NIPPON KOEI

Financial Report

Year ended June 30, 2016

NIPPON KOEI CO.,LTD.

Company Profile

Nippon Koei Co., Ltd. established in 1946, specializes in engineering consulting and electric power engineering. Since its foundation, the Company has adhered to a policy of contributing to society through technology.
Our engineering consulting services, provided by the Consulting Administration Group, draws on the technical expertise of specialists in diverse fields. Since our first overseas venture, a hydroelectric power project in Myanmar in 1954, we have participated in a broad variety of sophisticated development projects worldwide.
The Engineering Administration Group spearheads the Company's electric power engineering business. Here, we provide a complete engineering package, from surveys and designs to the installation of a wide range of equipment, including power stations and substations, transmission lines, and end-user equipment. We are active both in Japan and overseas.
Committed to responsible corporate citizenship, Nippon Koei and its employees dedicate their efforts to creating comfortable living environments for people around the world.

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Financial Highlights

Consolidated

	Millions of Yen		Thousands of U.S. Dollars
Years Ended June 30	**2016**	2015	**2016**
Net sales	**¥ 81,866**	¥81,840	**$796,168**
Net income attributable to owner of the parent	**1,824**	4,261	**17,739**

	Yen		U.S. Dollars
Net income per share	**¥ 23.82**	¥ 56.01	**$ 0.23**

	Millions of Yen		Thousands of U.S. Dollars
As of June 30	**2016**	2015	**2016**
Total assets	**¥100,990**	¥84,110	**$982,154**
Equity	**51,460**	52,982	**500,462**

Nonconsolidated

	Millions of Yen		Thousands of U.S. Dollars
Years Ended June 30	**2016**	2015	**2016**
Net sales	**¥ 60,327**	¥60,471	**$586,696**
Net income attributable to owner of the parent	**1,678**	5,714	**16,319**

	Yen		U.S. Dollars
Net income per share	**¥ 21.92**	¥ 75.11	**$ 0.21**

	Millions of Yen		Thousands of U.S. Dollars
As of June 30	**2016**	2015	**2016**
Total assets	**¥ 83,674**	¥73,391	**$813,752**
Equity	**48,113**	48,691	**467,912**

Notes: 1. Per share amounts are based on the weighted average number of shares outstanding during each year.
2. The dollar amounts in this report represent translations of yen, for convenience only, at the rate of ¥102.83 to $1, the approximate rate of exchange at June 30, 2016.

Consolidated Business Report for Fiscal Year Ended June 30, 2016

1. Overview of Performance and Cash Flows

(1) Performance

During the fiscal year under review (from July 1, 2015 to June 30, 2016), the Japanese economy stayed on a moderate recovery path. The employment and income condition remained steady despite of some weakness in personal consumption, and capital investment was on a recovery trend in line with improved corporate profitability. Meanwhile, there was heightened uncertainty over the future due to the sharp appreciation of the yen and low stock prices following the Brexit decision in June.
With regard to the business environment of Nippon Koei Co., Ltd. (the "Company") and its subsidiaries (together, the "Group"), the Domestic Consulting Operations is on a recovery trend due to the front-load implementation of government budgets after April, despite a moderate decline in public investments. Furthermore, the budget increased for local municipalities in accordance with regional revitalization policies, while demand increased in areas including the maintenance and management businesses for facilities under the Plan for Extending the Lifespan of Infrastructure, preparation of facilities and the disaster prevention and disaster mitigation business for the Tokyo Olympics. In the International Consulting Operations, the market remained stable. Contributing factors included the maintenance of a certain volume of Official Development Assistance ("ODA") projects by Japan, on the back of the Japanese government's strategy to export infrastructure, development demand among emerging markets in Asia and other parts of the world, and strong demand for private investment in development. In the Power Engineering Operations, increases were seen in the areas of investment aimed at putting distribution networks in place for electric power companies and demand for renewal and new construction of hydroelectric power generation facilities taking advantage of the Feed-in Tariff ("FIT") Scheme. On the other hand, environment in terms of obtaining orders became severer because of the intensified competition for orders at electric power companies, which constitute our major customer.
Under such circumstances, based on the Medium-Term Management Plan NK-AIM (from July 2015 to June 2018), with the fundamental principles of "Sustainable growth of 3 core businesses" and "Generation and expansion of new business," the Group has been engaged in the three key challenges of "Further evolution of global expansion" "Further expansion of business fields and improvement of profitability by intensifying existing core businesses," and "Demonstrating true merit of aggregated technologies for establishment of new business domains." As companywide measures to realize these goals, the Group actively engaged in "Development of next-generation core technologies, and further improvement of technical strengths and productivity," "Strengthening of human resource recruitment and training," and "Promotion of collaboration and enhancement of corporate governance."
In particular, in line with the basic policy of "Generation and expansion of new business," we made the UK architectural design company BDP HOLDINGS LIMITED into a wholly-owned subsidiary, developed and put into operation the small-scale hydroelectric power generation business, deployed a dispersed power generation business in the Philippines, decided to participate in Tigris Water Partnership, and actively made investments. In addition, in order to enhance the corporate governance system through strengthening the supervisory functions and ensuring transparency of the management system, and establishing a swift operational structure, the Group formulated the Basic Policy on Corporate Governance and decided on an organizational reform including the establishment of the Nominating and Compensation Advisory Committee.
As a result, for the fiscal year ended June 30, 2016, orders received were ¥84,828 million, the same level as the previous fiscal year. Added with ¥16,251 million of the outstanding orders of BDP HOLDINGS LIMITED and its subsidiaries (together, "BDP") of which only the balance sheets have been consolidated from the current consolidated fiscal year, orders received amounted to ¥101,079 million, up 15.4% year on year. Net sales were ¥81,866 million, the same level as the previous fiscal year.
In terms of profit, operating income was ¥4,723 million, an increase of 4.9% year on year. Net income attributable to owners of parent decreased by 57.2% year on year to ¥1,824 million as a result of a rebound from the gain on sales of property, plant and equipment that was recorded during the previous fiscal year.

Domestic Consulting Operations

In the Domestic Consulting Operations, amid a decline in consulting-related business for reconstruction following the Great East Japan Earthquake, we expanded business domains and market share by defining priority business areas, improved profitability through the restructuring of operational processes, and promoted the active utilization of alliances. Specifically, for the priority business areas, we set 41 key businesses in the seven fields of “disaster prevention and disaster mitigation,” “maintenance and management,” “infrastructure management,” “use of intellectual property,” “project management and construction management,” “environment and regional revitalization,” and “other businesses,” and executed strategies to expand market share, strategies to establish competitive advantages, and strategies to create markets based on the level of competitive strength in each of these businesses.

As a result of the above, orders received decreased by 2.1% year on year to ¥44,110 million, net sales decreased by 2.6% year on year to ¥40,778 million, and ordinary income increased by 8.7% year on year to ¥2,965 million.

International Consulting Operations

In the International Consulting Operations, the Group established locally-based order receiving and construction systems in the four regions of Asia, the Middle East and North Africa, Sub-Saharan Africa, and Latin America, secured a stable business foundation through the expansion of share in ODA projects by Japan, and expanded business scale in urban development business and Public-Private Partnership (“PPP”) business. In particular, we focused on receiving orders from Japan International Cooperation Agency (“JICA”) project and large-scale yen loan projects while making efforts to further strengthen product management and production structures in the railway consulting business.

As a result of the above, orders received decreased by 10.2% year on year to ¥25,937 million due to delays in concluding large-scale projects and net sales increased by 9.4% year on year to ¥22,071 million. However, as a result of the sharp appreciation of the yen at the end of the fiscal year, ordinary income decreased by 36.9% year on year to ¥382 million.

Power Engineering Operations

In the Power Engineering Operations, in the face of intensifying competition due to reductions in capital investment and repair costs among electric power companies that constitute our main customer, we worked to increase cost competitiveness through thorough cost reductions, strengthen sales and marketing capabilities through proposing cost reduction plans, enhance cooperation within the group (e.g. fusion and cooperation among the business areas of consulting, products and construction), promote product and technology development, and reinforce and expand the mechanical and electromechanical consulting division. In particular, as a result of thorough cost reductions and their proposals, we worked to secure renewal demand for power transmission equipment and capture renewal and new demand for hydroelectric power generation facilities taking advantage of the FIT Scheme.

As a result of the above, orders received increased by 8.2% year on year to ¥14,717 million, net sales decreased by 1.9% year on year to ¥17,523 million and ordinary income increased by 8.0% year on year to ¥3,024 million.

Urban & Spatial Development Operations

In the Urban & Spatial Development Operations, BDP became a consolidated subsidiary of the Company from the current consolidated fiscal year, consolidating only the balance sheets. The outstanding order of BDP at the beginning of consolidation was ¥16,251 million.

Real Estate Leasing Operations

In the Real Estate Leasing Operations, due to the sale of real estate for leasing during the previous fiscal year, net sales decreased by 37.3% year on year to ¥515 million and ordinary income decreased by 34.8% year on year to ¥385 million.

(2) Cash Flows

Cash and cash equivalents at the end of the fiscal year under review was ¥9,401 million, a decrease of ¥2,272 million from the end of the previous fiscal year. The primary factors were as follows.

Net cash provided by operating activities was ¥380 million (a net inflow of ¥882 million during the previous fiscal year). This cash inflow was primarily due to income before income taxes of ¥4,032 million and proceeds from the collection of notes and accounts receivable - trade, meanwhile it was partially offset by payments for head office transfer cost.

Net cash used in investing activities was ¥17,705 million (a net inflow of ¥2,702 million during the previous fiscal year). This cash outflow was primarily due to the acquisition of stocks of BDP HOLDINGS LIMITED.
Net cash provided by financing activities was ¥15,199 million (a net outflow of ¥746 million during the previous fiscal year). This cash inflow was primarily due to an increase in short-term borrowings.

(Reference) Trends in Cash Flow-related Indicators

	Fiscal Year Ended March 2013	Fiscal Period Ended June 2013	Fiscal Year Ended June 2014	Fiscal Year Ended June 2015	**Fiscal Year Ended June 2016**
Equity ratio (%)	55.0	60.8	62.4	62.6	**50.6**
Equity ratio on market value basis (%)	34.5	39.2	50.0	43.7	**23.6**
Interest-bearing debt-to-cash flow ratio (years)	3.1	0.2	1.8	1.9	**46.1**
Interest coverage ratio (times)	73.7	1,519.0	29.3	18.0	**7.1**

Notes: 1. All figures are calculated on the basis of consolidated financial figures.
2. Market capitalization is computed on the basis of the number of shares issued, excluding treasury stocks.
3. Cash flow here means operating cash flow.
4. Interest-bearing debt here comprises all debts included in the balance sheet on which interest is paid.
5. Due to the change of the fiscal year-end, the consolidated fiscal period ended June 30, 2013 is an irregular 3-month accounting period. Accordingly, the interest-bearing debt-to-cash flow ratio and interest coverage ratio are based on cash flows and interest payments for the 3-month period.

2. Production, New Orders and Sales

(1) New Orders

	Millions of yen	%
	2016	
Reportable Segment	Order Amount	Change from the previous fiscal year
New Orders		
Domestic	¥ 44,110	(2.1)
International	25,937	(10.2)
Power Engineering	14,717	8.2
Urban & Spatial Development (Note 1)	16,251	
Others	64	112.0
Total new orders	101,079	15.4
Outstanding Orders		
Domestic	28,539	2.0
International	54,002	5.0
Power Engineering	10,203	3.0
Urban & Spatial Development (Note 1)	16,251	
Others	50	699.7
Total outstanding orders	¥109,045	22.1

Notes: 1. This refers to the outstanding orders as of April 1, 2016 of BDP that became a consolidated subsidiary from the current consolidated fiscal year.
2. The above amounts are exclusive of consumption taxes, etc.
3. The above amounts are for outside customers, and do not include inter-segment transactions or transfers.

(2) Sales Performance

Reportable Segment	Millions of yen 2016 Sales Amount	% 2016 Change from the previous fiscal year
Domestic	¥ 40,778	(2.6)
International	22,071	9.4
Power Engineering	17,523	(1.9)
Real estate leasing	515	(37.3)
Others	979	(14.2)
Total sales	¥ 81,866	0.0

Notes: 1. Production status is not stated due to difficulties in defining consolidated group production performance.
2. Transactions between business segments are offset and eliminated.
3. Amounts above do not include consumption tax.
4. Sales to major customers as a proportion of total sales are given as follows.

Name of Customers	Millions of yen	%	Millions of yen	%
	2016		2015	
	Sales Amount	Proportion of sales	Sales Amount	Proportion of sales
Ministry of Land, Infrastructure, Transport and Tourism	**¥ 13,604**	**16.6**	¥ 14,845	18.1
Tokyo Electric Power Company, Incorporated			7,675	9.4
TEPCO Power Grid, Incorporated	**8,148**	**10.0**		
Japan International Cooperation Agency	**7,643**	**9.3**	6,756	8.3

Notes: The trade name was changed from “Tokyo Electric Power Company, Incorporated” to “TEPCO Power Grid, Incorporated” due to the transition to a holding company system through a company reorganization on April 1, 2016. Power transmission and distribution business of “Tokyo Electric Power Company, Incorporated” became “TEPCO Power Grid, Incorporated.”
For the period from July 1, 2015, to March 31, 2016, sales results of the Group for “Tokyo Electric Power Company, Incorporated” amounted to ¥6,569 million was included in “TEPCO Power Grid, Incorporated” in the table above.

3. Future Challenges

(1) Management Policy

To achieve further increases in corporate value, the Group formulated a new Long-Term Management Strategy (spanning six years from July 2015 to June 2021) in February 2015.
The Group, under the mission of realizing the value contained in the management philosophy of “Act with integrity & Contribute to society through technology and engineering,” has defined the specific goals of the Group in the Group Vision of “To provide services that are of value in building safe and reliable social infrastructure and comfortable living space.”
Under the Long-Term Management Strategy, based on the Group Vision, the Group will continue the fusion of consulting and engineering to evolve into a global company. Accordingly, the Group has defined its business targets for the fiscal year ending June 30, 2021, to be net sales of ¥140 billion, operating income of ¥14 billion, and a return on equity (“ROE”) of 10%.
With a view to realizing its long-term management strategy, the Group has identified the three-year period from July 2015 to June 2018 as an important one for making strides toward the future, and it has produced and is progressing its Medium-Term Business Plan NK-AIM (the “AIM” in the title standing for Advancing in the world, Intensify in Japan and demonstrating Merit).

From the term ending June 2017, which is the second year of the Medium-Term Management Plan NK-AIM, the group will tackle the three focus themes of "further progressing global development," "further expanding business scope and raising profitability through intensification of the core businesses," and "demonstrating the true value of comprehensive technological capacity with a view to creating new business domains.' These are in addition to the fundamental policy directions of "sustained growth of the three core businesses," "creation and expansion of new business operations," and "autonomy and collaboration."
As whole-of-company measures to realize these, the group will proactively advance "development of next-generation core technologies and further rises in productivity," "enhancing securing and training personnel resources" and "promoting collaboration and strengthening corporate governance."
In terms of quantitative targets, the group is adding an Urban & Spatial Development Operations as new business segment comprised of BDP and Kisho Kurokawa Architect & Associates Co., Ltd., and the June 2018 quantitative targets have been revised to ¥115 billion for sales, ¥7.4 billion for operating income, and 7.5% for ROE.

The key business strategy themes and whole-of-company initiatives under the Medium-Term Business Plan NK-AIM are as follows.

a. Key strategic business challenges

In the Domestic Consulting Operations, the Company will expand its business domain and share by defining priority businesses, proceed with restructuring of the operational processes for higher profitability, and enhance active utilization of alliances.
In the International Consulting Operations, the Company will secure a stable business foundation through expansion of share in the Japanese ODA, expand its business scale in urban development business and PPP business, and further strengthen its locally-based structures for order-receiving and construction.
In the Power Engineering Operations, the Company will increase cost competitiveness and strengthen sales and marketing capabilities, enhance cooperation within the group (e.g. fusion and cooperation among the business areas of consulting, products and construction), promote product and technology development, and reinforce the mechanical and electromechanical consulting division.
With regard to new business, with a view to the growth of BDP and K. Kurokawa which comprise the Urban & Spatial Development Operations, the group will push forward with the continued expansion of its UK business, the expansion of its overseas bases, and group linkages in Japan and the Asian region. It will also seek to further expand business through the transfer across all group companies of the Building Information Modeling ("BIM") technology owned by BDP. In other new business fields, it will seek to engage in market development by pushing micro-hydro and thermal energy projects and participating in planning for the privatization of water supply, highways and ports, in the form of an asset holding business.

b. Companywide measures to support its growth

To pursue the "development of next-generation core technologies and further rises in productivity," the group will work to develop technology that gives consideration to global environmental change, develop core technologies for next-generation smart society, improve technical services, raise project management to a higher level, and ensure quality and improve productivity by improving production processes. The group will regard its internal human resources as human treasures as it works on retaining and training its talent.
In order to "secure human treasures and strengthen training," the group will work on developing hiring practices that cater to diverse ways of working such as hirings that are limited to particular workplaces and mid-year recruitment of candidates who have been studying overseas, restructuring the company training system, optimizing the allocation of resources, and revamping the performance appraisal and salary systems.
In pursuit of "promoting collaboration and strengthening corporate governance," the group will work to strengthen the provisions for whole-of-company marketing functions, the provisions for workplaces especially with regard to the refurbishment of the head office building, and oversight functions under the management structure. It will also work to ensure transparency and to firmly establish an agile system for the execution of tasks.

(2) Basic Policy Governing Corporate Decision-Makers on Financial Affairs and Operations

Our basic policy governing corporate decision-makers on financial affairs and operations ("Governance Principles") is as detailed below.

a. Governance Principles

The Company believes that the people who control the assets and the commercial decisions of the Company ought to be people who understand the sources of the Company's corporate value and who make it possible for the Company to continually raise its corporate value and through it the profits that are shared by the stockholders. As an entity whose shares are listed on securities exchanges, the Company respects the free trading of its shares in the markets, and does not as a rule deny even large-scale buying of the Company's stock by specific persons, provided that it is attributable to the growth and surety of the Company's corporate value and through it the profits that are shared by the stockholders. The Company believes that whether or not the selling of the Company's shares happens in response to a large-scale act of purchasing is a decision which should ultimately be left up to our shareholders.

However, it cannot be said for certain that there are no individuals among those attempting to carry out a large-scale act of purchasing of shares of the Company who do not contribute to the corporate value of the Company, and furthermore to the common interest of shareholders when looking at the purposes and goals of said action; such individuals would include those who bring forth a tangible infringement upon the corporate value of the Company and furthermore the common interest of shareholders, individuals presenting the threat of coercing shareholders to conduct the sale of shares, individuals presenting the threat of destroying relationships of trust existing between clients, employees, business partners, and other related parties, individuals whose conditions for purchase do not entail a sufficient reflection of the corporate value of the Company, and individuals who do not provide information sufficient enough for shareholders to make a decision.

The Company was founded in 1946. Since then, the Company has been expanding on businesses relating to the establishment of social capital, with our construction consulting business and electric power engineering business constituting predominant businesses. As a company with an extremely high level communality and one with a great social mission, there is a need for us to conduct sustainable development going forward as well. Moreover, the Company possesses branding power backed by a rich collection of experience and track records, and has acquired a high level of trust with clients such as the government, regional public organizations, and others. Our technological prowess is something supported by the high level of specialization of employees within the Group, business partners, and other related individuals, as well as by our broad-ranging know-how. In the managing of the Company, it is a necessity to expand business while simultaneously maintaining and developing relationships of trust cultivated between domestic and overseas clients, employees, business partners and other related entities, but only after sufficiently understanding that the source from which the corporate value of the Company comes is constituted by those aspects. The Company believes that only through such efforts would one then be able to begin contributing to the improvement of our corporate value and to the interest of shareholders.

In view of these circumstances, when it comes to individuals attempting to carry out large-scale acts of purchasing, a mechanism is necessary which entails allowing for said acts of purchasing to commence only after a certain period of assessment has passed, for the purpose of judging the necessity of consideration regarding opinions formed by the board of directors of the company and regarding alternative solutions, as well as consideration regarding the invoking of countermeasures, by means of the providing of necessary information beforehand that is sufficient enough for shareholders to make a decision. Moreover, the Company believes that including with respect to the above example, individuals attempting to conduct large-scale acts of purchasing which do not contribute to the corporate value of the Company and furthermore the common interest of shareholders without understanding the source of the Company's corporate value, are individuals unsuited to control decisions on company financial administration and business policy, and that it is necessary for us to secure the corporate value of the Company and furthermore the common interests of shareholders by taking substantial and necessary countermeasures against large-scale acts of purchasing conducted by individuals attempting to conduct large-scale acts of purchasing which do not contribute to the corporate value of the Company and furthermore the common interest of shareholders.

b. An overview of special initiatives which contribute to the realization of effective utilization of resources, the formation appropriate corporate grouping, and other such basic policies

(a) Strategic business promotion based on mid-to-long term plans

Initiatives concerning strategic business promotion based on mid-to-long term plans of the Company are as described in the above item titled “(1) Management Policy”.

(b) Strengthening of corporate governance frameworks

In order to further increase the corporate value of the Group, the Company has made the basic mindset comprise of the strengthening of supervisory functions together with the securing of transparency, the establishment of a speedy operational execution framework, and the endeavoring toward enhancement of corporate governance.

In terms of institutional design, the Company has chosen a company with a board of company auditors (as well as one with a board of directors and one with a board of accounting auditors). Moreover, the Company has established a committee for advisory on appointments, compensation and other matters which includes independent directors as comprising members, and together with increasing fairness and transparency in management, has separated management monitoring and supervisory functions from operational executive functions, in an effort to bring about the clarification of responsibility and increasing in the speed of decision making.

c. Overview of initiatives serving to prevent control by unsuitable individuals in the context of the Basic Policy

As an initiative serving to prevent the control of decisions on financial administration and business policy of the Company by unsuitable individuals in the context of the Basic Policy in item a. above, the Company has set up a policy for responses to large-scale acts of purchasing for shares of the Company (“Takeover Defense Measure”).

Here is an overview of the Takeover Defense Measure. Large-scale purchasers attempting to carry out large-scale acts of purchasing, such as that of shares for the purpose of controlling a ratio of more than 20% of the voting rights of specific shareholder groups, or more specifically large-scale acts of purchasing where the result would be the acquiring of a ratio of more than 20% of the voting rights of specific shareholder groups, would be subject to; (a) the provision of necessary and sufficient information to the board of directors beforehand, including the submission of letters of intent, and (b) the commencement of large-scale acts of purchasing taking place after a certain period of assessment by the board of directors at the Company has passed.

The Takeover Defense Measure introduced at the Company by means of a resolution passed at a board of directors meeting held in May 2006. The measures continued after a partial amendment took place resulting from a resolution passed at a board of directors meeting held in June 2007. After that, the measure was continued after obtaining approval for partial amendments by shareholders through a resolution at the 63rd Ordinary General Meeting of Shareholders in June 2008, a resolution at the 66th Ordinary General Meeting of Shareholders in June 2011, a resolution at the 69th Ordinary General Meeting of Shareholders in September 2013, and a resolution at the 72nd Ordinary General Meeting of Shareholders in September 2016.

Details on Takeover Defense Measures can be found in their entirety on online at our website (https://www.n-koei.co.jp/).

d. Board of Directors’ decision concerning the measures described in b. and c. above and the reason

The measures described in b. above are in line with the Governance Principles described in a. above, since they were implemented for the purpose of enhancing corporate value and carried out in the common interests of our shareholders. These measures emphasize protecting the interests of our shareholders over protecting the corporate directors from being replaced.

The measures described in c. above (the Policy on Substantial Acquisition of Shares) are in line with the Governance Principles described in a. above. It protects the interests of our shareholders over protecting the corporate directors from being replaced in the following ways:

(a) The Policy on Substantial Acquisition of Shares meets the three basic requirements set forth in the Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests published by the Ministry of Economy, Trade and Industry (METI) and the Ministry of Justice on May 27, 2005. It also incorporates a June 30, 2008, report entitled "Proper Role of Takeover Defense Measures in Light of Changes in Various Environments" published by METI's Corporate Value Study Group.

(b) The Policy enables our shareholders to make an informed decision on whether a takeover would be beneficial, prevents any apparent infringement on the Company's corporate value and is in the best interest of the Company and its shareholders.

(c) The Rules on Substantial Acquisition of Shares and the necessary conditions for taking countermeasures are reasonable in light of our aim to maintain and enhance the Company's corporate value and protect the interests of its shareholders.

(d) The Rules on Substantial Acquisition of Shares and the necessary conditions for taking countermeasures are concrete and clear enough to make it possible for the shareholders, investors and potential bidders to make fair predictions about the future.

(e) The policy was enacted by a vote of the shareholders at a shareholders' meeting. The Company's Board of Directors can convene a shareholders' meeting to verify the shareholders' intentions to implement a countermeasure or not. Decisions about whether to maintain, rescind or alter the policy, made in the form of a resolution to be voted on at a general shareholders' meeting, will ensure that the wishes of the shareholders are reflected in company policy.

(f) The policy establishes objective and clear conditions for taking countermeasures. It also establishes prior conditions needed to implement countermeasures, requiring that the Company's Board of Directors consult its independently established ad hoc committee in advance concerning the initiation of countermeasures. Only after carefully considering the recommendations of the committee will the Board make its final decision on implementing counter-takeover measures. The Policy on Substantial Acquisition of Shares ensures that all decisions of the Board regarding countermeasures are objective and reasonable.

(g) The policy empowers the ad hoc committee to seek the advice of independent experts at the Company's expense. The policy goes to such great lengths that it leaves no room for doubt about the fairness and objectivity of the ad hoc committee's recommendations.

(h) The Policy on Substantial Acquisition of Shares is not intended to be a dead-hand takeover defense and may be abolished subject to a vote at the Company's shareholders' meeting or at a Board of Directors' meeting comprised of directors elected at a shareholders' meeting. It is not a slow-hand takeover defense either, since the term of the Company's Board members is one year.

4. Business Risks

The following are matters that could significantly affect the judgment of investors, from among matters related to Overview of Performance and Cash Flows and Financial Section, etc. stated in the Consolidated Business Report.
Items related to future events within the text are the Group's judgment as of June 30, 2015.

(1) Uneven Annual Distribution of Performance Results

The primary operations of the Group include the Domestic and International Consulting Operations, the Power Engineering Operations, and Urban & Spatial Development Operations. In particular, the Domestic Consulting Operations entail national and local government projects whose orders come in as a cluster toward the end of their fiscal year (March). As a result, most of the Group's sales tend to occur during the period from January through March.

(2) Dependence on Major Customers

Our Domestic and International Consulting Operations highly rely on national and local government contracts and projects based on the Japanese ODA budget for sales. Sales performance on the domestic front tends to be affected by trends in government spending, while our international orders are a reflection of the Japanese ODA budget.
Since a large percentage of our Power Engineering Operations are for TEPCO Power Grid, Incorporated, our sales performance is largely dictated by capital investments of TEPCO Power Grid, Incorporated.

(3) Defect Liability for Deliverables

The Group has introduced ISO9001 Quality Assurance System under the management philosophy of “Act with integrity & Contribute to society through technology and engineering,” to ensure that the Group will always strive to secure and improve quality. If the Group assumes gross responsibility attributable to defects in deliverables it has delivered to a customer, the Group’s performance could be affected.

(4) Legal Restrictions

The Group strives for strict legal compliance and internal education under the “Code of Conduct” and is subject to legal restrictions under the Antimonopoly Act, Construction Business Act, Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, etc. in Japan, and various relevant laws and regulations overseas.
If any situation entailing a potential breach of laws and regulations arises, the Group’s performance could be affected.

5. Operationally Significant Contracts

The Group reports no operationally significant contracts.

6. Analysis of Financial Status, Management Performance and Cash Flow Status

Below is an analysis of the Group’s financial status and management performance as well as its cash flow status for the consolidated fiscal year under review.

(1) Analysis of Financial Status

Total assets increased year-on-year by ¥16,880 million to ¥100,990 million. This is the result of increases in both current assets and investments and other assets, in amount of ¥1,333 million and ¥15,511 million, respectively.
The main factors for the increase in current assets were: receivables increased by ¥1,189 million, and inventories increased by ¥833 million.
Investments and other assets were increased mainly due to consolidation of BDP. As a result, ¥10,313 million of goodwill, and ¥5,695 million of intangible assets were recorded.
Liabilities increased year-on-year by ¥18,402 million to ¥49,530 million, mainly due to increases in current liabilities, by ¥18,642 million, which was partially offset by a decrease in long-term liabilities, by ¥240 million.
The main factor for the increase in current liabilities was: short-term borrowings increased by ¥16,000 million.
The main factors for the decrease in long-term liabilities were: long-term debt decreased by ¥276 million and deferred tax liabilities decreased by ¥194 million.
Equity decreased by ¥1,522 million to ¥51,460 million year-on-year.
The main factors for the decrease in equity were: unrealized loss on available-for-sale securities, increased by ¥1,667 million, and accumulated other comprehensive income related to defined retirement benefit plans, decreased by ¥889 million.

(2) Performance Analysis

Net sales for the current fiscal year were ¥81,866 million, that was a ¥26 million increase year-on-year (0.0% increase).
Operating income for the current fiscal year were ¥4,723 million, that was a ¥221 million increase year-on-year (4.9% increase). The ratio of cost of sales to net sales was 72.7%, improved by 0.7 points year-on-year. The ratio of selling, general and administrative expenses to net sales was 21.5%, that was higher than the previous year by 0.4 points.
As a result, the ratio of operating income to net sales was 5.8%, improved by 0.3 points year-on-year.
The net of the other income and expenses resulted in an excess earning of ¥691 million, due primarily to foreign currency exchange loss, ¥952 million, and head office transfer cost, ¥237 million.
Income before income taxes was ¥4,032 million, and net income attributable to owners of the parent, which was after subtracting current income taxes, differed income taxes and net income attributable to noncontrolling interests from income before income taxes, was ¥1,824 million, decreased by ¥2,437 million year-on-year (57.2% decrease).

Basic net income per share for the current fiscal year was ¥23.82, which was a ¥32.19 decrease from the amount of ¥56.01 for the previous fiscal year.
BDP has been included in the scope of consolidation, and only the balance sheet was reflected in the consolidated financial statements in the current fiscal year.

(3) Analysis of Cash Flow Status

An analysis of cash flow status for the fiscal year under review is provided in the section entitled “(2) Cash flows” under “1. Overview of Performance and Cash Flows” in the Consolidated Business Report.

President:
Ryuichi Arimoto
有元龍一

Consolidated Balance Sheet

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
June 30, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2016**	2015	**2016**
CURRENT ASSETS:			
Cash and cash equivalents (Note 17)	**¥ 9,401**	¥ 11,673	**$ 91,427**
Receivables (Note 17):			
Trade notes	**33**	21	**321**
Trade accounts	**17,157**	16,178	**166,856**
Unconsolidated subsidiaries and associated companies	**534**	609	**5,193**
Other	**618**	347	**6,010**
Allowance for doubtful accounts	**(9)**	(12)	**(88)**
Inventories (Note 7)	**12,601**	11,768	**122,548**
Deferred tax assets (Note 14)	**995**	1,423	**9,677**
Prepaid expenses and other current assets	**4,824**	2,814	**46,916**
Total current assets	**46,154**	44,821	**448,860**
PROPERTY, PLANT AND EQUIPMENT (Notes 8 and 9):			
Land	**17,332**	17,333	**168,558**
Buildings and structures	**18,685**	17,869	**181,717**
Machinery and equipment	**2,662**	2,693	**25,889**
Furniture and fixtures	**5,299**	2,672	**51,534**
Lease assets	**170**	270	**1,653**
Construction in progress	**82**	251	**797**
Total	**44,230**	41,088	**430,148**
Accumulated depreciation	**(19,669)**	(16,563)	**(191,286)**
Net property, plant and equipment	**24,561**	24,525	**238,862**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 17)	**6,423**	8,881	**62,465**
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 10 and 17(5)(b))	**3,771**	1,896	**36,674**
Trademarks	**3,985**		**38,755**
Goodwill (Note 5)	**10,313**		**100,297**
Receivables in bankruptcy	**16**	122	**156**
Deferred tax assets (Note 14)	**1,154**	1,218	**11,223**
Other assets	**4,773**	3,011	**46,418**
Allowance for doubtful accounts	**(160)**	(364)	**(1,556)**
Total investments and other assets	**30,275**	14,764	**294,432**
TOTAL	**¥ 100,990**	¥ 84,110	**$ 982,154**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
CURRENT LIABILITIES:			
Short-term borrowings (Note 11)	**¥ 16,000**	¥	**$155,604**
Current portion of long-term debt (Note 11)	**301**	204	**2,927**
Payables:			
Trade notes	**424**	465	**4,124**
Trade accounts	**4,556**	3,983	**44,308**
Unconsolidated subsidiaries and associated companies	**139**	132	**1,352**
Other	**1,801**	2,992	**17,515**
Income taxes payable	**809**	1,509	**7,868**
Advances received	**8,182**	8,655	**79,572**
Accrued bonuses	**2,137**	2,844	**20,783**
Allowance for anticipated project loss	**59**	111	**574**
Other current liabilities	**8,700**	3,571	**84,610**
Total current liabilities	**43,108**	24,466	**419,237**
LONG-TERM LIABILITIES:			
Long-term debt (Note 11)	**1,307**	1,583	**12,711**
Provision for directors' retirement benefits (Note 12)	**46**	59	**447**
Allowance for environmental measures	**34**	34	**331**
Liability for retirement benefits (Note 12)	**2,555**	2,129	**24,848**
Deferred tax liabilities (Note 14)	**1,917**	2,111	**18,643**
Other long-term liabilities	**563**	746	**5,475**
Total long-term liabilities	**6,422**	6,662	**62,455**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 16, 18 and 19)			
EQUITY (Notes 13 and 21)**:**			
Common stock, authorized, 189,580,000 shares; issued, 86,656,510 shares on June 30, 2016 and 2015	**7,393**	7,393	**71,899**
Capital surplus	**6,209**	6,209	**60,384**
Retained earnings	**40,822**	39,770	**397,005**
Treasury stock—at cost 9,816,140 shares on June 30, 2016 and 10,370,910 shares on June 30, 2015	**(3,020)**	(3,205)	**(29,370)**
Accumulated other comprehensive income:			
Unrealized (loss) gain on available-for-sale securities	**(8)**	1,659	**(78)**
Foreign currency translation adjustments	**(302)**	(100)	**(2,937)**
Defined retirement benefit plans	**29**	918	**282**
Total	**51,123**	52,644	**497,185**
Noncontrolling interests	**337**	338	**3,277**
Total equity	**51,460**	52,982	**500,462**
TOTAL	**¥100,990**	¥84,110	**$982,154**

Consolidated Statement of Income and Comprehensive Income

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year ended June 30, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
NET SALES	**¥81,866**	¥81,840	**$796,168**
COST OF SALES	**59,506**	60,055	**578,711**
Gross profit	**22,360**	21,785	**217,457**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	**17,637**	17,283	**171,524**
Operating income	**4,723**	4,502	**45,933**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**343**	441	**3,336**
Interest expense	**(59)**	(48)	**(574)**
Gain on sales of property, plant and equipment		2,628	
Gain on sales of investment securities	**343**		**3,336**
Foreign currency exchange (loss) gain	**(952)**	527	**(9,258)**
Head office transfer cost	**(237)**	(549)	**(2,305)**
Other-net	**(129)**	63	**(1,255)**
Other (expenses) income-net	**(691)**	3,062	**(6,720)**
INCOME BEFORE INCOME TAXES	**4,032**	7,564	**39,213**
INCOME TAXES (Note 14):			
Current	**1,508**	2,374	**14,666**
Deferred	**671**	892	**6,526**
Total income taxes	**2,179**	3,266	**21,192**
NET INCOME	**1,853**	4,298	**18,021**
NET INCOME ATTRIBUTABLE TO:			
Owners of the parent	**1,824**	4,261	**17,739**
Noncontrolling interests	**29**	37	**282**
OTHER COMPREHENSIVE (LOSS) INCOME (Note 20) :			
Unrealized (loss) gain on available-for-sale securities	**(1,667)**	295	**(16,212)**
Deferred gain on derivatives under hedge accounting		176	
Foreign currency translation adjustment	**(223)**	76	**(2,169)**
Defined retirement benefit plans	**(889)**	1,187	**(8,646)**
Total other comprehensive (loss) income	**(2,779)**	1,734	**(27,027)**
COMPREHENSIVE (LOSS) INCOME	**¥ (926)**	¥ 6,032	**$ (9,006)**
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥ (934)**	¥ 5,984	**$ (9,083)**
Noncontrolling interests	**¥ 8**	¥ 48	**$ 77**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2.u):			
Basic net income	**¥ 23.82**	¥ 56.01	**$ 0.23**
Cash dividends applicable to the year	**10.00**	10.00	**0.10**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year ended June 30, 2016

	Thousands	Millions of Yen										
						Accumulated Other Comprehensive Income						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized (Loss) Gain on Available-for-Sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, JUNE 30, 2014 (JULY 1, 2014, as previously reported)	**75,863**	**¥7,393**	**¥6,209**	**¥36,367**	**¥(3,344)**	**¥ 1,365**	**¥(176)**	**¥ (14)**	**¥(269)**	**¥47,531**	**¥304**	**¥47,835**
Cumulative effect of accounting change				(645)						(645)		(645)
BALANCE, JULY 1, 2015 (as restated)	**75,863**	**7,393**	**6,209**	**35,722**	**(3,344)**	**1,365**	**(176)**	**(14)**	**(269)**	**46,886**	**304**	**47,190**
Adjustment for newly consolidated subsidiaries				366				(152)		214	55	269
Net income attributable to owners of the parent				4,261						4,261		4,261
Cash dividends, ¥7.50 per share				(579)						(579)		(579)
Purchase of treasury stock	(22)				(11)					(11)		(11)
Disposal of treasury stock	445				150					150		150
Net change in the year						294	176	66	1,187	1,723	(21)	1,702
BALANCE, JUNE 30, 2015	**76,286**	**7,393**	**6,209**	**39,770**	**(3,205)**	**1,659**		**(100)**	**918**	**52,644**	**338**	**52,982**
Net income attributable to owners of the parent				1,824						1,824		1,824
Cash dividends, ¥10.00 per share				(772)						(772)		(772)
Purchase of treasury stock	(21)				(9)					(9)		(9)
Disposal of treasury stock	575				194					194		194
Net change in the year						(1,667)		(202)	(889)	(2,758)	(1)	(2,759)
BALANCE, JUNE 30, 2016	**76,840**	**¥7,393**	**¥6,209**	**¥40,822**	**¥(3,020)**	**¥ (8)**	**¥**	**¥(302)**	**¥ 29**	**¥51,123**	**¥337**	**¥51,460**

	Thousands of U.S. Dollars (Note 1)										
					Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized (Loss) Gain on Available-for-Sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, JUNE 30, 2015	**$71,899**	**$60,384**	**$386,774**	**$(31,169)**	**$ 16,134**	**$**	**$ (973)**	**$ 8,928**	**$511,977**	**$3,286**	**$515,263**
Net income attributable to owners of the parent			17,739						17,739		17,739
Cash dividends, $0.10 per share			(7,508)						(7,508)		(7,508)
Purchase of treasury stock				(88)					(88)		(88)
Disposal of treasury stock				1,887					1,887		1,887
Net change in the year					(16,212)		(1,964)	(8,646)	(26,822)	(9)	(26,831)
BALANCE, JUNE 30, 2016	**$71,899**	**$60,384**	**$397,005**	**$(29,370)**	**$ (78)**	**$**	**$(2,937)**	**$ 282**	**$497,185**	**$3,277**	**$500,462**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year ended June 30, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
OPERATING ACTIVITIES:	**2016**	2015	**2016**
Income before income taxes	**¥ 4,032**	¥ 7,564	**$ 39,213**
Adjustments for:			
Income taxes – paid	**(2,679)**	(1,610)	**(26,054)**
Payments for head office transfer cost	**(668)**		**(6,496)**
Depreciation and amortization	**1,268**	1,408	**12,332**
Gain on sales of property, plant and equipment	**(2)**	(2,628)	**(19)**
(Gain) loss on sales of investment securities	**(343)**	1	**(3,336)**
Head office transfer cost	**237**	549	**2,305**
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Decrease (increase) in trade accounts receivable	**1,797**	(2,668)	**17,476**
Increase in inventories	**(906)**	(1,407)	**(8,811)**
Increase in trade accounts payable	**312**	929	**3,034**
Decrease in net defined benefit liability	**(889)**	(332)	**(8,646)**
(Decrease) increase in advanced received	**(394)**	741	**(3,832)**
Other—net	**(1,385)**	(1,665)	**(13,470)**
Net cash provided by operating activities	**380**	882	**3,696**
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	**4**	5,095	**39**
Purchases of property, plant and equipment	**(1,198)**	(1,256)	**(11,651)**
Proceeds from sales and redemption of investment securities	**891**	1,370	**8,665**
Purchases of investment securities	**(2,182)**	(1,116)	**(21,221)**
(Payment for) proceeds from purchase of newly consolidated subsidiaries, net of cash acquired (Note 16)	**(13,821)**	43	**(134,413)**
Payments of loans receivable	**(1,411)**	(793)	**(13,722)**
Increase in other assets	**12**	(641)	**117**
Net cash (used in) provided by investing activities	**¥ (17,705)**	¥ 2,702	**$ (172,186)**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
FINANCING ACTIVITIES:	**2016**	2015	**2016**
Net increase (decrease) in short-term borrowings	**¥16,000**	¥ (100)	**$ 155,604**
Repayments of long-term debt	**(164)**	(130)	**(1,595)**
Purchase of treasury stock	**(9)**	(11)	**(88)**
Disposal of treasury stock	**194**	150	**1,887**
Dividends paid	**(771)**	(580)	**(7,498)**
Other—net	**(51)**	(75)	**(496)**
Net cash provided by (used in) financing activities	**15,199**	(746)	**147,814**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(146)**	104	**(1,420)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(2,272)**	2,942	**(22,096)**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		266	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**11,673**	8,465	**113,523**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 9,401**	¥ 11,673	**$ 91,427**

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2015 consolidated financial statements to conform to the classifications used in 2016.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nippon Koei Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥102.83 to $1, the approximate rate of exchange at June 30, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements as of June 30, 2016, include the accounts of the Company and its 57 significant (14 in 2015) subsidiaries (together, the "Group").

For the year ended June 30, 2016, the Company added BDP HOLDINGS LIMITED and its subsidiaries, which include BUILDING DESIGN PARTNERSHIP LIMITED and 41 other companies, in the scope of consolidation as a result of the acquisition of the stock of BDP HOLDINGS LIMITED at April 1, 2016.

It should be noted that for the current fiscal year, only the balance sheets of those subsidiaries have been consolidated.

Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the impact on the accompanying consolidated financial statements would not be significant.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiaries at the date of acquisition.

Goodwill is amortized using the straight-line method over its useful life, which is estimated as a reasonable period for which goodwill is expected to have an effect. In addition, the amortization period of goodwill related to the acquisition of BDP HOLDINGS LIMITED is 20 years, and is scheduled to start amortizing from the next fiscal year.

All significant intercompany balances and transactions have been eliminated in consolidation. All significant unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Business Combinations — In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(*a*) *Transactions with noncontrolling interest* - A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet - In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statement of income - In the consolidated statement of income, "net income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) Provisional accounting treatments for a business combination - If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs - Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in the consolidated financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective July 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after July 1, 2015. The revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs were applied prospectively.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

In the consolidated statement of cash flows for the year ended June 30, 2016, cash flows for purchases or sales of ownership interests in a subsidiary without a change in consolidation scope are presented under financing activities, and cash flows for acquisition-related costs are presented under operating activities.

As a result, there was no significant impact on the consolidated financial statements from these accounting changes.

The Company acquired 100% of the shares of BDP HOLDINGS LIMITED on April 1, 2016, and accounted for these acquisitions by the purchase method of accounting (see Note 5).

c. ***Cash Equivalents*** — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

   Cash equivalents include time deposits and investment trusts, both of which mature or become due within three months of the date of acquisition.

d. ***Inventories*** — Work in process is stated at the lower of cost, mainly determined by the specific identification cost method, or net selling value (see Note 7).

e. ***Investment Securities*** — Investment securities are classified and accounted for, depending on management's intent, as follows:

   (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost; and (2) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, in a separate component of equity.

   Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. ***Property, Plant and Equipment*** — In June 17, 2016, the ASBJ issued ASBJ Practical Issues Task Force ("PITF") No. 32, "Practical Solution on a change in depreciation method due to Tax Reform 2016," which related to the revision of the Corporation Tax Act. The Company applied this PITF effective April 1, 2016, and changed the depreciation method for structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

As a result, there was no significant impact on the consolidated financial statements from this accounting change.

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998, structures acquired after April 1, 2016, and lease assets, as well as other equipment for rent. In addition, the straight-line method is principally applied to the property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 3 to 50 years for buildings and structures, from 2 to 15 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

g. ***Long-Lived Assets*** — The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. ***Allowance for Doubtful Accounts*** — The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

i. ***Retirement and Pension Plans*** — The Group has contributory defined benefit pension plans and unfunded retirement benefit plans for the benefit of its employees.

Effective April 1, 2000, the Group adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over mainly 13 years within the average remaining service period. Past service costs are amortized on a straight-line basis over mainly 13 years within the average remaining service period.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period, are treated as reclassification adjustments (see Note 12).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group has applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective June 30, 2013, and for (c) above, effective July 1, 2014.

With respect to (c) above, the Group changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of July 1, 2014, in retained earnings. As a result, retained earnings as of July 1, 2014, decreased by ¥645 million.

Hitherto, retirement benefits for directors were provided at the amount that would be required if all directors retired at the balance sheet date. However, the Group abolished benefit pension plans for directors. The balance in the consolidated balance sheet is the estimated amount for directors who have belonged to the Group since the plans were effective.

j. ***Allowance for Anticipated Project Loss*** — The Group has made a provision for anticipated losses on uncompleted project contracts.

k. ***Asset Retirement Obligations*** — In March 2008, ASBJ issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

l. ***Employee Stock Ownership Plan*** — In December 2013, the ASBJ issued PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts." This PITF is effective for the beginning of annual periods beginning on or after April 1, 2014, with earlier application permitted from the beginning of annual periods first ending after the date of issuance of this PITF, and applied retrospectively.

In accordance with the PITF, upon the transfer of treasury stock to the employee stockownership trust (the "Trust") by the entity, any difference between the book value and fair value of the treasury stock shall be recorded in capital surplus. At year-end, the entity shall record (1) the entity stock held by the Trust as treasury stock in equity, (2) all other assets and liabilities of the Trust on a line-by-line basis, and (3) a liability/asset for the net of (i) any gain or loss on delivery of the stock by the Trust to the employee shareholding association, (ii) dividends received from the entity for the stock held by the Trust, and (iii) any expenses relating to the Trust.

The Group applied this PITF effective July 1, 2014, retrospectively. As the method previously used by the Group is identical to those of the above PITF, there is no impact from this accounting change.

m. ***Research and Development Costs*** — Research and development costs are charged to income as incurred.

n. ***Leases*** — In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to be measured at the amount of obligation under finance leases less interest expense at the transition date and recorded as acquisition cost of lease assets.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the amount of obligation under finance leases at the transition date.

All other leases are accounted for as operating leases.

o. ***Accrued Bonuses*** — Bonuses to employees, directors and Audit & Supervisory Board members are accrued at the end of the year to which such bonuses are attributable.

p. ***Allowance for Environmental Measures*** — The Group has made a provision for the treatment of Polychlorinated Biphenyl ("PCB") Wastes based on the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

q. ***Income Taxes*** — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income and comprehensive income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

r. ***Foreign Currency Transactions*** — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income and comprehensive income.

s. ***Revenue Recognition*** — If the outcome of a construction contract can be estimated reliably, the contract revenue is recognized by the percentage-of-completion method, which is measured by reference to the percentage of total cost incurred to date to estimated total cost.

All other construction projects, except the aforementioned, are recorded using the completed-contract method (including the partially completed-contract method).

t. ***Derivatives and Hedging Activities*** — The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Group to reduce its exposure to fluctuations in foreign currency exchange rates. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and comprehensive income; and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign exchange forward contracts are measured at fair value, but the unrealized gains/losses are deferred until the underlying transactions are completed.

u. ***Per Share Information*** — Basic net income per share is computed by dividing net income attributable to shareholders of common stock by the weighted-average number of shares of common stock outstanding for the period. The weighted-average number of shares of common stock for the years ended June 30, 2016 and 2015 were 76,544,407 and 76,077,020, respectively.

Diluted net income per share of common stock is not disclosed because the Group had no securities outstanding that might dilute the per share information for the years ended June 30, 2016 and 2015.

Cash dividends per share presented in the accompanying consolidated statement of income and comprehensive income are dividends applicable to the respective years, including dividends to be paid after the end of the fiscal year.

v. ***Accounting Changes and Error Corrections*** — In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies:
When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in Presentation:
When the presentation of consolidated financial statements is changed, prior-period consolidated financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates:
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors:
When an error in prior-period consolidated financial statements is discovered, those statements are restated.

w. ***New Accounting Pronouncements***
Tax Effect Accounting — On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Company expects to apply the new guidance on recoverability of deferred tax assets effective July 1, 2016, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

3. CHANGES IN PRESENTATION

(1) “Accrued expenses” (¥2,705 million ($26,307 thousand) in the current fiscal year and ¥1,952 million in the previous fiscal year), which was presented separately in the consolidated balance sheet in the previous fiscal year, is included in “Other current liabilities” due to its decreased materiality.

(2) “Asset retirement obligations” (¥35 million ($340 thousand) in the current fiscal year and ¥34 million in the previous fiscal year), which was presented separately in the consolidated balance sheet in the previous fiscal year, is included in “Other long-term liabilities” due to its decreased materiality.

(3) “Deposits received” (¥211 million ($2,052 thousand) in the current fiscal year and ¥469 million in the previous fiscal year), which was presented separately in the consolidated balance sheet in the previous fiscal year, is included in “Other long-term liabilities” due to its decreased materiality.

(4) “(Gain) loss on sales of investment securities” (¥(343) million ($(3,336) thousand) in the current fiscal year and ¥1 million in the previous fiscal year), which was included in “Other-net” under “Operating Activities” in the consolidated statement of cash flows in the previous fiscal year, is presented separately due to its increased materiality.

(5) “Payments of loans receivable” (¥(1,411) million ($(13,722) thousand) in the current fiscal year and ¥(793) million in the previous fiscal year), which was included in “Increase in other assets” under “Investing Activities” in the consolidated statement of cash flows in the previous fiscal year, is presented separately due to its increased materiality.

(6) “Repayments of lease obligations” (¥(43) million ($(418) thousand) in the current fiscal year and ¥(53) million in the previous fiscal year), which was presented separately in the consolidated statement of cash flows in the previous fiscal year, is included in “Other-net” under “Financing Activities” due to its decreased materiality.

4. ADDITIONAL INFORMATION

Employee Stock Ownership Plan Trust (“ESOP”) — The Company maintains an Employee Stock Ownership Plan for a part of its employees’ welfare programs which includes transfers of the Company’s own stock to the employees’ stockholders association through a trust.

(1) Overview of the transaction

At a meeting of the Board of Directors held on February 12, 2013, the Company resolved to introduce an ESOP as a trust-type employee shareholding incentive plan to provide the Group’s employees with incentives to improve medium- to long-term corporate value, enhance their welfare programs, and encourage capital participation as shareholders, thereby increasing the morale of the employees and promoting continued growth of the Group.

Under the trust-type employee shareholding incentive plan, the Company establishes the ESOP at a trust bank. The ESOP preliminarily acquires the total number of the Company’s common shares expected to be acquired by the employees’ stockholders association over five years in advance from the Company by third-party allotment using borrowings as funds.

Subsequently, the ESOP sells these Company shares to the employees’ stockholders association on a continual basis. If the ESOP has accumulated gains on sale of the Company shares when the ESOP is terminated, the ESOP’s proceeds equivalent to the accumulated gains are distributed to eligible beneficiaries.

The Company guarantees obligations for the ESOP's borrowing of funds to acquire the Company's common stock. Therefore, if the ESOP has accumulated losses upon sale of the Company shares when the ESOP is terminated, the ESOP's outstanding debt equivalent to the accumulated losses is repaid by the Company in accordance with a warranty clause included in the loan agreement, and there is no burden on the employees.

(2) The Company's shares remaining in the ESOP

Shares of the Company remaining in the ESOP are recognized at the ESOP's book value thereof (excluding the amount of ancillary expenses) as treasury stock under net assets. The book value and number of shares of such treasury stock were ¥120 million ($1,167 thousand) and 355 thousand shares, respectively, for the year ended June 30, 2016, and ¥313 million and 930 thousand shares, respectively, for the year ended June 30, 2015.

(3) Book value of borrowings posted through the application of the gross price method

Book value of borrowings posted through the application of the gross price method was ¥260 million ($2,529 thousand) and ¥390 million for the years ended June 30, 2016 and 2015, respectively.

5. BUSINESS COMBINATION

Business combination by acquisition for the year ended June 30, 2016, was as follows:

(1) Outline of the business combination
a. Name of acquired company and its business outline

Name of the acquired company : BDP HOLDINGS LIMITED
Business outline : Architectural design business

b. Major reason for the business combination

For the reasons set forth below, the acquisition, will enable both the Group and BDP HOLDINGS LIMITED and its subsidiaries (together, "BDP") to significantly improve the value of services for our customers in the medium-to-long term.

(a) Further expansion of the scale of our business and profits

The integration of the Company and BDP will allow the Group to grow in size to a technical consulting group with an estimated amount of sales in excess of ¥100 billion ($973 million) for the year ending June 30, 2017, and will accelerate its business globalization. With an excellent track record in private sector architectural projects of BDP, the Group will be able to utilize its experience and knowledge to gain a competitive advantage in the spatial and regional development business. Particularly in the Asian markets that are expected to experience a great deal of growth in the future, the Group will advance into the business above, such as urban development, airport building and railway station building design, and industrial park development.

(b) Procurement of architectural engineers and BIM skills

BDP is a leading company in the field of Building Information Modeling ("BIM") not only in the United Kingdom, but also in throughout Europe; approximately 70% of the design staff are skilled in the operation of BIM software.

BIM will also become mandatory in Japan for customer needs related to design visualization and expediting interference checks of architectural, structural, and facilities design. Though the Group has only recently begun use of BIM, by sharing the BIM technology of BDP, including their human resources, it will bring a significant competitive advantage for the Group.

(c) Expansion of the customer base and regional complementarity

For no duplication in customer of the Company and BDP, through the acquisition, the Group will be able to combine both customers and services. The Company has long-term customer relationships with emerging countries, especially in the Asian region. By combination with an excellent track record, mainly in the European region where BDP operates, the Group will be able to provide comprehensive technical consulting services that conflated civil engineering with architecture to a broader range of customers.

(d) Possibility of expansion in Japan

The Group will support BDP to expand its business in the field of architecture in Japan. By collaboration with the Company, it is expected that BDP will be able to acquire refurbish projects that relate to public buildings such as cultural halls and theaters in addition to projects such as shopping malls and other commercial facilities that are already proven.

c. Date of business combination

April 1, 2016

d. Legal form of business combination

Share acquisition in consideration for cash

e. Name of the company after the combination

No change

f. Ratio of voting rights acquired

100%

g. Basis for determining the acquirer

Determination of the acquirer is based on the fact that the Company acquired 100% of voting rights by means of share acquisition in consideration for cash.

(2) Acquisition cost of the acquired company and related details of each class of consideration

	Millions of Yen	Thousands of U.S. Dollars
	2016	2016
Consideration for acquisition—Cash	¥16,453	$160,010
Acquisition cost	¥16,453	$160,010

(3) Major acquisition-related costs

Advisory fees and commissions to
the lawyers and financial institutions : ¥610 million ($5,932 thousand)

(4) Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

(a) Amount of goodwill incurred

¥10,313 million ($100,297 thousand)

(b) Reasons for the goodwill incurred

Goodwill is incurred from expected excess earnings power in the future arising from further business development.

(c) Method and period of amortization

The goodwill is amortized on a straight-line basis over 20 years.

(5) The assets acquired and the liabilities assumed at the acquisition date are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2016	2016
Current assets	¥ 7,662	$ 74,515
Property, plant and equipment	217	2,111
Intangible assets	5,695	55,385
Total assets acquired	13,574	132,011
Total liabilities assumed	7,434	72,298
Net assets acquired	¥ 6,140	$ 59,713

(6) Pro forma information (unaudited)

If this business combination had been completed as of July 1, 2015, the beginning of the current fiscal year, the impact on the consolidated statement of income for the year ended June 30, 2016, would be as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2016	2016
Sales	¥14,298	$139,052
Operating income	138	1,342
Income before income taxes	86	836
Net income attributable to owners of the parent	115	1,118

	Yen	U.S. Dollars
Per share of common stock:		
Basic net income	¥ 1.50	$ 0.01

Outline of the method of calculation for the impact above:

The estimated impact on the consolidated financial results was calculated based on the difference in sales and profit information calculated assuming the business combination had been completed at the beginning of the fiscal year and it included in the consolidated financial results.

The information above is not necessarily indicative of actual future results, and also does not indicate actual results of operation in the case that the business combination had been completed at the beginning of the current fiscal year.

6. INVESTMENT SECURITIES

Investment securities as of June 30, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Non-current:			
Marketable equity securities	**¥5,119**	¥7,473	**$49,784**
Government and corporate bonds	**1,235**	1,408	**12,011**
Other	**69**		**670**
Total	**¥6,423**	¥8,881	**$62,465**

The costs and aggregate fair values of investment securities at June 30, 2016 and 2015, were as follows:

	Millions of Yen			
June 30, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥4,867**	**¥738**	**¥760**	**¥4,845**
Debt securities	**1,141**	**50**	**32**	**1,159**
Other				
Total	**¥6,008**	**¥788**	**¥792**	**¥6,004**

	Millions of Yen			
June 30, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥4,683	¥2,294	¥36	¥6,941
Debt securities	1,068	195		1,263
Other				
Total	¥5,751	¥2,489	¥36	¥8,204

	Thousands of U.S. Dollars			
June 30, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$47,333**	**$7,177**	**$7,391**	**$47,119**
Debt securities	**11,097**	**486**	**311**	**11,272**
Other				
Total	**$58,430**	**$7,663**	**$7,702**	**$58,391**

The proceeds, realized gains and losses of the available-for-sale securities which were sold during the years ended June 30, 2016 and 2015, were as follows:

	Millions of Yen		
June 30, 2016	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	**¥891**	**¥343**	**¥**
Debt securities			
Other			
Total	**¥891**	**¥343**	**¥**

	Millions of Yen		
June 30, 2015	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	¥1,140	¥18	¥20
Debt securities			
Other	48		
Total	¥1,188	¥18	¥20

	Thousands of U.S. Dollars		
June 30, 2016	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	**$8,665**	**$3,336**	**$**
Debt securities			
Other			
Total	**$8,665**	**$3,336**	**$**

The carrying values of debt securities and other by contractual maturities for securities classified as available-for-sale at June 30, 2016, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due after 10 years	¥500	$4,863
Total	¥500	$4,863

7. INVENTORIES

Inventories at June 30, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Merchandise	**¥ 0**	¥ 0	**$ 0**
Work in process	**12,254**	11,399	**119,173**
Raw materials and supplies	**347**	369	**3,375**
Total	**¥12,601**	¥11,768	**$122,548**

8. INVESTMENT PROPERTY

On November 2008, the ASBJ issued ASBJ Statement No. 20, “Accounting Standard for Investment Property and Related Disclosures” and ASBJ Guidance No. 23, “Guidance on Accounting Standard for Investment Property and Related Disclosures.”

The Group owns some rental properties such as office buildings and land in the Tokyo metropolitan area. The net of rental income and operating expenses for those rental properties was ¥385 million ($3,744 thousand) and ¥591 million for the years ended June 30, 2016 and 2015, respectively.

In addition, the carrying amounts, changes in such balances and market prices of such properties are as follows:

Millions of Yen			
Carrying Amount			Fair Value
June 30, 2015	Decrease	June 30, 2016	June 30, 2016
¥3,378	**¥(48)**	**¥3,330**	**¥6,784**

Millions of Yen			
Carrying Amount			Fair Value
June 30, 2014	Decrease	June 30, 2015	June 30, 2015
¥6,045	¥(2,667)	¥3,378	¥6,900

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
June 30, 2015	Decrease	June 30, 2016	June 30, 2016
$32,852	**$(467)**	**$32,385**	**$65,976**

Notes:
1. Carrying amount recognized in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses, if any.
2. Decrease during the fiscal year ended June 30, 2015, primarily represents sales of land and buildings for rental apartments and stores for rent of ¥2,566 million. Furthermore, gain on sales of land and buildings for rental apartments and stores for rent was ¥2,628 million. Decrease during the fiscal year ended June 30, 2016, primarily represents depreciation of buildings of stores for rent.
3. Fair value of properties was measured by the Group in accordance with the Real-Estate Appraisal Standard.

9. REDUCTION ENTRY

In the case of acquisition of expenses by the Group that have been subsidized by the national government, the amount of such subsidies is offset against the acquisition cost of the corresponding property, plant and equipment.

The amount of reduction entry by accounts under property, plant and equipment at June 30, 2016 and 2015, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Buildings and structures	**¥ 19**	¥	**$ 185**
Machinery and equipment	**167**	147	**1,624**
Total	**¥186**	¥147	**$1,809**

10. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and associated companies at June 30, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Investments	**¥1,862**	¥ 981	**$18,108**
Advances	**1,909**	915	**18,566**
Total	**¥3,771**	¥1,896	**$36,674**

11. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

The annual interest rate applicable to the short-term borrowings was 0.474% at June 30, 2016.

Long-term debt at June 30, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Unsecured loans from banks due serially to 2023 with interest rates ranging from 0.680% to 0.870%	**¥1,526**	¥1,690	**$14,841**
Obligation under finance leases	**82**	97	**797**
Total	**1,608**	1,787	**15,638**
Less current portion	**(301)**	(204)	**(2,927)**
Long-term debt, less current portion	**¥1,307**	¥1,583	**$12,711**

Annual maturities of long-term debt at June 30, 2016, for the next five years and thereafter were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Years Ending June 30	Long-Term Debt	Lease Obligations	Long-Term Debt	Lease Obligations
2017	¥ 266	¥34	$ 2,587	$331
2018	266	25	2,587	243
2019	436	13	4,240	126
2020	136	6	1,323	58
2021	136	3	1,323	29
2022 and thereafter	286	1	2,781	10
Total	¥1,526	¥82	$14,841	$797

The Group and five financial institutions have concluded overdraft contracts of ¥26,500 million ($257,719 thousand) and a commitment line contract by syndicated loan over three years for a maximum ¥10,000 million ($97,253 thousand). In addition, the Group has concluded a commitment line with a financial institution in order to procure the funds for the acquisition of stock of BDP HOLDINGS LIMITED. These commitment line contracts included restrictive financial covenants for each financial institution.

12. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees and directors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liabilities for retirement benefits at June 30, 2016 and 2015, for directors are ¥46 million ($447 thousand) and ¥59 million, respectively. The retirement benefits for directors are paid subject to the approval of the shareholders.

(1) The changes in defined benefit obligation for the years ended June 30, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Balance at beginning of year (as previously reported)	**¥15,229**	¥14,277	**$148,106**
Cumulative effect of accounting change		985	
Balance at beginning of year (as restated)	**15,229**	15,262	**148,106**
Current service cost	**1,096**	1,099	**10,659**
Interest cost	**105**	105	**1,021**
Actuarial (gains) losses	**46**	(71)	**447**
Benefit paid	**(1,223)**	(1,166)	**(11,894)**
Balance at end of year	**¥15,253**	¥15,229	**$148,339**

(2) The changes in plan assets for the years ended June 30, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Balance at beginning of year	**¥13,832**	¥11,723	**$134,520**
Expected return on plan assets	**277**	234	**2,694**
Actuarial (gains) losses	**(1,228)**	1,374	**(11,942)**
Contributions from the employer	**1,491**	1,462	**14,500**
Benefit paid	**(1,010)**	(961)	**(9,823)**
Balance at end of year	**¥13,362**	¥13,832	**$129,949**

(3) The changes in defined benefit obligation under the simplified method for the years ended June 30, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Balance at beginning of year	**¥ 731**	¥692	**$ 7,109**
Periodic benefit cost	**57**	68	**554**
Benefit paid	**(104)**	(29)	**(1,011)**
Others	**(21)**		**(204)**
Balance at end of year	**¥ 663**	¥731	**$ 6,448**

(4) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of June 30, 2016 and 2015, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Funded defined benefit obligation	**¥ 11,910**	¥ 11,858	**$ 115,828**
Plan assets	**(13,362)**	(13,832)	**(129,949)**
Total	**(1,452)**	(1,974)	**(14,121)**
Unfunded defined benefit obligation	**4,007**	4,103	**38,969**
Net liability arising from defined benefit obligation	**2,555**	2,129	**24,848**
Liability for retirement benefits	**2,555**	2,129	**24,848**
Net liability arising from defined benefit obligation	**¥ 2,555**	¥ 2,129	**$ 24,848**

(5) The components of net periodic benefit costs for the years ended June 30, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Service cost	**¥1,096**	¥1,099	**$10,659**
Interest cost	**105**	105	**1,021**
Expected return on plan assets	**(277)**	(234)	**(2,694)**
Recognized actuarial (gains) losses	**(68)**	196	**(661)**
Amortization of prior service cost	**28**	28	**272**
Recognized transition obligation		101	
Periodic benefit cost under simplified method	**57**	68	**554**
Others	**34**	56	**331**
Net periodic benefit costs	**¥ 975**	¥1,419	**$ 9,482**

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended June 30, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Prior service cost	**¥ (28)**	¥ 28	**$ (272)**
Actuarial losses	**1,343**	1,642	**13,061**
Recognized transition obligation		101	
Total	**¥1,315**	¥1,771	**$12,789**

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of June 30, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Unrecognized prior service cost	**¥ 256**	¥ 283	**$ 2,490**
Unrecognized actuarial (gains) losses	**(297)**	(1,639)	**(2,889)**
Total	**¥ (41)**	¥(1,356)	**$ (399)**

(8) Plan assets

a. Components of plan assets

Plan assets as of June 30, 2016 and 2015, consisted of the following:

	2016	2015
Debt investments	**38%**	34%
Equity investments	**40**	46
Cash and cash equivalents	**20**	17
Others	**2**	3
Total	**100%**	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used for the years ended June 30, 2016 and 2015, are set forth as follows:

	2016	2015
Discount rate	**Principally 0.7%**	Principally 0.7%
Expected rate of return on plan assets	**2.0**	2.0
Lump-sum election rate	**90.0**	90.0

(10) Multiemployer pension plan

The Company and certain consolidated subsidiaries participate in a multi-employer plan for which the Company cannot reasonably calculate the amount of plan assets corresponding to the contributions made by the Company. Therefore, it is accounted for using the same method as a defined contribution plan.

The contributions to such multi-employer plan were ¥510 million ($4,960 thousand) and ¥562 million for the years ended June 30, 2016 and 2015, respectively.

a. The funded status of the multi-employer plan as of June 30, 2016 and 2015, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Plan assets	**¥198,294**	¥179,786	**$1,928,461**
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	**198,590**	199,166	**1,931,340**
Net balance	**¥ (296)**	¥ (19,380)	**$ (2,879)**

The net balance above is mainly the result of by past service cost of ¥20,812 million ($202,402 thousand) for 2016 and ¥22,129 million for 2015, surplus of ¥14,356 million ($139,616 thousand) for 2016, and ¥5,349 million for 2015, and a deficiency brought forward of ¥(6,160) million ($(59,908) thousand) for 2016 and ¥2,600 million for 2015. Past service cost under the plan is amortized on a straight-line basis over 15 years, and the special contributions of ¥280 million ($2,723 thousand) for 2016 and ¥280 million for 2015, which are utilized for such amortization, were expensed in the consolidated statement of income and comprehensive income of the Group.

b. The contribution ratio of the Group in the multi-employer plan for the years ended June 30, 2016 and 2015, was as follows:

	2016	2015
The contribution ratio of the Group in the multi-employer plan	**13.1%**	12.8%

The ratios above do not represent the actual actuarial liability ratio of the Group.

13. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account that was charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.
The Companies Act also provides that companies can purchase both treasury stock acquisition rights and

treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 33.1% and 34.4% for the years ended June 30, 2016 and 2015, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at June 30, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Deferred tax assets:			
Accrued bonuses	**¥ 656**	¥ 915	**$ 6,380**
Tax loss carryforwards	**66**	91	**642**
Liability for retirement benefits for directors	**15**	20	**146**
Net defined benefit liability	**801**	703	**7,790**
Allowance for anticipated project loss	**18**	37	**175**
Loss on impairment of long-lived assets	**60**	67	**584**
Head office transfer cost	**29**	87	**282**
Overdepreciation	**494**	230	**4,804**
Deferred relief on pension contributions	**174**		**1,692**
Other	**432**	645	**4,201**
Less valuation allowance	**(489)**	(562)	**(4,756)**
Total	**2,256**	2,233	**21,940**

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Deferred tax liabilities:			
Reserve for deferred gains on sale of property	**793**	839	**7,712**
Unrealized gain on available-for-sale securities		790	
The valuation differences by using the full fair value method	**1,182**	68	**11,495**
Other	**49**	6	**477**
Total	**2,024**	1,703	**19,684**
Net deferred tax assets	**¥ 232**	¥ 530	**$ 2,256**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income and comprehensive income for the year ended June 30, 2016, with the corresponding figures for 2015, is as follows:

	2016	2015
Normal effective statutory tax rate	**33.1%**	34.4%
Per capita levy of local tax	**3.4**	1.8
Expenses not deductible for tax purposes	**2.0**	1.1
Foreign income tax	**13.6**	5.5
Tax credit	**(2.9)**	(2.7)
Valuation allowance	**1.5**	2.2
Income taxes for prior periods	**2.5**	
Effect of reduction of income tax rates on deferred tax assets and deferred tax liabilities	**1.2**	1.7
Other – net	**(0.4)**	(0.8)
Actual effective tax rate	**54.0%**	43.2%

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after July 1, 2016, to approximately 30.9% and for the fiscal year beginning on or after July 1, 2018, to approximately 30.6%. The impact of this change on the consolidated financial statements is not significant.

At June 30, 2016, certain subsidiaries have tax loss carryforwards aggregating approximately ¥549 million ($5,339 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Years Ending June 30	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 92	$ 895
2019	35	340
2020	65	632
2023	39	379
2025	318	3,093
Total	¥549	$5,339

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥568 million ($5,524 thousand) and ¥595 million for the years ended June 30, 2016 and 2015, respectively.

16. LEASES

Lessee

The minimum rental commitments under noncancelable operating leases at June 30, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Due within one year	**¥1,042**	¥ 413	**$10,134**
Due after one year	**2,801**	961	**27,240**
Total	**¥3,843**	¥1,374	**$37,374**

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments (mainly bank loans) based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below. To clarify the accountability for transactions, the Group set up an investment committee that examines basic principles of transactions and each financial instrument.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of a portion of payables in foreign currencies, is hedged by using forward foreign currency contracts. Marketable and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Long-term debt and obligation under finance leases are principally for the procurement of the funds necessary for investments in facilities and equipment. Short-term borrowings are for the procurement of the funds for the acquisition of stock of BDP HOLDINGS LIMITED.

Derivatives mainly include forward foreign currency contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables and investment securities. Please see Note 18 for more details about derivatives.

(3) Risk Management for Financial Instruments

Credit Risk Management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. With respect to held-to-maturity financial investments, the Group manages exposure to credit risk by limiting investments to high-credit rated bonds in accordance with its internal guidelines.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of June 30, 2016.

Market risk management

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Investment securities are managed by monitoring market values and the financial position of issuers on a regular basis.

The basic principles of derivative transactions have been approved by the investment committee based on the internal guidelines which prescribe the authority and the limits for each transaction by the corporate treasury department. Reconciliation of the transaction and balances with customers is made, and the transaction data is reported to the chief financial officer on a monthly basis.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on its maturity dates. The Group manages its liquidity risk by concluding commitment line and overdraft contracts, along with adequate financial planning by the corporate treasury department.

(4) Concentration of Credit Risk

23.1% of total receivables are from three major customers of the Group as of June 30, 2016.

(5) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(a) Fair value of financial instruments

	Millions of Yen		
June 30, 2016	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**¥ 9,401**	**¥ 9,401**	**¥**
Receivables	**18,332**	**18,332**	
Investment securities	**6,004**	**6,004**	
Total	**¥33,737**	**¥33,737**	**¥**
Short-term borrowings	**¥16,000**	**¥16,000**	**¥**
Payables	**6,920**	**6,920**	
Total	**¥22,920**	**¥22,920**	**¥**

	Millions of Yen		
June 30, 2015	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥11,673	¥11,673	¥
Receivables	17,143	17,143	
Investment securities	8,204	8,204	
Total	¥37,020	¥37,020	¥
Payables	¥ 7,572	¥ 7,572	¥
Total	¥ 7,572	¥ 7,572	¥

	Thousands of U.S. Dollars		
June 30, 2016	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**$ 91,427**	**$ 91,427**	**$**
Receivables	**178,283**	**178,283**	
Investment securities	**58,390**	**58,390**	
Total	**$328,100**	**$328,100**	**$**
Short-term borrowings	**$155,604**	**$155,604**	**$**
Payables	**67,299**	**67,299**	
Total	**$222,903**	**$222,903**	**$**

Cash and cash equivalents and receivables

The carrying values of these financial instruments approximate fair value because of their short maturities.

Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for investment securities by classification is included in Note 6.

Payables

The carrying values of these financial instruments approximate fair value because of their short maturities.

Derivatives

Fair value information for derivatives is included in Note 18.

(b) Carrying amount of financial instruments whose fair values cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
June 30, 2016 and 2015	**2016**	2015	**2016**
Investments in equity instruments that do not have a quoted market price in an active market	**¥2,137**	¥1,512	**$20,783**
Investments in debt instruments that do not have a quoted market price in an active market	**¥ 145**	¥ 145	**$ 1,410**

The impairment loss on investments in equity instruments that do not have a quoted market price in an active market for the year ended June 30, 2016, was ¥100 million ($973 thousand).

(6) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
June 30, 2016	Due in one Year or Less	Due after one Year through five Years	Due after five Years through ten Years	Due after ten Years
Cash and cash equivalents	**¥ 9,401**	**¥**	**¥**	**¥**
Receivables	**18,333**			
Investment securities				
Available-for-sale securities with contractual maturities				**500**
Total	**¥27,734**	**¥**	**¥**	**¥500**

	Millions of Yen			
June 30, 2015	Due in one Year or Less	Due after one Year through five Years	Due after five Years through ten Years	Due after ten Years
Cash and cash equivalents	¥11,673	¥	¥	¥
Receivables	17,143			
Investment securities				
Available-for-sale securities with contractual maturities				500
Total	¥28,816	¥	¥	¥500

June 30, 2016	Thousands of U.S. Dollars Due in one Year or Less	Due after one Year through five Years	Due after five Years through ten Years	Due after ten Years
Cash and cash equivalents	**$ 91,427**	**$**	**$**	**$**
Receivables	**178,293**			
Investment securities				
Available-for-sale securities with contractual maturities				**4,863**
Total	**$269,720**	**$**	**$**	**$4,863**

Please see Note 11 for annual maturities of long-term debt.

18. DERIVATIVES

The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risk.

It is the Group's policy to use derivatives only for the purpose of reducing risks, and not for trading or speculative purposes.

Because the counterparties to these derivatives are limited to highly reputable domestic banks, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting is Not Applied

June 30, 2016	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain
Foreign currency forward contracts: Selling British Pounds	**¥**	**¥**	**¥**	**¥**
Foreign currency forward contracts: Buying U.S. Dollars	**¥**	**¥**	**¥**	**¥**

June 30, 2015	Millions of Yen Contract Amount	Fair Value	Unrealized Gain
Foreign currency forward contracts: Selling British Pounds	¥691	¥(78)	¥(78)
Foreign currency forward contracts: Buying U.S. Dollars	¥658	¥ (4)	¥ (4)

June 30, 2016	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain
Foreign currency forward contracts: Selling British Pounds	**$**	**$**	**$**	**$**
Foreign currency forward contracts: Buying U.S. Dollars	**$**	**$**	**$**	**$**

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

19. CONTINGENT LIABILITIES

At June 30, 2016, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans related to employees	¥55	$535

On June 19, 2014, Nippon Civic Consulting Engineers Co., Ltd. ("NCC"), a consolidated subsidiary of the Company, was sued by Osaka Prefecture for damages resulting from a project related to designing a shield tunnel due to liability for tort. The amount of the damages claimed, which includes a 5% per annum delinquency charge, was ¥750 million ($7,294 thousand). In addition, Osaka Prefecture expanded its claim to ¥8,643 million ($84,055 thousand), which also includes a 5% per annum delinquency charge, by a written petition for amendment of the claim dated February 29, 2016. NCC has concluded that it did not engage in an illegal act in the course of the project and intends to contest the claims brought forth by Osaka Prefecture in court.

Due to the court petition by Osaka Prefecture, a decision was made to execute a provisional seizure concerning the said claims in June 2014. Therefore, NCC deposited the money for release from a provisional seizure of ¥750 million ($7,294 thousand), which is included in other assets under investments and other assets of the consolidated balance sheet, in July 2014 with the Legal Affairs Bureau.

20. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended June 30, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	**¥(2,115)**	¥ 722	**$(20,569)**
Reclassification adjustments to profit or loss	**(343)**	(353)	**(3,336)**
Amount before income tax effect	**(2,458)**	369	**(23,905)**
Income tax effect	**791**	(74)	**7,693**
Total	**¥(1,667)**	¥ 295	**$(16,212)**
Deferred gain on derivatives under hedge accounting:			
Gains (losses) arising during the year	**¥**	¥ (87)	**$**
Reclassification adjustments to profit or loss		355	
Amount before income tax effect		268	
Income tax effect		(92)	
Total	**¥**	¥ 176	**$**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ (223)**	¥ 76	**$ (2,169)**
Reclassification adjustments to profit or loss			
Amount before income tax effect	**(223)**	76	**(2,169)**
Income tax effect			
Total	**¥ (223)**	¥ 76	**$ (2,169)**
Defined retirement benefit plans:			
Adjustments arising during the year	**¥(1,274)**	¥1,446	**$(12,390)**
Reclassification adjustments to profit or loss	**(41)**	325	**(399)**
Amount before income tax effect	**(1,315)**	1,771	**(12,789)**
Income tax effect	**426**	(584)	**4,143**
Total	**¥ (889)**	¥1,187	**$ (8,646)**
Total other comprehensive (loss) income	**¥(2,779)**	¥1,734	**$(27,027)**

21. SUBSEQUENT EVENTS

a. Change in the Number of Share Units and Share Consolidation

At the meeting of the Board of Directors held on August 12, 2016, the Company resolved to change the number of Share Units, and will present a proposal concerning the share consolidation at the 72nd Ordinary General Meeting of Shareholders to be held on September 29, 2016.

The share consolidation was approved at the Meeting of Shareholders. The outline is summarized as follows:

(1) Change in the number of Share Units

a. Reason for change

Domestic stock exchanges in Japan announced the "Action Plan for Consolidating Trading Units," which aims to standardize trading units for common stock of listed domestic companies at 100 shares.
As a company listed on the Tokyo Stock Exchange, the Company respects the aim and decided to change the number of Share Units to 100 shares.

b. Details of the change

The Company will change the number of Share Units from 1,000 shares to 100 shares.

(2) Share consolidation

a. Purpose of the share consolidation

Even after the change in the number of Share Units as mentioned in (1) above, the Company decided to implement the share consolidation at a rate of one share for every five shares in order to adjust its investment unit to an appropriate level, which is required by stock exchanges to be between ¥50 thousand and ¥500 thousand. The total number of authorized shares changed from 189,580,000 shares to 38,000,000 shares according to the consolidation ratio.

b. Details of share consolidation

(a) Class of stock to be consolidated: Common stock

(b) Consolidation method and ratio:
On January 1, 2017, the Company will consolidate every five shares into one share based on the number of shares owned by shareholders listed in the register of shareholders as of December 31, 2016.

(c) Total number of authorized shares as of effective date: 38,000,000 shares
According to the Companies Act, the articles of incorporation stipulating the total number of authorized shares shall be deemed to have changed from 189,580,000 shares to 38,000,000 shares on the effective date of the share consolidation, January 1, 2017.

(d) Change in number of shares due to consolidation:

Total number of outstanding shares before share consolidation (as of June 30, 2016)	86,656,510 shares
Change in number of shares due to share consolidation	69,325,208 shares
Total number of outstanding shares after share consolidation	17,331,302 shares

Note: "Change in number of shares due to share consolidation" and "Total number of outstanding shares after share consolidation" are theoretical numbers calculated based on the total number of outstanding shares before consolidation and the consolidation ratio.

(e) Treatment of fractional shares less than one share:
If any fractional shares less than one share are produced as a result of the share consolidation, the Company will sell or purchase such shares in bulk in accordance with the Companies Act, and the

proceeds from the transactions will be distributed to shareholders of fractional shares at the ratio of fractional shares ownership.

(3) Schedule

Date of resolution by the Board of Directors	August 12, 2016
Date of resolution at the Ordinary General Meeting of Shareholders	September 29, 2016
Effective date	January 1, 2017 (planned)

(4) Impact on per share information

Assuming that the share consolidation had been carried out at the beginning of the fiscal year ended June 30, 2015, per share information for the fiscal years ended 2016 and 2015 is as follows:

	Yen		U.S. Dollars
	2016	2015	**2016**
Net assets per share	**¥3,326.56**	¥3,450.46	**$32.35**
Net income per share	**¥ 119.12**	¥ 280.07	**$ 1.16**

Note: Diluted net income per share is not presented due to the absence of dilutive shares.

b. Appropriations of Retained Earnings

On August 12, 2016, the following appropriation of retained earnings at June 30, 2016, was resolved by the Board of Directors:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10 ($0.10) per share	¥772	$7,508

The total amount of the dividends above includes ¥4 million ($39 thousand) in dividends on the Company's shares owned by the ESOP.

22. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available, and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Due to the acquisition of stock of BDP HOLDINGS LIMITED and inclusion of BDP HOLDINGS LIMITED and its subsidiaries in the scope of consolidation, "Urban & Spatial Development" was newly added as a reportable segment. Therefore, the Group's reportable segments consist of the Domestic, International, Power Engineering, Urban & Spatial Development and Real Estate Leasing segments. Domestic consists of consulting services in public and private sectors related mainly to infrastructure development in Japan. International consists of consulting services related mainly to development projects funded by Official Development Assistance ("ODA"). Power Engineering consists of product manufacturing related to power generation and distribution systems and engineering services related to construction and maintenance of public and private electric power facilities. Urban & Spatial Development consists of urban planning and architectural design. Real Estate Leasing consists of transactions within the Group's real estate leasing operation.

The segment information for the fiscal year ended June 30, 2015, is also disclosed using the new operating segments.

(2) Methods of Measurement for the Amount of Sales, Profit (Loss), Assets, Liabilities and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about Sales, Profit (Loss), Assets, Liabilities and Other Items

	Millions of Yen									
	2016									
	Reportable Segment						Others	**Total**	Reconciliations	Consolidated
	Domestic	International	Power Engineering	Urban & Spatial Development	Real Estate Leasing	**Total**				
Sales										
Sales to customers	**¥40,778**	**¥22,071**	**¥17,523**	**¥**	**¥ 515**	**¥80,887**	**¥ 979**	**¥ 81,866**	**¥**	**¥ 81,866**
Intersegment sales	**408**	**13**	**248**		**124**	**793**	**3**	**796**	**(796)**	
Total	**¥41,186**	**¥22,084**	**¥17,771**	**¥**	**¥ 639**	**¥81,680**	**¥ 982**	**¥ 82,662**	**¥ (796)**	**¥ 81,866**
Segment profit (loss)	**2,965**	**382**	**3,024**		**385**	**6,756**	**(2,373)**	**4,383**	**(18)**	**4,365**
Segment assets	**18,893**	**19,102**	**8,990**	**23,887**	**4,192**	**75,064**	**49,033**	**124,097**	**(23,107)**	**100,990**
Other:										
Depreciation	**163**	**72**	**252**		**58**	**545**	**723**	**1,268**		**1,268**
Amortization of goodwill ..										
Interest income	**21**	**25**	**4**			**50**	**331**	**381**	**(267)**	**114**
Interest expense	**44**	**137**	**57**			**238**	**88**	**326**	**(267)**	**59**
Increase in property, plant and intangible assets	**82**	**65**	**313**		**2**	**462**	**750**	**1,212**		**1,212**

	Millions of Yen									
	2015									
	Reportable Segment						Others	**Total**	Reconciliations	Consolidated
	Domestic	International	Power Engineering	Urban & Spatial Development	Real Estate Leasing	**Total**				
Sales										
Sales to customers	¥41,846	¥20,174	¥17,858	¥	¥ 821	¥80,699	¥ 1,141	¥81,840	¥	¥81,840
Intersegment sales	371	23	235		124	753	2	755	(755)	
Total	¥42,217	¥20,197	¥18,093	¥	¥ 945	¥81,452	¥ 1,143	¥82,595	¥ (755)	¥81,840
Segment profit (loss)	2,728	606	2,801		591	6,726	(1,244)	5,482	(5)	5,477
Segment assets	18,153	20,893	9,314	100	4,241	52,701	37,773	90,474	(6,364)	84,110
Other:										
Depreciation	170	79	223		100	572	836	1,408		1,408
Amortization of goodwill ..	233	47				280		280		280
Interest income	27	44	4		3	78	231	309	(231)	78
Interest expense	46	129	53		6	234	46	280	(231)	49
Increase in property, plant and intangible assets	109	102	415		12	638	1,166	1,804		1,804

	Thousands of U.S. Dollars									
	2016									
	Reportable Segment									
	Domestic	International	Power Engineering	Urban & Spatial Development	Real Estate Leasing	**Total**	Others	**Total**	Reconciliations	Consolidated
Sales										
Sales to customers	**$396,577**	**$214,646**	**$170,416**	**$**	**$ 5,008**	**$786,647**	**$ 9,521**	**$ 796,168**	**$**	**$796,168**
Intersegment sales	**3,968**	**126**	**2,412**		**1,206**	**7,712**	**29**	**7,741**	**(7,741)**	
Total	**$400,545**	**$214,772**	**$172,828**	**$**	**$ 6,214**	**$794,359**	**$ 9,550**	**$ 803,909**	**$ (7,741)**	**$796,168**
Segment profit (loss)	**28,835**	**3,715**	**29,410**		**3,744**	**65,704**	**(23,078)**	**42,626**	**(175)**	**42,451**
Segment assets	**183,740**	**185,772**	**87,430**	**232,307**	**40,768**	**730,017**	**476,859**	**1,206,876**	**(224,722)**	**982,154**
Other:										
Depreciation	**1,585**	**700**	**2,451**		**564**	**5,300**	**7,032**	**12,332**		**12,332**
Amortization of goodwill ..										
Interest income	**204**	**243**	**39**			**486**	**3,219**	**3,705**	**(2,596)**	**1,109**
Interest expense	**428**	**1,332**	**554**			**2,314**	**856**	**3,170**	**(2,596)**	**574**
Increase in property, plant and intangible assets	**797**	**632**	**3,045**		**19**	**4,493**	**7,294**	**11,787**		**11,787**

Note:
The differences between total amounts for reportable segments and amounts in the consolidated balance sheets or consolidated statements of income and comprehensive income and the main details of these differences, which are related to difference adjustments at June 30, 2016 and 2015, were as follows:

Net sales

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Reportable segment total	**¥81,680**	¥81,452	**$794,359**
Other net sales	**982**	1,143	**9,550**
Elimination of intersegment transactions	**(796)**	(755)	**(7,741)**
Net sales in the consolidated statements of income and comprehensive income ...	**¥81,866**	¥81,840	**$796,168**

Profit

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Reportable segment total	**¥ 6,756**	¥ 6,726	**$ 65,704**
Other loss	**(2,373)**	(1,244)	**(23,078)**
Elimination of intersegment transactions	**(18)**	(5)	**(175)**
Nonoperating items	**358**	(975)	**3,482**
Operating income in the consolidated statements of income and comprehensive income	**¥ 4,723**	¥ 4,502	**$ 45,933**

Assets

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Reportable segment total	**¥ 75,064**	¥52,701	**$ 730,017**
Other property	**49,033**	37,773	**476,859**
Elimination of intersegment transactions	**(23,107)**	(6,364)	**(224,722)**
Total assets in the consolidated balance sheets	**¥100,990**	¥84,110	**$ 982,154**

Other items

	Millions of Yen			
	2016			
	Reportable Segment	Others	Reconciliations	**Total**
Depreciation	**¥545**	**¥723**		**¥1,268**
Amortization of goodwill				
Interest income	**50**	**331**	**¥(267)**	**114**
Interest expense	**238**	**88**	**(267)**	**59**
Increase in property, plant and intangible assets	**462**	**750**		**1,212**

	Millions of Yen			
	2015			
	Reportable Segment	Others	Reconciliations	**Total**
Depreciation	¥572	¥ 836		¥1,408
Amortization of goodwill	280			280
Interest income	78	231	¥(231)	78
Interest expense	234	46	(231)	49
Increase in property, plant and intangible assets	638	1,166		1,804

	Thousands of U.S. Dollars			
	2016			
	Reportable Segment	Others	Reconciliations	**Total**
Depreciation	**$5,300**	**$7,032**		**$12,332**
Amortization of goodwill				
Interest income	**486**	**3,219**	**$(2,596)**	**1,109**
Interest expense	**2,314**	**856**	**(2,596)**	**574**
Increase in property, plant and intangible assets	**4,493**	**7,294**		**11,787**

Note:
The main reconciling items of interest income and expense are eliminations of corporate interest in accounting for control.

The information about geographical areas at June 30, 2016, was as follows:

Sales

Millions of Yen						
2016						
Japan	Asia	Middle East	Africa	Latin America	Other	**Total**
¥58,415	¥13,880	¥2,160	¥3,585	¥3,647	¥179	¥81,866

Thousands of U.S. Dollars						
2016						
Japan	Asia	Middle East	Africa	Latin America	Other	**Total**
$568,101	$134,987	$21,007	$34,865	$35,468	$1,740	$796,168

Note:
Sales are classified by country or region based on the location of customers.

The information about major customers at June 30, 2016, was as follows:

	Millions of Yen	
	2016	
Name of Customers	Sales	Related Segment Name
Ministry of Land, Infrastructure, Transport and Tourism ..	¥13,604	Domestic
TEPCO Power Grid, Incorporated	8,148	Power Engineering
Japan International Cooperation Agency	7,643	International

	Thousands of U.S. Dollars	
	2016	
Name of Customers	Sales	Related Segment Name
Ministry of Land, Infrastructure, Transport and Tourism ..	$132,302	Domestic
TEPCO Power Grid, Incorporated	79,241	Power Engineering
Japan International Cooperation Agency	74,330	International

Note:
The trade name was changed from "Tokyo Electric Power Company, Incorporated" to "TEPCO Power Grid, Incorporated" due to the transition to a holding company system through company reorganization on April 1, 2016. Power transmission and distribution business of "Tokyo Electric Power Company, Incorporated" became "TEPCO Power Grid, Incorporated."
For the period from July 1, 2015, to March 31, 2016, sales results of the Group for "Tokyo Electric Power Company, Incorporated" amounting to ¥6,569 million ($63,885 thousand) were included in "TEPCO Power Grid, Incorporated" in the table above.

The information about goodwill at June 30, 2016, was as follows:

Goodwill

	Millions of Yen								
	2016								
	Reportable Segment						Others	Elimination/ Corporate	Consolidated
	Domestic	International	Power Engineering	Urban & Spatial Development	Real Estate Leasing	**Total**			
Amortization of goodwill …	¥	¥	¥	¥	¥	¥	¥	¥	¥
Goodwill at June 30, 2016 …				10,313		10,313			10,313

	Thousands of U.S. Dollars								
	2016								
	Reportable Segment						Others	Elimination/ Corporate	Consolidated
	Domestic	International	Power Engineering	Urban & Spatial Development	Real Estate Leasing	**Total**			
Amortization of goodwill …	$	$	$	$	$	$	$	$	$
Goodwill at June 30, 2016 …				100,297		100,297			100,297

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nippon Koei Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Nippon Koei Co., Ltd. and its consolidated subsidiaries as of June 30, 2016, and the related consolidated statements of income and comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Koei Co., Ltd. and its consolidated subsidiaries as of June 30, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

September 29, 2016

Member of
Deloitte Touche Tohmatsu Limited

Nonconsolidated Balance Sheet

Nippon Koei Co., Ltd.
June 30, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2016**	2015	**2016**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 3,241**	¥ 8,155	**$ 31,520**
Receivables:			
Trade notes	**33**	18	**321**
Trade accounts	**10,081**	11,967	**98,040**
Subsidiaries and associated companies	**597**	755	**5,806**
Other	**420**	242	**4,085**
Allowance for doubtful accounts	**(3)**	(8)	**(29)**
Short-term loan receivables	**2,060**	1,607	**20,034**
Inventories (Note 4)	**8,284**	8,237	**80,564**
Deferred tax assets (Note 9)	**603**	1,099	**5,864**
Prepaid expenses and other current assets	**1,892**	1,884	**18,400**
Total current assets	**27,208**	33,956	**264,605**
PROPERTY, PLANT AND EQUIPMENT (Note 5)**:**			
Land	**15,219**	15,219	**148,009**
Buildings and structures	**16,423**	15,599	**159,718**
Machinery and equipment	**2,355**	2,344	**22,903**
Furniture and fixtures	**2,180**	2,162	**21,201**
Construction in progress	**73**	251	**710**
Lease assets	**122**	122	**1,187**
Total	**36,372**	35,697	**353,728**
Accumulated depreciation	**(15,590)**	(14,815)	**(151,617)**
Net property, plant and equipment	**20,782**	20,882	**202,111**
INVESTMENTS AND OTHER ASSETS:			
Investment securities	**6,320**	8,772	**61,464**
Investments in and advances to subsidiaries and associated companies (Note 6)	**25,696**	6,963	**249,900**
Other assets	**3,820**	2,970	**37,150**
Allowance for doubtful accounts	**(152)**	(152)	**(1,478)**
Total investments and other assets	**35,684**	18,553	**347,036**
TOTAL	**¥ 83,674**	¥ 73,391	**$ 813,752**

See notes to nonconsolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	**2016**	2015	**2016**
CURRENT LIABILITIES:			
Short-term borrowings (Note 7)	**¥19,875**	¥ 3,700	**$193,290**
Current portion of long-term debt (Note 7)	**291**	189	**2,830**
Payables:			
Trade notes	**424**	465	**4,124**
Trade accounts	**2,205**	2,593	**21,444**
Subsidiaries and associated companies	**543**	538	**5,281**
Other	**1,378**	2,575	**13,401**
Income taxes payable	**245**	1,174	**2,383**
Advances received	**4,611**	4,726	**44,843**
Accrued bonuses	**1,582**	2,205	**15,385**
Allowance for anticipated project loss	**10**	85	**97**
Other current liabilities	**1,742**	2,629	**16,941**
Total current liabilities	**32,906**	20,879	**320,019**
LONG-TERM LIABILITIES:			
Long-term debt (Note 7)	**1,290**	1,556	**12,546**
Liability for retirement benefits (Note 2.h)	**161**	188	**1,566**
Allowance for environmental measures	**25**	25	**243**
Deferred tax liabilities (Note 9)	**938**	1,554	**9,122**
Other long-term liabilities	**241**	498	**2,344**
Total long-term liabilities	**2,655**	3,821	**25,821**
COMMITMENTS AND CONTINGENT LIABILITIES (Note 10)			
EQUITY (Notes 8 and 11)**:**			
Common stock; authorized, 189,580,000 shares; issued, 86,656,510 shares on June 30, 2015 and 2016	**7,393**	7,393	**71,899**
Capital surplus:			
Additional paid-in capital	**6,093**	6,093	**59,256**
Other capital surplus	**115**	115	**1,118**
Retained earnings:			
Legal reserve	**1,546**	1,546	**15,035**
Retained earnings - unappropriated	**35,956**	35,050	**349,681**
Unrealized gain on available-for-sale securities	**(40)**	1,629	**(387)**
Treasury stock—at cost 9,816,140 shares on June 30, 2016 and 10,370,910 shares on June 30, 2015	**(2,950)**	(3,135)	**(28,690)**
Total equity	**48,113**	48,691	**467,912**
TOTAL	**¥83,674**	¥73,391	**$813,752**

Nonconsolidated Statement of Income

Nippon Koei Co., Ltd.
Year ended June 30, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
NET SALES	**¥60,327**	¥60,471	**$586,696**
COST OF SALES	**43,848**	44,250	**426,433**
Gross profit	**16,479**	16,221	**160,263**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**13,203**	13,030	**128,403**
Operating income	**3,276**	3,191	**31,860**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**569**	2,607	**5,534**
Interest expense	**(73)**	(68)	**(710)**
Foreign currency exchange (loss) gain	**(622)**	286	**(6,049)**
Gain on sales of property, plant and equipment		2,628	
Gain on sales of investment securities	**342**		**3,326**
Head office transfer cost	**(237)**	(549)	**(2,305)**
Other-net	**(40)**	92	**(389)**
Other (expense) income-net	**(61)**	4,996	**(593)**
INCOME BEFORE INCOME TAXES	**3,215**	8,187	**31,267**
INCOME TAXES (Note 9):			
Current	**863**	1,797	**8,393**
Deferred	**674**	676	**6,555**
Total income taxes	**1,537**	2,473	**14,948**
NET INCOME	**¥ 1,678**	¥ 5,714	**$ 16,319**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2.t):			
Basic net income	**¥ 21.92**	¥ 75.11	**$ 0.21**
Cash dividends applicable to the year	**10.00**	10.00	**0.10**

See notes to nonconsolidated financial statements.

Nonconsolidated Statement of Changes in Equity

Nippon Koei Co., Ltd.
Year ended June 30, 2016

	Thousands	Millions of Yen								
			Capital Surplus		Retained Earnings					
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated	Unrealized (Loss) Gain on Available-for-sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Treasury Stock	Total Equity
BALANCE, JUNE 30, 2014 (JULY 1, 2014, as previously reported)	**75,863**	**¥7,393**	**¥6,093**	**¥115**	**¥1,546**	**¥30,497**	**¥ 1,342**	**¥(176)**	**¥(3,274)**	**¥43,536**
Comulative effect of accounting change						(582)				(582)
BALANCE, JULY 1, 2014 (as restated)	**75,863**	**7,393**	**6,093**	**115**	**1,546**	**29,915**	**1,342**	**(176)**	**(3,274)**	**42,954**
Net income						5,714				5,714
Cash dividends, ¥7.50 per share						(579)				(579)
Purchase of treasury stock	(22)								(11)	(11)
Disposal of treasury stock	445								150	150
Net change in the year							287	176		463
BALANCE, JUNE 30, 2015	**76,286**	**7,393**	**6,093**	**115**	**1,546**	**35,050**	**1,629**		**(3,135)**	**48,691**
Net income						1,678				1,678
Cash dividends, ¥10.00 per share						(772)				(772)
Purchase of treasury stock	(21)								(9)	(9)
Disposal of treasury stock	575								194	194
Net change in the year							(1,669)			(1,669)
BALANCE, JUNE 30, 2016	**76,840**	**¥7,393**	**¥6,093**	**¥115**	**¥1,546**	**¥35,956**	**¥ (40)**	**¥**	**¥(2,950)**	**¥48,113**

	Thousands of U.S. Dollars (Note 1)								
		Capital Surplus		Retained Earnings					
	Common Stock	Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated	Unrealized (Loss) Gain on Available-for-sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Treasury Stock	Total Equity
BALANCE, JUNE 30, 2015	**$71,899**	**$59,256**	**$1,118**	**$15,035**	**$340,870**	**$ 15,842**	**$**	**$(30,489)**	**$473,531**
Net income					16,319				16,319
Cash dividends, $0.10 per share					(7,508)				(7,508)
Purchase of treasury stock								(88)	(88)
Disposal of treasury stock								1,887	1,887
Net change in the year						(16,229)			(16,229)
BALANCE, JUNE 30, 2016	**$71,899**	**$59,256**	**$1,118**	**$15,035**	**$349,681**	**$ (387)**	**$**	**$(28,690)**	**$467,912**

See notes to nonconsolidated financial statements.

1. BASIS OF PRESENTATION OF NONCONSOLIDATED FINANCIAL STATEMENTS

The accompanying nonconsolidated financial statements have been prepared from the accounts maintained by Nippon Koei Co., Ltd. (the "Company") in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

As consolidated statements of cash flows and certain disclosures are presented in the consolidated financial statements of the Company, nonconsolidated statements of cash flows and certain disclosures are not presented herein in accordance with accounting principles generally accepted in Japan.

Effective for the year ended March 31, 2014, the Japanese Financial Instruments and Exchange Act and its related accounting regulations were amended to allow an entity to not disclose certain designated footnote information in its nonconsolidated financial statements if the entity prepares and discloses consolidated financial statements. Accordingly, the Company has omitted disclosure of certain footnote information in the accompanying nonconsolidated financial statements.

In preparing these nonconsolidated financial statements, certain reclassifications and rearrangements have been made to the Company's nonconsolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2015 nonconsolidated financial statements to conform to the classifications used in 2016.

The nonconsolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥102.83 to $1, the approximate rate of exchange at June 30, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Nonconsolidation*** — The nonconsolidated financial statements do not include the accounts of subsidiaries. Investments in subsidiaries and associated companies are stated at cost.

b. ***Cash Equivalents*** — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and investment trusts, both of which mature or become due within three months of the date of acquisition.

c. ***Inventories*** — Work in process is stated at the lower of cost, mainly determined by the specific identification cost method or net selling value.

d. ***Investment Securities*** — Investment securities are classified and accounted for, depending on management's intent, as follows:

(1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost; (2) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity; and (3) investments in subsidiaries and associated companies are reported at cost.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. ***Property, Plant and Equipment*** — In June 17, 2016, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 32, "Practical Solution on a change in depreciation method due to Tax Reform 2016," which related to the revision of the Corporation Tax Act. The Company applied this PITF effective April 1, 2016, and changed the depreciation method for structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

As a result, there was no significant impact on the nonconsolidated financial statements from this accounting change.

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998, structures acquired after April 1, 2016, and lease assets, as well as other equipment for rent. The range of useful lives is principally from 3 to 50 years for buildings and structures, from 2 to 15 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

f. ***Long-Lived Assets*** — The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

g. ***Allowance for Doubtful Accounts*** — The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

h. ***Retirement and Pension Plans*** — The Company has a contributory defined benefit pension plan and unfunded retirement benefit plan for the benefit of its employees.

Effective April 1, 2000, the Company adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 13 years within the average remaining service period. Past service costs are amortized on a straight-line basis over 13 years within the average remaining service period. Accounting treatments for unrecognized actuarial gains and losses and unrecognized past service costs in the nonconsolidated financial statements are different from those in the consolidated financial statements.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period are treated as reclassification adjustments.

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

(d) Treatment in the nonconsolidated financial statements
In the nonconsolidated financial statements, the new requirements for (a) and (b) above would not be applied, with the current requirements remaining applicable.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to nonconsolidated financial statements in prior periods is required.

The Company has applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above effective June 30, 2013, and for (c) above, effective July 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of July 1, 2014, in retained earnings. As a result, retained earnings as of July 1, 2014, decreased by ¥582 million ($4,749 thousand).

Hitherto, retirement benefits for directors were provided at the amount that would be required if all directors retired at the balance sheet date. However, the Company abolished benefit pension plans for directors. The balance in the nonconsolidated balance sheet is the estimated amount for directors who have belonged to the Company since when the plans were effective. Such amount is included in liability for retirement benefits in the nonconsolidated balance sheets for the years ended June 30, 2016 and 2015, and is ¥14 million ($132 thousand) and ¥27 million, respectively.

i. Allowance for Anticipated Project Loss — The Company has made a provision for anticipated losses on uncompleted project contracts.

j. Asset Retirement Obligations — In March 2008, the ASBJ issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

k. Employee Stock Ownership Plan — In December 2013, the ASBJ issued ASBJ PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts." This PITF is effective for the beginning of annual periods beginning on or after April 1, 2014, with earlier application permitted from the beginning of annual periods first ending after the date of issuance of this PITF, and applied retrospectively.

In accordance with the PITF, upon the transfer of treasury stock to the employee stockownership trust (the "Trust") by the entity, any difference between the book value and fair value of the treasury stock shall be recorded in capital surplus. At year-end, the entity shall record (1) the entity stock held by the Trust as treasury stock in equity, (2) all other assets and liabilities of the Trust on a line-by-line basis, and (3) a liability/asset for the net of (i) any gain or loss on delivery of the stock by the Trust to the employee shareholding association, (ii) dividends received from the entity for the stock held by the Trust, and (iii) any expenses relating to the Trust.

The Company applied this PITF effective July 1, 2014, retrospectively. As the method previously used by the Company is identical to those of the above PITF, there is no effect from this accounting change.

The note regarding the transfer of treasury stock to the employees' stockholders association is omitted in this section because it is provided as additional information in the footnotes to the consolidated financial statements.

l. ***Research and Development Costs*** — Research and development costs are charged to income as incurred.

m. ***Leases*** — In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to be measured at the amount of obligation under finance leases less interest expense at the transition date and recorded as acquisition cost of lease assets.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the amount of obligation under finance leases at the transition date.

All other leases are accounted for as operating leases.

n. ***Accrued Bonuses*** — Bonuses to employees, directors and Audit & Supervisory Board members are accrued at the end of the year to which such bonuses are attributable.

o. ***Allowance for Environmental Measures*** — The Company has made a provision for the treatment of Polychlorinated Biphenyl ("PCB") Wastes based on the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

p. ***Income Taxes*** — The provision for income taxes is computed based on the pretax income included in the nonconsolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

q. ***Foreign Currency Transactions*** — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the nonconsolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the nonconsolidated statement of income.

r. ***Revenue Recognition*** — If the outcome of a construction contract can be estimated reliably, the contract revenue is recognized by the percentage-of-completion method, which is measured by reference to the percentage of total cost incurred to date to estimated total cost.
All other construction projects, except the aforementioned, are recorded using the completed-contract method (including the partially completed-contract method).

s. ***Derivatives and Hedging Activities*** — The Company uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Company to reduce its exposure to fluctuations in foreign currency exchange rates. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the nonconsolidated statement of income; and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign exchange forward contracts are measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

t. ***Per Share Information*** — Basic net income per share is computed by dividing net income attributable to shareholders of common stock by the weighted-average number of shares of common stock outstanding for the period. The weighted-average number of shares of common stock for the years ended June 30, 2016 and 2015, were 76,544,407 and 76,077,020, respectively.

Diluted net income per share of common stock is not disclosed because the Company has nothing that might dilute the per share information for the years ended June 30, 2016 and 2015.

Cash dividends per share presented in the accompanying nonconsolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the fiscal year.

u. ***Accounting Changes and Error Corrections*** — In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies:
When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in Presentation:
When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates:
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors:
When an error in prior-period financial statements is discovered, those statements are restated.

3. CHANGE IN PRESENTATION

(1) "Accrued expenses" (¥774 million ($7,527 thousand) in the current fiscal year and ¥1,376 million in the previous fiscal year), which was presented separately in the nonconsolidated balance sheet in the previous fiscal year, is included in "Other current liabilities" due to its decreased materiality.

(2) "Asset retirement obligations" (¥30 million ($292 thousand) in the long-term liabilities and ¥29 million in the previous fiscal year), which was presented separately in the nonconsolidated balance sheet in the previous fiscal year, is included in "Other long-term liabilities" due to its decreased materiality.

(3) "Deposit received" (¥211 million ($2,052 thousand) in the long-term liabilities and ¥469 million in the previous fiscal year), which was presented separately in the nonconsolidated balance sheet in the previous fiscal year, is included in "Other long-term liabilities" due to its decreased materiality.

4. INVENTORIES

Inventories at June 30, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Work in process	**¥7,938**	¥7,868	**$77,199**
Raw materials and supplies	**346**	369	**3,365**
Total	**¥8,284**	¥8,237	**$80,564**

5. REDUCTION ENTRY

In the case of acquisition of expenses by the Company that have been subsidized by the national government, the amount of such subsidies is offset against the acquisition cost of the corresponding property, plant and equipment.

The amount of reduction entry by accounts under property, plant and equipment at June 30, 2016 and 2015, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Buildings and structures	**¥ 19**	¥	**$ 185**
Machinery and equipment	**167**	147	**1,624**
Total	**¥186**	¥147	**$1,809**

6. INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in and advances to subsidiaries and associated companies as of June 30, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Investments	**¥23,648**	¥5,869	**$229,983**
Advances	**2,048**	1,094	**19,917**
Total	**¥25,696**	¥6,963	**$249,900**

The value of the investment securities of subsidiaries and associated companies is measured at the original acquisition costs, as their fair value cannot be reliably determined at June 30, 2016, since market value and estimated future cash flows are not available.

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at June 30, 2016 and 2015, consisted of loans from a bank and consolidated subsidiaries. The annual interest rates applicable to the short-term borrowings ranged from 0.474% to 0.684% and 0.684% to 0.720% at June 30, 2016 and 2015, respectively.

Long-term debt at June 30, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Unsecured loans from banks due serially to 2023 with interest rates ranging from 0.680% to 0.870%	**¥1,526**	¥1,690	**$14,841**
Obligation under finance leases	**55**	55	**535**
Total	**1,581**	1,745	**15,376**
Less current portion	**(291)**	(189)	**(2,830)**
Long-term debt, less current portion	**¥1,290**	¥1,556	**$12,546**

Annual maturities of long-term debt at June 30, 2016, for the five years and thereafter were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Years Ending June 30	Long-Term Debt	Lease Obligations	Long-Term Debt	Lease Obligations
2017	¥ 266	¥25	$ 2,587	$243
2018	266	14	2,587	136
2019	436	7	4,240	68
2020	136	5	1,323	49
2021	136	3	1,323	29
2022 and thereafter	286	1	2,781	10
Total	¥1,526	¥55	$14,841	$535

The Company and five financial institutions have concluded overdraft contracts of ¥26,500 million ($257,719 thousand) and a commitment line contract by syndicated loan over three years for maximum ¥10,000 million ($97,253 thousand). In addition, the Company has concluded a commitment line with a financial institution in order to procure the funds for the acquisition of stock of BDP HOLDINGS LIMITED. These commitment line contracts included restrictive financial covenants for each financial institution.

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account that was charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 33.1% and 34.4% for the years ended June 30, 2016 and 2015, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at June 30, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Deferred tax assets:			
Unrealized loss on available-for-sale securities	**¥ 16**	¥	**$ 156**
Accrued bonuses	**463**	701	**4,503**
Liability for retirement benefits for directors	**4**	9	**39**
Liability for retirement benefits for employees	**45**	52	**437**
Allowance for anticipated project loss	**3**	28	**29**
Allowance for doubtful accounts	**48**	52	**467**
Loss on impairment of long-lived assets	**48**	50	**467**
Head office transfer cost	**29**	87	**282**
Overdepreciation	**355**	229	**3,452**
Investment in subsidiaries	**354**	338	**3,443**
Other	**208**	386	**2,023**
Less valuation allowance	**(705)**	(635)	**(6,856)**
Total	**868**	1,297	**8,442**

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Deferred tax liabilities:			
Reserve for deferred gains on sale of property	**793**	839	**7,712**
Unrealized gain on available-for-sale securities		776	
Prepaid pension cost	**362**	133	**3,521**
Other	**48**	4	**467**
Total	**1,203**	1,752	**11,700**
Net deferred tax assets	**¥ (335)**	¥ (455)	**$ (3,258)**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying nonconsolidated statement of income for the year ended June 30, 2016, with the corresponding figures for 2015, was as follows:

	2016	2015
Normal effective statutory tax rate	**33.1%**	34.4%
Per capita levy of local tax	**2.6**	1.0
Expenses not deductible for tax purposes	**2.2**	0.9
Foreign income tax	**8.6**	2.4
Valuation allowance	**3.4**	2.2
Income taxes for prior periods	**3.2**	
Income not included for tax purposes	**(2.3)**	(10.1)
Effect of reduction of income tax rates on deferred tax assets and deferred tax liabilities	**(0.7)**	(0.1)
Other – net	**(2.3)**	(0.5)
Actual effective tax rate	**47.8%**	30.2%

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after July 1, 2016, to approximately 30.9% and for the fiscal year beginning on or after July 1, 2018, to approximately 30.6%. The effect of this change on the nonconsolidated financial statements is immaterial.

10. CONTINGENT LIABILITIES

At June 30, 2016, the Company had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans related to employees	¥55	$535
Refundment bonds of subsidiaries	7	68
Performance bond of a subsidiary	33	321

11. SUBSEQUENT EVENTS

a. Change in the Number of Share Units and Share Consolidation

At the meeting of the Board of Directors held on August 12, 2016, the Company resolved to change the number of Share Units, and will present the proposal concerning the share consolidation at the 72nd Ordinary General Meeting of Shareholders to be held on September 29, 2016.

The share consolidation was approved at the Meeting of Shareholders. The outline is summarized as follows:

(1) Change in the number of Share Units

a. Reason for change

Domestic stock exchanges in Japan announced the “Action Plan for Consolidating Trading Units” which aims to standardize trading units for common stock of listed domestic companies at 100 shares.
As a company listed on the Tokyo Stock Exchange, the Company respects the aim and decided to change the number of Share Units to 100 shares.

b. Details of the change

The Company will change the number of Share Units from 1,000 shares to 100 shares.

(2) Share consolidation

a. Purpose of the share consolidation

Even after the change in the number of Share Units as mentioned in (1) above, the Company decided to implement the share consolidation at a rate of one share for every five shares in order to adjust its investment unit to an appropriate level, which is required by stock exchanges to be between ¥50 thousand and ¥500 thousand. The total number of authorized shares changed from 189,580,000 shares to 38,000,000 shares according to the consolidation ratio.

b. Details of share consolidation

(a) Class of stock to be consolidated: Common stock

(b) Consolidation method and ratio:
On January 1, 2017, the Company will consolidate every five shares into one share based on the number of shares owned by shareholders listed in the register of shareholders as of December 31, 2016.

(c) Total number of authorized shares as of effective date: 38,000,000 shares
According to the Companies Act, the articles of incorporation stipulating the total number of authorized shares shall be deemed to have changed from 189,580,000 shares to 38,000,000 shares on the effective date of the share consolidation, January 1, 2017.

(d) Change in number of shares due to consolidation:

Total number of outstanding shares before share consolidation (as of June 30, 2016)	86,656,510 shares
Change in number of shares due to share consolidation	69,325,208 shares
Total number of outstanding shares after share consolidation	17,331,302 shares

Note: "Change in number of shares due to share consolidation" and "Total number of outstanding shares after share consolidation" are theoretical numbers calculated based on the total number of outstanding shares before consolidation and the consolidation ratio.

(e) Treatment of fractional shares less than one share:
If any fractional shares less than one share are produced as a result of the share consolidation, the Company will sell or purchase such shares in bulk in accordance with the Companies Act, and the proceeds from the transactions will be distributed to shareholders of fractional shares at the ratio of fractional shares ownership.

(3) Schedule

Date of resolution by the Board of Directors	August 12, 2016
Date of resolution at the Ordinary General Meeting of Shareholders	September 29, 2016
Effective date	January 1, 2017 (planned)

(4) Impact on per share information

Assuming that the share consolidation had been carried out at the beginning of the fiscal year ended June 30, 2015, per share information for the fiscal years ended 2016 and 2015 is as follows:

	Yen		U.S. Dollars
	2016	2015	**2016**
Net assets per share	**¥3,130.70**	¥3,191.38	**$30.45**
Net income per share	**¥ 109.62**	¥ 375.57	**$ 1.07**

Note: Diluted net income per share is not presented due to the absence of dilutive shares.

b. Appropriations of Retained Earnings

On August 12, 2016, the following appropriation of retained earnings at June 30, 2016, was resolved by the Board of Directors:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10 ($0.10) per share	¥772	$7,508

The total amount of the dividends above includes ¥4 million ($39 thousand) in dividends on the Company's shares owned by the Employee Stock Ownership Plan Trust.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nippon Koei Co., Ltd.:

We have audited the accompanying nonconsolidated balance sheet of Nippon Koei Co., Ltd. as of June 30, 2016, and the related nonconsolidated statements of income and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these nonconsolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these nonconsolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the nonconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the nonconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the nonconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the nonconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the nonconsolidated financial statements referred to above present fairly, in all material respects, the financial position of Nippon Koei Co., Ltd. as of June 30, 2016, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the nonconsolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

September 29, 2016

Member of
Deloitte Touche Tohmatsu Limited

Corporate Information

Board of Directors, Officers and Audit & Supervisory Board Members

Director and Chairman:
Noriaki Hirose

Director and President:
Ryuichi Arimoto*

Director and Vice President:
Asao Yamakawa

Director and Executive Vice President:
Akira Mizukoshi*
Noboru Takano*

Director and Senior Managing Executive Officer:
Hiroyuki Akiyoshi
Takashi Seki

Director and Executive Officer:
Naoki Honjo
Hideyuki Sakunaka

Director:
Hiizu Ichikawa (Outside)
Kazumasa Kusaka (Outside)

Audit & Supervisory Board Member:
Toshiaki Shimizu
Izumi Arai (Outside)
Mineo Enomoto (Outside)

Senior Managing Executive Officer:
Takashi Karasaki
Yoshikimi Inoue
Masanao Nishimura

Managing Executive Officer:
Haruyoshi Takura
Hiroyuki Kasahara
Takayasu Tsuyusaki

Executive Officer:
Masanobu Sakamoto
Shuichi Ueda
Yasushi Sugo
Noriaki Yoshida
Haruhiko Kanai
Kevin Tynes
Akimitsu Arai
Hitoshi Nagasaki
Hiroaki Shinya
Hiroshi Matsuda
Toshikazu Kambara
Hiroshi Yokota
Hiroyuki Yamate

*Representative Directors As of September 29, 2016

Stock Information

Shares authorized	189,580,000
Shares issued	86,656,510
Stockholders of minimum tradable stock unit	5,108

As of June 30, 2016

Major Shareholders

	Share owned	Percentage of total owned
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,699,263	4.27
Meiji Yasuda Life Insurance	3,529,522	4.07
The Koei Employees' Stockholders Association	3,513,078	4.05
Japan Trustee Services Bank, Ltd. (Trustee)	2,859,000	3.3
The Master Trust Bank of Japan, Ltd. (trust a/c)	2,461,000	2.84
GOLDMAN, SACHS & CO. REG	2,258,000	2.61
Mizuho Corporate Bank, Ltd.	1,910,634	2.2
Tsukishima Kikai Co.,Ltd	1,843,000	2.13
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	1,714,000	1.98
Japan Trustee Services Bank, Ltd. (Trust Account No.9)	1,455,000	1.68

As of June 30, 2016

Besides the above, the Company owns 9,461,140 shares of treasury stock (10.92%)

Major Offices and Facilities

Head Office
4 Kojimachi 5-chome, Chiyoda-ku,
Tokyo 102-8539, Japan

Kudan Office
1-14-6 Kudankita, Chiyoda-ku,
Tokyo 102-8539, Japan

Hanzomon Office
5 Kojimachi 2-chome, Chiyoda-ku,
Tokyo 102-0083, Japan

Domestic Branch Offices
Tokyo, Sapporo, Sendai, Fukushima, Niigata, Nagoya, Osaka, Hiroshima, Shikoku, Fukuoka

Research Facility
Research and Development Center in Tsukuba Science City, Ibaraki

Overseas Offices (Liaison Office)
Jakarta, Manila, Hanoi(Ho Chi Minh), Bangkok (Vientiane, Phnom Penh), Yangon(Naypyidaw), New Delhi, Dhaka,
Colombo, Middle East(Amman, Baghdad, Tunis, Rabat, Cairo), Nairobi, Lima

Major Businesses

Consulting Administration

Field of activity
- Water Resources
- Energy
- Urban & Regional Development
- Transportation
- Agriculture & Rural Development
- Environment
- Climate Change
- Information & Communication Technology
- Geosphere Engineering
- Project and Program Management
- Public Private Partnership/Private Finance Initiative

Services
- Preliminary investigation, Planning, Feasibility studies, Assessment, Detailed design, Construction supervision , Operation and maintenance

Engineering Administration

Field of activity
- Electrical and civil works for electric power facilities (generation, transmission, substation, distribution schemes and wiring of buildings)
- Electric power utilities (turbines, generators, transformers, control deices and communications equipment)
- Electric equipment and devices
- Safety equipment
- Skin electric thermo-system heaters (SECT-heaters)
- Factory automation equipment

Services
- Surveys, Studies, Planning, Design, Construction, Installation, Sale

Significant Consolidated Subsidiaries

While mainly focused on engineering consulting, electrical power engineering, and power generation, the Nippon Koei Group is also active in a wide range of related fields. The various businesses peripheral to the activities of Nippon Koei, the main company in the Group, are taken on by subsidiaries and associated companies located both at home and abroad.
These related companies, together with the principle corporation, make up the Nippon Koei Group.
The various firms maintain close cooperation based on relationships of interdependence that enhance the strength and cohesion of the Group as a whole.
As of June 2016, the total number of employees of the Group companies came to about 4,336.

The consolidated subsidiaries are as follows:

Domestic Consulting Operations

Tamano Consultants Co., Ltd.
This company is headquartered in the city of Nagoya and provides engineering consulting services centered on the Chubu Region. The company boasts the most highly regarded urban and regional planning group in Japan.

Nippon Civic Consulting Engineers Co., Ltd.
This company provides consulting services centered on planning, design, and construction supervision of underground structures such as urban tunnels. The company specializes in shield tunneling technology and the development of new underground construction technology.

El Koei Co., Ltd.
This company conducts employment and staff supply for Nippon Koei Group. The company provides various fields of qualified human resources to support the activity of the Group Companies.

International Consulting Operations

KRI International Corporation
This company has been established to enhance non-engineering consulting works of the Nippon Koei Group's activities. KRI provides the consulting services mainly in the fields of economic and industrial development including finance and management, education and human resources development, and regional and community development.

Nippon Koei U.K. Co., Ltd.
This company provides engineering consulting services to enforce Nippon Koei's overseas operation.

Nippon Koei Latin America-Caribbean Co., Ltd.
This company has been established to enhance Nippon Koei's operation in Latin America and Caribbean and provides consulting engineering and technical services for various development sectors in the region.

Nippon Koei LAC, Inc.
This company has been incorporated in Panama in order to promote further localization of Nippon Koei's operation in Latin America and Caribbean region.

Nippon Koei LAC do Brasil Ltda.
This company has been incorporated in Brasil in order to promote further localization of Nippon Koei's operation in Latin America.

Nippon Koei India Pvt. Ltd.
This company has been established to enhance Nippon Koei's operation in India and provides consulting engineering and technical services for various development sectors focusing on projects in India and other developing countries.

Nippon Koei Vietnam International Co., Ltd.
This company has been established to enhance Nippon Koei's operation in Vietnam and surrounding countries in the Greater Mekong Subregion and provides consulting services for various development sectors in the region.

Philkoei International, Inc.
This company has been incorporated in the Philippines by Nippon Koei Co., Ltd. and Filipino investors and providing consulting engineering and technical services for various development sectors focusing on projects in the Philippines and other overseas countries.

PT. Indokoei International
This company has been incorporated in Indonesia by Nippon Koei Co., Ltd. and Indonesian partner company and provides the services of engineering and management consultancy to clients in Indonesia as well as overseas.

Power Engineering Operations

Koei System Inc.
This company develops software programs used in computer control applications, dispatches personnel, and provides support and software development for office automation systems on a consignment basis.

Urban & Spatial Development Operations

BDP HOLDINGS LIMITED
BUILDING DESIGN PARTNERSHIP LIMITED
In a bid to bolster urban space business, the Nippon Koei Group made BDP Holdings Limited (BDP) its wholly-owned subsidiary in April 2016. BDP has engaged in architectural design, structural analysis, and facility design since its foundation of 1961.

Others

Nikki Corporation
This company conducts real estate management, leasing, and insurance services for Nippon Koei and other Group companies. It also sells, imports, and exports electrical power equipment and rents and leases various goods.

NIPPON KOEI CO.,LTD.

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