

# Supplementary Materials for the Summary of Financial Reports 3Q, FYE June 30, 2019

May 14, 2019

Nippon Koei Co., Ltd.

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# 3Q Results for FYE June 30, 2019

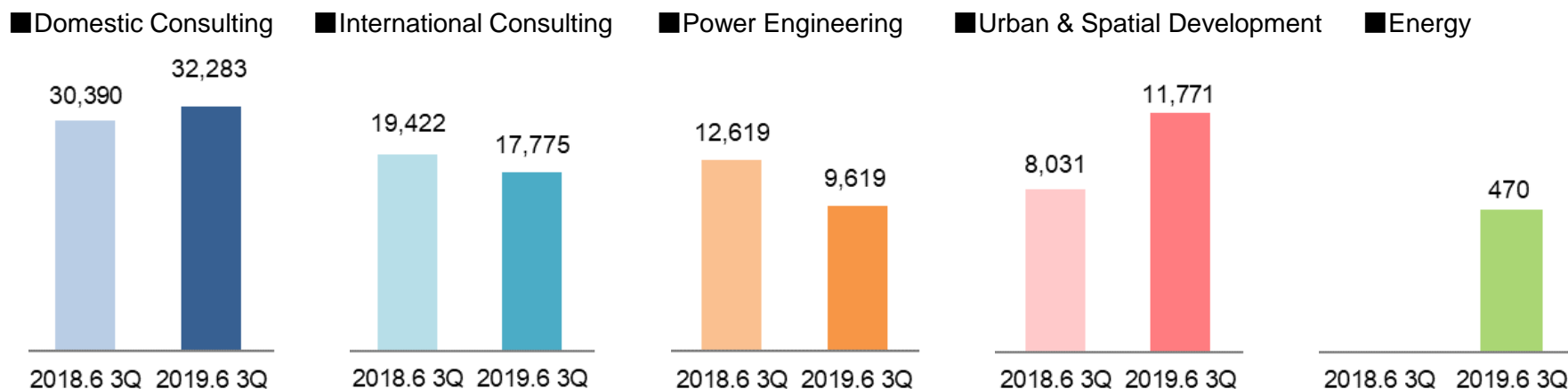
Net sales increased driven by the strong performance of the Domestic Consulting segment. Operating loss increased due to delays in starting large-scale projects in the International Consulting segment.

(Millions of yen)	FYE18/6 3Q Results	FYE19/6 3Q Results	YoY Change	
			Amount	%
Orders	70,505	71,995	1,489	102.1%
Net Sales	67,522	74,162	6,639	109.8%
Gross profit	21,522	22,697	1,174	105.5%
Operating Income	3,131	2,936	△ 194	93.8%
Ordinary income	3,217	2,704	△ 512	84.1%
Profit attributable to owners of parent	2,419	1,468	△ 951	60.7%

- While orders in the International Consulting and Power Engineering segments declined, the Domestic Consulting and Urban & Spatial Development segments performed well. As a result, total orders remained at the same level as the previous year.
- Net sales increased year on year due to sales growth in all businesses except for International Consulting.
- For operating income, profit increased in the Domestic Consulting and Power Engineering segments. However, because of reduced profits in other businesses, operating income decreased year on year.
- Profit attributable to owners of parent declined compared with the previous year, in which there was an extraordinary gain on the sale of real estate.

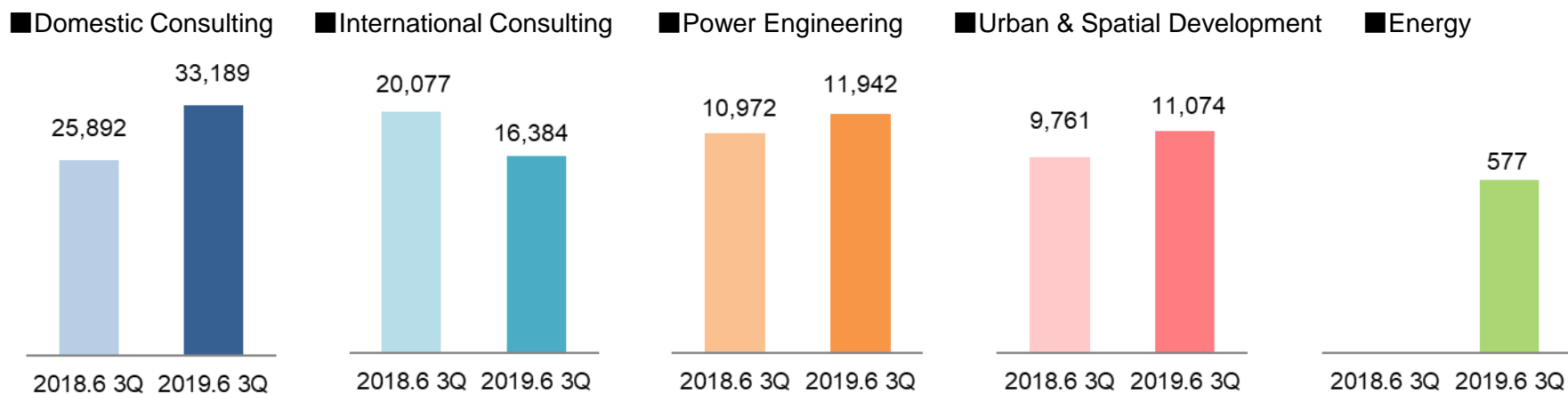
# Results by Business Segment (Orders)

(Millions of yen)	FYE18/6 3Q Results	FYE19/6 3Q Results	YoY Change	
			Amount	%
<b>Orders</b>	<b>70,505</b>	<b>71,995</b>	<b>1,489</b>	<b>102.1%</b>
Domestic Consulting	30,390	32,283	1,892	106.2%
International Consulting	19,422	17,775	△ 1,647	91.5%
Power Engineering	12,619	9,619	△ 2,999	76.2%
Urban & Spatial Development	8,031	11,771	3,739	146.6%
Energy	-	470	470	-



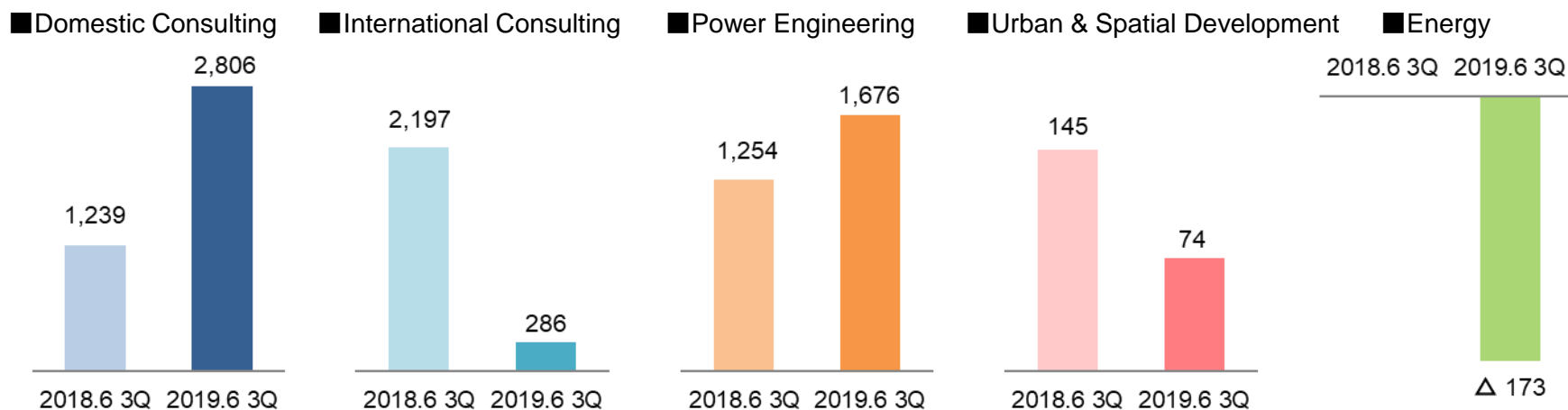
# Results by Business Segment (Net sales)

(Millions of yen)	FYE18/6 3Q Results	FYE19/6 3Q Results	YoY Change	
			Amount	%
<b>Net sales</b>	<b>67,522</b>	<b>74,162</b>	<b>6,639</b>	<b>109.8%</b>
Domestic Consulting	25,892	33,189	7,297	128.2%
International Consulting	20,077	16,384	△ 3,693	81.6%
Power Engineering	10,972	11,942	970	108.8%
Urban & Spatial Development	9,761	11,074	1,313	113.5%
Energy	-	577	577	-
Real Estate/Others	331	325	△ 5	98.4%



# Results by Business Segment (Operating Income)

(Millions of yen)	FYE18/6 3Q Results	FYE19/6 3Q Results	YoY Change	
			Amount	%
<b>Operating Income</b>	<b>3,131</b>	<b>2,936</b>	<b>△ 194</b>	<b>93.8%</b>
Domestic Consulting	1,239	2,806	1,566	226.3%
International Consulting	2,197	286	△ 1,910	13.1%
Power Engineering	1,254	1,676	422	133.7%
Urban & Spatial Development	145	74	△ 71	50.9%
Energy	-	△ 173	△ 173	-
Real Estate/Others	297	301	4	101.5%



# Overview of Performance by Business Segment

## Domestic Consulting

- For the amount of orders received, Q3 saw the achievement of a record high in orders received due to design changes and responses to disasters.
- Net sales increased due to strong orders in the current period.
- Operating income increased due to an increase in net sales.

## International Consulting

- The amount of orders received decreased year on year due to a lag in the timing of receiving a large project order, and a delay in an additional contract for the Vietnam railway project, despite orders received for large projects including the Dhaka Mass Transit Development Project (Line 1).
- Net sales decreased mainly because of the delay in the additional contract above.
- Operating income decreased as a result of a lower operating rate due to a lag in the timing of receiving an order, in addition to a decline in net sales.

## Power Engineering

- The amount of orders received was lower than the level in the same period of the previous year, primarily due to a lag in the timing of receiving an order in the production segment, despite the planned level for the construction segment.
- Net sales increased as the outstanding orders received through the previous year were recognized as sales.
- Operating income increased due to sales growth.

# Overview of Performance by Business Segment

## Urban & Spatial Development

- The amount of orders received increased year on year mainly due to the start of full-scale orders related to Westminster, and an additional contract for a large project (Ireland hospital facility project).
- Net sales rose as Quadrangle in Canada joined the NK group, in addition to strong orders in the current period.
- Operating income decreased because of Westminster-related anticipatory personnel expenses, among others.

\* The fixed exchange rate applied to the results for the 3rd quarter of FYE June 30, 2019: 1 GBP = 144.74 JPY (the rate used in the plan for FYE June 30, 2019 was 1 GBP = 149.17 JPY)

\*\* The amount of amortization expense of Urban & Spatial Development business for FYE June 30, 2019 is approx. 1 billion JPY (goodwill: approx. 400 million JPY; other intangible fixed assets: approx. 500 million JPY).

## Energy

- The amount of orders received saw progress in orders for renewable energy (solar power) monitoring services and those for EPC in Europe, aiming to contract EPC projects during the period.
- Net sales include revenue from monitoring services and electric power sales in the Domestic Power Generation business.
- There was an operating loss due to anticipatory costs for the International Energy Management business.

# Project Case Study

## Domestic Consulting/ Geoplan Namtech Inc. Becomes A Group Company

We decided to make Geoplan Namtech Inc. a group company. It is a consulting company mainly engaged in sales and support of systems in the network infrastructure field including water supply and sewerage.

We will combine Geoplan's data system and Nippon Koei Group's consulting service to promote maintenance business and technological proposal marketing based on asset data.

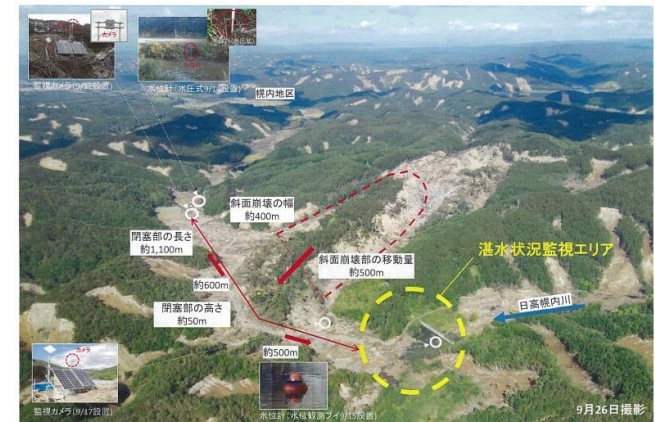


## Domestic Consulting/ Hokkaido Eastern Iburi Earthquake Disaster Recovery Project

We grasped the current situation and monitored sediment disasters and natural damming such as landslides, liquefaction damage, damage to embankments and bridges, and traffic obstructions caused by long-term power failure, which occurred in a wide range of areas including the left branch stream of the Azumagawa River, Hidaka-horonaigawa River, Apporo Dam, Ishikarigawa River discharge channel, and downtown Kiyota Ward, which were hit by the Hokkaido Eastern Iburi Earthquake (M6.7: Maximum seismic intensity of 7 (Atsuma Town)) in September 2018; surveyed, examined, and designed for disaster recovery; and prepared documents for consultations among relevant organizations.

Orderer: Hokkaido Development Bureau, Hokkaido government, and Sapporo City government, among others

Amount of orders received: Total 420 million yen



Response to the natural damming section of the Hidaka-horonaigawa River

Source: Taken from the Ministry of Land, Infrastructure, Transport and Tourism website



# Project Case Study

## International Consulting/ Yangon Port Thilawa District Expansion Project Phase I

Development project for the Yangon Port Thilawa District Multi-purpose Terminal to deal with rapidly increasing cargo in Myanmar

Nippon Koei conducted civil engineering (e.g., piers, bridging, bank protection, land reclamation, soil improvement, pavement, and drainage), construction/equipment work, design for procurement of cargo-handling machines, tender support, construction supervision and management, and defect inspection.

We adopted a construction method to shorten offshore construction. We also designed it as a structure to function as a receiving dock for emergency supplies in times of disaster, while adopting quake-absorbing structures for gantry cranes.

This terminal was supported by Japan comprehensively from planning, design, construction and operation, and the Myanmar government highly evaluates various aspects, such as safety management during construction, in addition to the high quality of design and construction.

Orderer: Myanmar Port Authority

Amount of orders received: 1 billion yen (whole consulting business)

Contract period: Jul. 2014–Dec. 2019



Installation of the jacket (250t)



Multi-purpose terminal wharf and Yangon River

# Project Case Study

## Power Engineering/ Hokuriku Electric Power Company Matsunoki Power Plant No. 1 power generator update/water wheel repair, and others

Updated power generators at Matsunoki Power Plant (Toyama City), which was completed in April 2019. With both the existing No. 1 and No. 2 water wheels delivered by the Company, this construction saw all main wheels at the Matsunoki Power Plant become those made by Nippon Koei.

The update increased the maximum output of the Power Plant by 300kW to 6,200kW. CO2 emissions are expected to be reduced by 490 tons annually.

Orderer: Hokuriku Electric Power Company  
Amount of orders received: 300 million yen



## Power Engineering/ Shinsakado Substation No. 4 Main Transformer single removal work

For Shinsakado Substation No. 4 Main Transformer, which had been in operation since 2005, removal work was conducted for measures against short - circuit capacity/excess due to low operation ratios and future equipment composition.

Orderer: TEPCO Power Grid  
Amount of orders received: 160 million yen



Before work



After work

# Project Case Study

## Urban & Spatial Development/ Giza Pyramids Masterplan Project

In March 2019, after a large-scale project competition, BDP received an order from Orascom Investment Holding for the preparation of a master plan to develop a Giza pyramid heritage area in Egypt.

This master plan will be designed to have maximum synergy with Cairo Metro Line 4 (designed by Nippon Koei) currently under construction on the east side of the heritage area.



## Urban & Spatial Development/ Basic Design of Dunedin General Hospital

In March 2019, after a project competition, BDP jointly received an order with Jacobs Australia for architectural design of a general hospital in Dunedin City in southern New Zealand.

It is the first facility design business for BDP in Oceania.





# Project Case Study

## Energy/ 100MW Large-Scale Storage Battery Project to Begin

Nippon Koei's European based Nippon Koei Energy Europe and RNA decided to establish a joint venture company.

As the joint venture company's No. 1 and No. 2 projects, it is planned to establish two special purpose companies under the company to engage in large-scale storage battery projects (approx. 50MW × 2, equivalent to 100MW in total).

It aims to secure business profit, receive orders for EPC operations, and develop a future storage battery business by holding assets for large-scale storage battery projects in the U.K.

## Energy/ First Spiral Water Turbine in Japan Started

The first spiral water turbine in Japan, developed and manufactured by Nippon Koei on its own, started operations at Hachimanzawa Power Plant (Ichinoseki City, Iwate Prefecture) in April 2019.

The spiral water turbine is suitable for small hydro-power generation using agricultural irrigation channels because it can generate electric power with low gaps, without becoming clogged up with trash such as dead leaves.

It is a system to sell all the generated electricity to the Tohoku Electric Power Co., Inc. and, after collecting the construction costs, allocate it to the maintenance of agricultural hydraulic facilities to reduce the cost to farmers.



# FYE June 2019 Forecast

No changes have been made to the forecast for the entire FYE June 2019 period.

(Millions of yen)	FYE 18/6 Results	FYE19/6 Forecast	YoY Change Amount	YoY Change %
Orders	104,350	<b>125,000</b>	20,649	119.8%
Domestic Consulting	48,529	<b>46,000</b>	△ 2,529	94.8%
International Consulting	26,716	<b>44,000</b>	17,283	164.7%
Power Engineering	15,943	<b>14,000</b>	△ 1,943	87.8%
Urban & Spatial Development	12,855	<b>16,000</b>	3,144	124.5%
Energy	179	<b>4,000</b>	3,820	2,228.6%
Net sales	106,023	<b>115,000</b>	8,976	108.5%
Domestic Consulting	46,595	<b>44,000</b>	△ 2,595	94.4%
International Consulting	28,889	<b>31,000</b>	2,110	107.3%
Power Engineering	15,762	<b>20,000</b>	4,237	126.9%
Urban & Spatial Development	13,040	<b>16,500</b>	3,459	126.5%
Energy	354	<b>2,500</b>	2,145	704.6%
Real Estate/Others	1,381	<b>1,000</b>	△ 381	72.4%
Operating Income	6,561	<b>6,200</b>	△ 361	94.5%
Domestic Consulting	4,279	<b>3,500</b>	△ 779	81.8%
International Consulting	2,649	<b>2,400</b>	△ 249	90.6%
Power Engineering	1,873	<b>2,600</b>	726	138.8%
Urban & Spatial Development	173	<b>600</b>	426	345.2%
Energy	△ 18	<b>△ 100</b>	△ 81	-
Real Estate/Others	△ 2,396	<b>△ 2,800</b>	△ 403	-
Ordinary Income	6,721	<b>6,100</b>	△ 621	90.8%
Profit attributable to owners of parent	4,555	<b>4,100</b>	△ 455	90.0%
Operating margin (%)	6.2	<b>5.4</b>		
ROE (%)	8.1	<b>6.9</b>		