

Supplementary Materials for the Fiscal Period Ended June 30, 2018

August 13, 2018

Nippon Koei Co., Ltd.

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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

(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%	32,000	359	101.1%	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%		

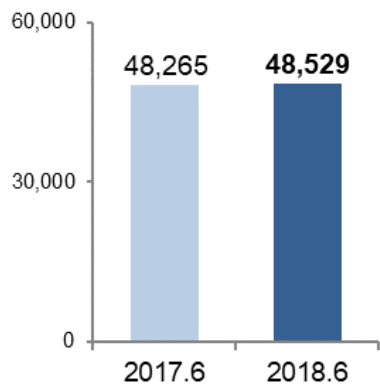
- Orders received: Orders received were lower than the level of the previous year, in which some large projects were booked, but this was in line with forecasts.
- Net sales: Net sales grew year on year due to changes in revenue recognition standards, but weakness in International Consulting and Power 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.

* 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.

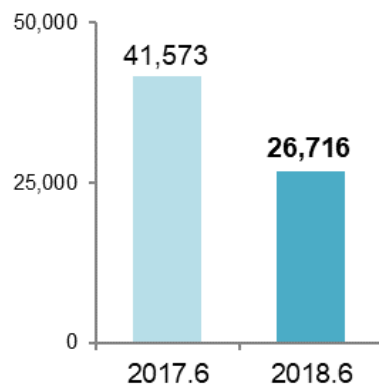
Results by Business Segment (Orders)

(Millions of yen)	FYE17/6 Results	FYE18/6 Results	YoY Change		FYE18/6 Plan	vs. Plan	
			Amount	%		Amount	%
Orders	117,442	104,350	△13,091	88.9%	103,000	1,350	101.3%
Domestic Consulting	48,265	48,529	264	100.5%	46,000	2,529	105.5%
International Consulting	41,573	26,716	△14,856	64.3%	30,000	△3,283	89.1%
Power Engineering	14,087	15,943	1,856	113.2%	16,000	△56	99.6%
Urban & Spatial Development	13,460	12,855	△605	95.5%	12,000	855	107.1%
Energy / Others	55	305	249	548.2%	-	-	-

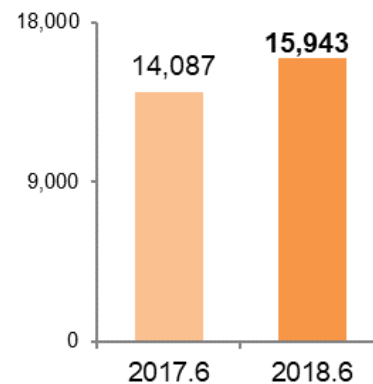
■ Domestic Consulting



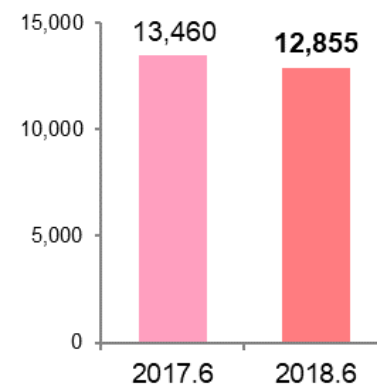
■ International Consulting



■ Power Engineering



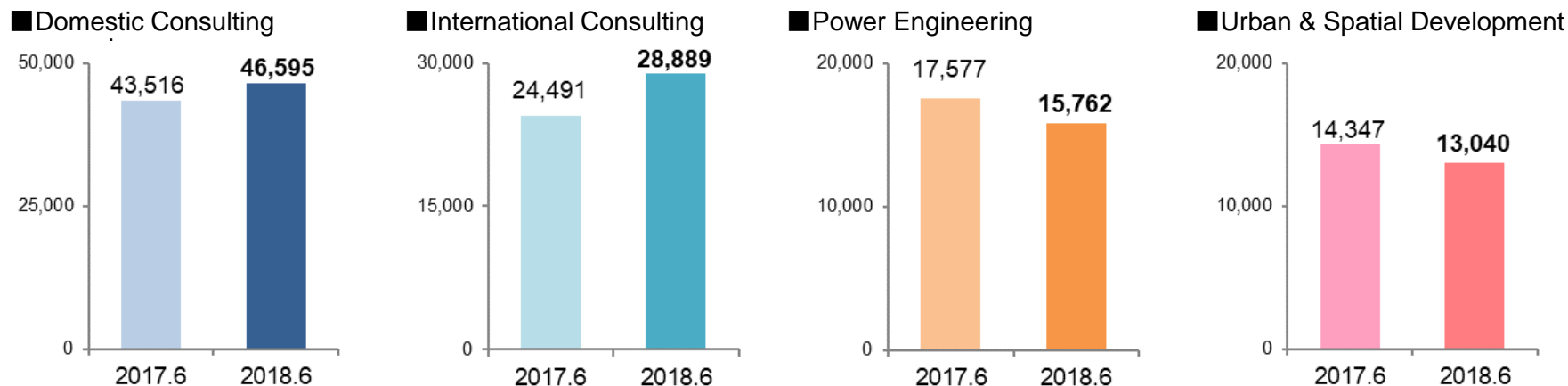
■ Urban & Spatial Development



Results by Business Segment (Net sales)

(Millions of yen)	FYE17/6 Results	FYE18/6 Results	YoY Change	FYE18/6 Plan	vs. Plan		Reference Values FYE18/6※	YoY Change
					Amount	%		
Net Sales	101,338	106,023	104.6%	114,000	△7,976	93.0%	94,685	93.4%
Domestic Consulting	43,516	46,595	107.1%	47,200	△604	98.7%	43,020	98.9%
International Consulting	24,491	28,889	118.0%	31,800	△2,910	90.8%	22,951	93.7%
Power Engineering	17,577	15,762	89.7%	21,200	△5,437	74.4%	14,123	80.3%
Urban & Spatial Development	14,347	13,040	90.9%	12,000	1,040	108.7%		
Energy / Real Estate / Others	1,405	1,735	123.5%	1,800	△64	96.4%		

* 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.

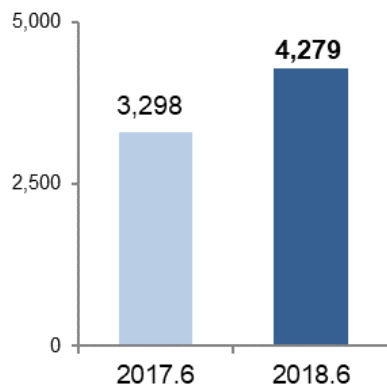


Results by Business Segment (Operating income)

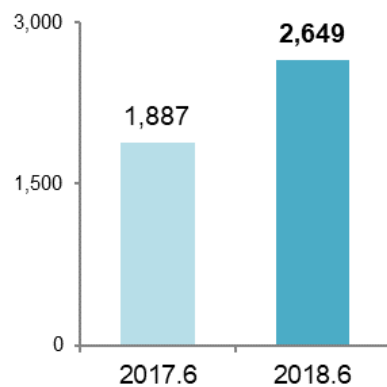
(Millions of yen)	FYE17/6 Results	FYE18/6 Results	YoY Change	FYE18/6 Plan	vs. Plan		Reference Values FYE18/6※	YoY Change
					Amount	%		
Operating Income	5,464	6,561	120.1%	7,700	△1,138	85.2%	3,874	70.9%
Domestic Consulting	3,298	4,279	129.7%	3,500	779	122.3%	3,668	111.2%
International Consulting	1,887	2,649	140.4%	2,400	249	110.4%	1,126	59.7%
Power Engineering	2,683	1,873	69.8%	3,500	△1,626	53.5%	1,352	50.4%
Urban & Spatial Development	81	173	213.8%	50	123	347.6%		
Energy / Real Estate / Others	△2,485	△2,414	-	△1,750	△664	-		

* 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.

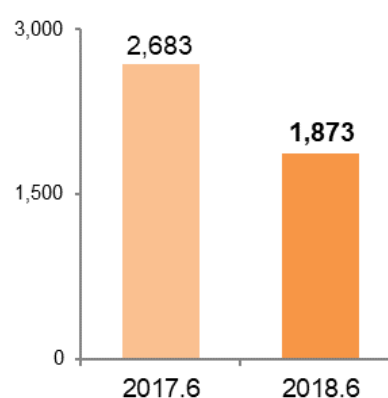
■ Domestic Consulting



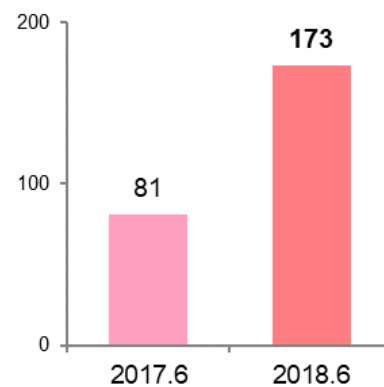
■ International Consulting



■ Power Engineering



■ Urban & Spatial Development



Overview of Performance by Business Segment

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.

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.

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.

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.

*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.

FYE June 2019 Forecast

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

(Reference) On changes in calculation standards for Sales (from June 2018)

- * Effective from the Fiscal Year Ending June 30, 2018, the Group has changed the primary method of revenue recognition from the completed-contract method to the percentage of completion method.

Calculation by “Percentage of Completion Method”

(Sales Amount) = (Estimated Total Revenue) x Progression Rate - (Cumulative Sales by the End of Previous Period)

$$\text{Progression Rate} = \frac{\text{Costs occurred (labor cost, subcontract cost, costs, etc.)}}{\text{Total Estimated Costs}}$$

Sales Recording by “Percentage of Completion Method”

Case: Project of 3-year contract period, JPY 30-million value



	1st year Progression Rate: 25%	2nd year Progression Rate: 70%	3rd year Completion	Total
Completed-contract method	0	0	3,000	3,000
% of completion method	750	1,350	900	3,000
	3,000 x 25%	3,000 x 70% - 750	3,000 x 100% - 750 - 1,350	

* For projects that were awarded or started before FYE June 30, 2017, the completed-contract method is used.

* For the amount of effect, see “Changes in accounting policies” on p.13 of the Summary of Financial Reports .