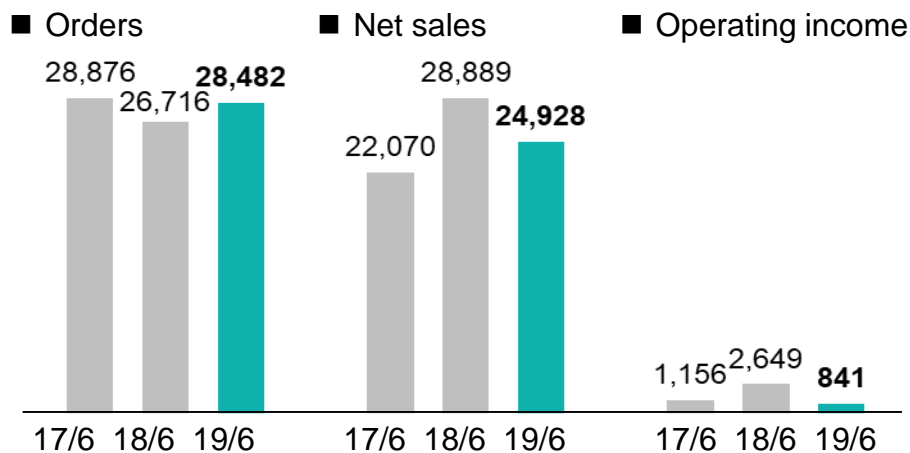
Commissioning of survey on the development of a main water distribution system in the Tama district

Client	Tama Waterworks Reform Promotion Center, Bureau of Waterworks, Tokyo Metropolitan Government
Contract value	20 million yen
Summary of project	<ul style="list-style-type: none">• Formulation of future plans for water distribution areas and facilities in the Tama district• Analyzed a water supply network in the study area and formulated a wastewater pipe renewal and realignment plan that ensured proper water pressure and took into account the efficient replacement of aged pipes and non-earthquake-resistant pipes (Use of GPN's Smallworld)

International Consulting

- The amount of orders received was higher than the level of a year earlier, although it fell short of the plan due to a lag in the timing of receiving large orders.
- Net sales decreased due to a delay in receiving an additional contract for the Vietnam railway project and fell short of the plan.
- Operating income decreased mainly as a result of a lower operating rate caused by a lag in the timing of receiving orders.

(millions of yen)	FYE18/6 Results		FYE19/6 Results		YoY Change		FYE19/6 Plan	vs. Plan	
	Amount	%	Amount	%	Amount	%		Amount	%
Orders	26,716	(Percentage to sales)	28,482	(Percentage to sales)	1,765	106.6%	44,000	- 15,517	64.7%
Net sales	28,889	100.0%	24,928	100.0%	- 3,960	86.3%	31,000	- 6,072	80.4%
Cost of sales	21,191	73.4%	18,600	74.6%	- 2,591	87.8%	22,787	- 4,187	81.6%
Gross profit	7,698	26.6%	6,328	25.4%	- 1,369	82.2%	8,212	- 1,884	77.1%
SG & A	5,049	17.5%	5,487	22.0%	438	108.7%	5,812	- 325	94.4%
Operating income	2,649	9.2%	841	3.4%	- 1,807	31.8%	2,400	- 1,559	35.1%



Progress of business strategy

- **Strengthening the production system**
Achieved targets in terms of both the number of registered regional engineers and the assignment to NK projects
- **Initiatives for Non-ODA projects**
Achieved the target in terms of the total amount of orders received for the segment
- **Thorough risk management**
Continued activities by task forces such as the Large-Scale Project Support Unit

Project Case Study / International Consulting

Kampala Flyover Construction in Uganda

Location	Kampala, the capital of Uganda
Contract period	September 2018 to June 2024
Contract value	924 million yen
Structure	JV among three firms: Nippon Koei (manager), Eight-Japan Engineering Consultants Inc., and ICS-Engineering & Environment (local company in Uganda)

- Summary of project
- A project aimed at helping to improve logistics and achieve economic revitalization in the Greater Kampala Metropolitan Area by improving traffic in the city and promoting urban traffic
 - Starting with the Kampala urban traffic survey in the 1990s, Nippon Koei has continuously contributed to improving traffic in the Kampala urban area by improving city highways and intersections free of charge
 - Since 2010, master planning and feasibility studies were carried out, and after a partial detailed design (funded by the counterparty government), this project was commercialized with ODA loans



Project Case Study / International Consulting

Construction of New Taketa Bridge in Myanmar

Location	Yangon City, Myanmar
Contract period	July 2014 to September 2018
Contract value	326 million yen
Structure	JV between two firms: Nippon Koei (manager) and ORIENTAL CONSULTANTS Co., Ltd.

Summary of project

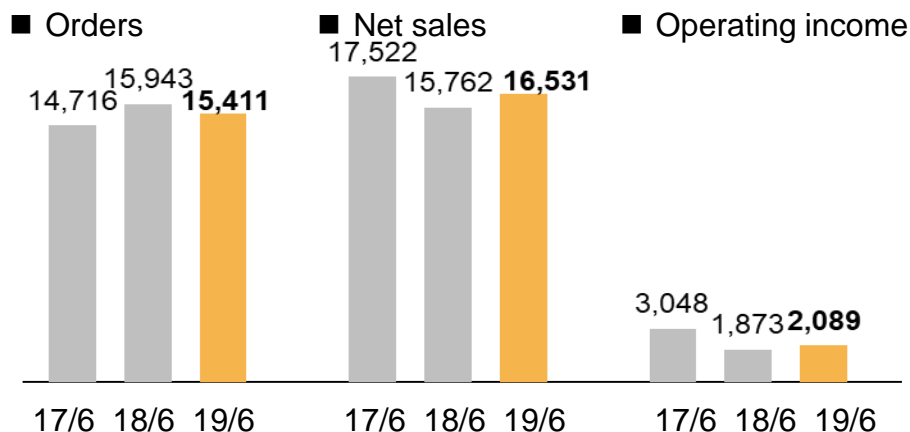
- Taketa Bridge, located on an important route connecting the city of Yangon with Thilawa Port and Thilawa Industrial Park, was newly built to eliminate bottlenecks in logistics
- Bridge length: 253 m (total length of the construction site including the access road was 620 m)
- Road width: 20 m (four lanes)
- Myanmar's first extradosed bridge with a less oppressive feel was introduced in consideration of economic efficiency and vehicle mobility
- Highly evaluated by Myanmar and JICA, namely for the fixed-point observation using drones adopted during construction and the transfer of technology to relevant parties in Myanmar through OJT and other means



Power Engineering

- The amount of orders received was slightly down from the previous fiscal year but exceeded the plan, thanks to large orders acquired in the fourth quarter.
- Net sales increased year on year due to the progress in existing operations from the previous fiscal year, but fell short of the plan.
- Operating income increased year on year due to higher sales and thorough cost reductions.

(millions of yen)	FYE18/6 Results		FYE19/6 Results		YoY Change		FYE19/6 Plan	vs. Plan	
	Amount	(Percentage to sales)	Amount	(Percentage to sales)	Amount	%		Amount	%
Orders	15,943	(Percentage to sales)	15,411	(Percentage to sales)	- 531	96.7%	14,000	1,411	110.1%
Net sales	15,762	100.0%	16,531	100.0%	769	104.9%	20,000	- 3,469	82.7%
Cost of sales	10,835	68.7%	11,374	68.8%	539	105.0%	13,961	- 2,587	81.5%
Gross profit	4,927	31.3%	5,157	31.2%	230	104.7%	6,038	- 881	85.4%
SG & A	3,053	19.4%	3,067	18.6%	14	100.5%	3,438	- 371	89.2%
Operating income	1,873	11.9%	2,089	12.6%	215	111.5%	2,600	- 511	80.4%



Progress of business strategy

- **Expansion of consulting business for mechanical and electrical services**
Received orders for two private mega solar plants
- **Strengthening group cooperation (overseas expansion)**
Promoted alliances and tie-ups with overseas manufacturers
- **Improving price competitiveness and marketing capabilities through cost reduction**
Introduction of *Kaizen* Methodology
- **Promotion of product and technology development**
Decision was made at TEPCO Power Grid to adopt a new transmission system with an improved substation gateway

Project Case Study / Power Engineering

Examination of a plan for maintenance and management of road machinery and equipment within Nagoya National Highway service area

Client	Nagoya National Highway Office, Chubu Regional Development Bureau
Summary of project	<ul style="list-style-type: none"> Nagoya National Highway Office manages a great deal—approximately 1,600 units—of road machinery and equipment. It had been pointed out that there was a lack of adequate preventive measures against the aging of machinery and equipment. Noticing that most of the road machinery and equipment was “in operation on a daily basis,” a reliability analysis was carried out, we worked to optimize maintenance methods, and we drafted a new maintenance management methodology. Prepared a draft manual for the inspection, maintenance, and renewal of Nagoya National Highway Office's road-related machinery and equipment and delivered a database system.

Area managed by Nagoya National Highway Office (management extended 436.8 km)



Source: Nagoya National Highway Office

Higashi-Kawasaki Substation 275 kV facility remote control project

Client	TEPCO Power Grid, Inc.
Summary of project	<ul style="list-style-type: none"> Higashi-Kawasaki Substation is an important substation that links a thermal power plant with a 275 kV high-voltage system to stably supply the electricity generated In conjunction with the introduction of remote control for 275 kV equipment, installed a new type of transmission equipment employing an IP transmission system Delivered in March 2019

Delivered equipment



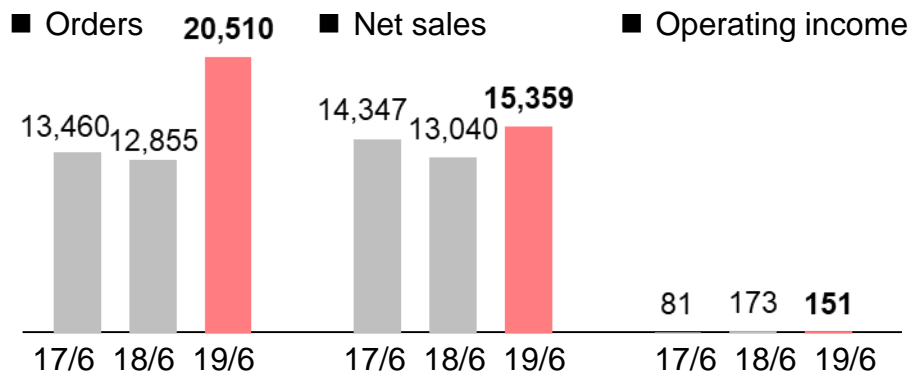
Urban & Spatial Development

- The amount of orders received increased year on year and achieved the plan, contributed to by the start of full-scale orders related to Westminster and an additional contract for a large-scale project.
- Net sales increased as Quadrangle joined the NK Group, in addition to strong orders received.
- Operating income decreased due to upfront selling, general and administrative expenses, including personnel expenses relating to Westminster, in addition to costs related to the acquisition of Quadrangle.

* The actual exchange rate applied to the results for the fiscal year ended June 30, 2019 was 1 GBP = 143.46JPY (the assumption used in the full-year forecast was 1 GBP = 149.17JPY)

** Amortization for the Urban & Spatial Development business in the fiscal year ended June 30, 2019 was approx. 1 billion JPY (goodwill of approx. 400 million JPY, and other intangible fixed assets of approx. 500 million JPY).

(Million yen)	FYE18/6 Results		FYE19/6 Results		YoY Change		FYE19/6 Plan	vs. Plan	
	Amount	%	Amount	%	Amount	%		Amount	%
Orders	12,855	(Percentage to sales)	20,510	(Percentage to sales)	7,655	159.5%	16,000	4,510	128.2%
Net sales	13,040	100.0%	15,359	100.0%	2,319	117.8%	16,500	- 1,141	93.1%
Cost of sales	6,957	53.4%	8,584	55.9%	1,627	123.4%	8,740	- 156	98.2%
Gross profit	6,082	46.6%	6,775	44.1%	692	111.4%	7,759	- 984	87.3%
SG & A	5,909	45.3%	6,623	43.1%	714	112.1%	7,159	- 536	92.5%
Operating income	173	1.3%	151	1.0%	- 21	87.4%	600	- 449	25.3%



Progress of business strategy

- **Maintaining and expanding operations in the UK**
Orders received, net sales and operating income were all higher than the results of the past two years
- **Expansion of overseas (outside the UK) business**
Incorporated the Canadian company Quadrangle into the Group
NK Group x BDP won five Asian deals; in the process of promoting multiple deals
- **Acquisition of BIM design technology**
Held BIM training and Tokyo Seminar for BDP employees

Project Case Study / Urban & Spatial Development

Boxpark Wembley, England, UK

Client	Boxpark
Summary of project	<ul style="list-style-type: none">• Project completed in FYE June 2019• An event facility with the concept of enjoying pop-ups in addition to eating and drinking• BDP was in charge of interior design and landscape design in addition to architectural design, facility design and structural analysis



Aberdeen Concert Hall, Scotland, UK

Client	Aberdeen Performing Arts
Summary of project	<ul style="list-style-type: none">• Project completed in FYE June 2019• A project to renovate a concert hall with a 190-year history• On top of the main hall, added new facilities such as a studio, a learning space, and a modern cafe bar• BDP was engaged in architectural design, facility design, and structural analysis, as well as lighting and acoustics



Project Case Study / Urban & Spatial Development

Business school of the University of Manchester in the UK

Client	Manchester Business School
Summary of project	<ul style="list-style-type: none">• Project completed in FYE June 2019• Two buildings built in the 1970s were merged to create a new school building• Attractive multicolored vertical fins control solar heat on glass surfaces• BDP was responsible for architectural design, landscape design and acoustics



Qasr Al-Hosn, UAE

Client	Abu Dhabi Tourism and Culture Authority
Summary of project	<ul style="list-style-type: none">• Project completed in FYE June 2019• Qasr al-Hosn, the oldest building in Abu Dhabi, was renovated over a period of 10 years and has been turned into a museum as a cultural center• BDP was in charge of architectural design in recognition of its technology for restoring historic buildings



Energy

- The amount of orders fell short of the plan due to the time lag in receiving orders for the European EPC business, although progress was made in renewable energy (solar power) monitoring services and others.
- Net sales fell short of the plan due to the aforementioned time lag in receiving orders, although revenues from monitoring services and the domestic power generation business were recorded.
- There was an operating loss due to anticipatory costs for the International Energy Management business.

(Million yen)	FYE19/6 Results		FYE19/6 Plan	vs. Plan	
				Amount	%
Orders	723	(Percentage to sales)	4,000	- 3,276	18.1%
Net sales	719	100.0%	2,500	- 1,781	28.8%
Cost of sales	845	117.5%	2,092	- 1,247	40.4%
Gross profit	- 126	-	407	- 533	-
SG & A	238	33.2%	507	- 269	47.1%
Operating income	- 365	-	- 100	- 265	-

Two orders received for the power storage system EPC (total of 19 MW) in the UK

Client	NEC Energy Solutions
Contract value	Approximately 420 million yen
Summary of project	<p>Two EPC projects in the UK power storage system business funded by the Gore Street Energy Storage Fund.</p> <p>NEC Energy Solutions, which leads the EPC, supplied a large-scale energy storage system. Nippon Koei undertook designing and engineering of the entire peripheral electrical equipment of the energy storage system, procured equipment, conducted electrical and civil engineering work, and managed on-site construction work.</p>



Progress of business strategy

- **Domestic power generation business**
Progress in the construction of a hydroelectric power plant went as planned
- **Overseas power generation business**
Iligan Thermal Power Station to start full-scale operation in December 2019
- **Overseas energy management business**
Established the European base NKEE
Decided on a joint venture with a European company

II: FYE 20/6 Forecast

Key Points of the FYE June 2020 Forecast

Points of forecast

- Year-on-year increase in sales and profits
 - Orders received: Aiming to conclude contracts for international consulting projects with a gap in term in the current term
 - Operating income: Recovery in the International Consulting business
 - Standardization of accounting standards within the Group by adoption of IFRS (results are disclosed at the end of the fiscal year)
The primary impact of adopting IFRS is an increase in operating income for the goodwill portion by 900 million yen

Key points of the revision in plan

- Upward adjustments in orders and sales due to continuous strong performance in the Domestic Consulting business and recovery of contract delays in some large-scale projects in the International Consulting business
- Increase in general and administrative expenses as business expands, including the addition of new consolidated subsidiaries

(Million yen)

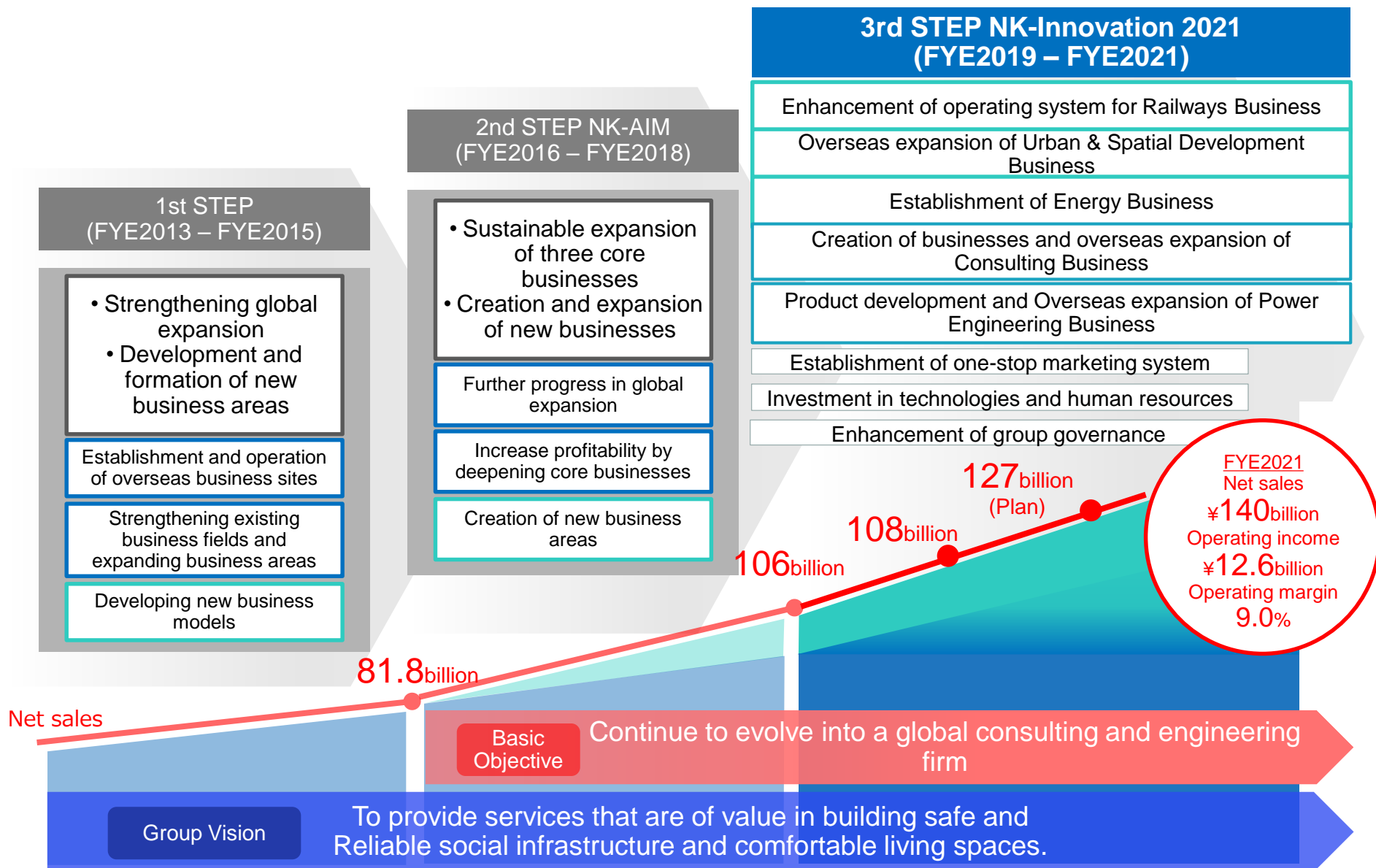
Japanese GAAP	FYE19/6 Results	FYE20/6 Forecast	YoY	IFRS	FYE20/6 Forecast	FYE20/6 Forecast	Correction rate
					Initial	After adjustment	
Orders	118,085	137,400 ★Record high	+16.4%	Orders	125,000	137,400	+9.9%
Net sales	108,589	127,700 ★Record high	+17.6%	Sales revenue	125,000	127,700	+2.2%
Operating Income	5,110	5,800	+13.5%	Operating Income	7,900	6,700	-15.2%
Ordinary Income	5,584	6,200	+11.0%	Income before income taxes	-	7,000	-
Profit attributable to owners of parent	3,318	3,600	+8.5%	Profit attributable to owners of parent	5,200	4,500	-13.5%

FYE June 2020 Forecast

(millions of yen)	FYE 19/6 Results	FYE20/6 Forecast (Japanese GAAP)	YoY Change Amount	YoY Change %	FYE20/6 Forecast (IFRS)
Orders	118,085	137,400	19,314	116.4%	137,400
Domestic Consulting	52,855	52,400	-455	99.1%	52,400
International Consulting	28,482	48,100	19,617	168.9%	48,100
Power Engineering	15,411	16,000	588	103.8%	16,000
Urban & Spatial Development	20,510	18,600	-1,910	90.7%	18,600
Energy	723	2,100	1,376	290.1%	2,100
Net sales	108,589	127,700	19,110	117.6%	127,700
Domestic Consulting	49,593	51,300	1,706	103.4%	51,300
International Consulting	24,928	34,500	9,571	138.4%	34,500
Power Engineering	16,531	19,600	3,068	118.6%	19,600
Urban & Spatial Development	15,359	18,800	3,440	122.4%	18,800
Energy	719	2,200	1,480	305.8%	2,200
Real Estate Leasing/Others	1,456	1,300	-156	89.3%	1,300
Operating income	5,110	5,800	689	113.5%	6,700
Domestic Consulting	4,990	4,200	-790	84.2%	4,300
International Consulting	841	2,900	2,058	344.6%	2,900
Power Engineering	2,089	2,200	110	105.3%	2,300
Urban & Spatial Development	151	600	448	395.0%	1,500
Energy	-365	-800	-434	-	-900
Real Estate Leasing/Others	-2,597	-3,300	-702	-	-3,400
Ordinary Income	5,584	6,200	615	111.0%	-
Profit attributable to owners of parent	3,318	3,600	281	108.5%	4,500
Operating margin (%)	4.7	4.5			5.2
ROE (%)	5.7	6.1			7.5






III: Progress of the Medium-Term Management Plan and Initiatives for the Year Ending June 2020

Long-Term Management Strategy and Current Medium-Term Management Plan NK-Innovation 2021






Medium-Term Management Plan NK-Innovation 2021 — First Year Progress

Strengthen the structure by increasing the number of Group companies and establishing new organizations, and start new initiatives one after another

Business strategy	Key initiatives	Initiatives in FYE2019
Enhancement of operating system for Railways Business	<ul style="list-style-type: none"> Develop and strengthen the production system in alliance, etc., with local companies Improve project management ability by further evolution of IT tools Strengthen technological abilities of regional engineers with teaching materials from the head office and the implementation of OJT 	<ul style="list-style-type: none"> Order received for Dhaka Urban Transport Development Project Establishment of a local subsidiary in Bangladesh, establishment of Dhaka Metro Development Office and Logistics Planning Promotion Office 
Overseas expansion of Urban & Spatial Development Business	<ul style="list-style-type: none"> Develop a cooperative structure between the NK Group and BDP local subsidiaries (Singapore, India and China) to win urban development projects in Asia and specific projects Strengthen the superiority and uniqueness in smart city development by accumulating track records of projects combining civil engineering and architecture Construct cooperative structures with each segment and R&D Center led by domestic divisions for the acceleration of global expansion utilizing domestic know-ho 	<ul style="list-style-type: none"> Incorporation of Canadian QUADRANGLE ARCHITECTS LIMITED into the Group Order received for the Indian Smart City Project 
Establishment of Energy Business	<ul style="list-style-type: none"> Engage in investment and business in Europe where liberalization of electric power is under way to accumulate the know-how for energy management in anticipation of electric power system reform Develop and operate distributed power sources in Japan and Asian region Efforts in the hydroelectric power concession business 	<ul style="list-style-type: none"> Establishment of a European base Participation in the UK storage battery EPC Project Decision to establish a joint venture with a European company 
Creation of businesses and overseas expansion of Consulting Business	<ul style="list-style-type: none"> Reinforcement of domestic management base and support for the promotion of global strategies Promotion of priority business areas(Disaster-prevention/mitigation. Modal connect, local/urban revitalization, information/energy areas) Creation of new businesses centered on management techniques to improve the value of infrastructure 	<ul style="list-style-type: none"> Incorporating GeoplanNamtech Inc. into the Group 
Product development and Overseas expansion of Power Engineering Business	<ul style="list-style-type: none"> Development of international standard specification products (mainly equipment for substations) Building a supply chain by securing overseas production bases for hydroelectric products Reinforcement of price competitiveness and improvement of productivity in existing business areas 	<ul style="list-style-type: none"> Delivery of enhanced substation gateway equipment 

Medium-Term Management Plan NK-Innovation 2021 — First Year Progress

Promote group governance through the introduction of IFRS and the establishment of business management guidelines

Common Group-wide measures	Key initiatives	Initiatives in FYE2019	
Establishment of one-stop marketing system	<p>Improve the customer satisfaction level by providing solutions that leverage products and services from all segments</p> <p>Create businesses in target business areas (smart society) through long-term collaboration and integration with other segments</p>	<ul style="list-style-type: none"> • Roundtable meetings (Singapore, London, Manila) • Considering entry into the airport business and hydroelectric power related business • Support for overseas expansion 	
Investment in technologies and human resources	<p>Promote technology strategies</p> <p>Pursue strategic technological development to expand existing businesses</p> <p>New business initiatives</p> <p>Personnel system reform</p> <p>Strengthen recruitment activities</p> <p>Promote work style reform</p>	<ul style="list-style-type: none"> • Review and promote technology strategy themes • Establishment of Research and Development Planning Office and Center for Advanced Research and Development • Increasing the number of employees • Promotion of the WLB campaign 	
Enhancement of group governance	<p>Establish a group governance system</p> <p>Promote global accounting platforms GAGE and IFRS, and continue to support BEPS to reinforce tax compliance</p>	<ul style="list-style-type: none"> • Establishment and implementation of business management guidelines • Promotion of GAGE, IFRS, and BEPS 	

NK-Innovation 2021 — Priority Issues for FYE June 2020

Enhancement of operating system for Railways Business

- Establish local production systems through promoting alliances

Overseas expansion of Urban & Spatial Development Business

- Expand operations in the Canadian and Asian markets
- Develop the Japanese market

Establishment of Energy Business

- Pursue business development and accumulate operating results and know-how in Europe
- Acquire the hydropower concession business in Japan

Creation of businesses and overseas expansion of Consulting Business

- Promote alliances and accelerate business creation
- Acquire orders in new technology fields by taking advantage of the superiority of domestic technologies

Product development and Overseas expansion of Power Engineering Business

- Create new products and services
- Build domestic and overseas supply chains

Establishment of one-stop marketing system

- Promote cross-segment projects such as smart cities

in technologies and human resources

- Maintain and improve superior technologies such as disaster prevention/mitigation and maintenance management using AI
- Expand hiring, strengthen education, and promote early demonstration of capabilities

Enhancement of group governance

- Introduce IFRS and establish a global accounting platform

Domestic Consulting

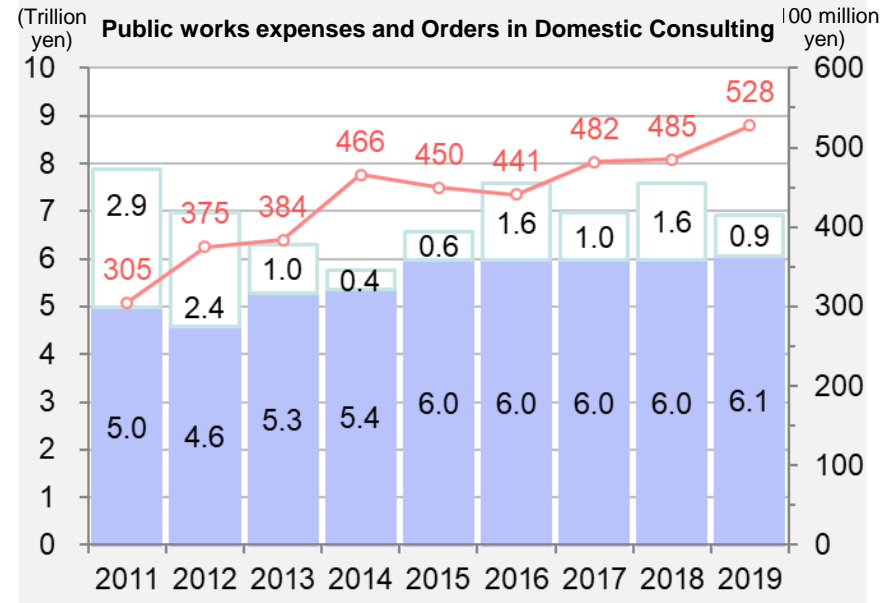
Creation of businesses and overseas expansion of Consulting Business

Market environment

- Public investment level is flat
- Focus on national resilience, extending infrastructure life, and compact city
- Contract value of 50 major construction consulting companies remained high at 563.8 billion yen in FY2018

Initiatives for business expansion

- Further strengthening of the management base**
Develop human resources, expand production system, improve quality, and secure WLB
- Promoting global strategy (collaboration with other business divisions)**
Promote establishment of a collaboration system
- Business creation**
Expand business based on business creation-oriented organization
- Promotion of efficient business management**
Streamline business operations, promote measures to improve productivity, and continuously reduce costs



■ Initial Budget □ Revised budget ● Orders in Domestic Consulting
(Source) "Points of the FY2019 Public Works Budget of the Ministry of Land, Infrastructure, Transport and Tourism" December 2018 (Ministry of Finance)

Areas Focused On

Disaster prevention/mitigation	Dam restoration, volcanic disaster prevention, and large-scale earthquake countermeasures
Modal connection	Large-scale renovation and repair of infrastructure, maximization of traffic stock, etc.
Regional revitalization	Urban development project for regional revitalization (compact city, etc.)
Management	Compact & network, concession, PM/CM
Information and energy	Productivity improvement by using ICT/AI; renewable energy

Regions Focused On

Further strengthen cooperation in western Japan (Osaka, Shikoku and Hiroshima)

Customers Focused On

Reinforce response to local governments and the private sector while continuing to attain orders related to the state government

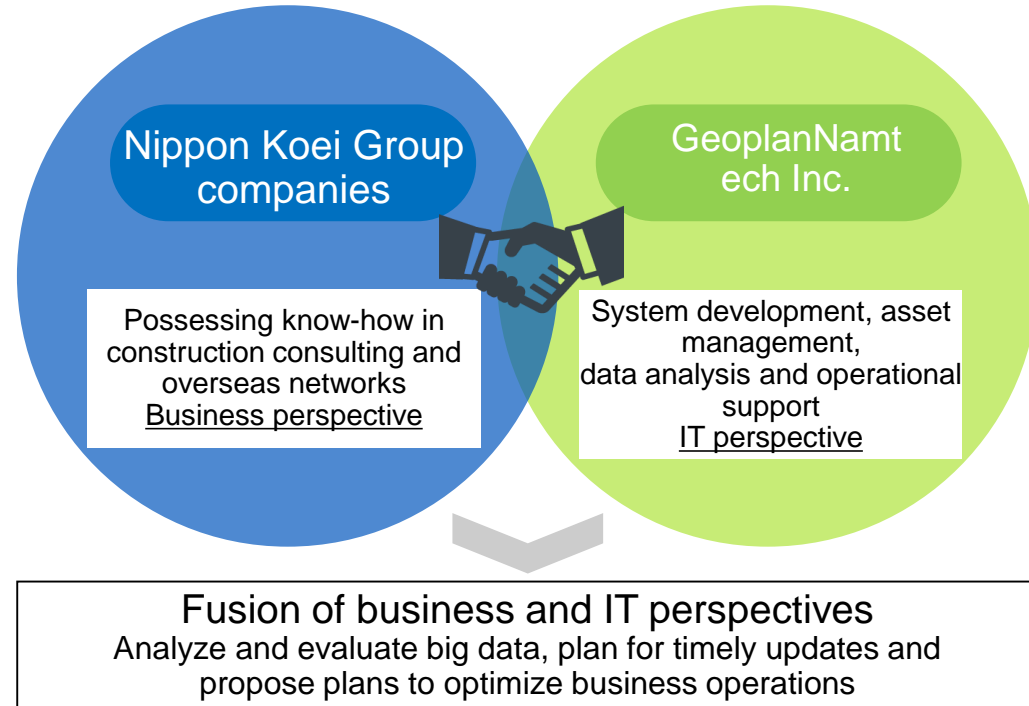
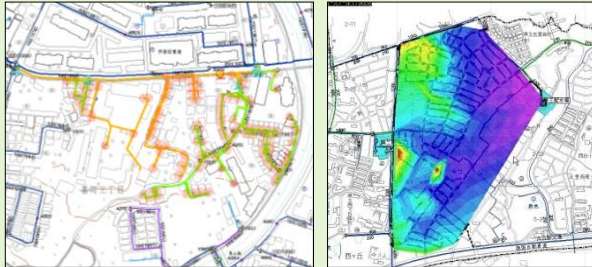
Be the cornerstone of the global development of NK and become an overwhelming leader in Japan in the long term

Priority investment area: Creation of businesses and overseas expansion of Consulting Business

Incorporation of GeoplanNamtech Inc. into the Group effective FYE June 2020

GeoplanNamtech Inc.

- An IT consulting company whose main business is sales and support of IT information systems for the network infrastructure field
- Engages in the network asset management business which involves consulting, customization, maintenance, and operation support for the introduction of network asset management software for electricity, gas, water, and telecommunications business operators in Japan and overseas



■ Conceptual Image of Business Development

Existing fields of the Nippon Koei Group

Use of data to deepen consulting services

Investigation and planning

- Proposal for systematization
- Building a business model
- Starting the data business

Design and construction supervision

- Interviewing needs
- Requirements definition/system design
- Data entry/delivery

Operation and maintenance

- System operation management and maintenance
- Continuous data update operation
- Analysis and evaluation of business efficiency improvement

Expansion and updating

- Deployment to various infrastructure facilities
- Expansion of support for disaster countermeasures
- Support for smart cities

New business model

To be an administrator with data

Market environment

- ODA, PPP, and private sector expansion due to growing infrastructure demand
- Japan's high-quality infrastructure export strategy continues
- Transportation is the main field of ODA loans and India and Bangladesh are the priority areas

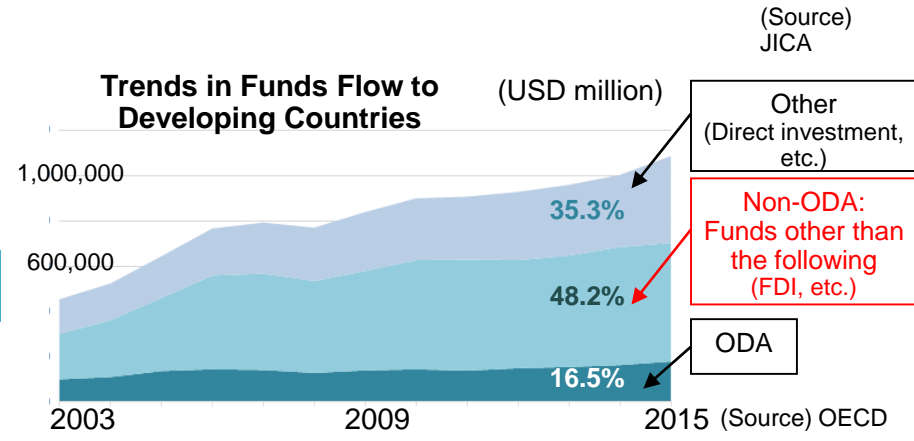
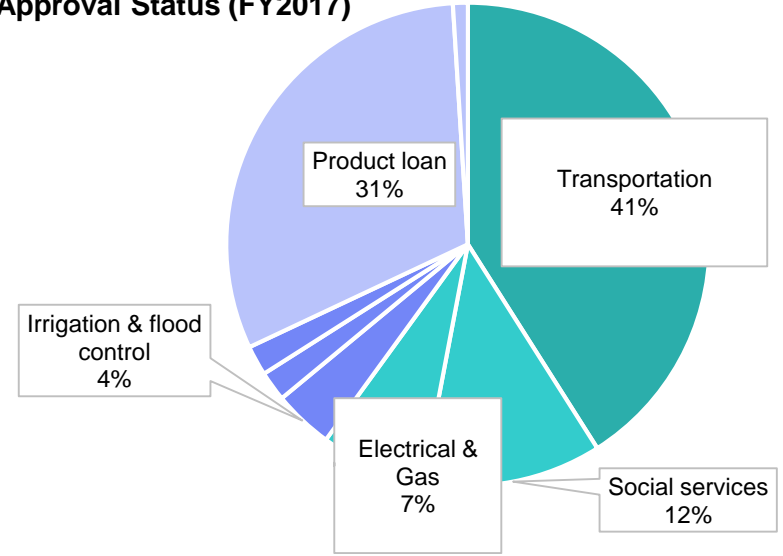
Initiatives for business expansion

- **Strengthening the production system**
Secure staff members, train and utilize regional engineers, and promote alliances
- **Project volume in non-ODA areas expanding**
Collaborate with other industries and strengthen production systems at Group companies
- **Reinforcement of risk management**
Conduct regular technical and safety patrols and proactive risk management
- **Stable revenue management**
Ensure thorough profit management and reinforce group governance
- **Ensuring safety**
Establish a safety network with Group companies

Ratio of non-ODA orders in International Consulting



ODA Loans by Sector Approval Status (FY2017)



Expand to become Japan's leading engineering consulting group that can compete globally

Market environment

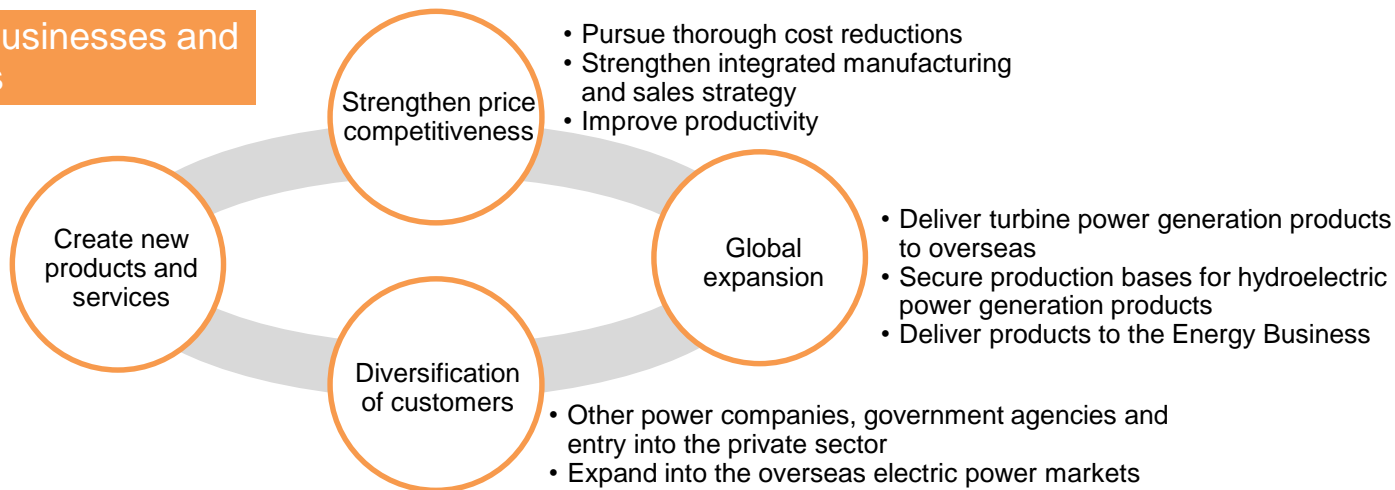
- The domestic electric power market continues to cut costs in order to achieve world-class consignment costs
- Feed-in-tariffs (FIT)-related laws to be revised as early as in 2020
- Expanding business opportunities through power system reforms and digitization

Initiatives for business expansion

- **Expansion of the electric power engineering business**
Share sales information within the Group and collaborate with the Energy Business
- **Expansion of the mechanical and electrical consulting business**
Expand into new areas in addition to securing sales and profits in existing areas
- **Strengthening group cooperation**
Develop hydroelectric power generation, and maintenance and management business, and pursue overseas deployment
- **Strengthening price competitiveness and marketing capabilities through thorough cost reductions**
Secure sales profit by reducing construction and product costs, and improve productivity
- **Promotion of product and technology development**
Develop products with global standard specifications and deploy them in Japan and overseas

Action plans for existing businesses and new areas

- Pursue R&D to upgrade and enlarge existing products
- Pursue R&D related to new products and services (switchboard, etc. with international standard transmission standards)

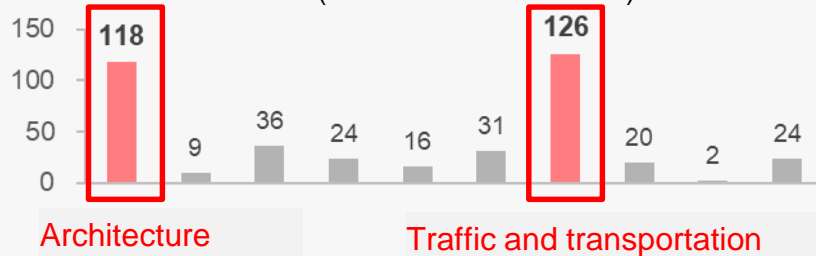


Expand new business opportunities and supplier/business networks

Market environment

- Increased demand for construction and transport infrastructure due to urbanization
- Expansion of smart city development such as public transport-oriented development (TOD: Transit Oriented Development)
- Need to bear in mind the impact of increased uncertainty over Brexit

Sales by Field of Top 164 Survey and Design Companies in FY2018 (100 million U.S. dollars)



(Source) ENR Magazine

Initiatives for business expansion

- **Reinforcement of profit base outside U.K.**
Respond to the UK domestic market and minimize impact
Collaborate with the Canadian architectural design company Quadrangle
- **Strengthening the business execution system**
Share market strategies with Domestic Consulting and International Consulting, and establish a system for cooperation
Collaborate within the group
- **Building new business models**
Create a market by packaging the civil engineering field and architecture redevelopment (Japan)
Exploit markets (overseas) through cooperation between the NK Group and the BDP Group
- **Megatrends (rapid increase in urban population) and Asian market strategy**
Respond to urban development backed by vigorous private investment
Plan and participate in redevelopment projects centered on urban transport networks in the Asian region

Growth strategy for the Urban & Spatial Development business

Phase1

Promote collaboration between the Nippon Koei Group and BDP in existing Asian markets

Markets: UK, Canada, Asia

Phase2

Reorganize to strengthen core functions

Markets: UK, Canada, Asia, Japan

Phase3

Establish drivers to realize growth strategies

Phase4

Manage projects and participate as an operating entity

Construct a service package that integrates civil engineering and construction, and deploy the package globally, including in Japan

Market environment

- Expanding demand for renewable energy in conjunction with the drive for low-carbon and dispersion of power source in the global energy market
- As a result of the above, new markets such as ancillary, peak arbitrage, and capacity markets are expanding
- The Ministry of the Environment earmarks the introduction of demand-side control equipment as a new project in the fiscal 2020 budget

Domestic power generation

Development and operation of hydroelectric power generation in Japan



- Seven hydroelectric power plants in Japan in operation and two plants under construction (Fukushima and Yamagata Prefectures)

Overseas power generation

Development and operation of power generation overseas



- Small hydroelectric power development in the Chikaengan River basin, Indonesia
- Biomass thermal power generation project under way in Mindanao, the Philippines

Initiatives for business expansion

Power generation business

- Increase operational and maintenance efficiency
- Enhance and commercialize domestic and overseas pipelines

Domestic energy management

Renewable energy monitoring and energy conservation consulting services



- Conducted VPP demonstration project (assisted by METI)

Overseas energy management

Ancillary services and other businesses and investments



- Developing projects with European companies

Energy Management Business

- Establish structure at NKEE, the European base
- Promptly stabilize the European business with NKEE at the core
- Build a foundation for energy management business in Japan
- Deploy business in Asia

Establish multi-service support and profit structure for various businesses related to energy management

Group-Wide Measures: Investment in Technology and Human Resources

Investment in technology and human resources

Technology

R&D budget for the next two years: approximately 2.4 billion yen

Continue investments in 14 technology strategy themes



Investigation, research and technological development of advanced technologies

- Develop advanced technologies such as adopting AI for disaster prevention and mitigation, apply them to existing business fields, and pursue new business initiatives
- Implement open innovation

Advanced development to maintain and improve superior technologies

- Return R&D and research results to business fields
- Disseminate and penetrate technologies developed

Human Resources

Increase the number of Group employees by approximately 2,000 from FYE June 2019 to FYE June 2020

Hiring and training of regional engineers overseas

- Target registration of 120 persons in FYE June 2020

Personnel system reform

- Reconstruct various systems for qualifications, roles, evaluations, and compensation to improve professional performance and motivation

Career vision

- Plan and implement training programs in accordance with the human resource development vision and carry out various related measures

Promoting work-life balance

- Improve productivity and promote diverse and flexible working styles (promote various campaign activities and Smooth Biz)

Key Points of the Medium-Term Management Plan Projections

FYE2020 Plan

Orders
¥137.4billion

Net sales
¥127.7billion

Operating
income
¥6.7billion

FYE 2021 (Final year of the Medium-Term Management Plan) Plan

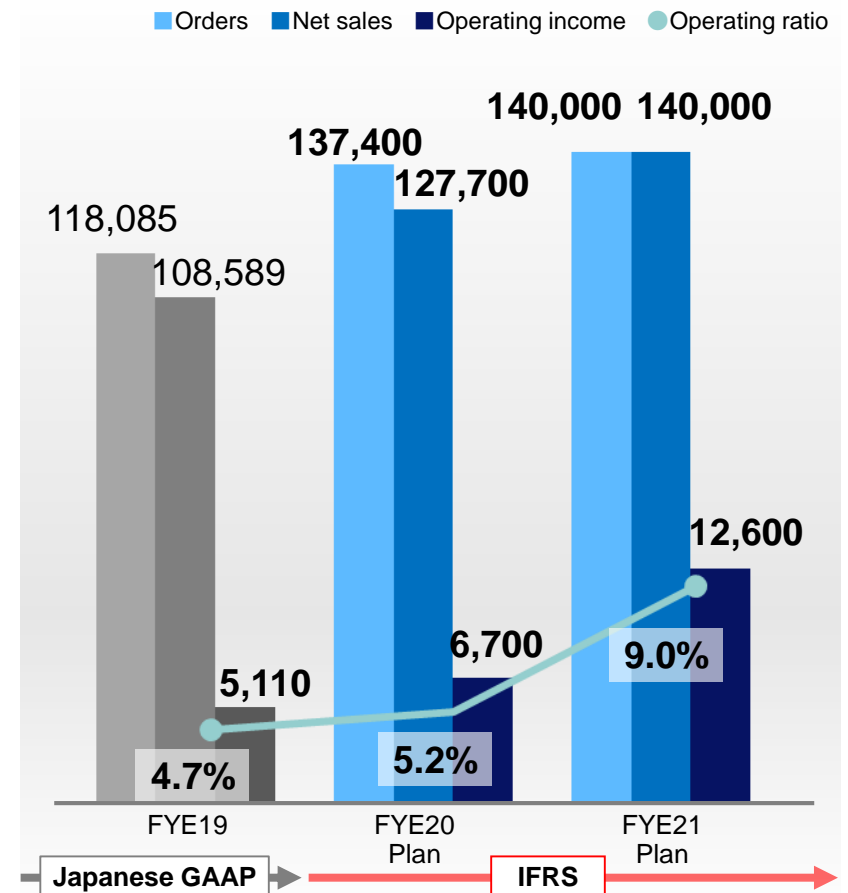
Orders
¥140billion

Net sales
¥140billion

Operating
income
¥12.6billion

Main points for achieving FYE 2021 targets

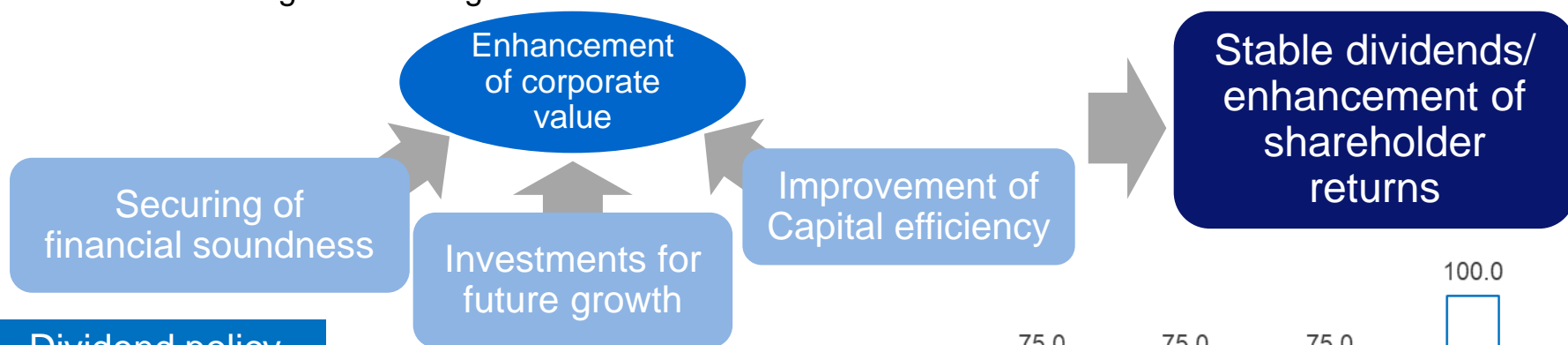
- Continuing strong performance in Domestic Consulting
- Alliances in the transportation field in International Consulting
- Urban development and full-scale deployment of smart cities, etc. in Asia and Japan
- Proceeds from sales resulting from the restructuring of the investment portfolio to establish a business in the energy sector



Capital Policy/Dividend Policy

Capital policy

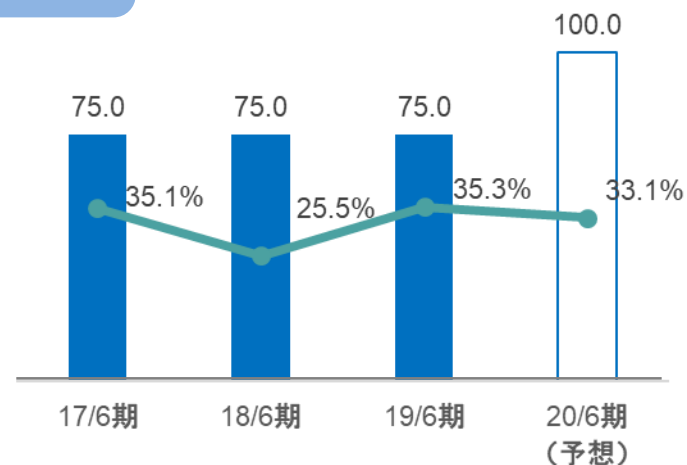
- Conduct appropriate financing in line with the circumstances and improve capital efficiency
- Target equity ratio of 50% and maintain at least 40% even during concentrated investment periods
- Repurchase treasury stock to improve the per-share value by improving capital efficiency and enhancing shareholder returns. Repurchase of up to 800,000 shares worth up to 2.0 billion yen is planned by June 2020.
- Strive to increase corporate value by expanding business through growth investments based on medium- and long-term strategies



Dividend policy

- Aim for a dividend payout ratio of 30% and strive to provide stable dividends and enhance returns to shareholders in line with the rise in the profit level

✓ Plan to pay out dividend of 100.0 yen, an increase of 25 yen, in the fiscal year ending June 2020



Act with integrity and contribute to society through technology and engineering.

NIPPON KOEI

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