

Presentation of Financial Results FYE
June 30, 2018 and
Medium-Term Management Plan
“NK-Innovation 2021”

2018.8.29

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

I: Accounting Report
(July 2017 - June 2018, FYE18/6)

Results for FYE June 30, 2018

Although changes in revenue recognition standards resulted in higher sales and higher profits, net sales and operating income fell short of targets

- Orders received: Orders received were lower than the level of the previous year, in which some large projects were booked, but this was in line with forecasts.
- Net sales: Net sales grew year on year due to changes in revenue recognition standards, but weakness in International Consulting and Power Engineering resulted in targets being not achieved.
- Operating income: Net sales grew year on year due to changes in revenue recognition standards, but weakness in International Consulting and Power Engineering resulted in targets being not achieved.
- Ordinary income: Although ordinary income grew year on year, it failed to hit forecasts due to the undershoot at the operating income level.
- Profit attributable to owners of parent: Although profit attributable to owners of parent grew year on year, it failed to hit forecasts due to the undershoot at the operating income level.

(Millions of yen)	FYE17/6 Results	FYE18/6 Results	YoY Change		FYE18/6 Plan	vs. Plan		Reference Values FYE18/6*	YoY Change
			Amount	%		Amount	%		
Orders	117,442	104,350	-13,091	88.9%	103,000	1,350	101.3%	-	-
Net sales	101,338	106,023	4,685	104.6%	114,000	-7,976	93.0%	94,685	93.4%
Gross profit	30,937	32,359	1,421	104.6%	32,900	-540	98.4%	29,671	95.9%
Operating Income	5,464	6,561	1,097	120.1%	7,700	-1,138	85.2%	3,874	70.9%
Ordinary Income	5,958	6,721	763	112.8%	7,800	-1,078	86.2%		
Profit attributable to owners of parent	3,288	4,555	1,267	138.5%	4,900	-344	93.0%		

* Planned amount of gross profit for FYE18/6 was corrected from Supplements for the Summary of Financial Results announced on August 13.

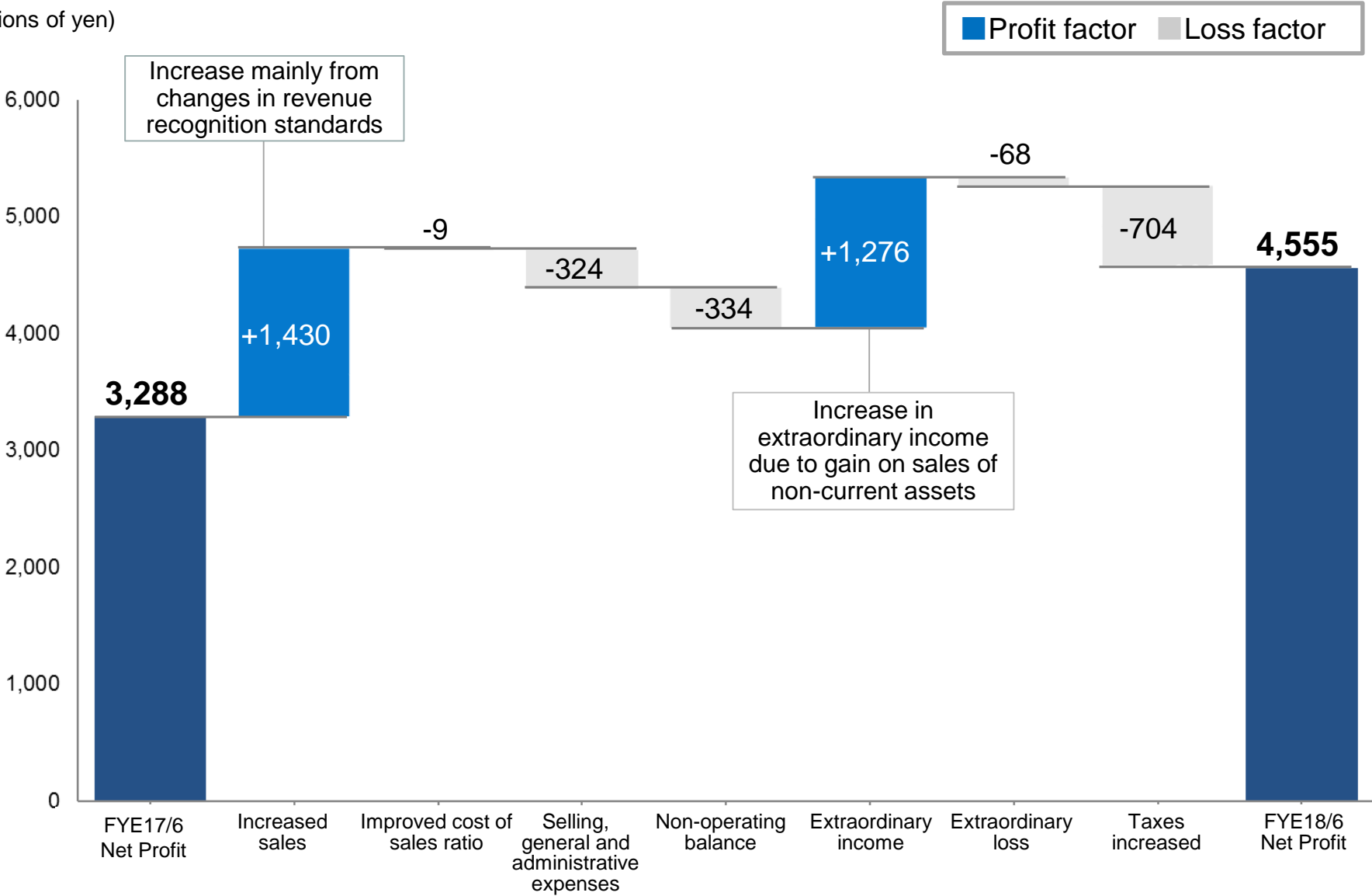
* Starting FYE June 30, 2018, the Group has changed the primary method of revenue recognition from the completed-contract method to the percentage of completion method. For this reason, the results for the FYE June 2018, which were calculated using the former method (method used until FYE June 2017), are presented for reference purposes.

Consolidated Profit and Loss Summary

(Millions of yen)	FYE17/6 Results		FYE18/6 Results		YoY Change		Reference Values FYE18/6*	YoY Change	
		Ratio (vs sales)		Ratio (vs sales)	Amount	%		Amount	%
Orders	117,442		104,350		- 13,091	88.9%	-	-	-
Net sales	101,338	100.0%	106,023	100.0%	4,685	104.6%	94,685	- 6,652	93.4%
Cost of sales	70,400	69.5%	73,664	69.5%	3,264	104.6%	65,013	- 5,386	92.3%
Gross profit	30,937	30.5%	32,359	30.5%	1,421	104.6%	29,671	- 1,265	95.9%
SG&A	25,472	25.1%	25,797	24.3%	324	101.3%	25,797	324	101.3%
Operating income	5,464	5.4%	6,561	6.2%	1,097	120.1%	3,874	- 1,590	70.9%
Non-operating income/expenses	493	0.5%	159	0.2%	- 334	32.3%			
Ordinary income	5,958	5.9%	6,721	6.3%	763	112.8%			
Extraordinary income/loss	- 764	- 0.8%	443	0.4%	1,208	-			
Profit attributable to owners of parent	3,288	3.2%	4,555	4.3%	1,267	138.5%			

Profit/Loss Analysis

(Millions of yen)



Results by Business Segment

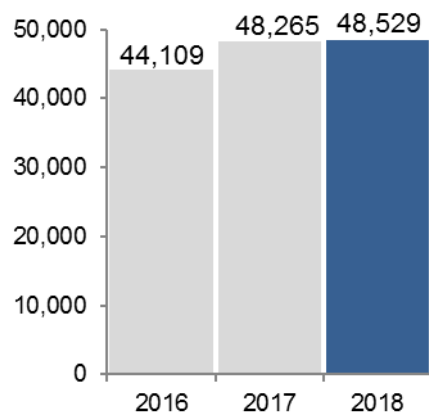
(Millions of yen)	FYE17/6 Results	FYE18/6 Results	YoY Change		vs. Plan	
			Amount	%	Amount	%
Orders	117,442	104,350	-13,091	88.9%	1,350	101.3%
Domestic Consulting	48,265	48,529	264	100.5%	2,529	105.5%
International Consulting	41,573	26,716	-14,856	64.3%	-3,283	89.1%
Power Engineering	14,087	15,943	1,856	113.2%	-56	99.6%
Urban & Spatial Development	13,460	12,855	-605	95.5%	855	107.1%
Energy/Others	55	305	249	548.2%	-	-
Net Sales	101,338	106,023	4,685	104.6%	-7,976	93.0%
Domestic Consulting	43,516	46,595	3,079	107.1%	-604	98.7%
International Consulting	24,491	28,889	4,398	118.0%	-2,910	90.8%
Power Engineering	17,577	15,762	-1,815	89.7%	-5,437	74.4%
Urban & Spatial Development	14,347	13,040	-1,306	90.9%	1,040	108.7%
Energy/Real Estate Leasing/Others	1,405	1,735	330	123.5%	-64	96.4%
Operating income	5,464	6,561	1,097	120.1%	-1,138	85.2%
Domestic Consulting	3,298	4,279	981	129.7%	779	122.3%
International Consulting	1,887	2,649	761	140.4%	249	110.4%
Power Engineering	2,683	1,873	-809	69.8%	-1,626	53.5%
Urban & Spatial Development	81	173	92	213.8%	123	347.6%
Energy/Real Estate Leasing/Others	-2,485	-2,414	70	-	-664	-

Domestic Consulting

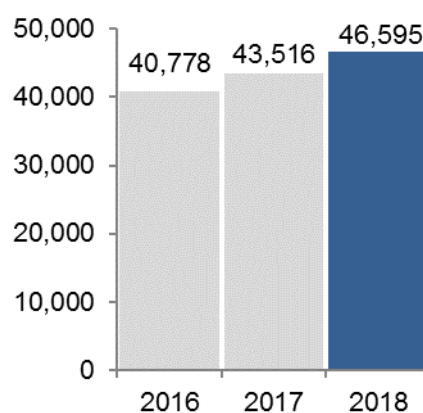
- Orders received grew year on year and overshot forecasts, due to an increase in national projects.
- Although net sales rose year on year due to an increase in projects carried forward from the previous fiscal year, and changes in revenue recognition standards, results undershot forecasts.
- Operating income exceeded both the previous-year level and forecasts due to the impact of changes in revenue recognition standards and reductions in unprofitable projects resulting from improvements in quality.

(Millions of yen)	FYE17/6 Results		FYE18/6 Results		YoY Change %	FYE18/6 Plan	vs. Plan		Reference Values FYE18/6*	YoY Change
	Amount	Ratio(vs. Sales)	Amount	Ratio(vs. Sales)			Amount	%		
Orders	48,265	Ratio(vs. Sales)	48,529	Ratio(vs. Sales)	100.5%	46,000	2,529	105.5%	-	-
Net sales*	43,516	100.0%	46,595	100.0%	107.1%	47,200	-604	98.7%	43,020	98.9%
Cost of sales	31,834	73.2%	33,743	72.4%	106.0%	35,100	-1,356	96.1%	30,780	96.7%
Gross profit	11,681	26.8%	12,851	27.6%	110.0%	12,100	751	106.2%	12,240	104.8%
SG & A	8,383	19.3%	8,571	18.4%	102.3%	8,600	-28	99.7%	8,571	102.3%
Operating income	3,298	7.6%	4,279	9.2%	129.7%	3,500	779	122.3%	3,668	111.2%

■Orders

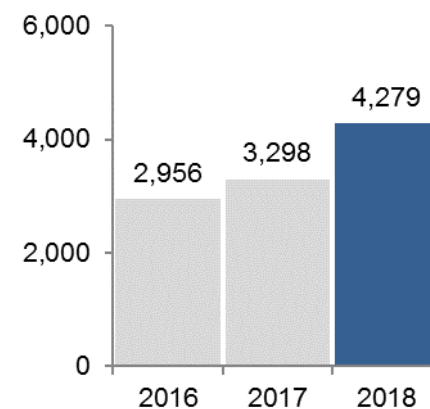


■Net sales



■Operating income

(Millions of yen)

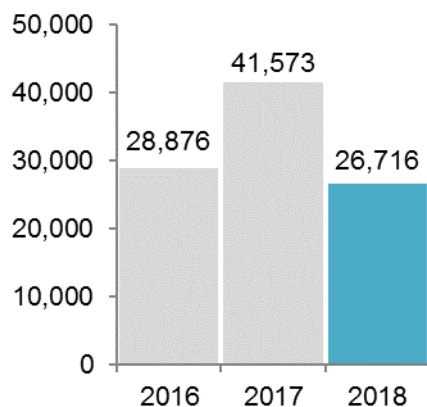


International Consulting

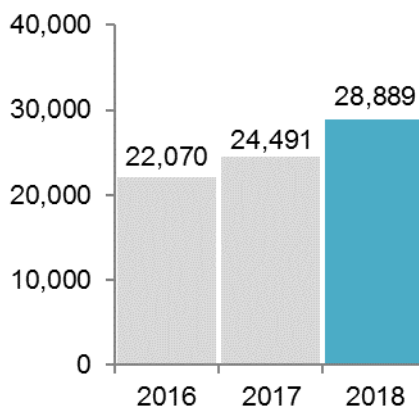
- Orders received were lower than the level of the previous year, in which some large projects were booked. In addition, results undershot forecasts due to slippage in contract periods for major projects.
- Although net sales rose year on year due to changes in revenue recognition standards, results undershot forecasts as a result of slippage in contract periods for major projects.
- Operating income rose, and overshot forecasts, due to the impact of changes in revenue recognition standards.

(Millions of yen)	FYE17/6 Results		FYE18/6 Results		YoY Change %	FYE18/6 Plan	vs. Plan		Reference Values FYE18/6*	YoY Change
	Amount	Ratio(vs. Sales)	Amount	Ratio(vs. Sales)			Amount	%		
Orders	41,573	Ratio(vs. Sales)	26,716	Ratio(vs. Sales)	64.3%	30,000	-3,283	89.1%	-	-
Net sales*	24,491	100.0%	28,889	100.0%	118.0%	31,800	-2,910	90.8%	22,951	93.7%
Cost of sales	17,950	73.3%	21,191	73.4%	118.1%	24,400	-3,208	86.9%	16,776	93.5%
Gross profit	6,540	26.7%	7,698	26.6%	117.7%	7,400	298	104.0%	6,175	94.4%
SG & A	4,653	19.0%	5,049	17.5%	108.5%	5,000	49	101.0%	5,049	108.5%
Operating income	1,887	7.7%	2,649	9.2%	140.4%	2,400	249	110.4%	1,126	59.7%

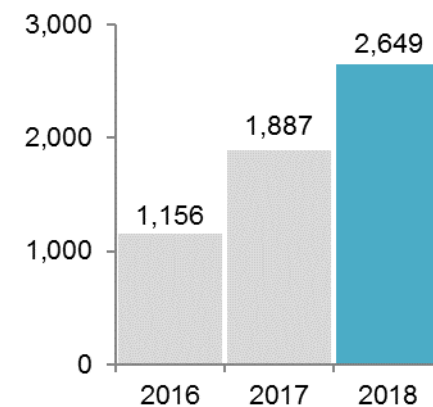
■ Orders



■ Net sales



■ Operating income



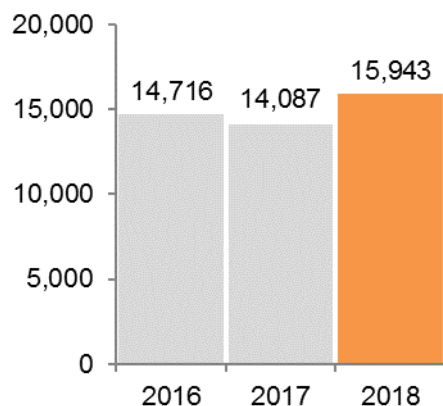
(Millions of yen)

Power Engineering

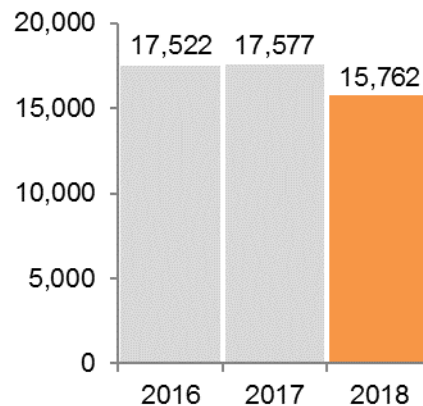
- Active efforts to win orders bore fruit at electric power companies other than TEPCO, and at public sector projects, so that Power Engineering increased year on year and was roughly in line with forecasts.
- Due to delays in the timing of the receipt of orders for hydroelectric equipment and facilities, which resulted in lower sales, net sales declined year on year and undershot forecasts.
- Operating income fell significantly, and undershot forecasts, as a result of falling sales in high-margin areas, as well as deteriorating profitability caused by demands for cost cutting.

(Millions of yen)	FYE17/6 Results		FYE18/6 Results		YoY Change %	FYE18/6 Plan	vs. Plan		Reference Values FYE18/6*	YoY Change
	Amount	Ratio(vs. Sales)	Amount	Ratio(vs. Sales)			Amount	%		
Orders	14,087	Ratio(vs. Sales)	15,943	Ratio(vs. Sales)	113.2%	16,000	-56	99.6%	-	-
Net sales	17,577	100.0%	15,762	100.0%	89.7%	21,200	-5,437	74.4%	14,123	80.3%
Cost of sales	11,885	67.6%	10,835	68.7%	91.2%	14,300	-3,464	75.8%	9,717	81.8%
Gross profit	5,692	32.4%	4,927	31.3%	86.6%	6,900	-1,972	71.4%	4,405	77.4%
SG & A	3,009	17.1%	3,053	19.4%	101.5%	3,400	-346	89.8%	3,053	101.5%
Operating income	2,683	15.3%	1,873	11.9%	69.8%	3,500	-1,626	53.5%	1,352	50.4%

■Orders

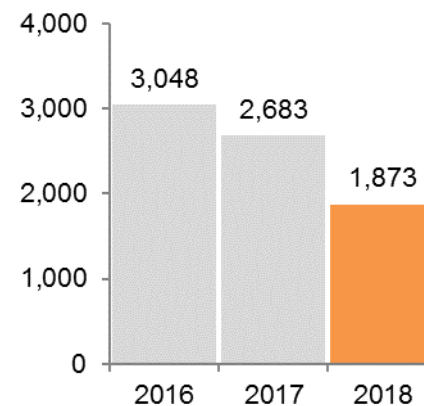


■Net sales



■Operating income

(Millions of yen)



Urban & Spatial Development

- Orders received exceeded forecasts due to strength in the UK operations.
- Because BDP's previous fiscal year consisted of 15 months, net sales declined year on year but were above forecasts.
- Operating income rose year on year, and exceeded forecasts, due to strength in the UK operations.

(Millions of yen)	FYE17/6 Results		FYE18/6 Results		YoY Change %	FYE18/6 Plan	vs. Plan	
	Amount	Ratio(vs. Sales)	Amount	Ratio(vs. Sales)			Amount	%
Orders	13,460	Ratio(vs. Sales)	12,855	Ratio(vs. Sales)	95.5%	12,000	855	107.1%
Net sales	14,347	100.0%	13,040	100.0%	90.9%	12,000	1,040	108.7%
Cost of sales	7,678	53.5%	6,957	53.4%	90.6%	6,200	757	112.2%
Gross profit	6,668	46.5%	6,082	46.6%	91.2%	5,800	282	104.9%
SG & A	6,587	45.9%	5,909	45.3%	89.7%	5,750	159	102.8%
Operating income	81	0.6%	173	1.3%	213.8%	50	123	347.6%

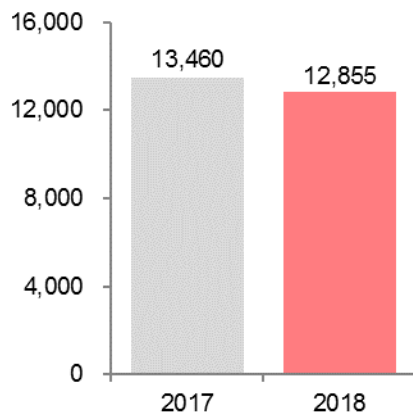
*The actual exchange rate applied to the results for the fiscal year ended June 30, 2018 was 1 GBP = 148.65JPY (the assumption used in the full-year forecast was 1 GBP = 139.56 JPY)

*Amortization for the Urban & Spatial Development business in the fiscal year ended June 30, 2018 was approx. 1 billion JPY (goodwill of approx. 400 million JPY, and other intangible fixed assets of approx. 500 million JPY).

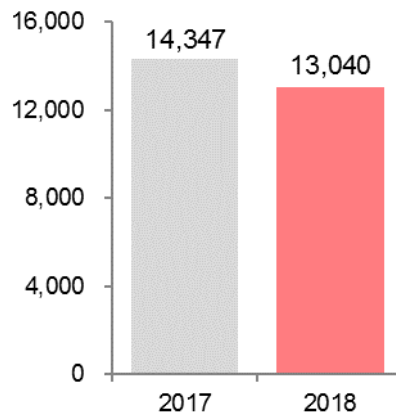
*Results for the Urban & Spatial Development business in the year ended June 30, 2017 were affected by the consolidation of BDP's results for a 15-month period (from April 2016 to June 2017).

*BDP had previously been using the percentage of completion method, so the impact of the changes in revenue recognition standards had a negligible effect on the Urban & Spatial Development business, and details are accordingly omitted here.

■ Orders

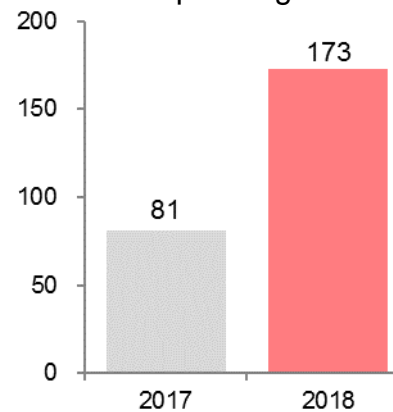


■ Net sales



■ Operating income

(Millions of yen)



Balance sheet

- Physical fixed assets increased due to the construction of a new head office building, etc., while investment and other assets decreased due to sales of securities.
- Current liabilities declined due to the decrease in advances received caused by changes in revenue recognition standards, and non-current liabilities dropped due to the repayment of long-term loans payable
- Net assets increased due to the increase in retained earnings and cancellation of treasury stocks

(Millions of yen)	FYE17/6 Results*	FYE18/6 Results	YoY
Assets	113,865	114,506	641
Current assets	54,798	55,258	459
Physical fixed assets	24,535	27,624	3,088
Intangible assets	13,900	12,964	- 935
Investments and other assets	20,630	18,659	- 1,970
Liabilities	58,991	55,057	- 3,934
Current liabilities	30,341	28,441	- 1,899
Non-current liabilities	28,650	26,615	- 2,034
Net assets	54,874	59,449	4,575

Cash Flows

- Net cash provided by (used in) operating activities was negative due to the increase in accounts receivable and decrease in advances received
- Net cash provided by (used in) investing activities was positive mainly due to sales of physical fixed assets and securities
- Net cash provided by (used in) financing activities was negative mainly due to the repayment of long-term loans payable

(Millions of yen)	FYE17/6 Results	FYE18/6 Results	YoY
Net cash provided by (used in) operating activities	6,376	- 602	- 6,978
Net cash provided by (used in) investing activities	- 4,172	977	5,150
Net cash provided by (used in) financing activities	4,846	- 3,062	- 7,908
Net increase (decrease) in cash and cash equivalents	6,925	- 2,709	- 9,635
Cash and cash equivalents at the end of period	17,083	15,233	- 1,849

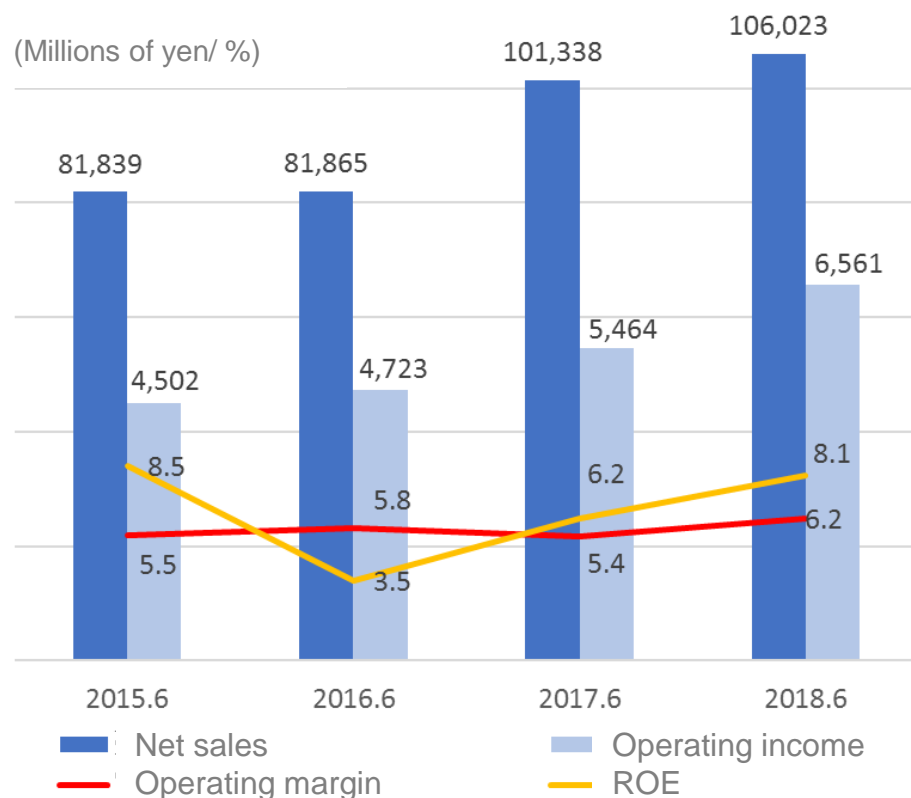
II: Medium-term Management Plan (NK-AIM) Summary

Medium-Term Management Plan (NK-AIM) Evaluation

Weakness in International Consulting and Power Engineering in the final year resulted in numerical targets not being achieved.

However, both net sales and operating income steadily grew over three years.

Moreover, the construction of a target business portfolio was achieved, due to the creation of the Urban & Spatial Development business, launch of Energy business, etc., upon the inclusion of BDP in the group.



FYE18/6 Results			
	Results	Plan	
Net sales	¥106 billion	¥114 billion	-¥8 billion
Operating income	¥6.6 billion	¥7.7 billion	-¥1.1 billion
Operating margin	6.2%	6.8%	-0.6pt
ROE	8.1%	8.7%	-0.6pt

Key Challenges Review

Advance globally - Accelerate global expansion

Business was strong with the steady development of growth base

- Boost market share in ODA business → **Business expanded steadily against the background of the infrastructure-exporting policy**
- Establish region-based order taking and production system → **Orders received as an integrated group increased steadily**
- Recruit and train regional engineers → **In progress despite a slight delay from the initial plan**
- Develop hydroelectric power generation business overseas → **Only at the examination stage overseas in preparation for implementation despite developments in Japan**

Make Intense efforts in Japan Secure stable profitability

System development was insufficient from the long-term perspective

- Improve operational quality and profitability by bolstering production structure → **Delays from the plan with problems in recruitment**
- Provide solutions to build national resilience and extend useful lives of infrastructure → **Business expanded strongly in priority strategic areas**
- Step up initiatives for projects ordered by municipal governments (alliances, etc.) → **Still small in size**
- Beef up price competitiveness in power engineering business → **Reduced costs and focused on proposal-based marketing**

Demonstrate our true Merit - Generate new business areas

Created 2 businesses, a big step for growth

- Provide new solutions to deepening urban problems by employing the combination of civil engineering and architecture
→ **Entry into new fields achieved with the acquisition of BDP**
- Create synergy effects from engineering consulting business and power engineering business
→ **Created Global Strategy Headquarters in 2017 and strengthened the functions for marketing and business development**
- Gain know-how on new business through investment (contribution) thereof → **Created Energy Business Division and developed its structure**

Companywide measures to address key challenges Reflection

• **Human Resources** Strengthen human resource recruitment and training

Steady progress in strengthening staff structure and human resource training, although still in progress

- Level of the initial plan was not achieved despite the efforts to strengthen staff for further business expansion
- With careful examination, the early stage of reform in personnel system, etc., was completed
- Promote trials and introduction of various measures to realize work-style reform

• **Technology** • Develop next-generation core technologies, Further improve technical strengths and productivity

Development of technologies is behind the initial plan despite its progress

- R&D Center was reorganized in FYE18/6 to accelerate research and development
- Progress varied for 12 themes of technological policies

• **Organization** Promote collaboration and enhance corporate governance

Organizational reform progressed steadily for globalization and synergy creation

- Strengthened governance by developing internal control of group companies and introducing global accounting
- Steadily implemented measures for creating synergies, including the establishment of Global Strategy Headquarters and development of Singapore Office.

III: New Medium-term Management Plan “NK-Innovation 2021”

Goals of Nippon Koei Group

Smart society



Group Vision

To provide services that are of value in building safe and reliable social infrastructure and comfortable living spaces.

Nippon Koei Group

To play a role in society by proving solutions taking advantage of the superiority and uniqueness of Nippon Koei Group to achieve the goals of society

- Track records in 160 countries and networks
- Technologies and know-how social infrastructure and living space
- Professional human resources active in each area

Social issues/ changes

Rapid urbanization

Technological progress

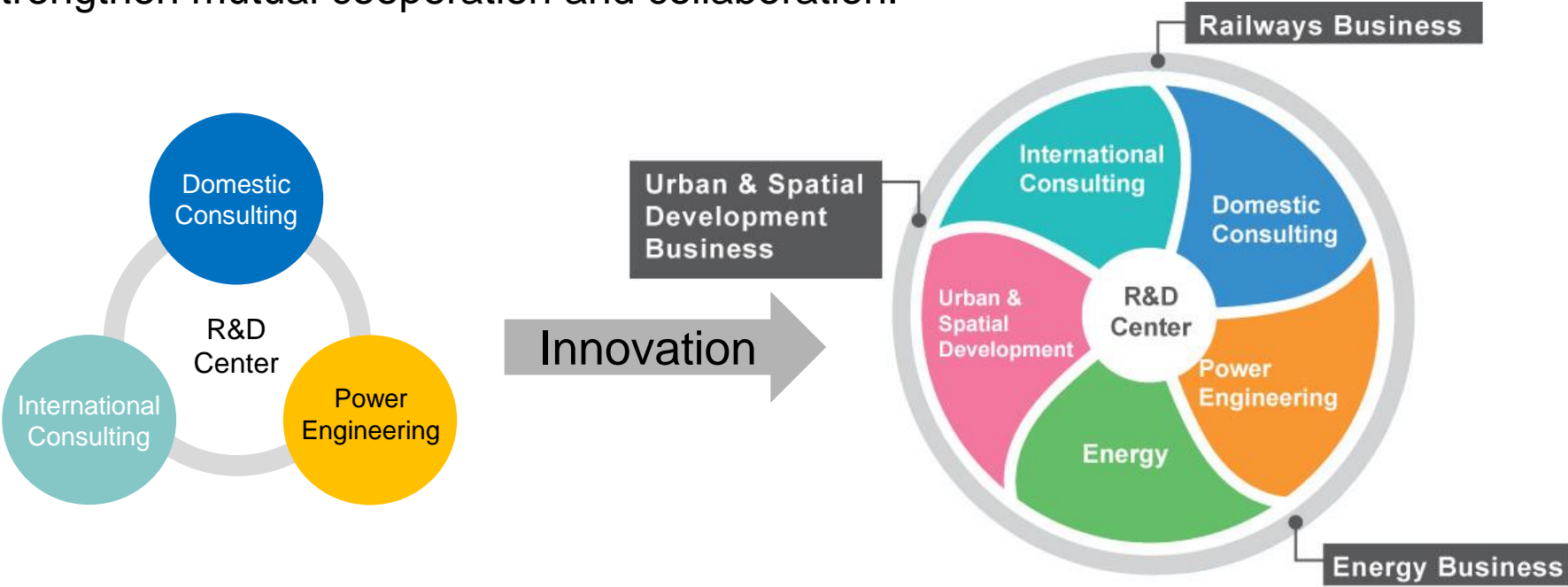
Demographic change

Higher geopolitical risks

Climate change and lack of natural resources

Roles Nippon Koei Group Will Play

Move to a 5 business structure by adding the Energy and Urban & Spatial Development businesses in response to more complex needs. Promote businesses with the integrated efforts of the NK Group by concentrating investment in the three areas of “**Railway**,” “**Urban Development**,” and “**Energy**” to strengthen mutual cooperation and collaboration.



In the development process towards a smart society, we will offer unique solutions, utilizing our technologies as a construction consultant accumulated over the years as well as newly acquired know-how.

New Medium-term Management Plan “NK-Innovation 2021”

(FYE19/6 - FYE21/6)

- NK-Innovation 2021 -

Three years of tackling various innovations to become a truly global company

FYE2021/6 Plan (IFRS assumed)

Net sales
¥140 billion

Operating income
¥12.6 billion

Operating margin
9.0%

ROE (Return on Equity)
12.7%

Basic Objective

Continue to evolve into a global consulting and engineering firm

Business strategy

Enhancement of operating system for Railways Business

Overseas expansion of Urban & Spatial Development Business

Establishment of Energy Business

Creation of businesses and overseas expansion of Consulting Business

Product development and overseas expansion of Power Engineering Business

Group-wide measures

Establishment of one-stop marketing system / Investment in technologies and human resources / Enhancement of group governance

Priority investment area (1)

Enhancement of operating system for Railways Business

■ Main related segments

International Consulting

Domestic Consulting

■ NK-Innovation 2021 investment: about ¥5 billion

Market environment

- Higher demand for railways due to a rapid population growth and urbanization in emerging countries in Asia
- Super large projects in the railway area under way in many countries, with the prospect of further increase
- Japanese government's "Initiative for expanding high-quality infrastructure exports" firmly maintained

Our strengths

- Abundant track record in projects and networks in emerging Asian countries
- Entered overseas railways early

Strategy

- Develop and strengthen the production system in alliance, etc., with local companies (group companies staff about 1,700 in FYE18/6 → about 3,000 in FYE21/6)
 - 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
- Improve operational speed and profitability in response to an increase in orders received

Government of partner country
Private sector

JV
International Consulting Overseas Group Company
Domestic Consulting +
Cooperating Local Company

IT tools
System development

Technology
Headquarter

Increase sales of the railway area to no less than 1.5 times the present size by 2021

Priority investment area (1) Project Introduction

India Western Dedicated Freight Corridors (WDFC) Construction Project



Total extension: about 1,500 km
No. of stations: 58
Designed max speed: 100 km/h
Initially scheduled date for starting operations:
March 2020 (Phase 1 section about 914 km)
Funds: Yen loan

This is a new project to newly develop dedicated freight railways between Delhi and Mumbai for a total extension of about 1,500 km. It will contribute to the economic advancement of India, which has been progressing rapidly, by developing automated signal and telecommunication systems, introducing double-stack containers--which enable high-volume and high-speed transportation--and freight trains with a maximum extension of 1500 m to deal with the rapidly increasing demand for freight transportation and improve the efficiency of distribution networks. Nippon Koei has been involved since the feasibility study in 2006, and is currently engaged in construction supervision of phase 1 (about 914 km) as a JV leading company.



On August 15, the Independence Day of India, there was a grand ceremony for the trial operation of the 192 km to be in service in first.

Priority Investment Area (2)

Overseas expansion of Urban & Spatial Development Business

■ Main related segments

Urban & Spatial Development

International Consulting

Domestic Consulting

■ NK-Innovation 2021 investment: about ¥5 billion

Market environment

- Urbanization is under way in emerging Asian countries, creating demand for large-scale comprehensive development
- Expansion of smart city development

Our strengths

- Comprehensively deal with a wide range of needs as a total consultant
- BDP's architectural design technology

Strategy

- 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-how (mainly the urban transportation area and water/transportation-related asset management area)



Accelerate global expansion through strengthened cooperation between the NK Group and BDP

Priority Investment Area (2) Project Introduction

Myanmar: Design Supervision of National Water Resources Committee Headquarters and Hydrology Information Center

Location: Mayagon Township, Yangon Region
Funds source: World Bank
Design period: Jun 2018 – Jun 2019
Construction period: Jul 2019 – Jun 2020

■ Features of the project

Cooperation project between Nippon Koei's local subsidiary in Myanmar and BDP.

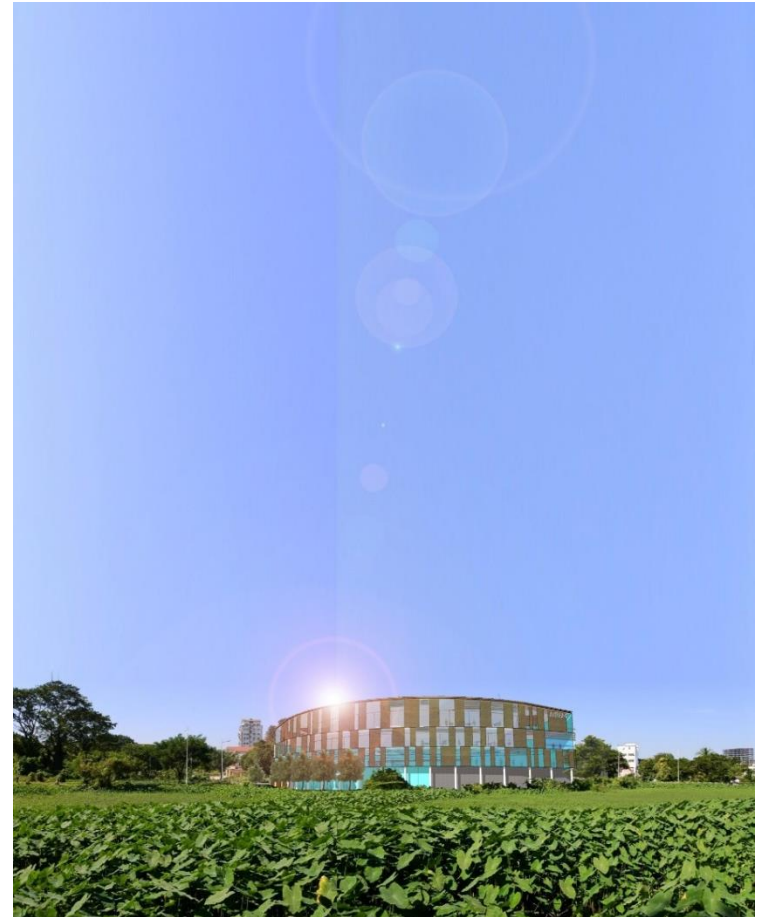
Development plan for buildings of Hydrology Information Center and National Water Resources Committee Headquarters. The following are required for planning a complex consisting of offices, meeting places and exhibition halls.

- 1) Realization of a green building
- 2) Design in consideration of harmony with the surrounding environment
- 3) Design in view of possible future expansion

We will strive to make it a model of sustainable architecture in Myanmar.

■ Business contents

Supervision of architectural design. We will engage in concept design, basic design, detailed design and bidding procedures in the design phase (Phase 1), and construction supervision in the supervision phase (Phase 2).



Completion image

Priority Investment Area (3)

Establishment of Energy Business

Major related segments

Energy

Power Engineering

International Consulting

Domestic Consulting

NK-Innovation 2021 investment: about ¥15 billion

Market environment

- Demand for electricity is increasing in Asia due to local production for local consumption
- Energy reform is under way in preparation for smart society
- In Japan, the market will change significantly from 2020 due to the electric power system reform

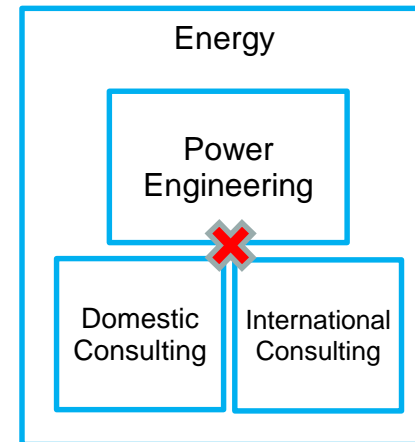
Our strengths

- Know-how of electric power business (consulting, manufacturing and construction)
- Track record of small-scale hydraulic electric power generation business in Japan

Strategy

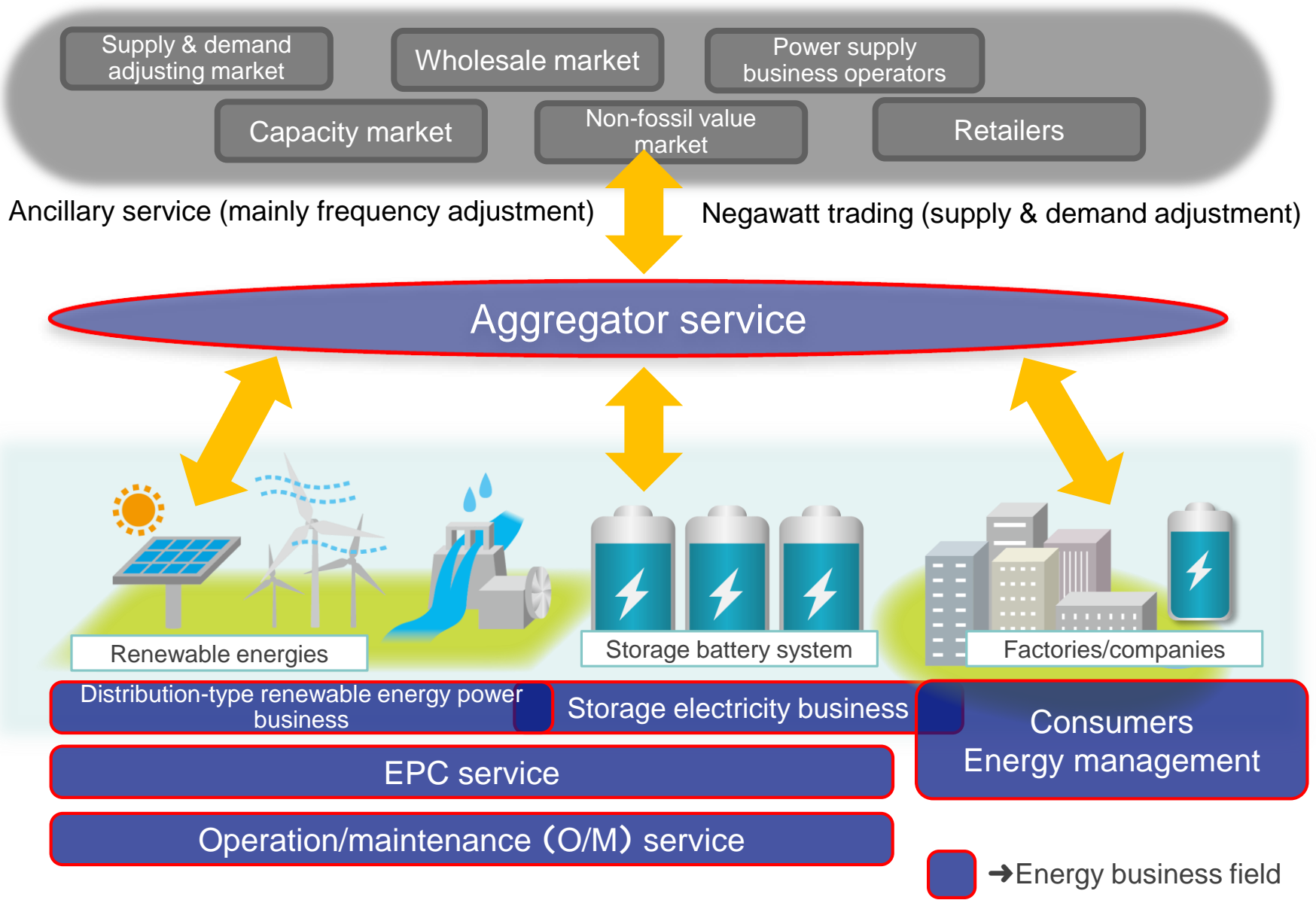
- Engage in investment and business in Europe where liberalization of electric power is under way to accumulate the know-how for energy management in anticipation of electric power system reform (Storage battery EPC service, etc.)
- Construct a supply chain by securing overseas manufacturing bases of water power products
- Develop products by international standards (mainly equipment for transformer substations)
- Develop and operate distributed power sources in Japan and Asian region

Electric power company
Transaction market
Private sector, etc.



Establish a business model at an early stage, aiming to contribute to profit in 2021 and after

Priority Investment Area (3) Establishment of Energy Business



Priority Investment Area (3) Project Introduction

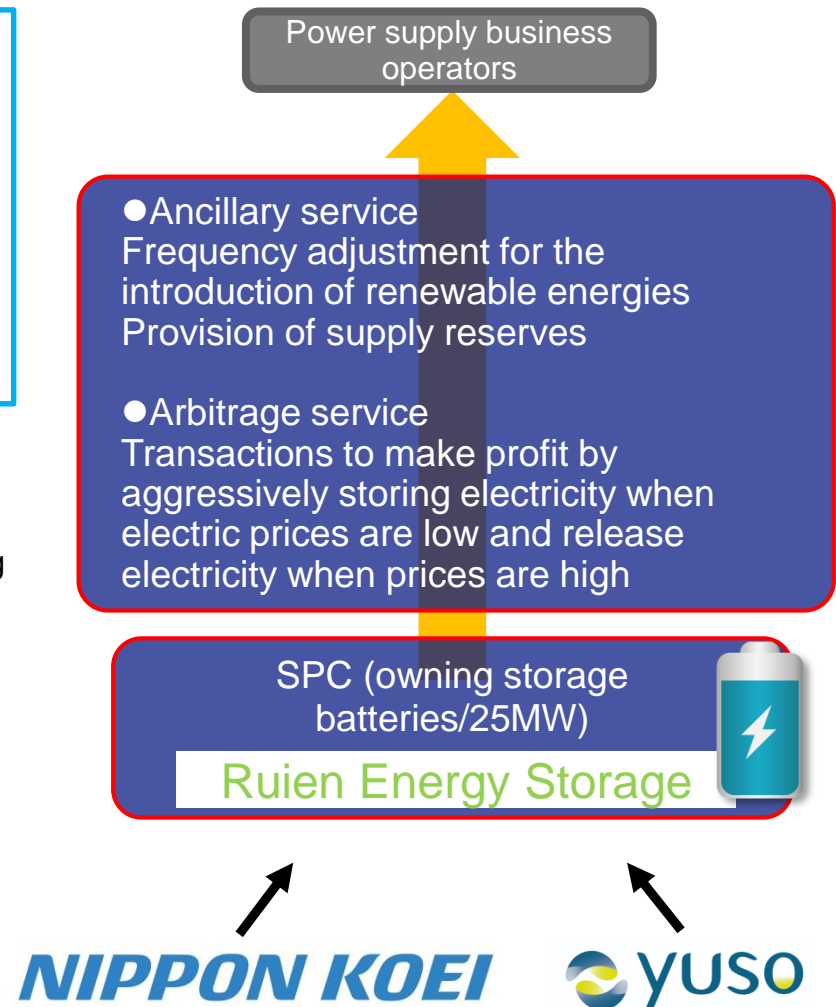
Established a SPC “Ruien Energy Storage NV” for storage battery utilization business jointly with Belgian company YUSO
Promote the development of storage electricity projects

Location:	Waregem, Belgium
Site:	Oost-Vlaanderen, Belgium On the premises of former coal-fired power plant Adjacent to electric power system transformer substation
Business size:	25MW/25MWh electricity storage system
Service offered:	Ancillary service Arbitrage service

Established a special purpose company “Ruien Energy Storage NV” in collaboration with YUSO, a company which engages in aggregator business and is headquartered in Belgium. Through this company, conduct joint project development including an ancillary service utilizing storage batteries (frequency adjustment service).

In this project, Nippon Koei will be involved from the project development stage, to accumulate know-how about storage batteries by conducting technological management including EPC (undertaking all construction) and project maintenance.

Aim to start operations in early 2020 by undertaking a pre-engineering (design, addition, system connection consultation, etc.) in this year.



Domestic Consulting / International Consulting

Domestic Consulting

Market environment

- While public works budget is almost flat, priority allocations continue for national resilience, longer life, and maintenance business
- Examinations of industry structure have become more specific due to the progress in work-style reform
- Progress in i-Construction and BIM/CIM

Reinforcement of domestic management base and support for the promotion of global strategies

- Reconstruction of order-receiving and production systems, securing and improvement of quality and effective business management
- Support for overseas expansion in cooperation with overseas consultants and R&D center

Promotion of priority business areas

- Disaster-prevention/mitigation. Modal connect, local/urban revitalization, information/energy areas

Business creation

- Creation of new businesses centered on management techniques to improve the value of infrastructure

Market environment

- ODA project budget increased to around ¥2 trillion
- Robust demand in developing countries for railways remains unchanged, with railways being the largest growth sector for yen loans

Strengthen production system centered on railways

Project volume in non-ODA areas expanding

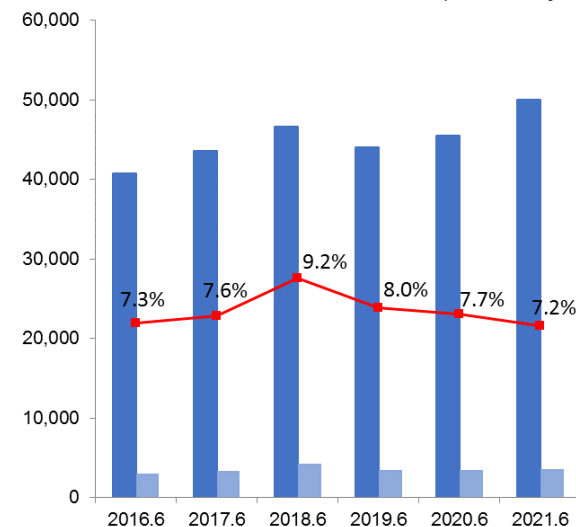
- Concession projects, PPP projects, active approach to private companies

Reinforcement of risk management

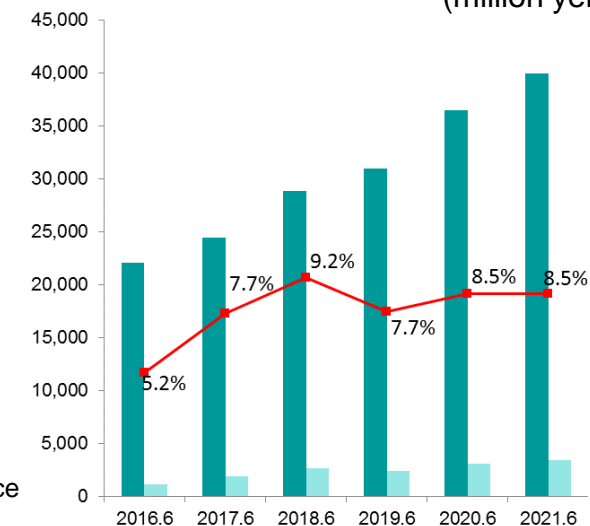
- Thorough profit management, reinforcement of group governance, thorough compliance

International Consulting

Net sales/operating profit/operating margin (million yen/%)



Net sales/operating profit/operating margin (million yen/%)



Power Engineering / Urban & Spatial Development

Power Engineering

Market environment

- Continuation of cost reductions aiming to achieve global standard consignment cost of sales
- Expansion of business opportunities by electric power system reforms and digitalization

Development of new products/services and expansion of overseas business

- Expansion of machine/electricity consulting business by offering services relating traffic transportation and maintenance/management, etc.

Achievement of synergies through cooperation with other segments

- Information collection and entry into new areas of electric power companies and private sector through cooperation with those in Japan

Reinforcement of price competitiveness and improvement of productivity in existing business areas

- Organizational reform for integrated production and sale (implemented in July 2018) as well as renewal and reinforcement of factory facilities

Market environment

- Uncertainties to increase in U.K. due to the effect of Brexit
- Robust demand for urban development in emerging countries centered in Asia

Reinforcement of profit base outside U.K.

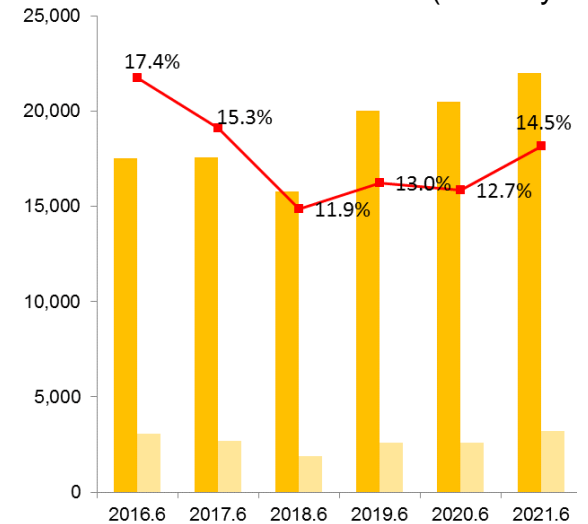
- Increase in earnings in cooperation with a local architectural design firm in the Canadian market with the prospect of securing profits for the time being

Urban and Spatial Development Business for the Future

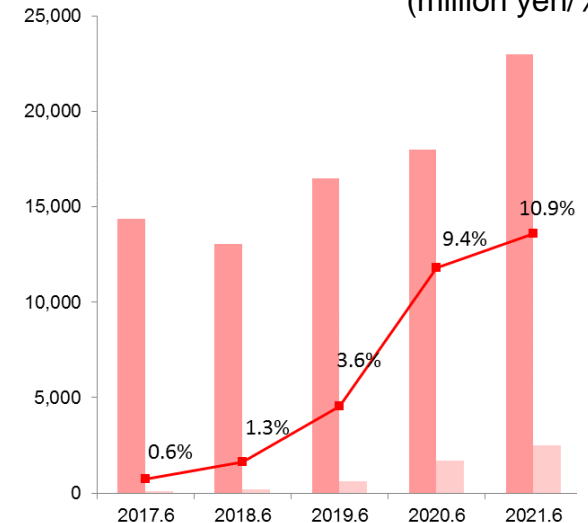
- Entry into smart building design and smart community business as its integration

Urban & Spatial Development

Net sales/operating profit/operating margin (million yen/%)



Net sales/operating profit/operating margin (million yen/%)



Energy <<New / Established in April 2018>>

Market environment

- Increased demand for renewable energies due to low carbonization and distributed electric power sources
- Expansion of ancillary markets

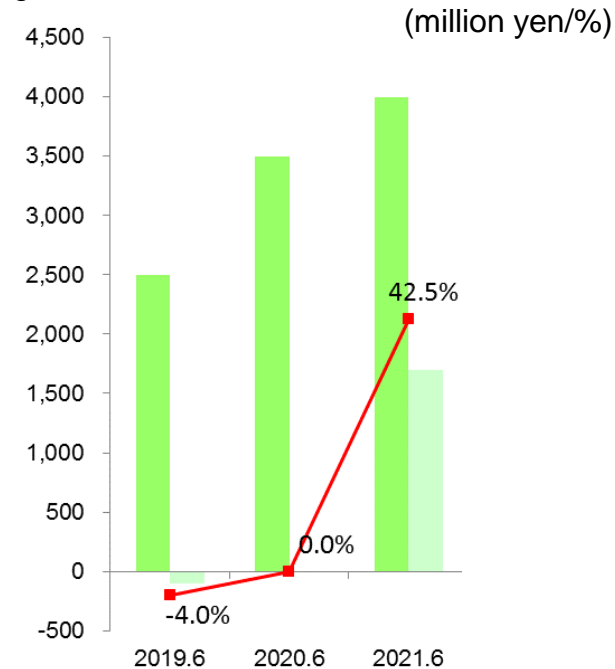
■ Electric power generation business

- Securing profit for development projects at an early stage
- Efficient O&M (Operation and maintenance)
- Winning EPC/PFI businesses in Japan
- Joint development with partners in each country centered on hydraulic power

■ Energy management business

- Accumulate know-how by engaging in business in Europe, aiming to provide ancillary services globally and offer one-stop VPP services
- Develop off-grid/mini-grid business in Asia region including renewable energies

Net sales/operating profit (loss)/operating margin

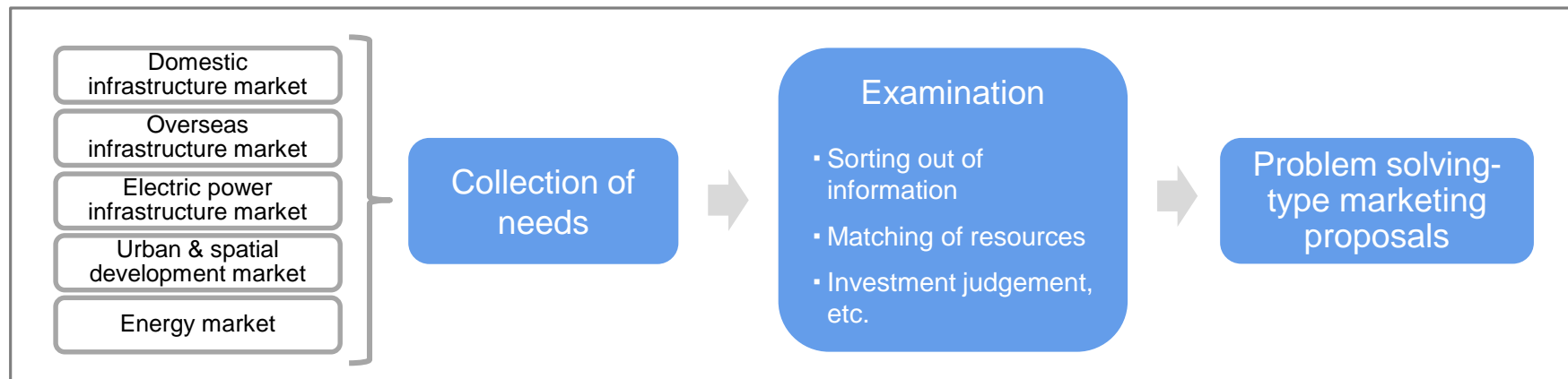


- * Ancillary services: System operation services provided by electric power system operators to maintain the quality of electric power (frequency and voltage)
- * VPP services: Abbreviation for “Virtual Power Plant.” Sophisticated energy management utilizing IoT (Internet of Things). It functions as if one power plant, through aggregation, and remote and integration control, using technologies.

Common Measures for All Companies

Construction of one-stop marketing system

- Improve customer satisfaction by providing solutions utilizing products and services in all segments
- In the long-term, aim to create businesses in smart society (targeted business area) through cooperation and integration with other segments.



Reinforcement of group governance

- Develop a group governance system, introduce global accounting, and continue dealing with IFRS•BEPS

Common Measures for All Companies

Investment in technology and human resources

Technology

Develop new technology utilizing AI/Big Data, while promoting the development and spread of next-generation core technologies.
(Jul 2018 established Research Planning Office, Advanced R&D Center)

For this, make investments of 1.5 times more than those in 3 years in the previous Medium-term Management Plan

■ Initiatives for new businesses

- Development of new business models with new technologies

■ Strategic technology development for existing business expansion

- Sophisticated development to secure superiority in the existing market
- Response to new needs of customers including maintenance/management, and i-Construction services

■ Promotion of technology policies (14 themes)

(1) Development of technologies in response to climate change	(8) PM-IT system development
(2) Development of technologies for disaster prevention/mitigation system	(9) Study of BIM system
(3) Creation and expansion of architectural, urban and traffic areas	(10) Establishment of high-quality and efficient production system
(4) Promotion of the creation of smart city/town/village	(11) Development and use of innovative artificial intelligence technology (new)
(5) Development of data network technologies	(12) Development of new research methods for land, environment, water quality, etc.
(6) Development of technologies contributing to efficient maintenance/management and longer life of social infrastructure	(13) Development of resilience technology (new)
(7) Expansion of new analysis/design technology and sophistication of technical proposals	(14) Utilization of social infrastructure big data (new)

Human Resources

Aim to increase staff in Japan and overseas by 1.4 times by maintaining and securing professional human resources through improvement of the labor environment with personnel system reform

■ Personnel system reform

■ Reinforcement of recruitment activities

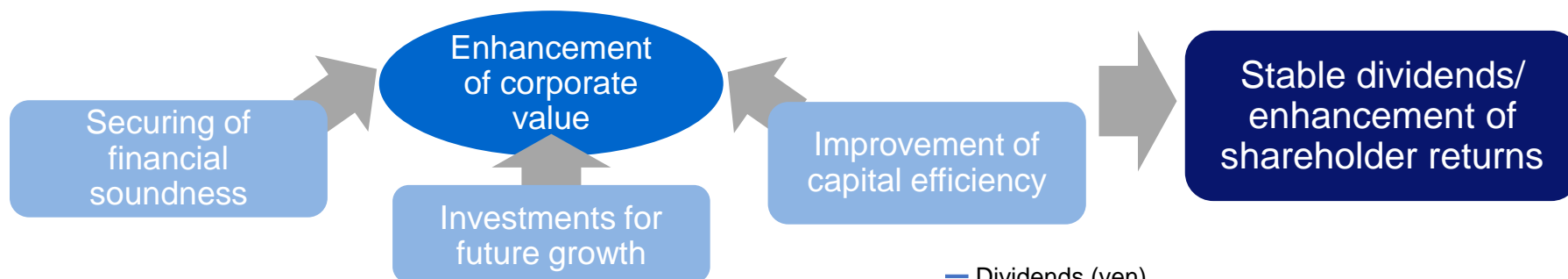
■ Promotion of work style reform

- Develop the work place for improved productivity
(Spring 2020: New Head Office Building to be completed)
- Expansion of remote work, at home work system, measures for child-raising/long-term care, etc.

Capital Policy/Dividend Policy

Capital policy

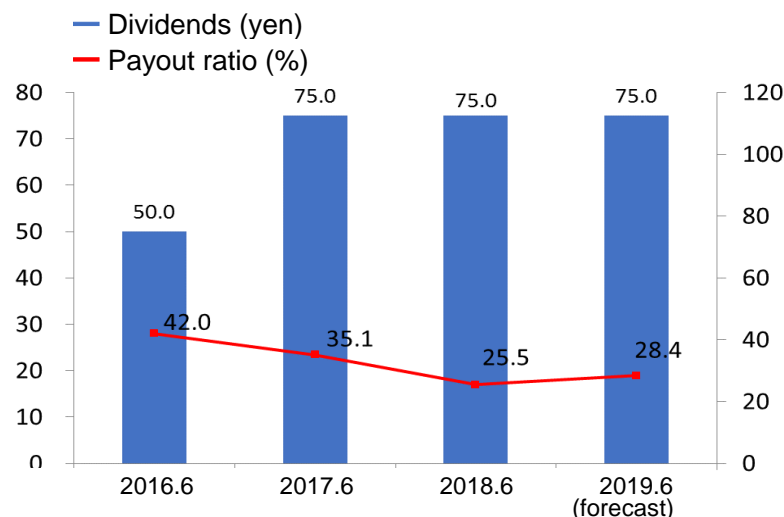
- Investment of about ¥7.5 billion is expected for the construction of the new headquarters building in addition to those in priority areas
- Maintain an equity ratio of no less than 40% even in the concentrated investment period, with the target of 50%
- Improve enterprise value by improving capital efficiency and growth investment



Dividend policy

- Stable dividends and enhancement of shareholder returns according to the level of profits
- Target medium-term payout ratio is 30%

✓ Planning to pay a dividend of ¥75.0 for FYE 19/6.



*Past dividends are recalculated based on the ratio after share consolidation.

NK-Innovation 2021 Plan by Business Segment

(Millions of yen)	FYE18/6 Results	FYE19/6 Plan	FYE20/6 Plan (IFRS)	FYE20/6 Plan (IFRS)
Orders	104,350	125,000	125,000	140,000
Domestic Consulting	48,529	46,000	49,000	52,000
International Consulting	26,716	44,000	36,200	39,700
Power Engineering	15,943	14,000	15,800	17,000
Urban & Spatial Development	12,855	16,000	18,000	23,800
Energy	179	4,000	5,900	7,300
Net sales	106,023	115,000	125,000	140,000
Domestic Consulting	46,595	44,000	45,500	50,000
International Consulting	28,889	31,000	36,500	40,000
Power Engineering	15,762	20,000	20,500	22,000
Urban & Spatial Development	13,040	16,500	18,000	23,000
Energy	354	2,500	3,500	4,000
Real Estate/Others	1,381	1,000	1,000	1,000
Operating Income	6,561	6,200	7,900	12,600
Domestic Consulting	4,279	3,500	3,500	3,600
International Consulting	2,649	2,400	3,100	3,400
Power Engineering	1,873	2,600	2,600	3,200
Urban & Spatial Development	173	600	1,700	2,500
Energy	- 18	- 100	0	1,700
Real Estate/Others	- 2,396	- 2,800	- 3,000	- 1,800
Ordinary income	6,721	6,100	-	-
Profit attributable to owners of parent	4,555	4,100	5,200	8,700

Introduction of International Financial Accounting Standards (IFRS) is scheduled for FYE20/6, and plans for FYE20/6 and FYE21/6 show IFRS-applied figures.

NK-Innovation 2021

Continue to evolve into a global consulting and engineering firm

To provide services that are of value in building safe and reliable social infrastructure and comfortable living spaces

NK-Innovation 2021

Net sales ¥140 billion

Operating income
¥12.6 billion
(IFRS)

2030 Social Development Goals (SDGs)



1st STEP

2nd STEP
NK-AIM

3rd STEP
NK-Innovation

Rapid progress of urbanization

Climate change and lack of natural resources

Changes in demographics

Progress in technologies

Higher geopolitical risks

Concentrated investment areas
Common measures for all companies

appendix

Corporate Profile

- Corporate Name NIPPON KOEI CO., LTD.
- Date of Foundation June 7, 1946
- Capital ¥7,393 million
- Number of Employees 4,923 (consolidated)
- Consolidated Subsidiaries 62
- Businesses Domestic Consulting
International Consulting
Power Engineering
Urban & Spatial Development
Energy
- 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 (e.g. Suiho Dam/700MW, in the Korean Peninsula, one of the world's largest at that time).

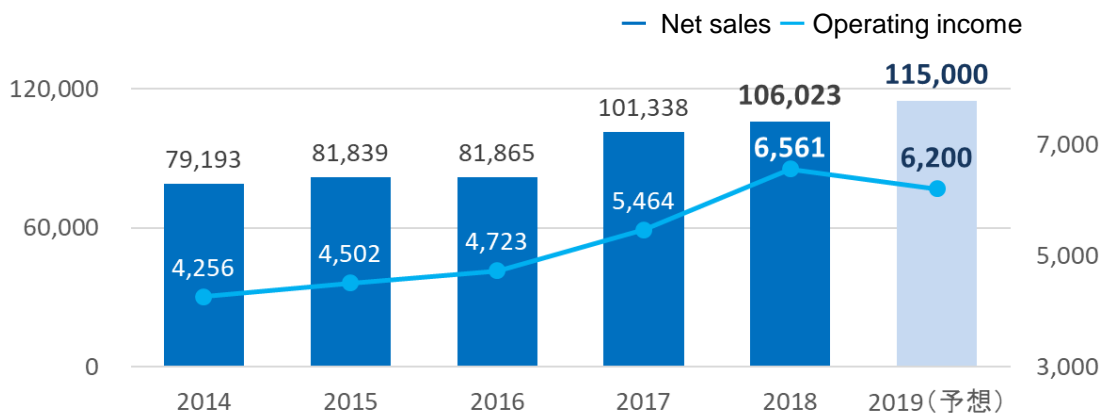
After the War, in a bid to work toward the restoration of Japan and reconstruction of countries damaged by the War, he founded the Company at the age of 56.

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

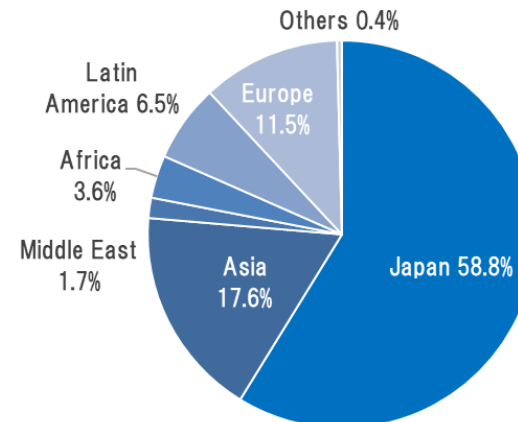
He directed projects in many countries throughout the world until he was 90 years old, contributing to development in developing countries.



Transition of Sales / Operating Income (Millions of yen)



FY18/6 Sales by Geographical Location



Business Development

Domestic Consulting



We have implemented approx. 3,000 projects/year to underpin the foundations of people's daily lives, such as development and maintenance of social capital including rivers, roads, etc., and regional reforms to realize prosperous and safe living.

International Consulting



We have supported the growth of developing countries in Africa, the Middle East, Latin America and, especially, in Asia by providing support in a broad range of fields including water resources, energy, urban development, transportation, agricultural development, and environment control.

Power Engineering



We have worked on the development of power sources and the promotion of business accommodating electricity demand in Japan and overseas. The Company has engaged in new construction and repairs of substations, switching stations, power stations, the formation of dam management systems at hydroelectric power plants, etc.

Urban & Spatial



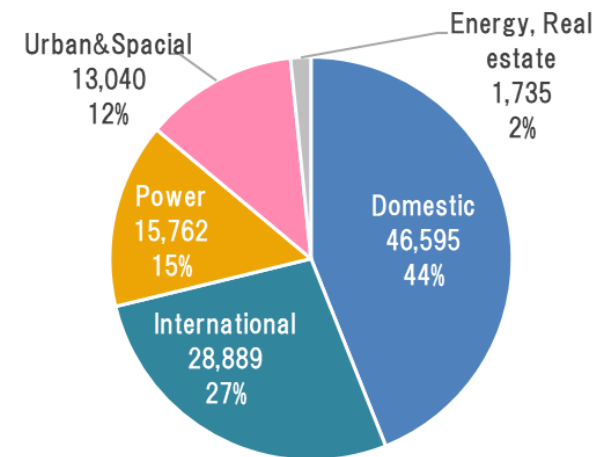
We strive to create multifunctional, well-organized, barrier-free, eco-friendly and beautiful life space in emerging economies in Asia and other developing countries/regions through development projects of social infrastructure design, such as of railway stations, airport buildings, rearrangement of the streetscape, etc.

Energy



Amid increasingly strict environmental regulations, we provide energy consultation and perform design and installation of hydropower/solar facilities in the field of renewable energy.

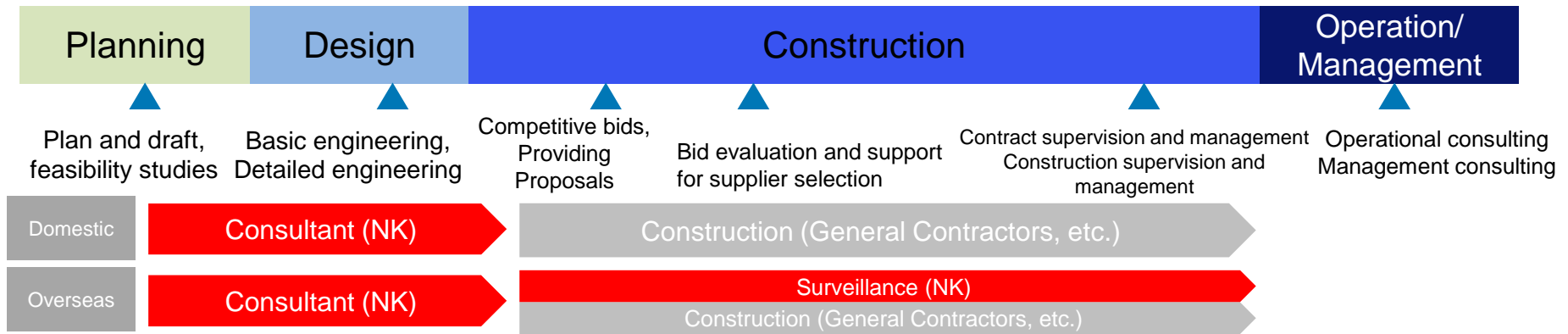
FY18/6 Sales distribution ratio



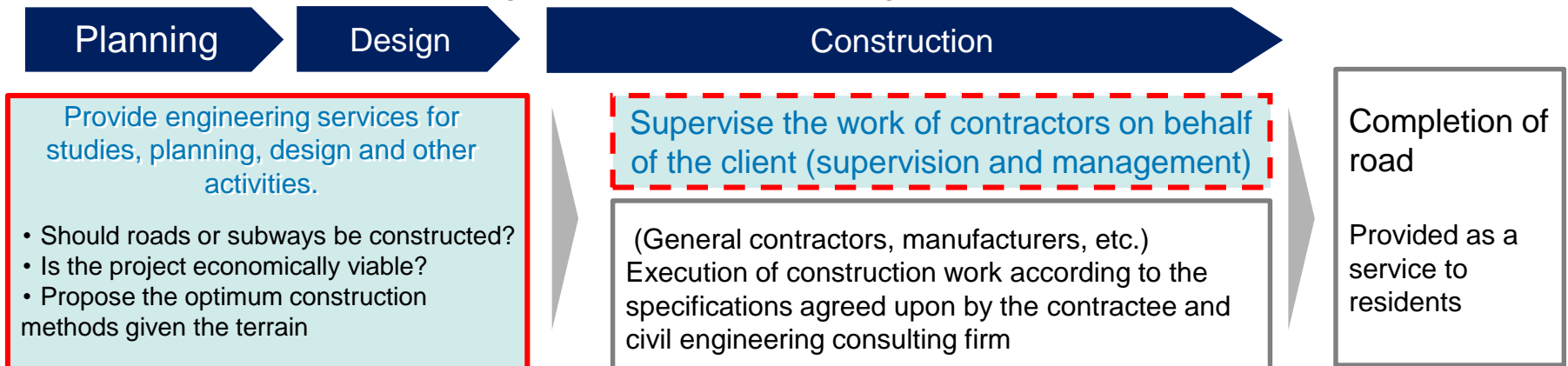
Job Description for Civil Engineering Consultants

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

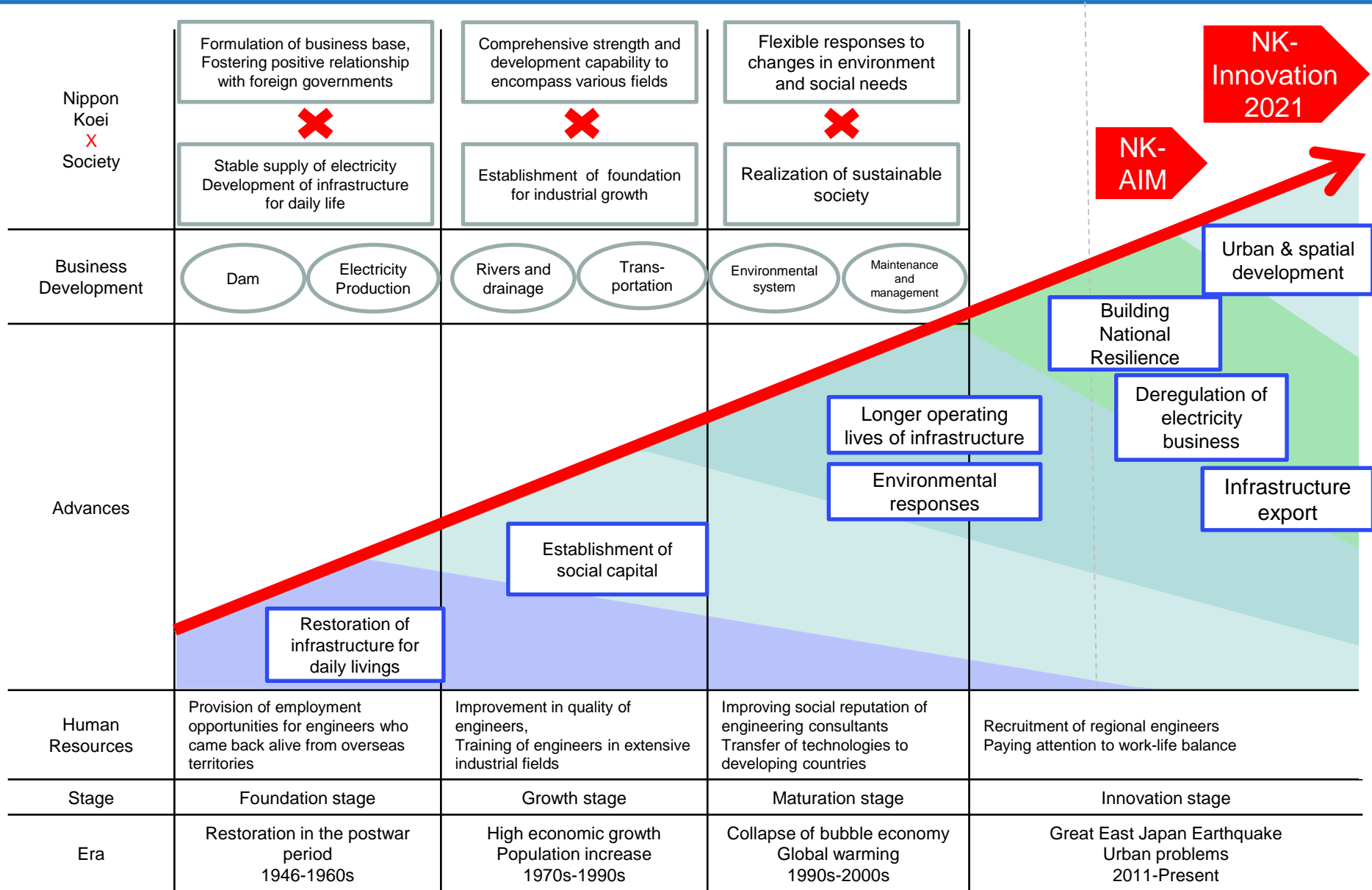
Overseas: Involvement varies by project, and can range from planning and construction to construction supervision and management. Core customers include the Japan International Cooperation Agency (JICA), other governmental agencies, the United Nations and the World Bank.



Example: Chronic traffic congestion problems in Region A



Nippon Koei's Development Along with Social Progress



Strengths of Nippon Koei

(1) Sustainable business model developed along with progress in society
(Win-win relationship between society and the Company)

Implementation of transformation to meet market needs



Commercialization of solutions on social issues

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

Comprehensive strength: Capable of solving sophisticated or complex issues

Human resources: Has the largest number of engineers in the industry

Technologies: Equipped with in-house R&D facilities and a number of patents

Consolidated net sales:
¥106 billion

No. of countries in which business is undertaken:
160

No. of orders per year: over 5,500

No. of patents acquired:
92

No. of Professional Engineers*:
1,584

*Certified by the Japanese government

Provide solutions on needs of the era and realize sustainable business expansion and profitability growth

Position in Industry

Nippon Koei is Japan's leading civil engineering consultant.

Rank	Company	Sales (Millions of yen)	
		Segment of Const. Consultation	Corporate Total
1	Nippon Koei	44,214	60,327
2	Pacific Consultants Co.,LTD.	40,477	42,511
3	CTI Engineering Co., Ltd.	32,626	34,256
4	Yachiyo Engineering Co., Ltd.	19,426	19,668
5	JR East Consultants Company	18,044	20,134
6	Oriental Consultants Co., LTD.	17,419	17,644
7	Nihon Suido Consultants Co., Ltd	17,134	17,365
8	KOKUSAI KOGYO CO., LTD.	16,325	35,022
9	Eight-Japan Engineering Consultants Inc.	15,362	17,531
10	NEWJEC Inc.	15,149	15,613
20	Tamano Consultants Co., Ltd. (strong point: urban planning)	9,779	11,499
87	NIPPON CIVIC CONSULTING ENGINEERS CO.,LTD (strong points: underground spatial planning, tunnels)	1,899	1,933

※ Source: *Nikkei Construction*, May 8, 2017 edition. Ranking by engineering consultant division sales (according to published financial results)

Position in Industry

Nippon Koei is Japan's leading civil engineering consultant.

Rank	Company	Sales (Millions of yen)	
		Segment of Const. Consultation	Corporate Total
1	Nippon Koei	45,379	61,734
2	Pacific Consultants Co.,LTD.	44,341	46,522
3	CTI Engineering Co., Ltd.	33,863	35,440
4	Yachiyo Engineering Co., Ltd.	20,402	20,747
5	JR East Consultants Company	19,591	21,008
6	Oriental Consultants Co., LTD.	19,143	19,186
7	Nihon Suido Consultants Co., Ltd	17,335	17,511
8	KOKUSAI KOGYO CO., LTD.	16,946	37,914
9	NEWJEC Inc.	16,463	16,812
10	IDEA Consultants, Inc.	16,420	16,880
18	Tamano Consultants Co., Ltd. (strong point: urban planning)	11,237	13,012
89	NIPPON CIVIC CONSULTING ENGINEERS CO.,LTD (strong points: underground spatial planning, tunnels)	1,992	2,001

※ Source: *Nikkei Construction*, April 23, 2018 edition. Ranking by engineering consultant division sales (according to published financial results)

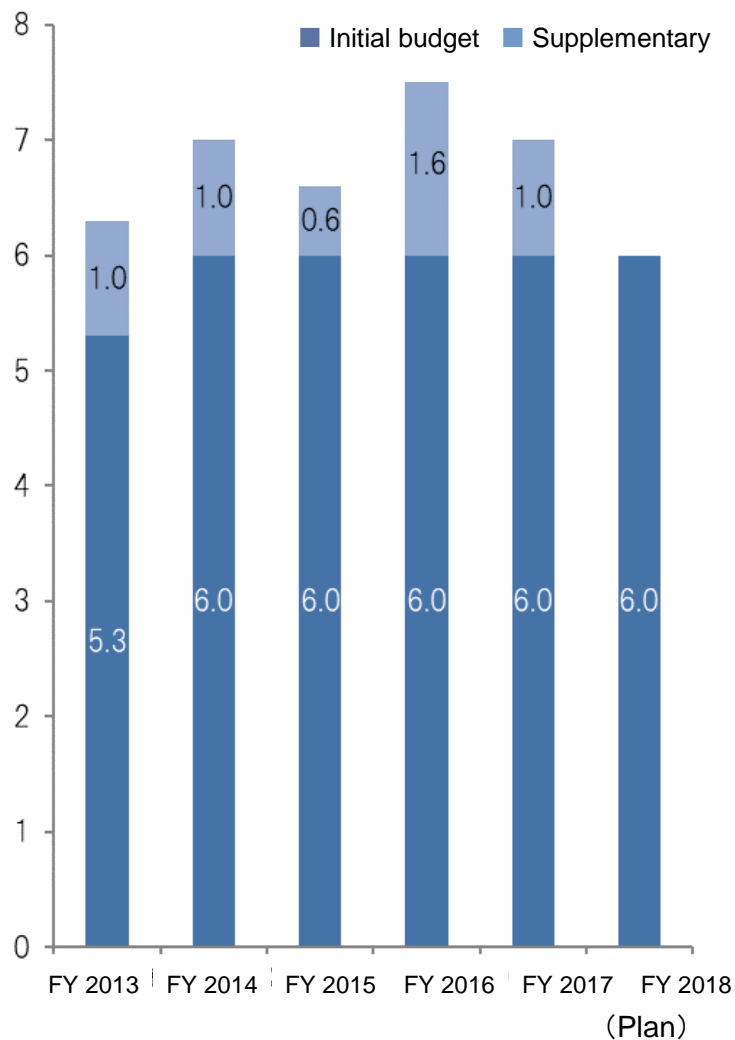
Group Vision

To provide services that are of value in building safe and reliable social infrastructure and comfortable living spaces.

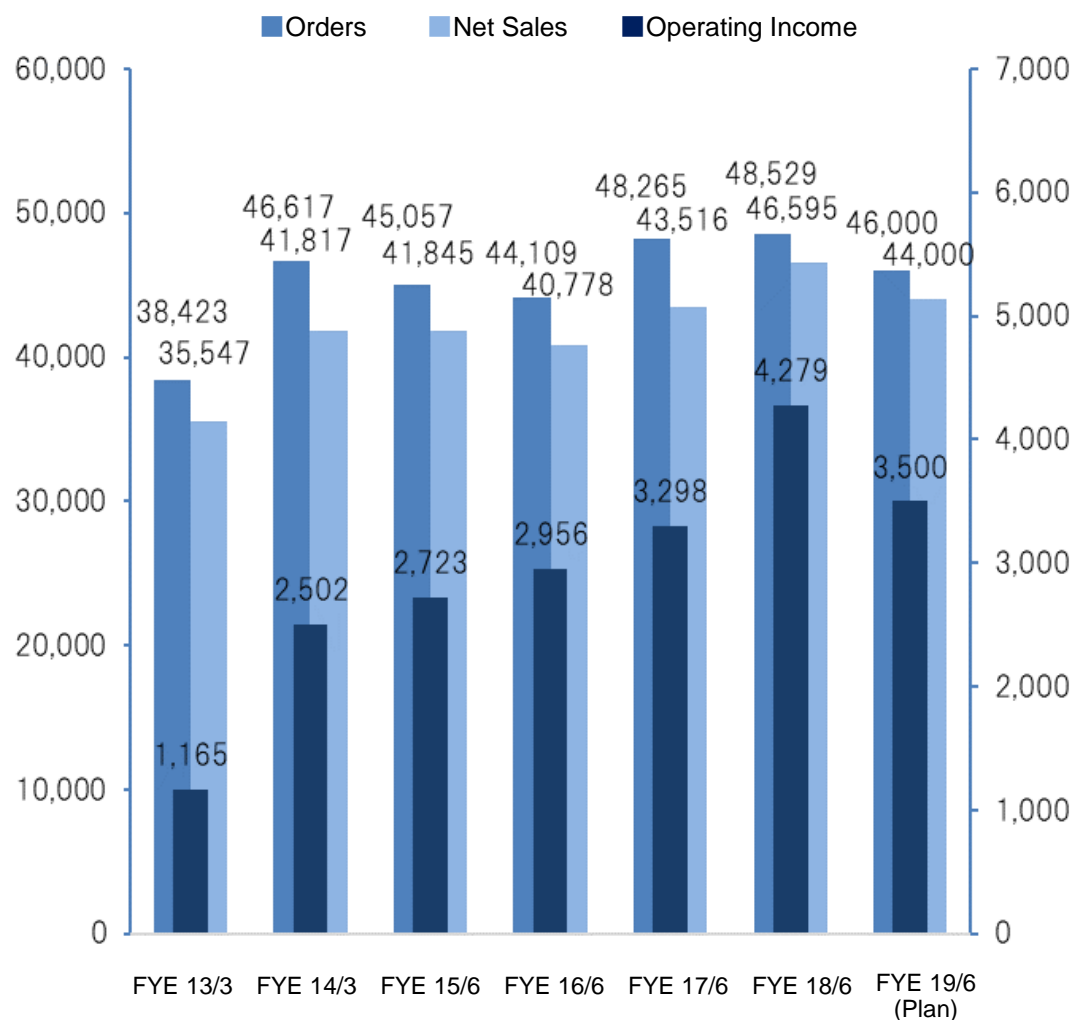


Domestic Consulting

Public Works Expenditures (¥ trillion)



Nippon Koei's Operating Results in Domestic Consulting (¥ million)

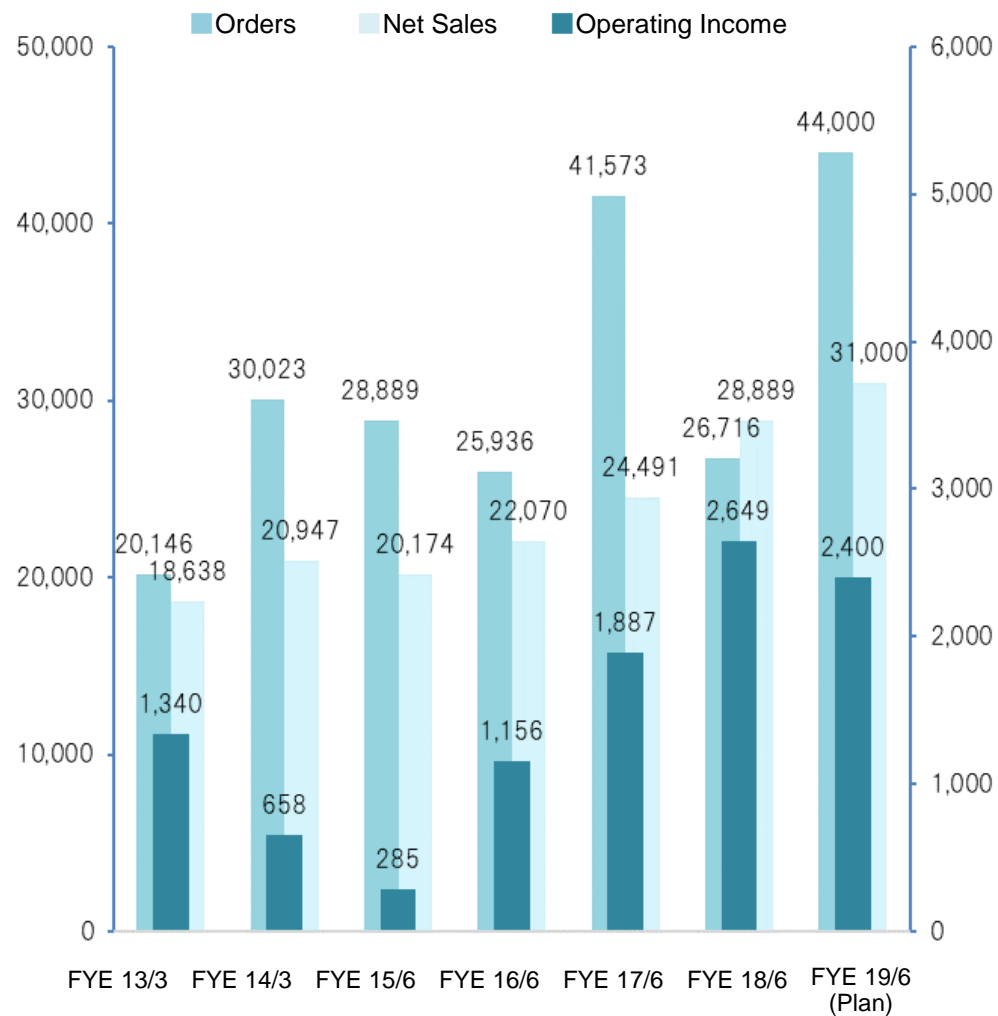


International Consulting

Initial ODA Budget in the General Account
(¥ billion)

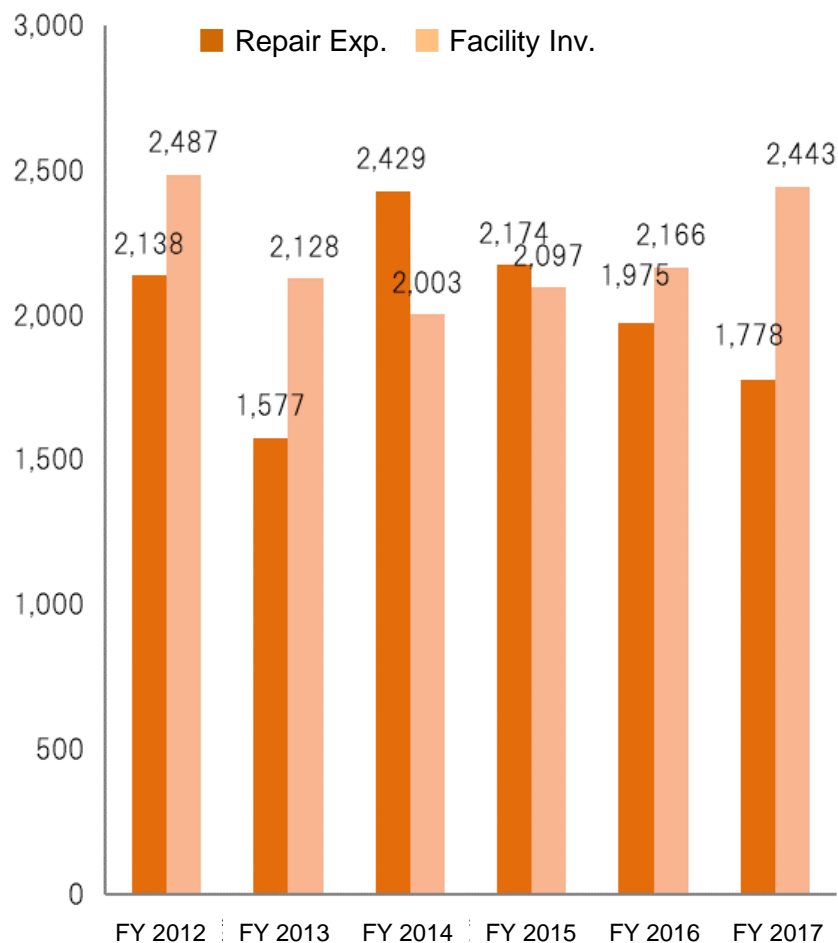


Nippon Koei's Operating Results in International Consulting
(¥ million)

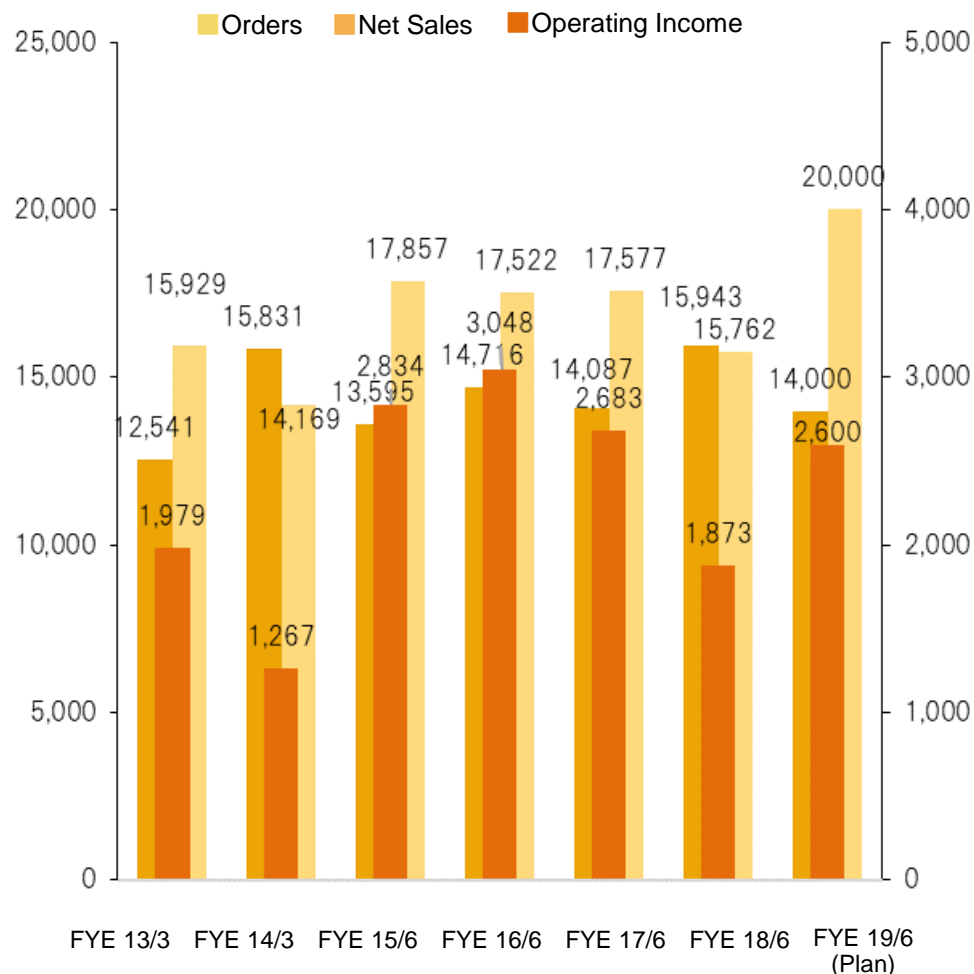


Power Engineering

Repair Expenses and Facility Investment and Its Distribution for Tokyo Electric Power Co., Ltd. (¥ billion)

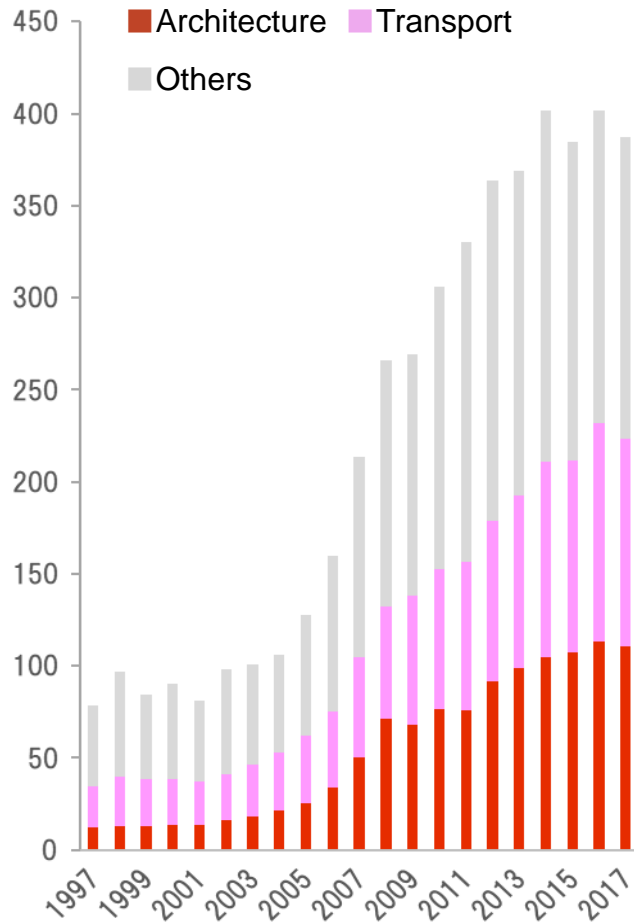


Nippon Koei's Operating Results in Power Engineering Business (¥ million)

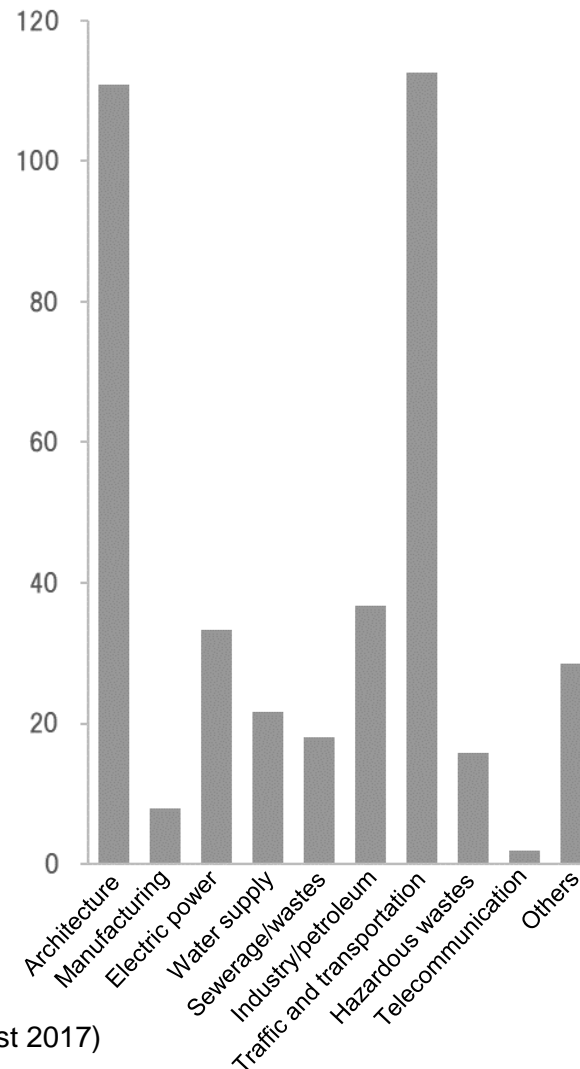


Urban & Spatial Development

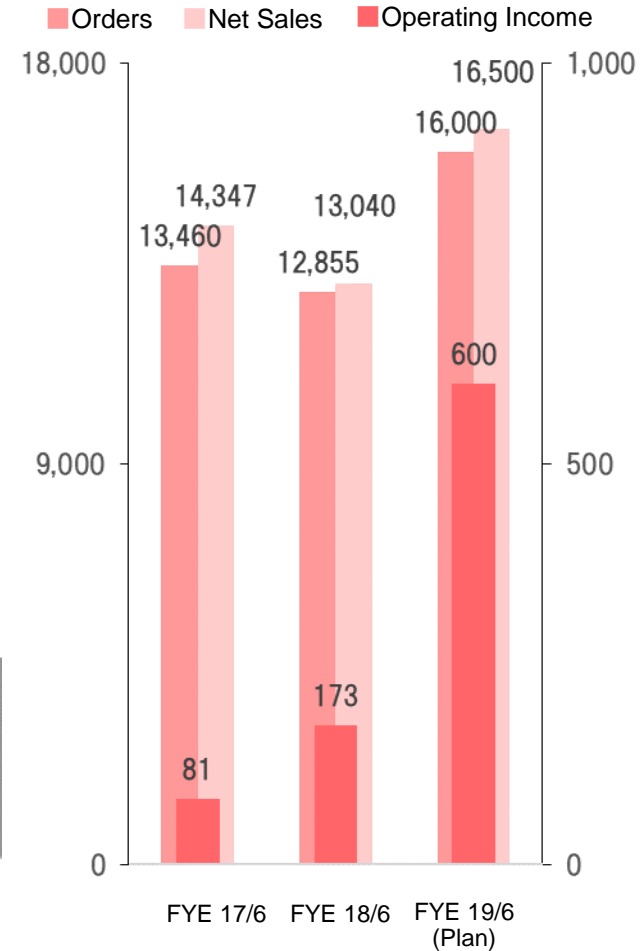
Sales Trend of Top 164 Research and Designing Companies (Billions of dollars)



Sales of top 164 firms in 2016 by sector (Billions of dollars)



Nippon Koei's Operating Results in Urban & Spatial Development Business (¥ million)



Source of data: ENR Magazine (issued in August 2017)