

# Presentation of Financial Results FYE June 30, 2017

August 23, 2017

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

I: Accounting Report  
(July 2016 - June 2017, FYE17/6)

# Results for FYE June 30, 2017

## NK marked highest records ever in Orders, Net Sales, Operating & Ordinary Incomes.

- **Orders:** Surpassed the budget target and last year's result owing to good performance of Domestic and International Consulting businesses.
- **Net sales:** Recorded maximum in the past 3 accounting periods in a row. But fell short of the budget target because completion of big projects of International Consulting and Power Engineering will be delayed within the next period.
- **Operating Income:** Achieved a record by the contribution of Domestic and International businesses, though underran the budget target.
- **Ordinary Income:** Hit the highest after 2-year downturn.
- **Profit attributable to owners of parent:** Substantially exceeded the record of previous year, but not reached the budget target.

(Millions of yen)	FYE16/6 Results	FYE17/6 Results	YoY Change		FYE17/6 Forecast	vs. Plan		Reference Values FYE17/6※	YoY(%)
			Amount	%		Amount	%		
Orders	104,019	117,442	13,422	112.9%	114,000	3,442	103.0%	-	-
Net sales	81,865	101,338	19,472	123.8%	105,000	- 3,661	96.5%	86,990	106.3%
Gross profit	22,359	30,937	8,577	138.4%	29,500	1,437	104.9%	24,269	108.5%
Operating Income	4,723	5,464	741	115.7%	6,000	- 535	91.1%	5,383	114.0%
Ordinary Income	4,365	5,958	1,592	136.5%	6,300	- 341	94.6%	※Excluded the Urban & Spatial Development segment	
Profit attributable to owners of parent	1,823	3,288	1,464	180.3%	3,600	- 311	91.3%		

\* NK has changed the calculation standard for orders starting this period. Results for FYE June 30, 2016 are also based upon figures calculated according to the same standard.

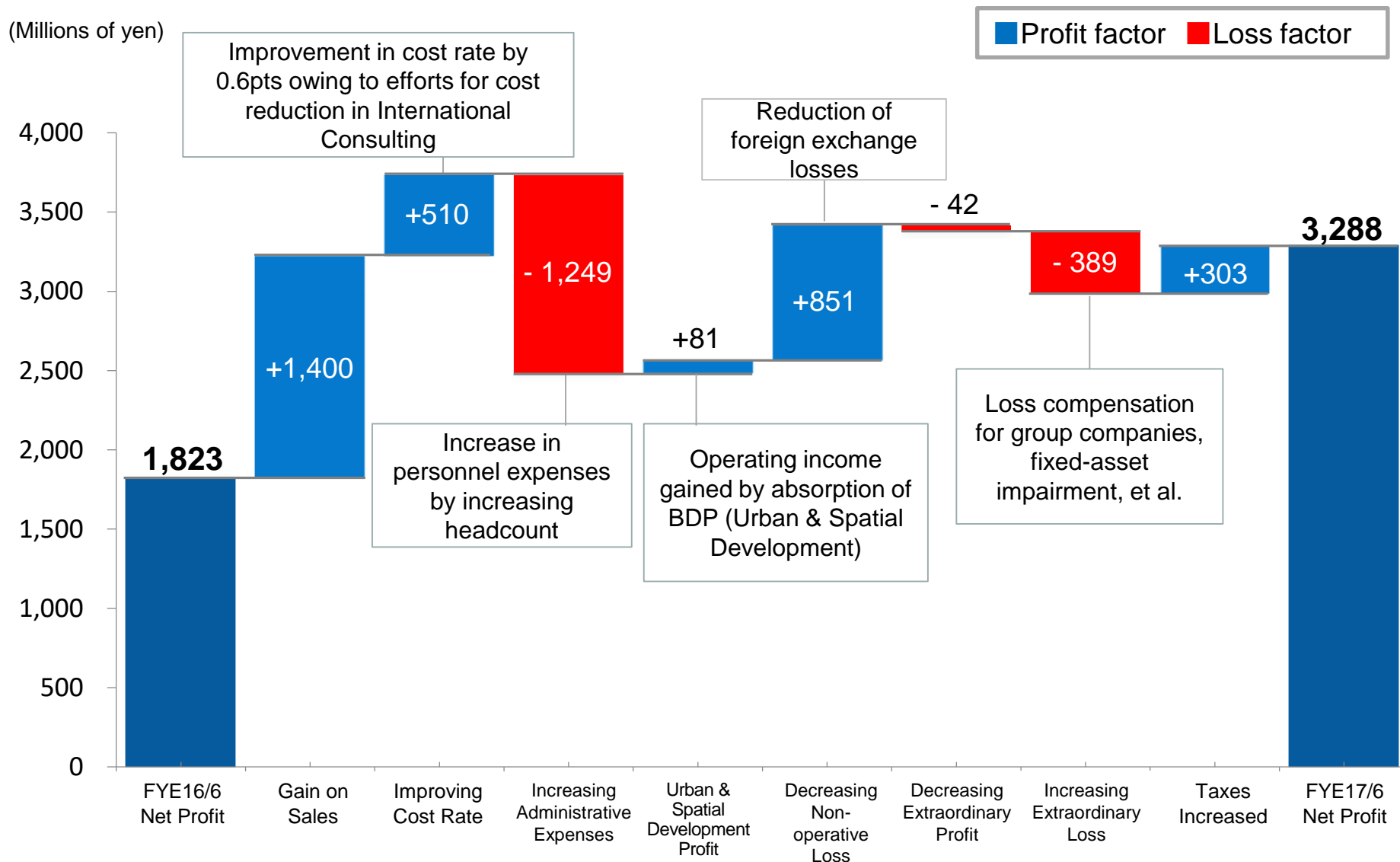
\*\* BDP altered the closing date from the end of March to June this year. Therefore, the fiscal year ending June 2017 is composed of 15 months.

# Consolidated Profit and Loss Summary

(Millions of yen)	FYE16/6 Results		FYE17/6 Results		YoY Change		Reference Values FYE17/6※	YoY(%)
	Amount	Ratio (vs sales)	Amount	Ratio (vs sales)	Amount	%		
Orders	104,019	Ratio (vs sales)	117,442	Ratio (vs sales)	13,422	112.9%	-	-
Net sales	81,865	100.0%	101,338	100.0%	19,472	123.8%	86,990	106.3%
Cost of sales	59,505	72.7%	70,400	69.5%	10,894	118.3%	62,721	105.4%
Gross profit	22,359	27.3%	30,937	30.5%	8,577	138.4%	24,269	108.5%
SG&A	17,636	21.5%	25,472	25.1%	7,836	144.4%	18,885	107.1%
Operating income	4,723	5.8%	5,464	5.4%	741	115.7%	5,383	114.0%
Non-operating income/expenses	- 357	- 0.4%	493	0.5%	851	-	※Excluded the Urban & Spatial Development segment	
Ordinary income	4,365	5.3%	5,958	5.9%	1,592	136.5%		
Extraordinary income/loss	- 333	- 0.4%	- 764	- 0.8%	- 431	-		
Profit attributable to owners of parent	1,823	2.2%	3,288	3.2%	1,464	180.3%		

# Profit/Loss Analysis

(Millions of yen)



\*The amount of change in the values from sales to administrative expenses consists of yoy difference of existing businesses, excluding Urban & Spatial Development.

# Results by Business Segment

(Millions of yen)	FYE16/6 Results	FYE17/6 Results	YoY Change		vs. Plan	
			Amount	%	Amount	%
<b>Orders</b>	<b>104,019</b>	<b>117,442</b>	13,422	112.9%	3,442	103.0%
Domestic Consulting	44,109	48,265	4,155	109.4%	265	100.6%
International Consulting	28,876	41,573	12,696	144.0%	5,573	115.5%
Power Engineering	14,716	14,087	- 629	95.7%	- 1,912	88.0%
Urban & Spatial Development	16,251	13,460	- 2,790	82.8%	- 539	96.1%
Others	64	55	- 8	86.3%	55	-
<b>Net Sales</b>	<b>81,865</b>	<b>101,338</b>	19,472	123.8%	- 3,661	96.5%
Domestic Consulting	40,778	43,516	2,738	106.7%	- 1,483	96.7%
International Consulting	22,070	24,491	2,420	111.0%	- 1,508	94.2%
Power Engineering	17,522	17,577	54	100.3%	- 922	95.0%
Urban & Spatial Development	-	14,347	-	-	347	102.5%
Real Estate Leasing	514	473	- 40	92.1%	- 26	-
Others	979	931	- 47	95.1%	- 68	-
<b>Operating income</b>	<b>4,723</b>	<b>5,464</b>	741	115.7%	- 535	91.1%
Domestic Consulting	2,956	3,298	341	111.6%	98	103.1%
International Consulting	1,156	1,887	730	163.2%	287	118.0%
Power Engineering	3,048	2,683	- 364	88.0%	- 416	86.6%
Urban & Spatial Development	-	81	-	-	- 518	13.5%
Real Estate Leasing	386	401	14	103.9%	1	100.3%
Others/Recondilations	- 2,824	- 2,886	- 62	-	13	-

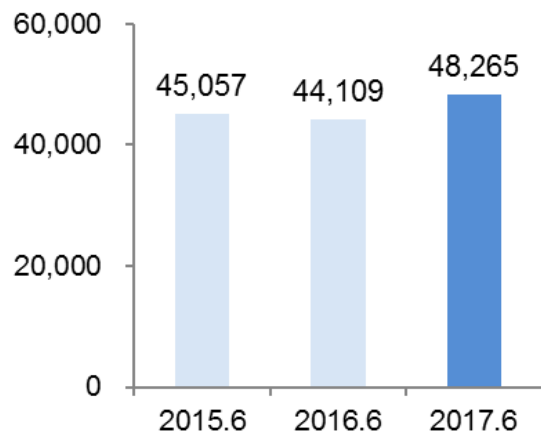
# Domestic Consulting

- Order amount surpassed the budget target and last year's result owing to good performance of prioritized businesses and winning bids of national projects as a result of strengthening technical competitiveness.
- Sales amount exceeded the one of previous period, with the elevation of orders received, fell short of the budget target, on the other hand, due to the delay of big-project completion by consolidated subsidiaries.
- Ordinary income went beyond figures of both previous year and budget target, by productivity enhancement and an increase of profitable projects from the government.

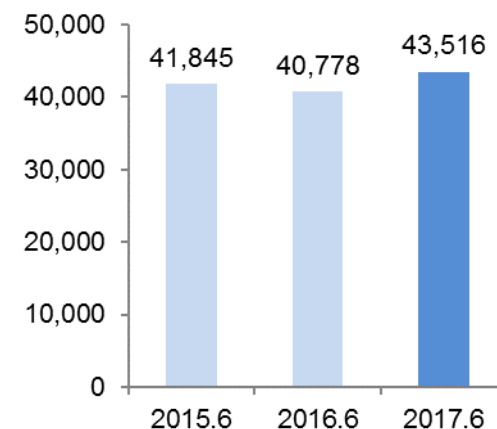
(Millions of yen)	FYE16/6 Results		FYE17/6 Results		YoY Change		FYE17/6 Plan
	Amount	Ratio(vs. Sales)	Amount	Ratio(vs. Sales)	Amount	%	
Orders	44,109	Ratio(vs. Sales)	48,265	Ratio(vs. Sales)	4,155	109.4%	48,000
Net sales*	40,778	100.0%	43,516	100.0%	2,738	106.7%	45,000
Cost of sales	29,801	73.1%	31,834	73.2%	2,033	106.8%	33,400
Gross profit	10,976	26.9%	11,681	26.8%	704	106.4%	11,600
SG & A	8,020	19.7%	8,383	19.3%	363	104.5%	8,400
Operating income	2,956	7.3%	3,298	7.6%	341	111.6%	3,200

\*Net sales represent sales to external customers.

■ Orders

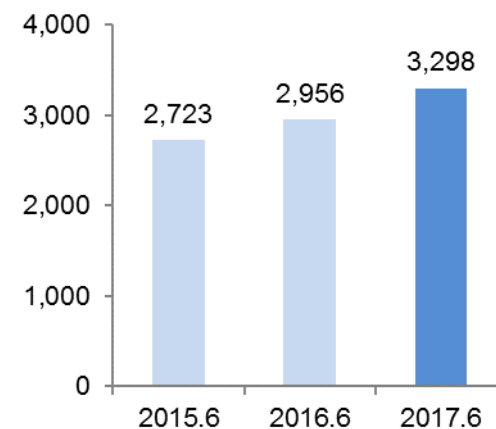


■ Net sales



■ Operating income

( Millions of yen )



# Project Case Study (Domestic Consulting)

## Bridge Maintenance Business

It is urgently needed to cope with aging road facilities. Maintenance is provided to keep roads in good condition, to ensure safe and smooth transportation, and to prevent/alleviate accidents/inexpediency for stakeholders, such as roadside residents, drivers, et al.

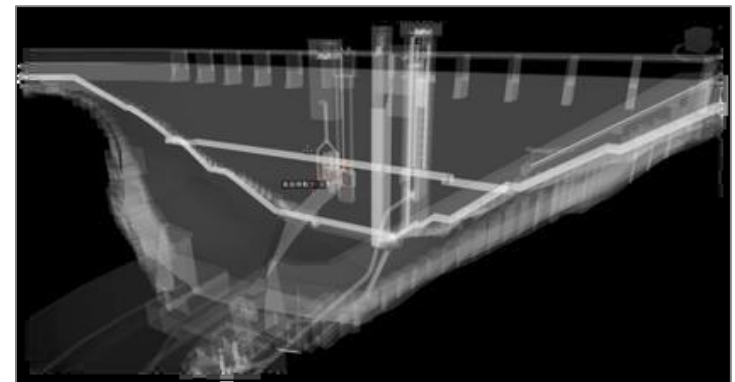


## New Technology (CIM): Streamlining and advancement of dam maintenance

Facilitating streamlined management by using CIM to create and utilize a three-dimensional model of civil engineering structures; Discussed, developed, and introduced CIM contributing to streamlining, laborsaving, and advancing maintenance

### What is CIM?

CIM stands for "Construction Information Modeling." Facilitates streamlining and advancement of a series of construction production systems by sharing information mainly on three-dimensional models



Penetrating inside a dam body



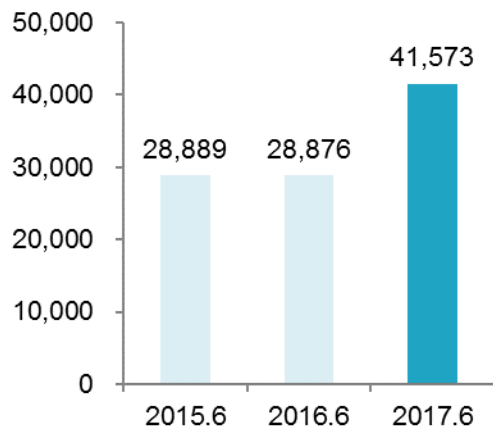
# International Consulting

- Order amount substantially surpassed the budget target and last year's result with contribution of big-project.
- Sales amount exceeded the one of previous period, however, underran the budget target due to the delay of completion of some projects.
- Ordinary income exceeded figures of both previous period and budget target, owing to profitability improvement by the introduction of revenue-management systems.

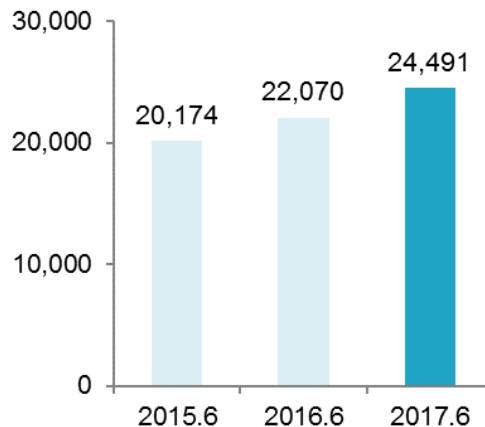
(Millions of yen)	FYE16/6 Results		FYE17/6 Results		YoY Change		FYE17/6 Plan
	Amount	Ratio(vs. Sales)	Amount	Ratio(vs. Sales)	Amount	%	
Orders	28,876	Ratio(vs. Sales)	41,573	Ratio(vs. Sales)	12,696	144.0%	36,000
Net sales*	22,070	100.0%	24,491	100.0%	2,420	111.0%	26,000
Cost of sales	16,917	76.7%	17,950	73.3%	1,033	106.1%	19,700
Gross profit	5,153	23.3%	6,540	26.7%	1,387	126.9%	6,300
SG & A	3,996	18.1%	4,653	19.0%	656	116.4%	4,700
Operating income	1,156	5.2%	1,887	7.7%	730	163.2%	1,600

\*Net sales represent sales to external customers.

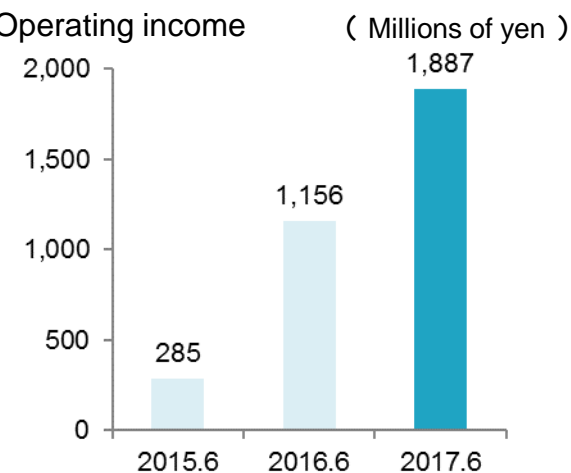
■ Orders



■ Net sales



■ Operating income



# Project Case Study (International Consulting)

## Dhaka MRT Line-6 Development Project

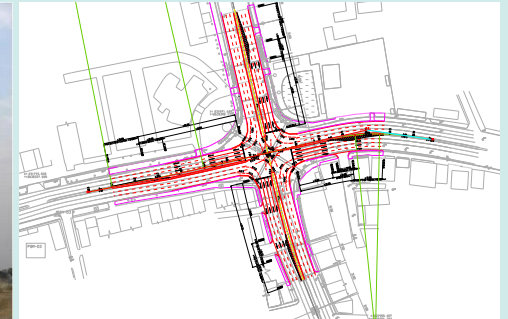
Construction of Bangladesh's first full-scale high-speed urban rail network (20km length elevated route comprising 16 stations)



### [Project overview]

- Contract period: 2016 – 2018
- Contract amount: Approx. JPY8 billion (including reserves)
- Contractee: Dhaka Mass Transit Company Limited
- Contractor: JV consisting of Nippon Koei, Nippon Koei India, and four other companies
- Work contents: Bid support, Construction supervision, Oversight and support for operations and maintenance management

Demonstrating comprehensive strength through collaboration among business divisions and group companies



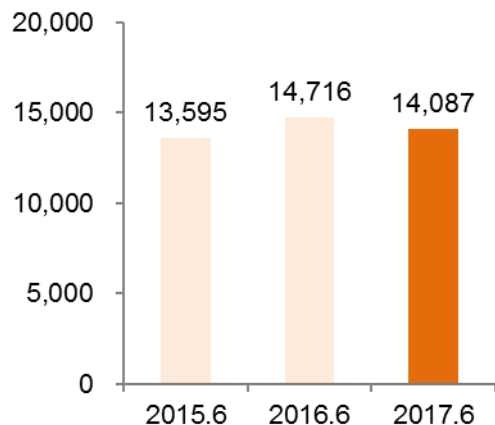
# Power Engineering

- Order amount fell short of the last period's record and budget target, due to the delay of contracting procedures for large-scale projects.
- Sales amount is at almost equivalent level of the previous period; as for the budget target, however, not satisfactorily attained due to the delay of contract conclusion for large-scale projects.
- Operating income underperformed both figures of the last year and budget target, caused by personnel increase corresponding to extraordinarily high domestic/international demand for hydropower business, in spite of thorough cost reduction efforts.

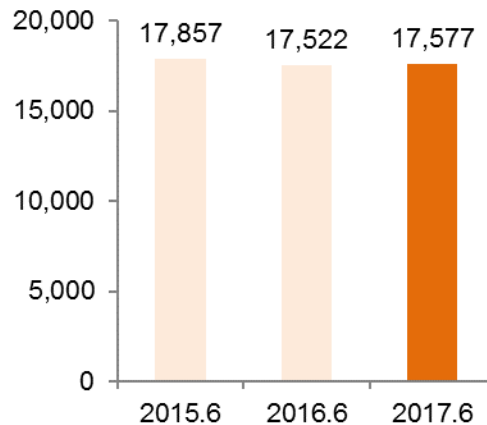
(Millions of yen)	FYE16/6 Results		FYE17/6 Results		YoY Change		FYE17/6 Plan
	Amount	Ratio(vs. Sales)	Amount	Ratio(vs. Sales)	Amount	%	
Orders	14,716	Ratio(vs. Sales)	14,087	Ratio(vs. Sales)	- 629	95.7%	16,000
Net sales*	17,522	100.0%	17,577	100.0%	54	100.3%	18,500
Cost of sales	11,718	66.9%	11,885	67.6%	167	101.4%	12,500
Gross profit	5,804	33.1%	5,692	32.4%	- 112	98.1%	6,000
SG & A	2,756	15.7%	3,009	17.1%	252	109.2%	2,900
Operating income	3,048	17.4%	2,683	15.3%	- 364	88.0%	3,100

\*Net sales represent sales to external customers.

■ Orders

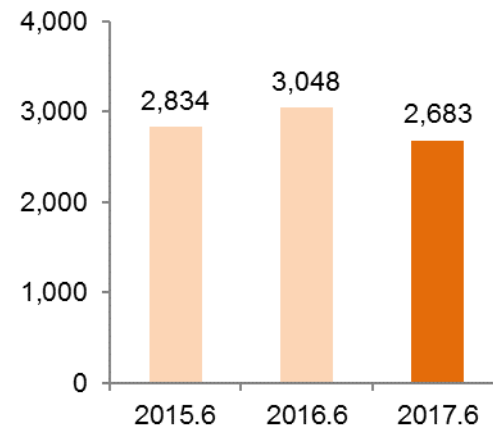


■ Net sales



■ Operating income

( Millions of yen )





# Project Case Study (Power Engineering)

## Ikari Hydroelectric Power Station — Renewal project for privately owned power station —

Development planning and process management for renovation of privately-owned hydroelectric power station based upon feed-in-tariff (FIT) scheme for renewable energy.

### ■ Ikari Hydroelectric Power Station

(Established in 1907)

Location: Kazuno City, Akita Prefecture

Power Output: 1,800kW

Construction in a small building with relatively fragile architecture



Water turbine generator control system



Water turbine assembly



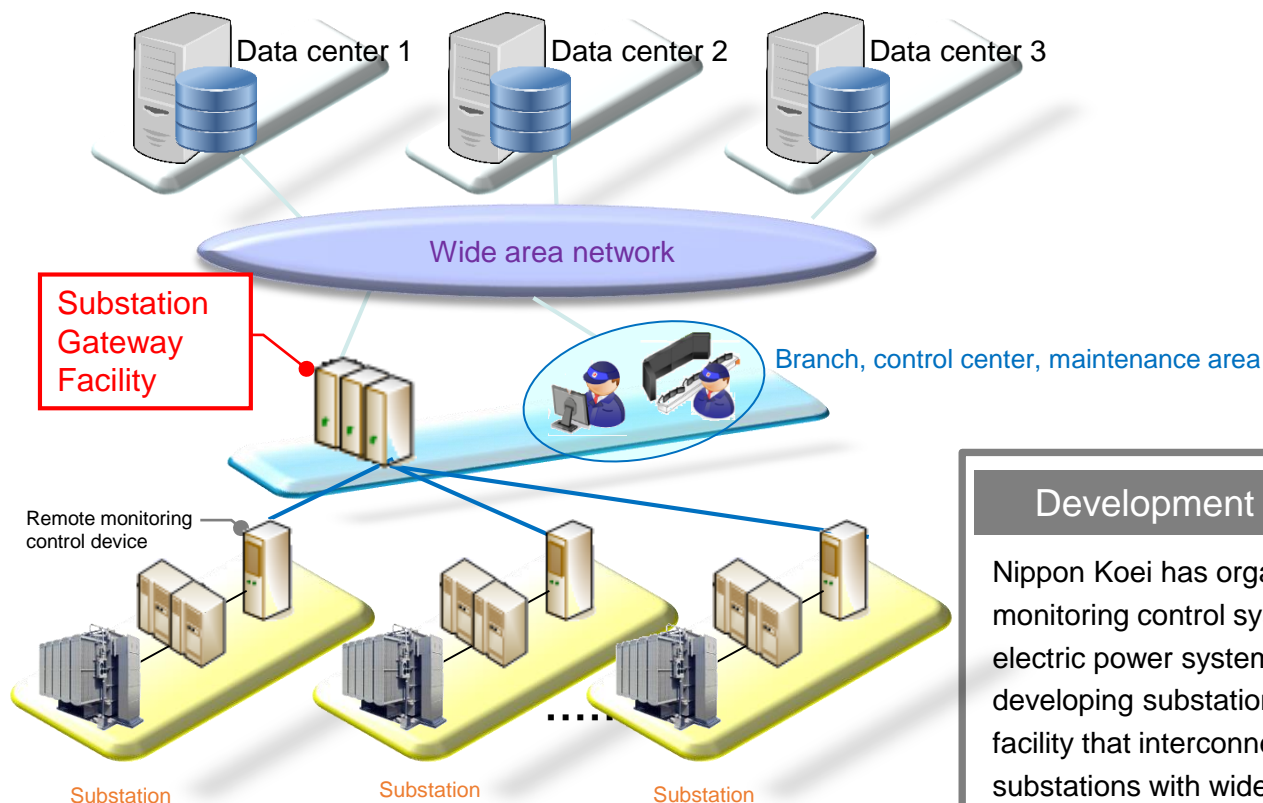
Power-generation rotor

# Project Case Study (Power Engineering)

## Development of monitoring control system for electric power systems

In the field of switching equipment/system, core business of Power Engineering Operations, launched development of next-generation monitoring control systems. Addressing tasks of cost reduction, international standardization, et al. Nippon Koei targets expansion of sales to electricity firms/overseas.

### Next-generation monitoring control systems



### Overseas business development

Six companies agreed to a strategic alliance.



### Development of Substation Gateway Facility

Nippon Koei has organized a monitoring control system for electric power systems by developing substation gateway facility that interconnects local substations with wide-area data network.



# Urban & Spatial Development

- Both orders and sales are rather slumping because of delaying order issuance of public works for education-related facilities, backed by ambiguous climate of public administration in Britain due to Brexit.
- Operating income has been negatively affected by stagnant sales and weak pound sterling.

(Millions of yen)	FYE17/6 Results		FYE17/6 Plan
		Ratio (vs. Sales)	
Orders	13,460		14,000
Net sales*	14,347	100.0%	14,000
Cost of sales	7,678	53.5%	8,800
Gross profit	6,668	46.5%	5,200
SG & A	6,587	45.9%	4,600
Operating income	81	0.6%	600

## Progress of business strategy in practice

- Despite the impact of Brexit, gross profit of BDP was largely in line with its plan for 15 months in a row.
- BDP secured orders from private companies in ASEAN as a result of cooperative sales promotion with Nippon Koei.

\* BDP altered the closing date from the end of March to June this year.

Therefore, BDP's FYE June 30, 2017 is composed of 15 months.

\*\* The amount of amortization expenses for FYE June 30, 2017 is approximately JPY 1 billion (Amortization of goodwill: approximately JPY 500 million; Other intangible fixed assets: Just over JPY 500 million).

\*\*\* Fixed rate of exchange for FYE June 30, 2017 results: 1 GBP = 145.16 JPY (Rate used in the plan for the FYE June 30, 2017 was 1 GBP = 160 JPY)

BDP has altered its official closing date from the end of March to June since 2017.

【Reference】 Quarterly Performance of Urban & Spatial Development FYE June 30, 2017

(Millions of yen)	2016.4-6 (1Q)	2016.7-9 (2Q)	2016.10-12 (3Q)	2017.1-3 (4Q)	2017.4-6	FYE17/6 Results	FYE17/6 Plan
Orders	2,806	2,749	1,970	2,996	2,939	13,460	14,000
Net sales	3,260	2,733	2,615	2,973	2,766	14,347	14,000
Operating Income	76	0	- 26	22	9	81	600



# Project Case Study (Urban & Spatial Development)

## Palace Of Westminster Refurbishment

Received an order in July 2017 for architectural design of a major refurbishment project of the Palace of Westminster following the order received for refurbishment project of the temporary relocation site of the House of Parliament (The Northern Estate Programme) in November 2016.



Contractee: The Parliament of the United Kingdom

Work contents: Overall architectural design services related to the refurbishment project (including aging diagnosis, security measures, and fire protection)



Partial view of the temporary relocation site (inside Northern Estate)

**The Northern Estate Programme Project overview**

Contractee: The House of Commons

# Balance sheet

- Current assets increased due mainly to an increase in cash and deposits.
- Current liabilities decreased while non-current liabilities increased due primarily to refinancing short-term borrowings to long-term borrowings.
- Net assets increased attributable to an increase in capital surplus and retained earnings.

(Millions of yen)	FYE16/6 Results ※	FYE17/6 Results	YoY
Assets	<b>100,989</b>	<b>113,865</b>	12,875
Current assets	46,153	54,798	8,645
Physical fixed assets	24,561	24,535	- 25
Intangible assets	16,620	13,900	- 2,720
Investments and other assets	13,654	20,630	6,976
Liabilities	<b>49,529</b>	<b>58,991</b>	9,462
Current liabilities	43,107	30,341	- 12,766
Non-current liabilities	6,421	28,650	22,228
Net assets	<b>51,460</b>	<b>54,874</b>	3,413

(\*) For the FYE 16/6 balance sheet, BDP's financial results as of April 1, 2016 were consolidated.



# Cash Flows

- Cash flow from operating activities increased owing largely to the increase in advances received in addition to net income before income taxes.
- Cash flow used for investing activities totaled JPY 4.1 billion mainly due to acquisition of fixed assets and investments in new businesses.
- Cash flow from financing activities totaled JPY 4.8 billion owing mainly to long-term borrowings.

(Millions of yen)	FYE16/6 Results	FYE17/6 Results	YoY
Net cash provided by (used in) operating activities	379	6,376	5,996
Net cash provided by (used in) investing activities	- 17,705	- 4,172	13,533
Net cash provided by (used in) financing activities	15,199	4,846	- 10,353
Net increase (decrease) in cash and cash equivalents	- 2,272	6,925	9,197
Cash and cash equivalents at the end of period	9,400	17,083	7,686

## Ⅱ : Progress of Medium-Term Management Plan NK-AIM

# Group Vision

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



# Long-Term Management Strategy (July 2015 – June 2021)

Continue evolution toward a global consulting and engineering firm

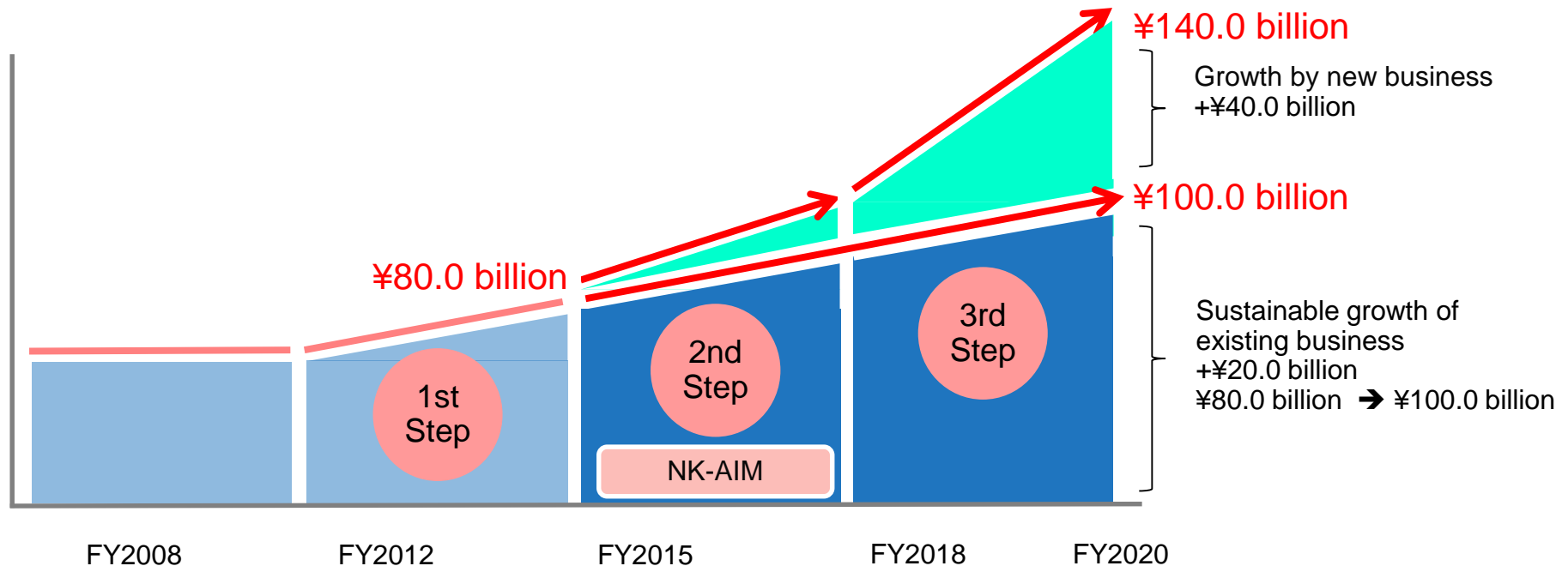
## FYE21/6 Numerical Targets

Consolidated Net Sales  
¥140.0 billion

Operating income  
¥14.0 billion

Operating margin  
10%

ROE  
10%



In order to meet the requirement of sophisticated and complicated urban functions as well as to resolve urban issues in developing countries, exploit urban space business and other new businesses toward a global and highly profitable corporation

# Medium-Term Management Plan (NK-AIM)

## Basic policies

Sustainable growth of three core businesses,  
Generation and expansion of new businesses,  
Autonomy and collaboration

## Key Challenges

(1) Further evolution of global expansion → **Advance** globally

(2) Further expansion of business fields and improvement of profitability by intensifying existing core businesses → **Intensify** in Japan

(3) Demonstrating true merits of aggregated technologies for establishing new business areas → **Demonstrate Merits**

## Corporate-wide measures to address key challenges

(1) Technology	<ul style="list-style-type: none"> <li>• Develop next-generation core technologies</li> <li>• Further improvement of technical strengths and productivity</li> </ul>
(2) Human Resources	Strengthen human resources, recruitment and training
(3) Organization	Promote collaboration and enhance corporate governance

## FYE18/6 Numerical Targets (after the revision, August 2016)

Consolidated Net Sales  
¥115.0 billion

Operating income  
¥7.4 billion

Operating margin  
6.4%

ROE  
7.5%



# Progress of Medium-Term Management Plan NK-AIM

## Advance globally (Advance)

Accelerate global expansion



### International Consulting

- Marked the record order backed by the “Initiative for Promoting Quality Infrastructure Investment”
- Expanding group collaboration and taking concrete steps for settling human-resource allocation systems to register and distribute regional engineers

## Make Intense efforts in Japan (Intense)

Secure stable profitability



### Domestic Consulting

- Reduced customer complaints and continuously improved business performance rating

- Growth of core businesses

### Power Engineering

- Advancement of new business building
- Improving competitiveness through cost reduction and value engineering
- Organizational provision for demand side management(DSM)

## Demonstrate our true Merit (Merit)

Generate new business areas



### Urban & Spatial Development

- UK projects came to a temporary standstill due to Brexit and impact of the election
- Business development in ASEAN countries (en route)
- Group-wide roll-out of BIM technology (en route)

### Energy

- Development, operation, and maintenance of domestic and international power-generation business (en route)
- Practical application and commercialization of power sources, rechargeable batteries, VPP, and more (en route)

# Progress of Medium-Term Management Plan NK-AIM

## Human Resources

Strengthening of human resource recruitment and training



- Increased headcount by 230/year (consolidated, growth rate: 5.3%)
- Delay in designing human-resources development program
- Comprehensive reform of personnel systems including working rules (en route)
- Established new work-life-balance committee

## Technology

Development of next-generation core technologies, and further improvement of technical strengths and productivity



- Some of initial targets are unachieved yet
- To promote technological advancement while observing market trends, future forecasts, and frontline application of technologies

## Organization

Promotion of collaboration and enhancement of corporate governance



- Singapore office established in May 2017
- Reinforced ties between group companies/members through annual technical forum and group company liaison meetings
- Enhanced internal control of group companies
- Strengthened system of global accounting governance

# Ⅲ : FYE 18/6 Activities (July 2017 - June 2018)



# FYE June 2018 Forecast

Focusing upon building basement to realize development targets set forth in the next mid-term management plan, under the slogan of “Investment and Cooperation,” NK will expand investment in technological improvement, human resource development, strengthening marketing structure and new business frontiers.

(Millions of yen)	FYE18/6 Forecast	FYE17/6 Results	YoY Change		FYE18/6 Reference ※
			Amount	%	
Orders	<b>103,000</b>	117,442	- 14,442	87.7%	103,000
Net sales	<b>114,000</b>	101,338	12,662	112.4%	104,000
Domestic Consulting	47,200	43,516	3,684	108.4%	43,000
International Consulting	31,800	24,491	7,309	129.8%	28,200
Power Engineering	21,200	17,577	3,623	120.6%	19,100
Urban & Spatial Development	12,000	14,347	- 2,347	83.6%	12,000
Energy/Real Estate/Others	1,800	1,405	395	128.1%	1,700
Operating Income	<b>7,700</b>	5,464	2,236	140.9%	5,800
Domestic Consulting	3,500	3,298	202	106.1%	2,700
International Consulting	2,400	1,887	513	127.1%	2,000
Power Engineering	3,500	2,683	817	130.4%	2,800
Urban & Spatial Development	50	81	- 31	61.7%	50
Energy/Real Estate/Others	- 1,750	- 2,485	735	-	- 1,750
Ordinary income	<b>7,800</b>	5,958	1,842	130.9%	6,000
Profit attributable to owners of parent	<b>4,900</b>	3,288	1,612	149.0%	3,600
Operating margin(%)	<b>6.8</b>	<b>5.4</b>	※ Estimated budget target June 2018, based upon previous standard (completed-contract method)		
ROE(%)	<b>8.7</b>	<b>6.2</b>			

※Effective from the Fiscal Year Ending June 30, 2018, the Group changes the primary method of revenue recognition from completed-contract method to percentage of completion method. . For details, please see page 38.

# ① Advance globally - Accelerate overseas development -

## International Consulting

### Market environment

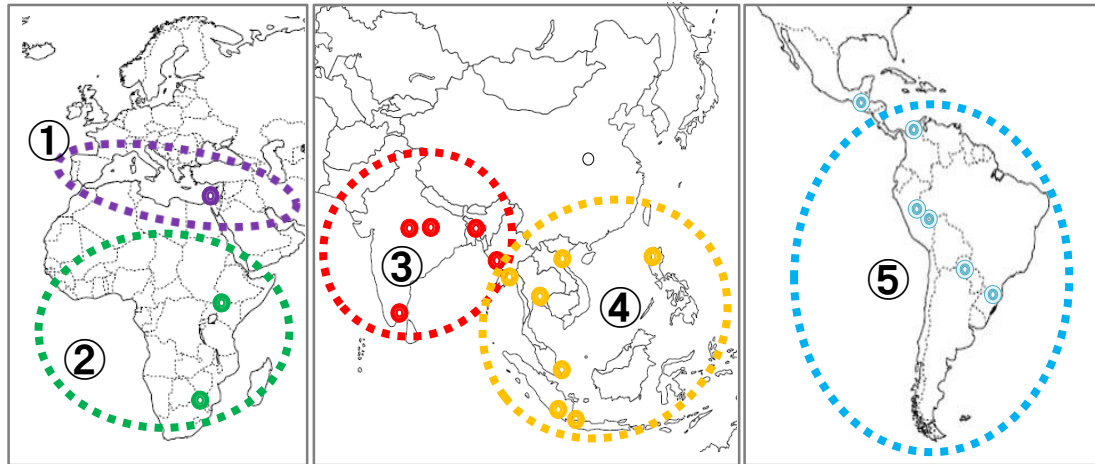
- Japan's ODA budget expanded to approx. JPY 2 trillion.
- Robust demand for expansion of railway networks in developing countries.
- Booming consulting business for infrastructure development owing to growing demand for all-in-one utility export.

- More strategic development of marketing resources

Net sales received by subsidiaries have grown to account for approx. 40% of overseas business; Focus on establishing a more region-based system

1. Middle East/North Africa
2. Sub-Saharan Africa
3. Southwest Asia
4. Southeast Asia
5. Latin America

- Enhancement of production systems
- Strengthening organizational functions of group companies while evolving inter-collaboration models
- Providing operational basis for risk management



Dhaka International Airport Expansion Project



Record of BIM utilization (small hydropower project)

## ② Make Intense efforts in Japan - Secure stable profitability-

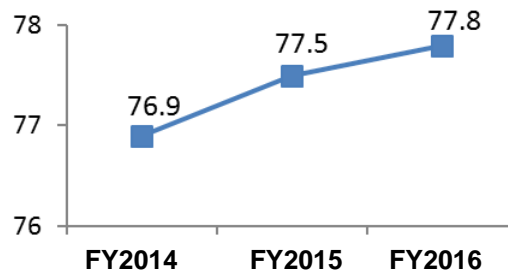
### Domestic Consulting

#### Market environment

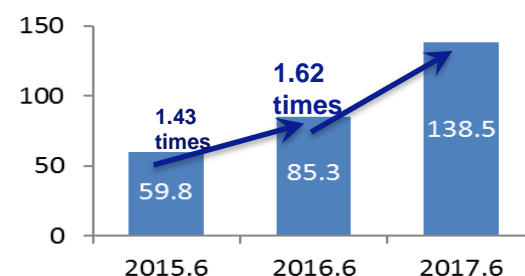
- Prioritized budget allocation for 'Building National Resilience' and extending life-span of social infrastructure continues, while growth of total budget for public works remains stagnant.
- Business group discussion on institutional reform of labor practice within construction industry will potentially reach the level of implementation process, in line with the government campaign of "Work Style Reform."
- Wide-spreading application of i-Construction, BIM/CIM and big data analyses.

- Operational reforms
- Business expansion and starting new businesses
- Pursuit of bigger market share
- Provision of good working environment
- Proactive use of group alliances

MLIT business evaluation points for non-consolidated Nippon Koei



Priority businesses: Trends of orders (¥100 million)



### Power Engineering

#### Market environment

- Price competition and cost reduction demand, including the growing number of competitive bids, will continue to intensify.
- Demand for refurbishment and renewal is expected to be stable for the next two to three years to ensure stable supply of electricity.
- Self-sufficiency rate of regional electricity is expected to increase backed by growing ratio of renewable energy.
- Diversified sources of electric power energy, resulting consequence of "Electricity Systems Reform" attracted and facilitated new entries into the market.

- Enhancement of price competitiveness and sales capabilities
- Strengthening of group ties

- Development promotion of products and technologies
- Expansion of electromechanical business consultation

# ③ Demonstrate our true Merit - Exploit new business domains -

## Urban & Spatial Development

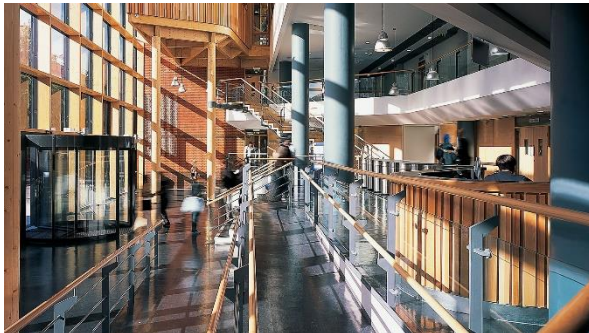
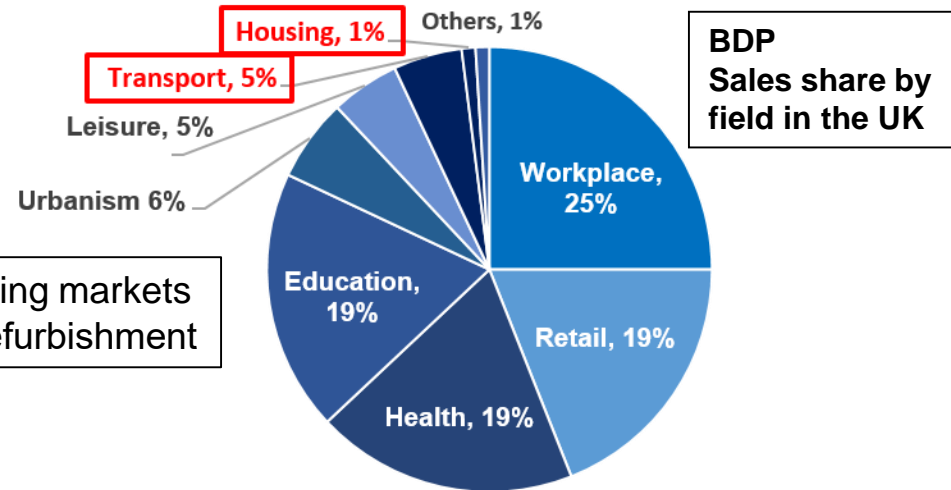
### Market environment

- International market trends indicates architectural industry is growing and occupies a large share of total industry revenue (approx. 25%).
- While market conditions have become uncertain in the UK due to Brexit, demand for urban development remains robust in emerging countries, mainly in Asia.

### Enhancement of business structure

- Response to Brexit
- Acquisition of repeat orders from prime customers
- Expansion of share in transportation-related facilities and the housing field

- ✓ Projecting an expansion of refurbishment/rebuilding markets
- Effective use of BDP's knowhow in construction/refurbishment



Sample interior design



Sample interior design



Sample interior design

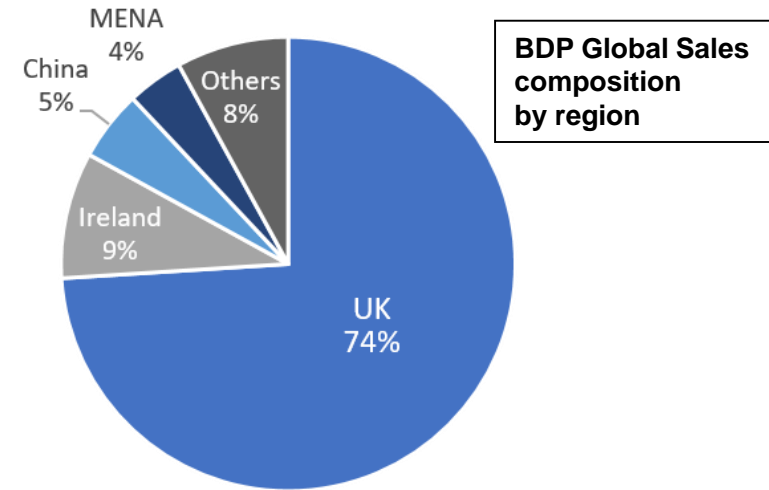
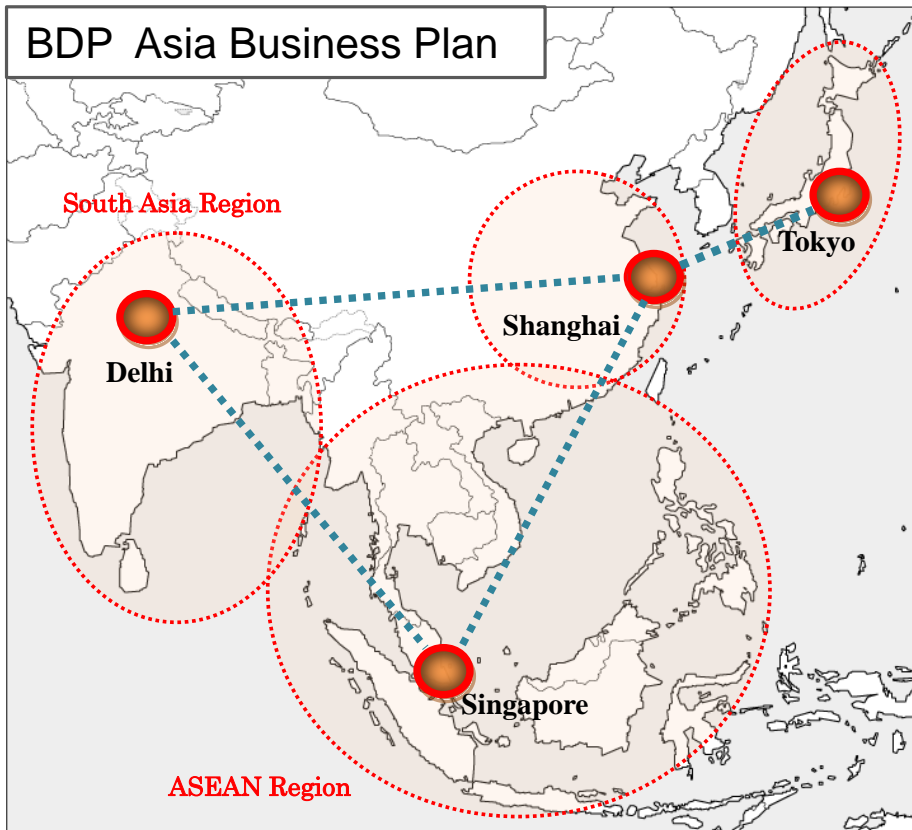


# ③ Demonstrate our true Merit - Exploit new business domains -

## Urban & Spatial Business

### International business evolution

- Cooperative interconnection between regional hubs: Singapore, Delhi and Shanghai
- Prospective entry into markets of Canada and Tokyo



### Singapore

- Office was opened in September 2017. Residential staff of BDP will be allocated.
- Joint sales promotion by Nippon Koei and BDP to the private sector
- Development of sales route to the private sector, such as forming business alliance with local firms

### Delhi, Shanghai

- Integrated offices of Nippon Koei and BDP in India (December 2016)
- Activation of existing human resources for cost competitiveness
- Transactions of projects in ASEAN and Japan to be handled by Shanghai office

### <Future plan> Tokyo, Canada

- **[Canada]** To establish a branch office in Toronto, the largest city in Canada

# ③ Demonstrate our true Merit - Exploit new business domains -

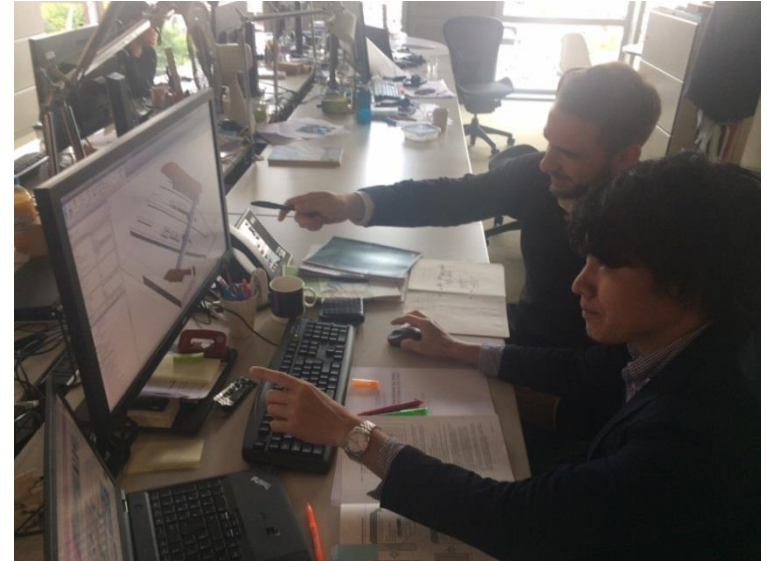
## Urban & Spatial Development

### ■ Further advancement of BIM technology

- Quality maintenance of BIM Level 2 and development of BIM Level 3
- Group-wide roll-out of BDP's leading-edge BIM application technology in Europe

### What is BIM?

BIM stands for "Building Information Modeling." Simulating three-dimensional models with building specifications and performance data on computers to be used from designing to maintenance stage.



## Energy Business

- Evolution of power generation business
- Promotion of energy management business

Small-scale thermal power plant fueled by coal and biomass in the Philippines



# Companywide measures to address key challenges

## Technology

- Develop next-generation core technologies
  - ✓ Installation of a cross-sectional framework for specific topics, engaging in the development of next-generation technologies

## Human Resources

- Strengthen human resource recruitment and training
  - ✓ Active recruitment of new graduates (implementation of seminars and an internship program)
  - ✓ Rebuilding of the human resources development program
  - ✓ Improvement in long work hours, workstyle reform, improvement in productivity

## Organization

- Enhance corporate governance and compliance/risk management
  - ✓ Establishment of a Nomination and Compensation Advisory Committee

## Investment policy

- Make appropriate investment observing sustainability of growth in each existing business unit, to support foundation, stabilization, and expansion of new businesses



R&D Center



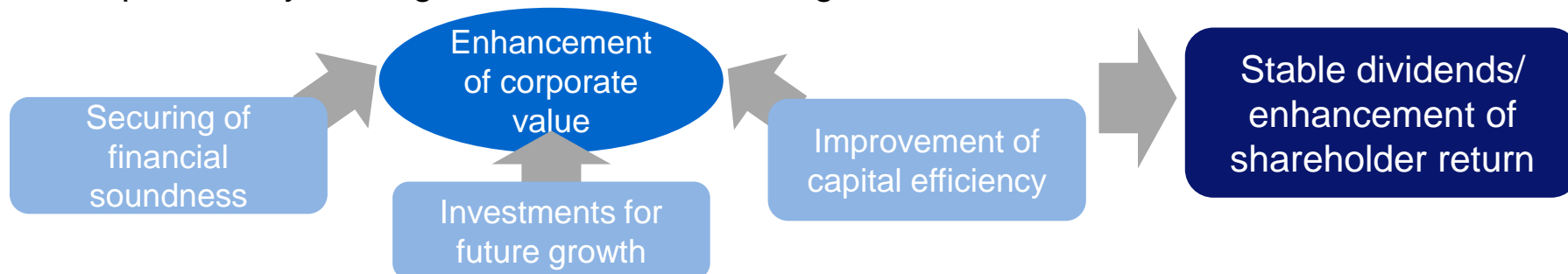
Skill enhancement workshop

Investment projects	Budget
Capital investment	JPY1.4Bn
Energy business	JPY2.9Bn
Business development for new businesses	JPY2.1Bn
Total	JPY6.4Bn

# Capital Policy/Dividend Policy

## Capital policy

- Enhance corporate value through the improvement of capital efficiency and business expansion by making investments for future growth



## Retirement of Treasury Stock

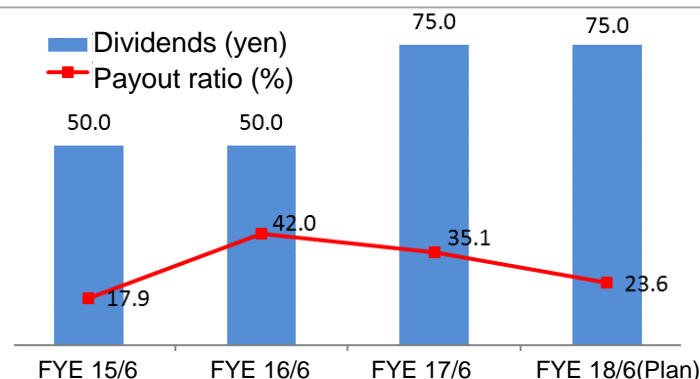
- ✓ Cancelled 1,436,731 shares (8.29% of the total number of shares outstanding before cancellation) on August 31. The number of treasury stock after cancellation is expected to be null (0).  
\* The number of treasury stock after cancellation was calculated based on the number of treasury stock as of June 30, 2017.

## Introduction of a restricted stock compensation plan

## Dividend policy

- Stable dividends and enhancement of shareholder return in line with increases in profit

- ✓ Planning to pay a dividend of ¥75.0 for FYE 18/6.



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



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

***NIPPON KOEI***

This presentation is provided for informational purposes only and is not intended to solicit any action. Nippon Koei prepared this presentation (including forecasts of financial results) based on credible information available at the time of publication and certain assumptions the Company believes to be reasonable. Various factors may cause actual results to differ materially from the projected results or other expectations implied or expressed in this presentation.

**IR-related inquiries**

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**[www.n-koei.co.jp/english/](http://www.n-koei.co.jp/english/)**

## (Reference) Change of BDP's Account Closing Date (from June 2017)

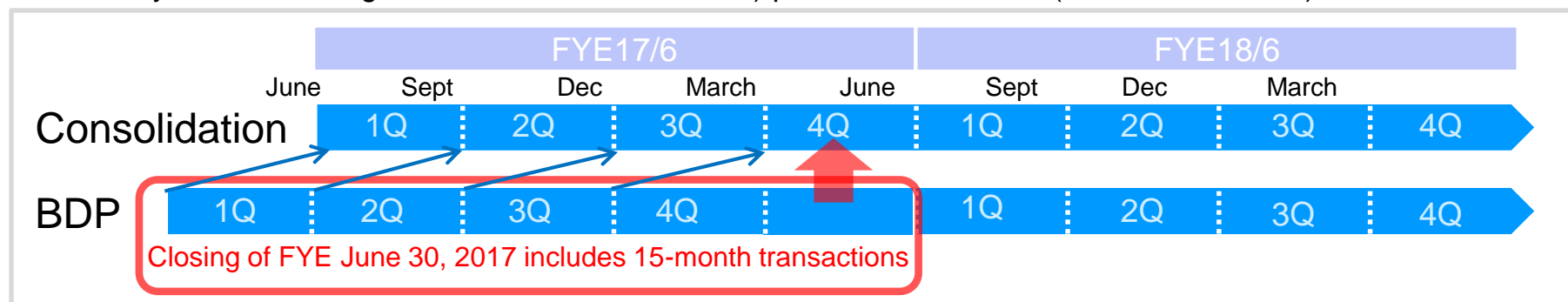
BDP has altered its official closing date from the end of March to June since 2017.

### ■ Purposes

- To promote efficient business operations, keeping accordance with the long-term strategic vision, by consolidating account closing date of all the group companies
- To deliver and capture management information promptly and accurately
- To enhance management transparency by timely and proper information disclosure

### ■ Impacts on the closing of FYE June 30, 2017

- Consolidation by importing data of 15-month (from April 2016 to June 2017) transactions of BDP business
- Amount of amortization expense is approx. JPY 1 billion (for 12 months. goodwill: 500 million/to be depreciated over 20 yrs.; other intangible fixed assets: 500 million) plus JPY 250 million (for 3 months extra)



## 【Reference】 Quarterly Performance of Urban & Spatial Development FYE June 30, 2017

(Millions of yen)	2016.4-6 (1Q)	2016.7-9 (2Q)	2016.10-12 (3Q)	2017.1-3 (4Q)	2017.4-6	15-month Accumulation	Budget FYE June 2017
Orders	2,806	2,749	1,970	2,996	2,939	13,460	14,000
Sales	3,260	2,733	2,615	2,973	2,766	14,347	14,000
Operating Income	76	- 0	- 26	22	9	81	600

\* Fixed rate of exchange for FYE June 30, 2017 results: 1 GBP = 145.16 JPY (Rate used in the plan for the FYE June 30, 2017 was 1 GBP = 160 JPY)

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

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

### Calculation by “Percentage of Completion Method”

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

$$\text{Progression Rate} = \frac{\text{Costs occurred (operational, outsourcing, travel, etc.)}}{\text{Total Estimated Costs}}$$

### Sales Recording by “Percentage of Completion Method”

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

Progression Rate: 70%      Completion

Progression Rate: 25%

Sales amount is booked at the end of the Project

Sales amount is booked in proportion to the progress

	1 <sup>st</sup> year	2 <sup>nd</sup> year	3 <sup>rd</sup> year	Total
Completed-contract method	0	0	3,000	3,000
% of completion method	<b>750</b>	<b>1,350</b>	<b>900</b>	<b>3,000</b>

$$3,000 \times 25\%$$

$$3,000 \times 70\% - 750$$

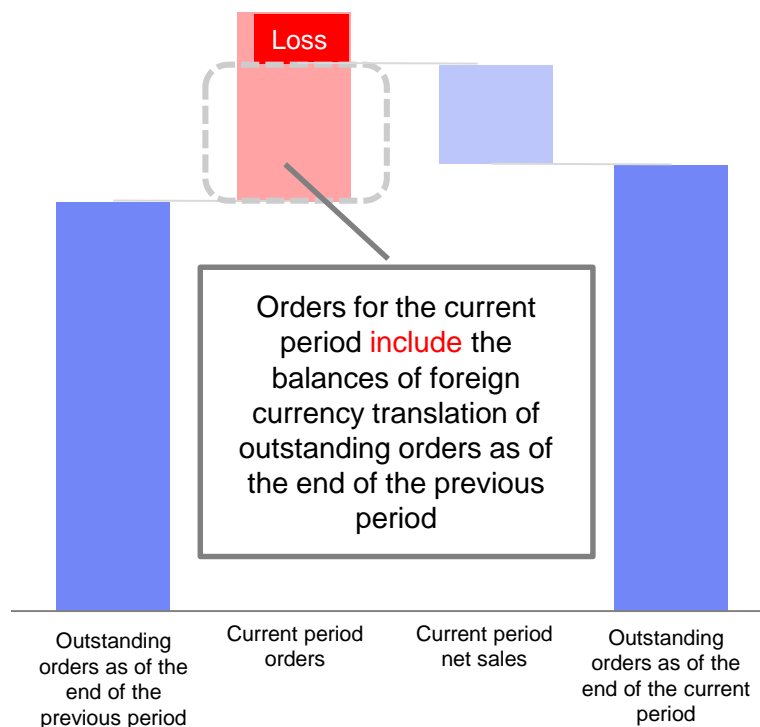
$$3,000 \times 100\% - 750 - 1,350$$

\* The figures for Consolidated Financial Results Forecast for the FYE June 30, 2018 is calculated based on the new method.

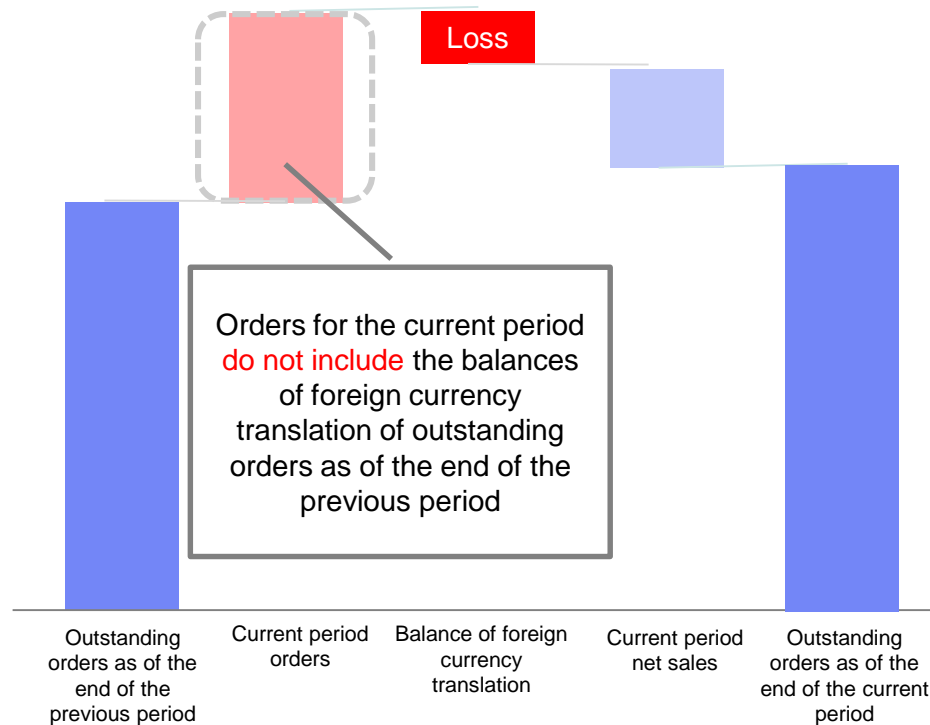
## (Reference) On changes in calculation standards for orders (from June 2017)

Previously, amount of orders included the balances of foreign currency translation (\*) of outstanding orders as of the end of the previous period. Starting FYE June 30, 2017, however, orders are settled **without** foreign currency translation.

### ■ Previous method of calculation



### ■ Current method of calculation (starting this period)



\* Details on the balances of foreign currency translation of outstanding orders as of the end of the previous period are explained in the section titled “4. Supplementary Information” on page21, the Summary of Financial Results.

# IV: Reference

# Corporate Profile

- Corporate Name NIPPON KOEI CO., LTD.
- Date of Foundation June 7, 1946
- Capital ¥7,393 million
- Number of Employees 4,566 (consolidated)
- Consolidated Subsidiaries 16
- Businesses Domestic Consulting  
International Consulting (ODA, etc.)  
Power Engineering  
Urban & Spatial Development

## ■ 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).

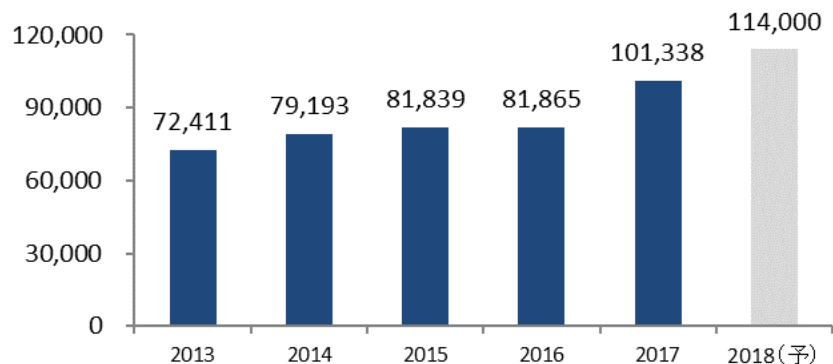
After the War, in a bid to work toward the restoration of Japan and reconstruction of countries damaged by the War, he founded the Company at the age of 56.



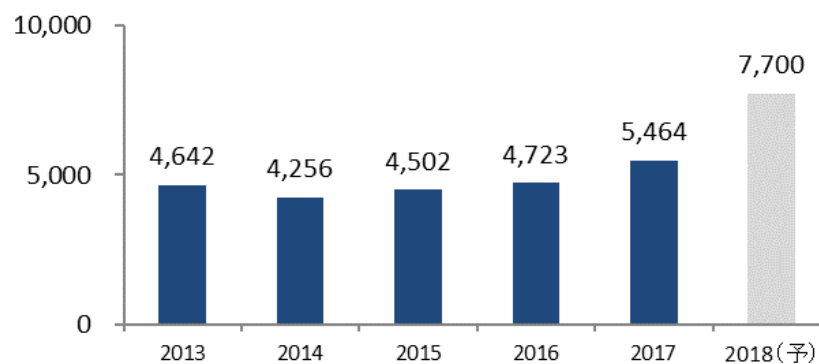
Known as the “Father of Overseas Engineering Cooperation”, he was awarded the Grand Cordon of the First Order of the Rising Sun in 1985.

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

## Transition of Sales (consolidated, ¥ million)



## Transition of Operating Income (consolidated, ¥ million)



# Business Development

## Domestic Consulting



Nippon Koei has 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



Nippon Koei has 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



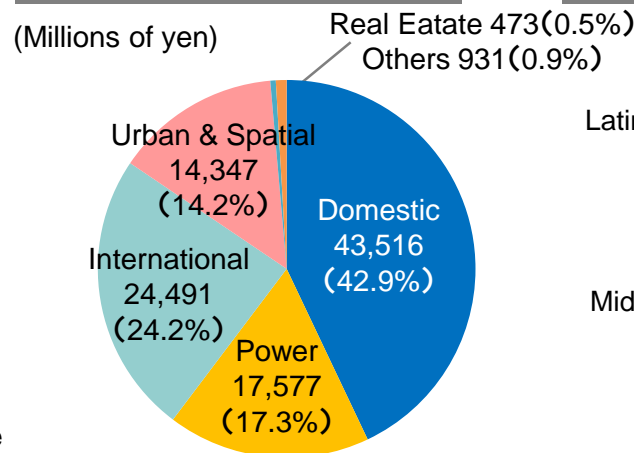
Nippon Koei has worked on the development of power sources and the promotion of business accommodating electricity demand in Japan and overseas. The Company has engaged in new construction and repairs of substations, switching stations, power stations, the formation of dam management systems at hydroelectric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

## Urban & Spatial

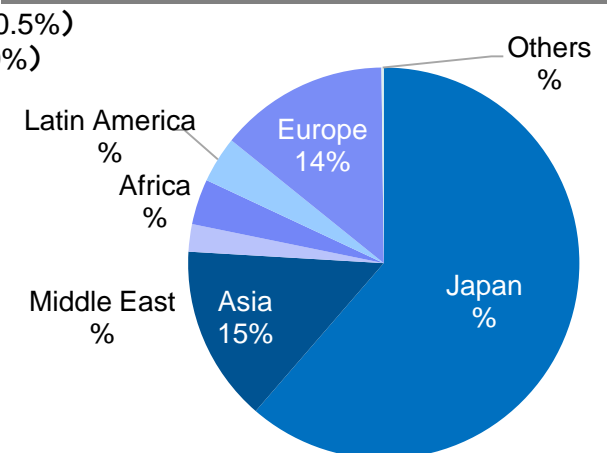


Nippon Koei strives to create multifunctional, well-organized, barrier-free, eco-friendly and beautiful life space in emerging economies in Asia and other developing countries/regions through development projects of social infrastructure design, such as of railway stations, airport buildings, rearrangement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

### FY17/6 Sales distribution



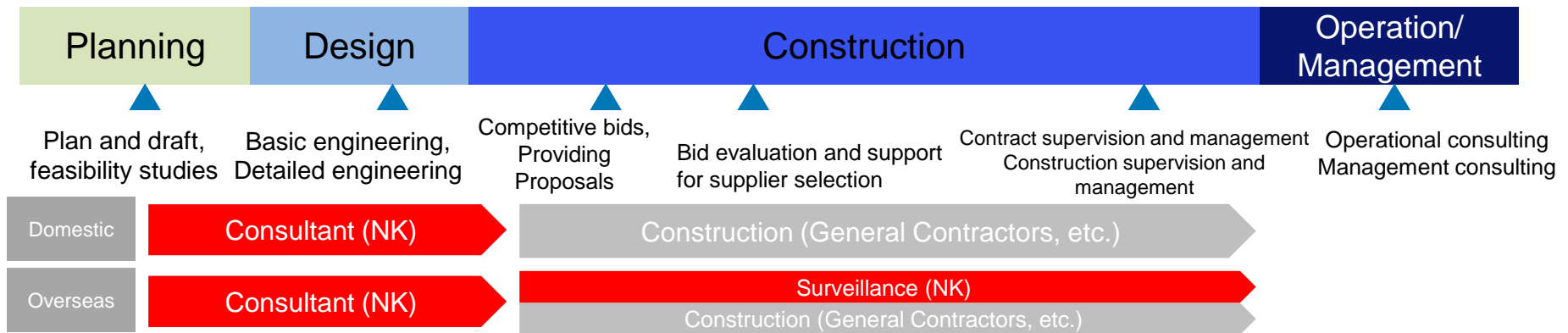
### FY17/6 Sales by Geographical Location



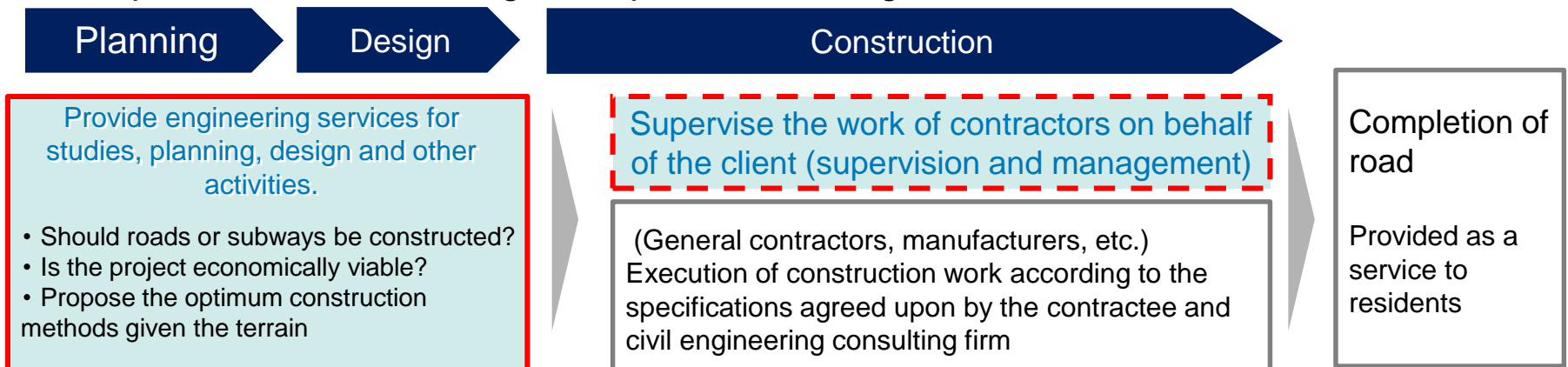
# Job Description for Civil Engineering Consultants

**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.

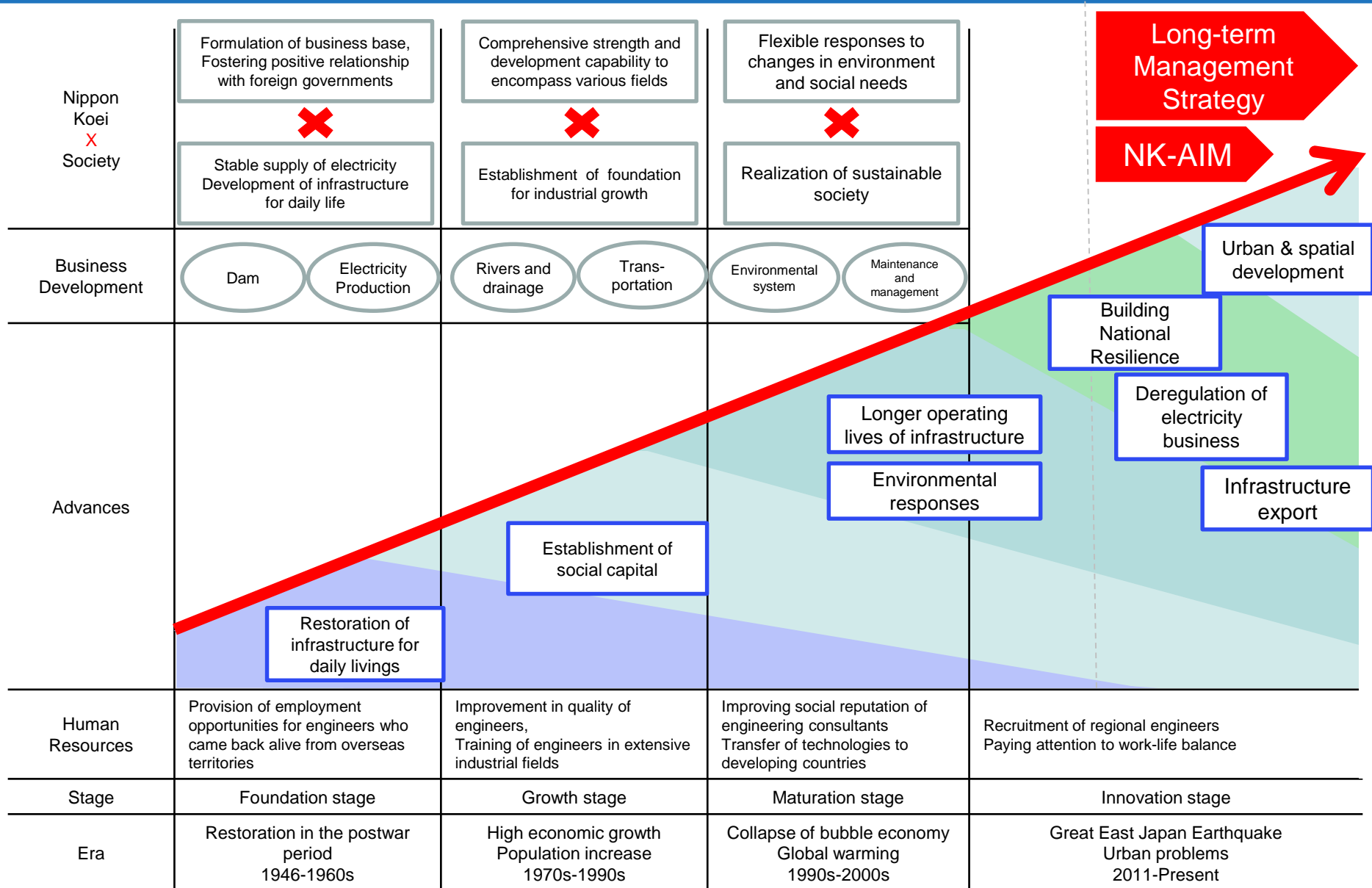


## Example: Chronic traffic congestion problems in Region A





# 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:  
¥101.3 billion

No. of countries in which business is undertaken:  
160

No. of orders per year: over  
4,500

No. of patents acquired:  
82

No. of Professional Engineers\*:  
1,534

\*Certified by the Japanese government

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

# Position in Industry

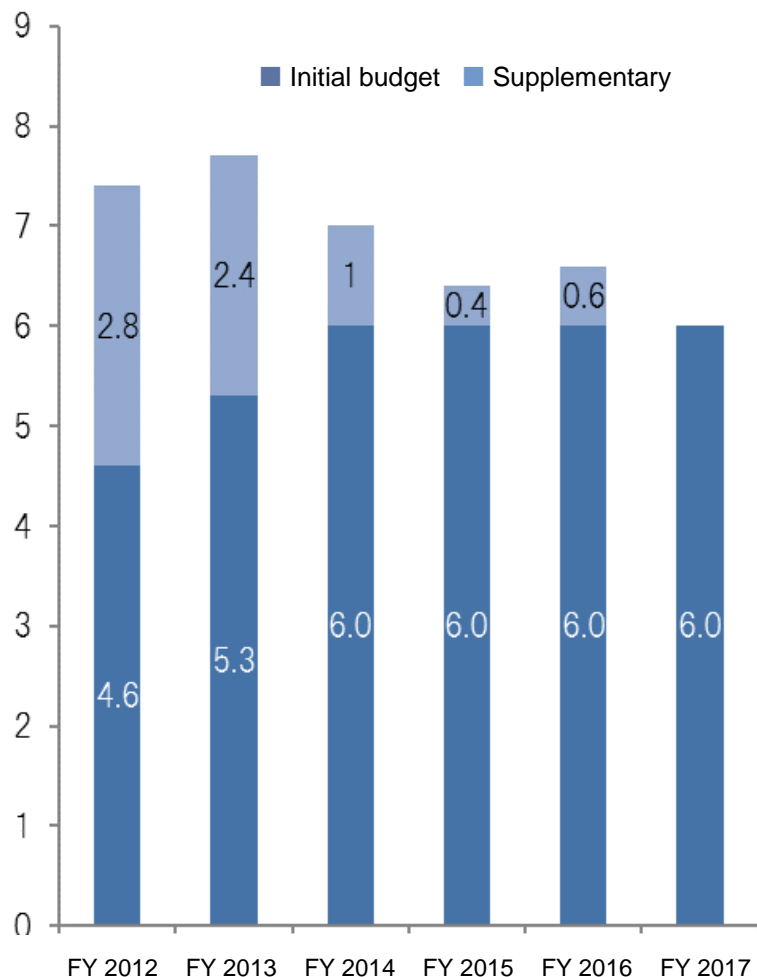
Nippon Koei is Japan's leading civil engineering consultant.

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

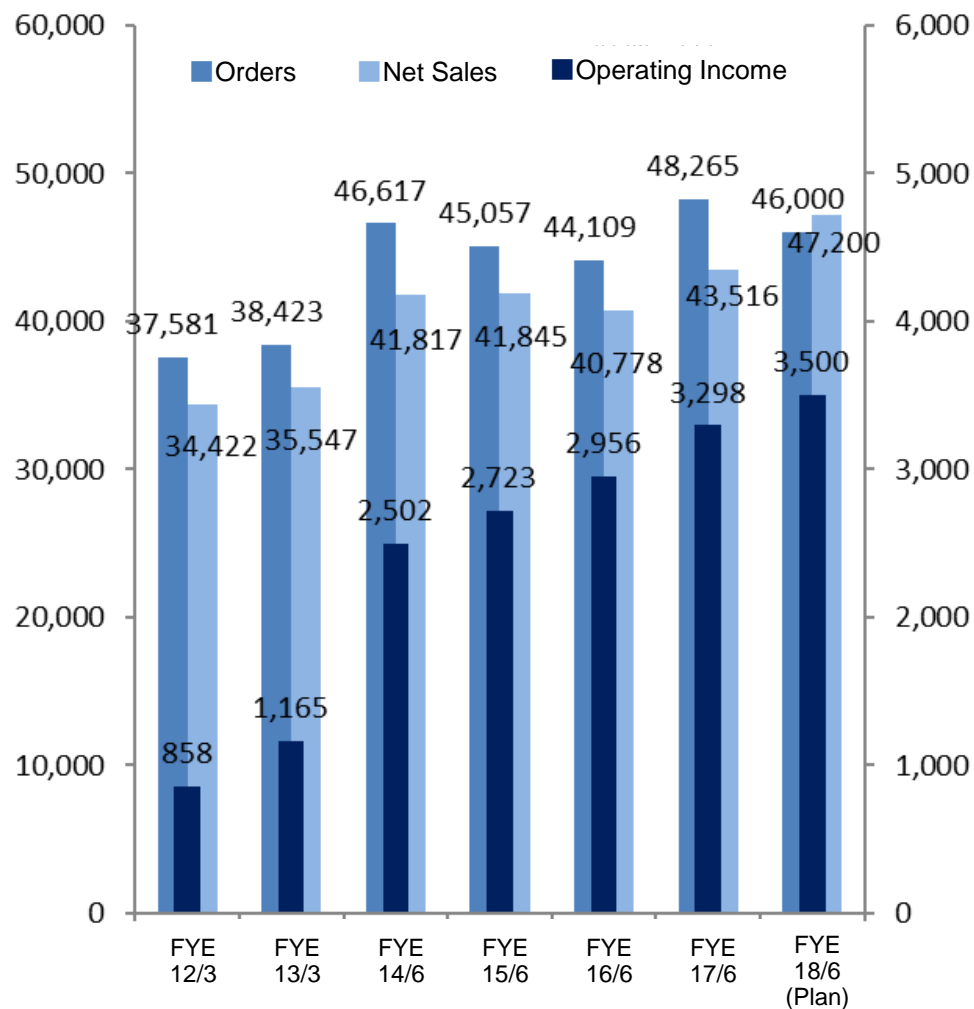
※ Source: *Nikkei Construction*, May 8, 2017 edition. Ranking by engineering consultant division sales (according to published financial results)

# Domestic Consulting

## Public Works Expenditures (¥ trillion)



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

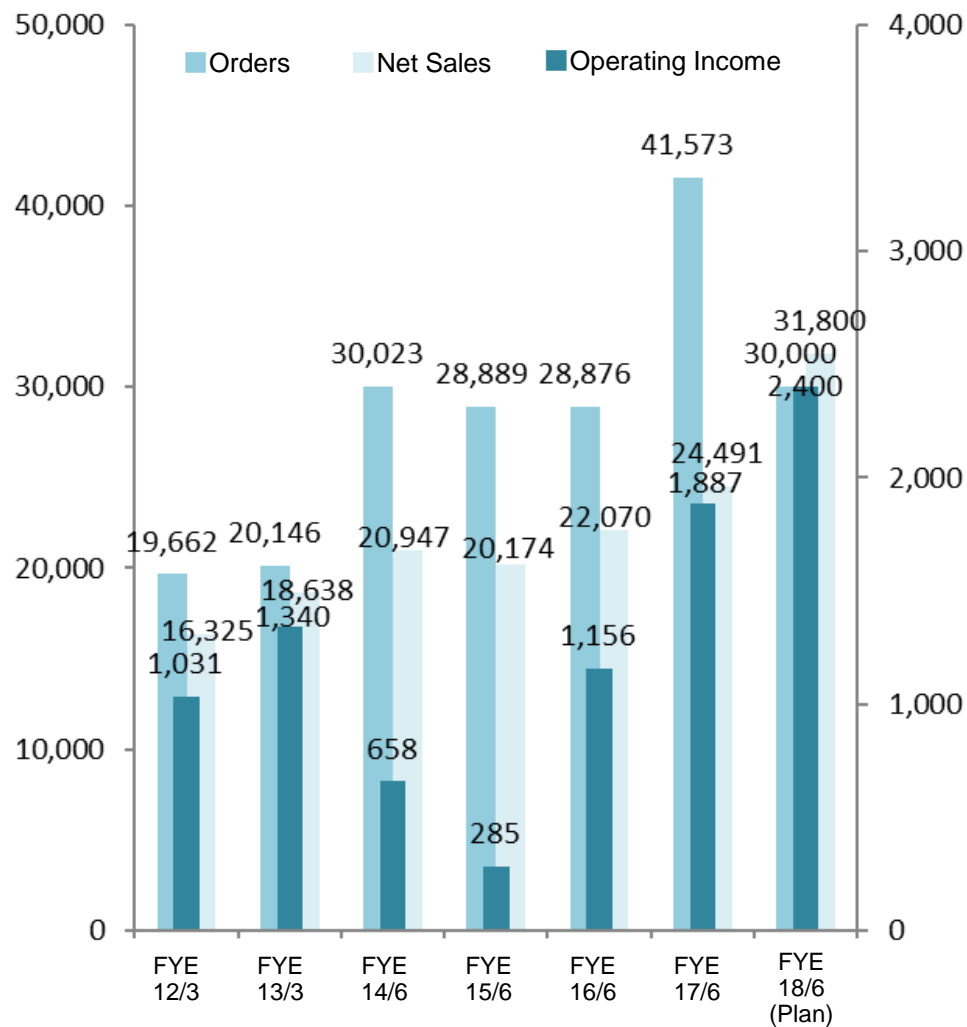


# International Consulting

Initial ODA Budget in the General Account  
(¥ billion)



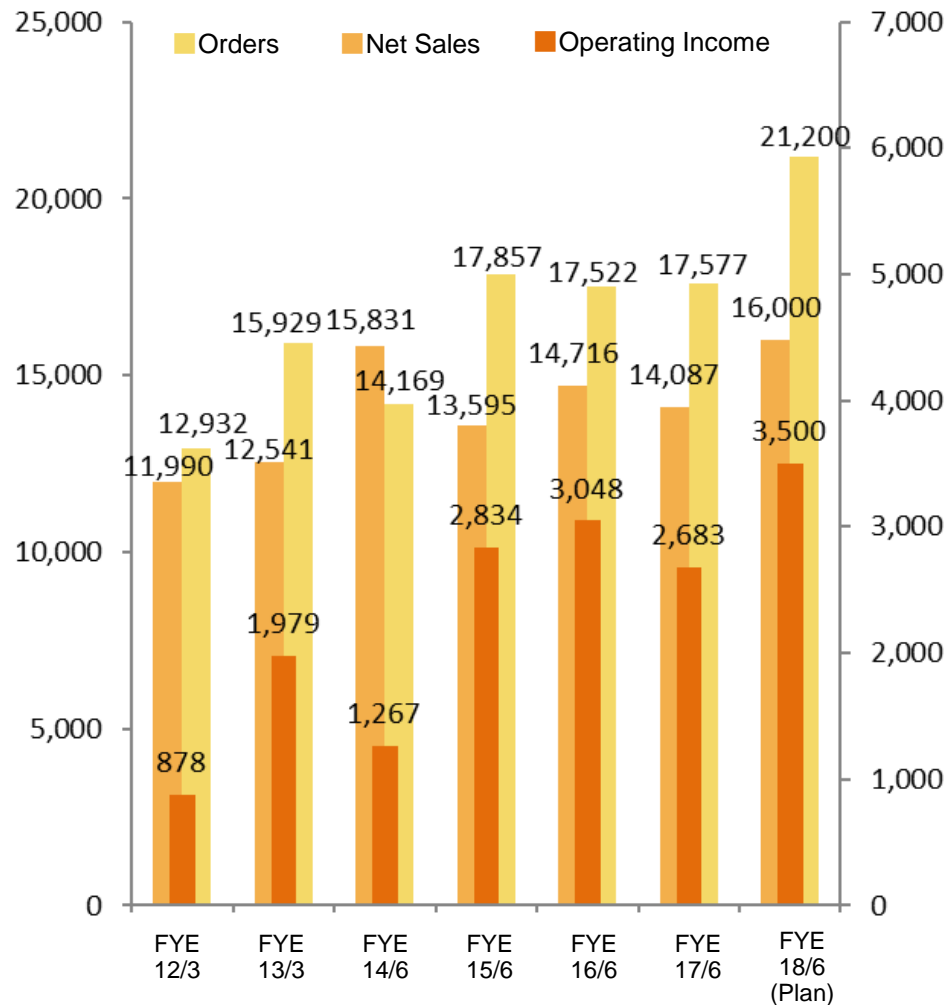
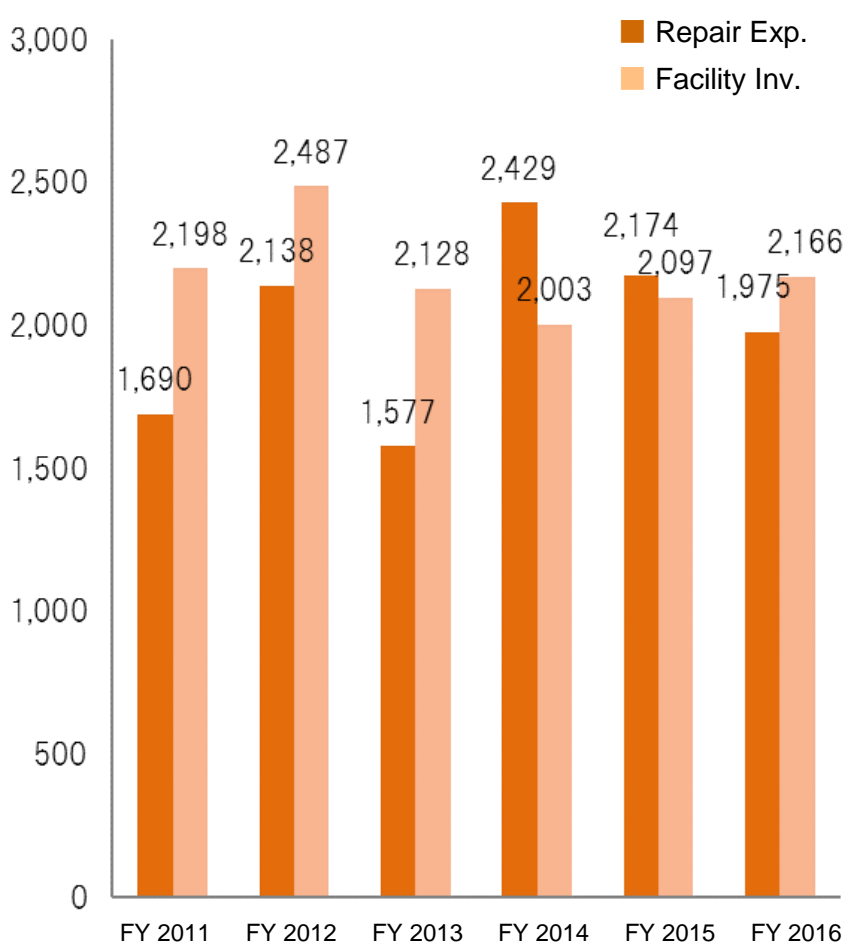
Nippon Koei's Operating Results in International Consulting  
(¥ million)



# Power Engineering

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

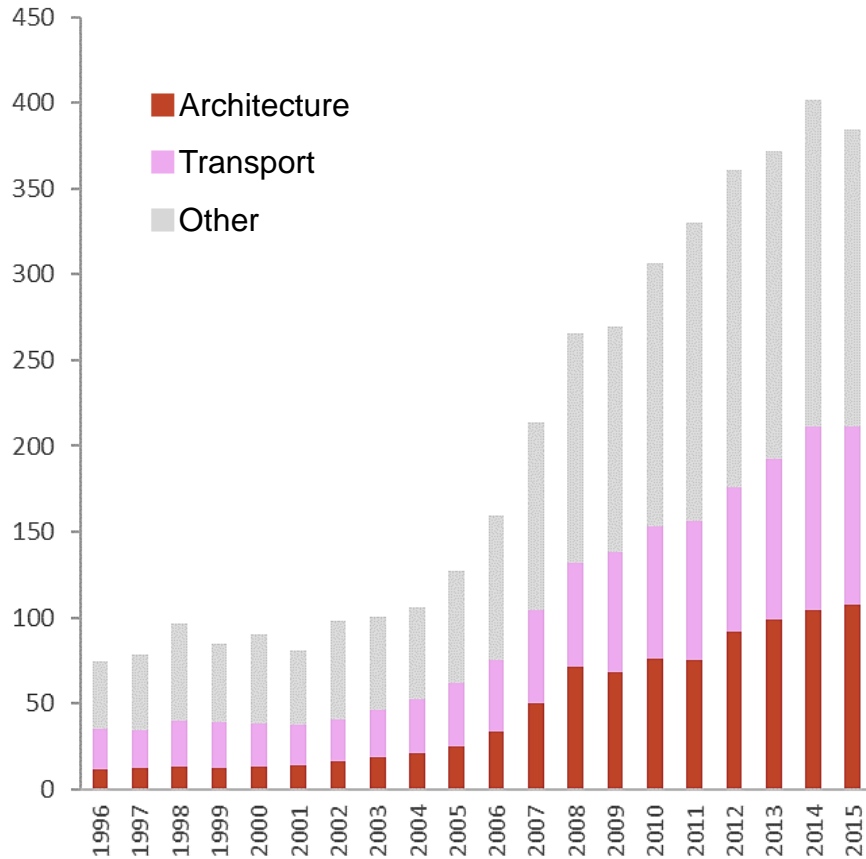
Nippon Koei's Operating Results in Power Engineering Business (¥ million)



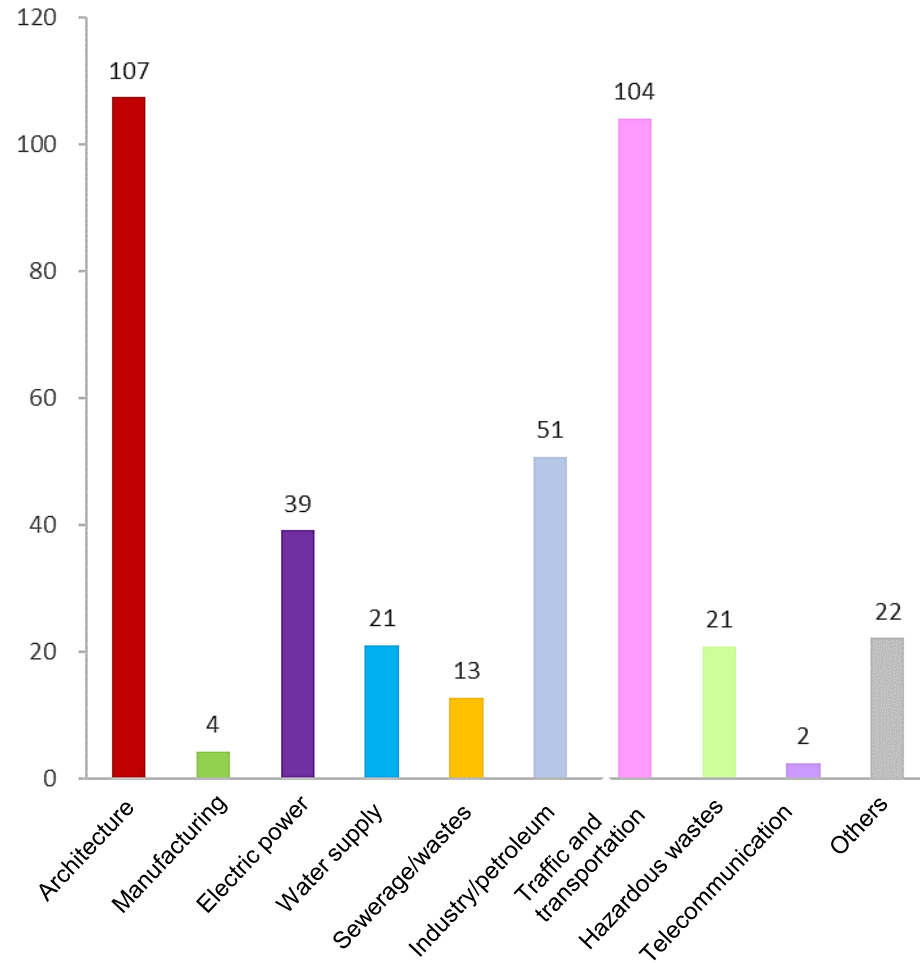


# Urban & Spatial Development

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



Sales of top 164 firms in 2015 by sector (Billions of dollars)



Source of data: ENR Magazine (issued in August 2016)