NIPPON KOEI

Financial Report

Year ended June 30, 2017

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.

CONTENTS

Financial Highlights

Consolidated

Years Ended June 30	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars 2017
Net sales	**¥101,338**	¥81,866	**$902,386**
Net income attributable to owner of the parent	**3,288**	1,824	**29,279**

	Yen 2017	Yen 2016	U.S. Dollars 2017
Net income per share	**¥213.39**	¥119.12	**$1.90**

As of June 30	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars 2017
Total assets	**¥113,866**	¥100,990	**$1,013,945**
Equity	**54,874**	51,460	**488,638**

Nonconsolidated

Years Ended June 30	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars 2017
Net sales	**¥61,734**	¥60,327	**$549,724**
Net income attributable to owner of the parent	**2,302**	1,678	**20,499**

	Yen 2017	Yen 2016	U.S. Dollars 2017
Net income per share	**¥149.38**	¥109.62	**$1.33**

As of June 30	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars 2017
Total assets	**¥96,276**	¥83,674	**$857,311**
Equity	**50,793**	48,113	**452,297**

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 ¥112.30 to $1, the approximate rate of exchange at June 30, 2017.
3. The Company conducted a share consolidation at a rate of one share for every five common shares on January 1, 2017. The figures for "Net income per share" are amounts on the assumption that the Company conducts the share consolidation at the beginning of previous fiscal year.

Consolidated Business Report for Fiscal Year Ended June 30, 2017

1. Overview of Performance and Cash Flows

(1) Performance

During the fiscal year under review (from July 1, 2016 to June 30, 2017), Japan's economy continued on a moderate recovery path with signs of private consumption picking up against the background of steady improvements in employment and income. On the other hand, while recovering, the outlook for overseas economies continued to be uncertain, with a growing sense of the risk of economic downturns in the emerging markets of China and other Asian countries, as well as uncertainty about the economic policies of the United States and Europe.

The business environment of Nippon Koei Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") continued to be stable, and each business segment saw steady demand. The Group undertook measures for disaster prevention and mitigation and measures to prevent deterioration of infrastructure for public works projects in the Domestic Consulting Operations, promoted strategic exporting of infrastructure systems in the International Consulting Operations, and renewed power distribution equipment in the Power Engineering Operations. On the other hand, demand for architectural designs in the UK stalled in the Urban & Spatial Development Operations, being affected by Brexit.

Under these circumstances, based on the Medium-Term Management Plan "NK-AIM" (from July 2015 to June 2018), with the fundamental principles of "Sustainable growth of three core businesses," "Generation and expansion of new businesses," and "Autonomy and collaboration," the Group tackled the three focus themes of "Further advance of global expansion," "Further expansion of business fields and improvement of profitability by intensifying existing core businesses," and "Demonstrating the true merits of aggregated technologies for establishment of new business domains." Moreover, as companywide measures to achieve these goals, the Group actively advanced "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."

As a result of the above, the Group performance was favorable during the fiscal year ended June 30, 2017. This was mainly due to the acceptance of more than one order for large-scale projects in the field of transportation, and consolidation of the balance sheet of BDP HOLDINGS LIMITED, and its subsidiaries (together, "BDP") from the end of the previous fiscal year. Order received increased 33.8% year on year to ¥117,442 million (¥87,768 million excluding the impact of foreign exchange fluctuations and outstanding orders of BDP in the previous fiscal year). Net sales were up 23.8% year on year to ¥101,338 million, operating income increased 15.7% year on year to ¥5,464 million, ordinary income grew 36.5% year on year to ¥5,958 million, and profit attributable to owners of parent increased 80.3% to ¥3,288 million.

Domestic Consulting Operations

The Domestic Consulting Operations worked to increase its business areas and market shares by specifying significant businesses, improving quality of service and profitability by restructuring work procedures, and effectively entering into alliances.

As a result, orders received increased 9.4% year on year to ¥48,265 million. Net sales increased 6.7% year on year to ¥43,516 million and ordinary income increased 11.3% year on year to ¥3,300 million.

International Consulting Operations

With the strength of region-based operating systems, the International Consulting Operations secured a stable business foundation through the expansion of the share of Official Development Assistance (ODA) projects and expanding business scale by urban development and Public-Private Partnership ("PPP") businesses.

As a result, orders received increased 44.0% year on year to ¥41,573 million. Net sales increased 11.0% year on year to ¥24,492 million and ordinary income increased 363.5% year on year to ¥1,772 million.

Power Engineering Operations

In the Power Engineering Operations, the Company worked to increase cost competitiveness through strict cost reductions, strengthening sales and marketing capabilities through proposing cost reduction plans, enhancing fusion and cooperation among the business areas of consulting, products, and construction, promoting the development of products and technology, and reinforcing and expanding the mechanical and electromechanical consulting division.

Nonetheless, orders received were less than those in the previous fiscal year due to delays in concluding large-scale projects. On the other hand, selling, general and administrative expenses increased as a result of reinforcing staff to deal with the expanding water power generation market.

As a result, orders received decreased 4.3% year on year to ¥14,087 million. Net sales increased 0.3% year on year to ¥17,578 million and ordinary income decreased 12.4% year on year to ¥2,650 million.

Urban & Spatial Development Operations

The Urban & Spatial Development Operations strove to expand the scope of business in the urban development and architectural design area by growing businesses within the UK through BDP and collaborating as a group in the Asian region.

As a result, the Group achieved orders received of ¥13,461 million, net sales of ¥14,347 million and ordinary income of ¥58 million.

BDP became a consolidated subsidiary of the Company in the previous fiscal year, in which only the balance sheets in the Urban & Spatial Development Operations was consolidated. Subsequently, BDP's statement of income started to be consolidated from the current fiscal year.

Real Estate Leasing Operations

The Real Estate Leasing Operations saw a decline in rental revenue from the headquarters building due to reconstruction in the current year.

As a result, net sales decreased 7.9% year on year to ¥474 million and ordinary income increased 4.3% year on year to ¥401 million.

(2) Cash Flows

Cash and cash equivalents at the end of the fiscal year was ¥17,083 million, an increase of ¥7,682 million from the end of the previous fiscal year. The primary factors were as follows.

Net cash provided by operating activities was ¥6,377 million (a net inflow of ¥380 million during the previous fiscal year). This cash inflow was primarily due to profit before income taxes of ¥5,194 million, and an increase in advances received.

Net cash used in investing activities was ¥4,173 million (a net outflow of ¥17,705 million during the previous fiscal year). This cash outflow was primarily due to the acquisition of investment securities.

Net cash provided by financing activities was ¥4,846 million (a net inflow of ¥15,199 million during the previous fiscal year). This cash inflow was primarily due to an inflow from long-term loans payable.

(Reference) Trends in Cash Flow-related Indicators

	Fiscal Year Ended June 2013	Fiscal Year Ended June 2014	Fiscal Year Ended June 2015	Fiscal Year Ended June 2016	**Fiscal Year Ended June 2017**
Equity ratio (%)	60.8	62.4	62.6	50.6	**47.9**
Equity ratio on market value basis (%)	39.2	50.0	43.7	23.6	**43.3**
Interest-bearing debt-to-cash flow ratio (years)	0.2	1.8	1.9	46.1	**3.6**
Interest coverage ratio (times)	1,519.0	29.3	18.0	7.1	**31.7**

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 consolidated balance sheet on which interest is paid.

2. Production, New Orders and Sales

(1) New Orders

Reportable Segment	Millions of yen 2017 Order Amount	% 2017 Change from the previous fiscal year
New Orders		
Domestic	¥48,265	9.4
International (Note 1)	41,573	44.0
Power Engineering	14,087	(4.3)
Urban & Spatial Development (Note 2)	13,461	(17.2)
Others	56	(13.7)
Total new orders	117,442	12.9
Impact of Foreign Exchange Fluctuations		
Domestic		
International	2,178	(174.1)
Power Engineering		
Urban & Spatial Development	(1,679)	
Real estate leasing		
Others		
Total impact of foreign exchange fluctuations	499	(117.0)
Outstanding Orders		
Domestic	31,333	9.8
International	71,368	32.2
Power Engineering	9,707	(4.9)
Urban & Spatial Development	13,689	(15.8)
Others	25	(50.3)
Total outstanding orders	¥126,122	15.7

Notes: 1. The outstanding orders at the beginning of consolidation for System Science Consultants Inc., which was consolidated from the fiscal year is included.
2. This refers to the outstanding orders as of April 1, 2016 of BDP HOLDINGS LIMITED and its Subsidiaries that became consolidated subsidiaries from the previous fiscal year.
3. The above amounts are exclusive of consumption taxes, etc.
4. The above amounts are for outside customers, and do not include intersegment transactions or transfers.
5. From the fiscal year under review, the impact of foreign exchange fluctuations is listed separately from orders received, and the year for comparison is also reclassified.

(2) Sales Performance

Reportable Segment	Millions of yen 2017 Sales Amount	% 2017 Change from the previous fiscal year
Domestic	¥43,516	6.7
International	24,492	11.0
Power Engineering	17,578	0.3
Urban & Spatial Development	14,347	
Real estate leasing	474	(7.9)
Others	931	(4.9)
Total sales	¥101,338	23.8

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	%
	2017		2016	
	Sales Amount	Proportion of sales	Sales Amount	Proportion of sales
Ministry of Land, Infrastructure, Transport and Tourism	**¥14,671**	**14.5**	¥13,604	16.6
Japan International Cooperation Agency	**9,582**	**9.0**	7,643	9.3
TEPCO Power Grid, Incorporated	**9,148**	**9.5**	8,148	10.0

3. Future Challenges

(1) Management Policy

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.”

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% based on the Long-Term Management Strategy (spanning six years from July 2015 to June 2021) formulated in February 2015.

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 2018, which is the last 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.” In accordance with 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."

The business environment of the Group continued to be stable, and each business segment saw steady demand. The Group undertook measures for disaster prevention and mitigation, and measures to prevent deterioration of infrastructure for public works projects in the Domestic Consulting Operations, promoted strategic exporting of infrastructure systems in the International Consulting Operations, and renewed power distribution equipment in the Power Engineering Operations.

The key business strategy themes and whole-of-company initiatives under the Medium-Term Business Plan NK-AIM for the year ended June 30, 2018 are as follows:

a. Key strategic business challenges

In the Domestic Consulting Operations, the Company will work to increase its business areas and market shares by specifying significant businesses, improving quality of service and profitability by restructuring work procedures, and effectively entering into alliances.

In the International Consulting Operations, the Company will improve business strategy function, strengthen production structures through securing human treasures and strengthening training and technology, improve function of the Group companies and intensifying collaboration with the Group companies and provide the operational basis for managing risks.

In the Power Engineering Operations, the Company will increase cost competitiveness and strengthen sales capabilities, enhance cooperation within the Group regarding the business developed from demand-side, business areas of water power generation, and operation and maintenance, promote the development of products and technology, and expand the mechanical and electromechanical consulting business.

In the Urban & Spatial Development Operations, the Company will strive to strengthen the business structures of BDP, expanding its business outside the UK and group linkages in 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.

With regard to new business, it will promote the development of an asset holding business and participating in the concession business that corresponds to the privatization of the infrastructure business. It also works to structure new business model through participation in the energy business generally (e.g. renewable energy, power storage business) and privatized business such as water supply, harbor and ports, etc.

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.

In order to "secure human treasures and strengthen training," the group will work on promotion of work-life balance, revamping the personnel system, restructuring the company training program and reinforcing recruiting activity.

In pursuit of "promoting collaboration and strengthening corporate governance," the group will work to strengthen the provisions for workplaces especially with regard to the refurbishment of the head office building, inner communications, compliance and risk management and governance the Group companies.

(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 that should ultimately be left up to shareholders of the Company.

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 businesses relating to the establishment of social capital, with its 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 the Company 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. Technological prowess of the Company 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 managing 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 that 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 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 that 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 that do not contribute to the corporate value of the Company and furthermore the common interest of shareholders.

b. An overview of special initiatives that 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 comprising 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 that 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 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, as 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 the 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, as 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 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, 2017.

(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.
As 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 at the end of the fiscal year under review amounted to ¥113,866 million, up ¥12,876 million from the end of the previous fiscal year.
In the Assets section, current assets were ¥54,798 million, an increase of ¥8,644 million from the end of the previous fiscal year. This was due primarily to an ¥8,419 million increase in cash and deposits.
Non-current assets were ¥59,068 million, up ¥4,232 million from the end of the previous fiscal year. This was due primarily to an increase in investment securities.
In the Liabilities section, current liabilities were ¥30,341 million, a decrease of ¥12,767 million from the end of the previous fiscal year. This decrease was mainly attributable to a ¥16,000 million decrease in short-term loans payable.
Non-current liabilities were ¥28,651 million, an increase of ¥22,229 million from the end of the previous fiscal year. This increase was mainly attributable to a ¥20,141 million increase in long-term loans payable.
Net assets amounted to ¥54,874 million, an increase of ¥3,414 million from the end of the previous fiscal year. The primary factors behind this increase were a profit of ¥3,288 million attributable to owners of parent, ¥772 million in cash dividends paid, an increase of ¥1,025 million of valuation difference on available-for-sale securities, and a ¥1,512 million decrease in foreign currency translation adjustments.
As a result, the shareholders' equity ratio decreased 2.7% from the end of the previous fiscal year to 47.9%.

(2) Performance Analysis

Net sales for the current fiscal year were ¥101,338 million, that was a ¥19,472 million increase year on year (23.8% increase).
Operating income for the current fiscal year was ¥5,465 million, which was a ¥741 million increase year-on-year (15.7% increase). The ratio of cost of sales to net sales was 69.5%, improved by 3.2 points year-on-year. The ratio of selling, general and administrative expenses to net sales was 25.1%, that was higher than the previous year by 3.6 points. As a result, the ratio of operating income to net sales was 5.4%, worsened by 0.4 points year-on-year.
The net of the other income and expenses resulted in an excess expenses of ¥271 million, due primarily to the loss on support to subsidiaries and associates of ¥433 million, and impairment losses of ¥226 million.
Income before income taxes was ¥5,194 million, and net income attributable to owners of the parent, which was after subtracting current income taxes, deffered income taxes and net income attributable to noncontrolling interests from income before income taxes, was ¥3,288 million, which increased ¥1,464 million year-on-year (80.3% increase).

The Company conducted a share consolidation at a rate of one share for every five shares on January 1, 2017. The figures for “Net income per share” are amounts on the assumption that the Company conducts the share consolidation at the beginning of previous fiscal year, and Basic net income per share for the current fiscal year was ¥213.39, which was a ¥94.27 increase from the amount of ¥119.12 for the previous 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, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2017**	2016	**2017**
CURRENT ASSETS:			
Cash and cash equivalents (Note 17)	**¥17,083**	¥9,401	**$152,119**
Receivables (Note 17):			
Trade notes	**16**	33	**142**
Trade accounts	**17,954**	17,157	**159,875**
Unconsolidated subsidiaries and associated companies	**131**	534	**1,167**
Other	**408**	618	**3,633**
Allowance for doubtful accounts	**(7)**	(9)	**(62)**
Inventories (Note 6)	**11,984**	12,601	**106,714**
Deferred tax assets (Note 14)	**1,234**	995	**10,988**
Prepaid expenses and other current assets	**5,995**	4,824	**53,385**
Total current assets	**54,798**	46,154	**487,961**
PROPERTY, PLANT AND EQUIPMENT (Notes 7, 8 and 9):			
Land	**17,649**	17,332	**157,159**
Buildings and structures	**16,151**	18,685	**143,820**
Machinery and equipment	**2,614**	2,662	**23,277**
Furniture and fixtures	**4,988**	5,299	**44,417**
Lease assets	**177**	170	**1,576**
Construction in progress	**253**	82	**2,253**
Total	**41,832**	44,230	**372,502**
Accumulated depreciation	**(17,296)**	(19,669)	**(154,016)**
Net property, plant and equipment	**24,536**	24,561	**218,486**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 17)	**8,672**	6,423	**77,222**
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 10 and 17(5)(b))	**4,156**	3,771	**37,008**
Trademarks	**3,355**	3,985	**29,875**
Goodwill	**8,686**	10,313	**77,346**
Receivables in bankruptcy	**16**	16	**142**
Deferred tax assets (Note 14)	**1,149**	1,154	**10,232**
Asset for retirement benefits	**3,392**		**30,205**
Other assets	**5,275**	4,773	**46,973**
Allowance for doubtful accounts	**(169)**	(160)	**(1,505)**
Total investments and other assets	**34,532**	30,275	**307,498**
TOTAL	**¥113,866**	¥100,990	**$1,013,945**

LIABILITIES AND EQUITY	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars (Note 1) 2017
CURRENT LIABILITIES:			
Short-term borrowings (Note 11)	¥	¥16,000	$
Current portion of long-term debt (Note 11 and 17)	**1,788**	301	**15,922**
Payables:			
Trade notes	**309**	424	**2,752**
Trade accounts	**3,659**	4,556	**32,582**
Unconsolidated subsidiaries and associated companies	**55**	139	**490**
Other	**1,881**	1,801	**16,750**
Income taxes payable	**1,050**	809	**9,350**
Advances received	**10,798**	8,182	**96,153**
Unearned revenue	**3,551**	4,288	**31,621**
Accrued bonuses	**3,175**	2,137	**28,272**
Allowance for anticipated project loss	**55**	59	**490**
Other current liabilities	**4,020**	4,412	**35,796**
Total current liabilities	**30,341**	43,108	**270,178**
LONG-TERM LIABILITIES:			
Long-term debt (Note 11 and 17)	**21,448**	1,307	**190,988**
Provision for directors' retirement benefits (Note 12)	**46**	46	**410**
Allowance for environmental measures	**34**	34	**303**
Liability for retirement benefits (Note 12)	**3,964**	2,555	**35,298**
Deferred tax liabilities (Note 14)	**2,859**	1,917	**25,459**
Other long-term liabilities	**300**	563	**2,671**
Total long-term liabilities	**28,651**	6,422	**255,129**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 16, 18 and 20)			
EQUITY (Notes 13, 22.b and 23):			
Common stock, authorized, 38,000,000 shares in 2017 and 189,580,000 shares in 2016; issued, 17,331,302 shares in 2017 and 86,656,510 shares in 2016	**7,393**	7,393	**65,833**
Capital surplus	**7,241**	6,209	**64,479**
Retained earnings	**43,450**	40,822	**386,909**
Treasury stock—at cost 1,891,831 shares in 2017 and 9,816,140 shares in 2016	**(3,607)**	(3,020)	**(32,119)**
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	**1,017**	(8)	**9,056**
Foreign currency translation adjustments	**(1,814)**	(302)	**(16,153)**
Defined retirement benefit plans	**828**	29	**7,373**
Total	**54,508**	51,123	**485,378**
Noncontrolling interests	**366**	337	**3,260**
Total equity	**54,874**	51,460	**488,638**
TOTAL	**¥113,866**	¥100,990	**$1,013,945**

See notes to consolidated financial statements.

Consolidated Statement of Income and Comprehensive Income

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year ended June 30, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	**2017**
NET SALES	**¥101,338**	¥81,866	**$902,386**
COST OF SALES	**70,400**	59,506	**626,892**
Gross profit	**30,938**	22,360	**275,494**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	**25,473**	17,637	**226,830**
Operating income	**5,465**	4,723	**48,664**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**420**	343	**3,740**
Interest expense	**(195)**	(59)	**(1,736)**
Foreign currency exchange gain (loss)	**41**	(952)	**365**
Loss on impairment of long-lived assets (Note 7 and 24)	**(226)**		**(2,012)**
Head office transfer cost	**(106)**	(237)	**(944)**
Loss on support to subsidiaries and associates (Note 19)	**(433)**		**(3,856)**
Other-net	**228**	214	**2,030**
Other expenses-net	**(271)**	(691)	**(2,413)**
INCOME BEFORE INCOME TAXES	**5,194**	4,032	**46,251**
INCOME TAXES (Note 14)**:**			
Current	**1,866**	1,508	**16,616**
Deferred	**5**	671	**45**
Total income taxes	**1,871**	2,179	**16,661**
NET INCOME	**3,323**	1,853	**29,590**
NET INCOME ATTRIBUTABLE TO:			
Owners of the parent	**3,288**	1,824	**29,279**
Noncontrolling interests	**35**	29	**311**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 21) **:**			
Unrealized gain (loss) on available-for-sale securities	**1,026**	(1,667)	**9,136**
Foreign currency translation adjustment	**(1,509)**	(223)	**(13,437)**
Defined retirement benefit plans	**800**	(889)	**7,124**
Total other comprehensive income (loss)	**317**	(2,779)	**2,823**
COMPREHENSIVE INCOME (LOSS)	**¥3,640**	¥(926)	**$32,413**
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	**¥3,601**	¥(934)	**$32,066**
Noncontrolling interests	**¥39**	¥8	**$347**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2.t and 22)**:**			
Basic net income	**¥213.39**	¥119.12	**$1.90**
Cash dividends applicable to the year	**75.00**	10.00	**0.67**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year ended June 30, 2017

	Thousands	Millions of Yen									
						Accumulated Other Comprehensive Income					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on available-for-sale securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, JULY 1, 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**
Adjustment for newly consolidated subsidiaries			312	112					424		424
Net income attributable to owners of the parent				3,288					3,288		3,288
Cash dividends, ¥75.00 per share				(772)					(772)		(772)
Purchase of treasury stock	(62)				(1,456)				(1,456)		(1,456)
Disposal of treasury stock	330		720		869				1,589		1,589
Share Consolidation	(61,669)										
Net change in the year						1,025	(1,512)	799	312	29	341
BALANCE, JUNE 30, 2017	**15,439**	**¥7,393**	**¥7,241**	**¥43,450**	**¥(3,607)**	**¥1,017**	**¥(1,814)**	**¥828**	**¥54,508**	**¥366**	**¥54,874**

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on available-for-sale securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, JUNE 30, 2016	**$65,833**	**$55,289**	**$363,508**	**$(26,892)**	**$(71)**	**$(2,689)**	**$258**	**$455,236**	**$3,000**	**$458,236**
Adjustment for newly consolidated subsidiaries		2,778	997					3,775		3,775
Net income attributable to owners of the parent			29,279					29,279		29,279
Cash dividends, $0.67 per share			(6,875)					(6,875)		(6,875)
Purchase of treasury stock				(12,965)				(12,965)		(12,965)
Disposal of treasury stock		6,412		7,738				14,150		14,150
Share Consolidation										
Net change in the year					9,127	(13,464)	7,115	2,778	260	3,038
BALANCE, JUNE 30, 2017	**$65,833**	**$64,479**	**$386,909**	**$(32,119)**	**$9,056**	**$(16,153)**	**$7,373**	**$485,378**	**$3,260**	**$488,638**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year ended June 30, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
OPERATING ACTIVITIES:	**2017**	2016	**2017**
Income before income taxes	**¥5,194**	¥4,032	**$46,251**
Adjustments for:			
Income taxes – paid	**(1,503)**	(2,679)	**(13,384)**
Payments for head office transfer cost	**(218)**	(668)	**(1,941)**
Depreciation and amortization	**1,720**	1,268	**15,316**
Loss on impairment of long-lived assets (Note 7 and 24)	**226**		**2,012**
Amortization of goodwill	**623**		**5,548**
Gain on sales of property, plant and equipment	**(2)**	(2)	**(18)**
Gain on sales of investment securities	**(31)**	(343)	**(276)**
Loss on support to subsidiaries and associates	**433**		**3,856**
Head office transfer cost	**106**	237	**944**
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
(Increase) decrease in trade accounts receivable	**(316)**	1,797	**(2,814)**
Decrease (Increase) in inventories	**868**	(906)	**7,729**
(Decrease) increase in trade accounts payable	**(1,098)**	312	**(9,777)**
Increase (decrease) in advanced received	**1,915**	(394)	**17,053**
Other—net	**(1,540)**	(2,274)	**(13,713)**
Net cash provided by operating activities	**6,377**	380	**56,786**
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	**¥(1,086)**	¥(1,198)	**$(9,671)**
Proceeds from sales and redemption of investment securities	**532**	891	**4,737**
Purchases of investment securities	**(1,519)**	(2,182)	**(13,526)**
Payments of loans receivable	**(880)**	(1,411)	**(7,836)**
Increase in other assets	**(1,220)**	(13,805)	**(10,863)**
Net cash used in investing activities	**(4,173)**	(17,705)	**(37,159)**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
FINANCING ACTIVITIES:	**2017**	2016	**2017**
Net (decrease) increase in short-term borrowings	**¥(16,000)**	¥16,000	**$(142,476)**
Proceeds from long-term debt	**23,547**		**209,679**
Repayments of long-term debt	**(2,008)**	(164)	**(17,881)**
Purchase of treasury stock	**(1,456)**	(9)	**(12,965)**
Disposal of treasury stock	**1,589**	194	**14,150**
Dividends paid	**(773)**	(771)	**(6,883)**
Other—net	**(53)**	(51)	**(472)**
Net cash provided by (used in) financing activities	**4,846**	15,199	**43,152**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(125)**	(146)	**(1,113)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**6,925**	(2,272)	**61,666**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	**757**		**6,740**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**9,401**	11,673	**83,713**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥17,083**	¥9,401	**$152,119**

See notes to consolidated financial statements.

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 that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2016 consolidated financial statements to conform to the classifications used in 2017.

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 ¥112.30 to $1, the approximate rate of exchange at June 30, 2017. 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, 2017, include the accounts of the Company and its 58 significant (57 in 2016) subsidiaries (together, the "Group").

System Science Consultants Inc. was added in the scope of consolidation from the current fiscal year due to their increased materiality.

BDP HOLDINGS LIMITED and its subsidiaries (together, "BDP") changed its fiscal year-end from December 31 to June 30, which is the same as the consolidated fiscal year-end, in the current fiscal year. As the Company acquired all of the shares of BDP HOLDINGS LIMITED on April 1, 2016, income for the period from April 1, 2016 to June 30, 2016 of BDP was adjusted in the Consolidated Statement of Income and Comprehensive Income. Therefore, income for BDP from April 1,2016 to June 30,2017 was consolidated in the consolidated fiscal year ended June 30, 2017. Financial amounts of BDP for the period from April 1, 2016 to June 30, 2016, included net sales of ¥3,262 million ($29,047 thousand), operating income of ¥87 million ($775 thousand), income before income taxes of ¥140 million ($1,247 thousand) and foreign currency translation adjustment of ¥(2,355) million ($(20,971) thousand).

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 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 started amortization from the current 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. ***Cash Equivalents*** — Cash equivalents are short-term investments that are readily convertible into cash and 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 (see Note 6).

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; 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.

e. ***Property, Plant and Equipment*** —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.

f. ***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.

g. ***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.

h. ***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.

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.

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

j. ***Asset Retirement Obligations*** — An asset retirement obligation is recorded for 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.

k. ***Employee Stock Ownership Plan*** — In accordance with PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts," upon 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 is recorded in capital surplus. At year-end, the Company records (1) the Company 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.

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

m. ***Leases*** — Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet. In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. 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 notes to the lessee's financial statements. The revised accounting standard permits leases that existed at the transition date and that 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 that do not transfer ownership of the leased property to the lessee to be 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 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.

p. ***Income Taxes*** — The provision for income taxes is computed based on 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.

The Company applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016. There was no impact from this for the year ended June 30, 2017.

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 consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income and comprehensive 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 Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Interest rate and currency swaps are utilized by the Group to reduce the risks of foreign currency exchange and interest rate. 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; (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.

Interest rate and currency swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

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.

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, 2017 and 2016.

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.

On January 1, 2017, the Company effected a share consolidation at a rate of one share for every five common shares based on the resolution of the 72nd Ordinary General Meeting of Shareholders held on September 29, 2016. To provide basic net income per share figures on a basis comparable to the year ended June 30, 2017, the weighted-average number of shares of common stock has been restated to reflect the impact of the share consolidation for prior years.

On the other hand, the number of common stock and treasury stock as of June 30, 2016, and cash dividends per share for the year ended June 30, 2016 have not been restated to reflect the share consolidation.

u. ***Accounting Changes and Error Corrections*** — Under 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 are required 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.

3. CHANGES IN PRESENTATION

(1) "Unearned revenue" (¥3,551 million ($31,621 thousand) in the current fiscal year and ¥4,288 million in the previous fiscal year), which was presented separately in the consolidated statement of income and comprehensive income in the previous fiscal year, is included in "Other Income (expenses) — Other net" due to its decreased materiality.
(2) "Gain on sales of investment securities" (¥31 million ($276 thousand) in the current fiscal year and ¥343 million in the previous fiscal year), which was presented separately in the consolidated statement of income and comprehensive income in the previous fiscal year, is included in "Other Income (expenses) — Other net" due to its decreased materiality.
(3) "Decrease in net defined benefit liability" (¥2,562 million ($22,814 thousand) in the current fiscal year and ¥(889) 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 "Operating Activities" due to its decreased materiality.
(4) "Proceeds from sales of property, plant, and equipment" (¥8 million ($71 thousand) in the current fiscal year and ¥4 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 "Increase in other assets" under "Investing Activities" due to its decreased materiality.
(5) "(Payment for) proceeds from purchase of newly consolidated subsidiaries, net of cash acquired" (no recognition in the current fiscal year and ¥(13,821) 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 "Increase in other assets" under "Investing 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) Resolved at the meeting of the Board of Directors held on February 12, 2013
a. 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's 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's 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. However, the ESOP was terminated in January 2017.

b. 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 not applicable due to the termination of the ESOP during the year ended June 30, 2017, and was ¥120 million and 71 thousand shares, respectively, for the year ended June 30, 2016.

c. 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 not applicable due to the termination for the year ended June 30, 2017, and was ¥260 million for the year ended June 30, 2016.
(Note) The Company conducted a share consolidation at a rate of one share for every five common shares on January 1, 2017. The number of shares of treasury stock are amounts on the assumption that the Company conducts the share consolidation at the beginning of the previous fiscal year.

(2) Resolved at the meeting of the Board of Directors held on May 15, 2017
a. Overview of the transaction
At a meeting of the Board of Directors held on May 15, 2017, the Company resolved to reintroduce an ESOP as a disposition-type employee shareholding incentive plan to provide the Group's employees with incentives to improve corporate value and enhance their welfare programs.
The Company also resolved to dispose of a part of treasury stock that the Company owns to an account established in Trust & Custody Services Bank, Ltd. (the "Trust Account E") by "third party" allotment en bloc.
The ESOP is an incentive plan that distributes the profit of stock price rise for all the employees who join "Nippon Koei Group employees' stockholders association" (the "Employees' Stockholders Association"). To initiate the ESOP, the Company concluded the "Stock Benefit Trust (disposition-type ESOP) Agreement" , the trust established pursuant to the role of the agreement shall be referred to as the "ESOP Trust", whereby the Company is to act as administrator and the role of trustee is assigned to Mizuho Trust & Banking Co., Ltd. (the "Trustee"). The Trustee also concluded an agreement with Trust & Custody Services Bank, Ltd., under which the Trustee is to re-entrust management of security and other asset of the ESOP Trust to Trust & Custody Services Bank, Ltd.
The Trust Account E acquires shares of the Company that the Employees' Stockholders Association is expected to obtain over the five years after the trust is set up, and periodically sells its holdings to the Employees' Stockholders Association. If, by the time of the ESOP Trust's termination, gains equivalent to capital gains on sales of shares are accumulated within the ESOP Trust through sales of Company's shares by the Trust Account E to the Employees' Stockholders Association, then those gains will be distributed as residual assets to the Employees' Stockholders Association enrollees who meet the requirements for eligible beneficiaries. Furthermore, to guarantee funds borrowed by the Trustee that enable the Trust Account E to acquire Company's shares, the Company is to repay any such remaining borrowings pursuant to a guarantee agreement, in the event that there are any remaining borrowings equivalent to losses on sales of shares due to a downturn in the price of Company's shares up until termination of the ESOP Trust.

b. 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 was ¥1,381 million ($12,297 thousand) and 455 thousand shares, respectively, for the year ended June 30, 2017.

c. 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 ¥1,426 million ($12,698 thousand) for the year ended June 30, 2017.

5. INVESTMENT SECURITIES

Investment securities as of June 30, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Non-current:			
Marketable equity securities	**¥7,599**	¥5,119	**$67,667**
Government and corporate bonds	**738**	1,235	**6,572**
Other	**335**	69	**2,983**
Total	**¥8,672**	¥6,423	**$77,222**

The costs and aggregate fair values of investment securities at June 30, 2017 and 2016, were as follows:

	Millions of Yen			
June 30, 2017	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥5,369**	**¥1,654**	**¥204**	**¥6,819**
Debt securities	**568**	**24**		**592**
Other	**336**			**336**
Total	**¥6,273**	**¥1,678**	**¥204**	**¥7,747**

	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

	Thousands of U.S. Dollars			
June 30, 2017	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$47,809**	**$14,728**	**$1,817**	**$60,720**
Debt securities	**5,058**	**214**		**5,272**
Other	**2,992**			**2,992**
Total	**$55,859**	**$14,942**	**$1,817**	**$68,984**

The proceeds, realized gains and losses of the available-for-sale securities which were sold during the years ended June 30, 2017 and 2016, were as follows:

	Millions of Yen		
June 30, 2017	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	**¥2**	**¥1**	**¥**
Debt securities	**530**	**30**	
Other			
Total	**¥532**	**¥31**	**¥**

	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	¥

	Thousands of U.S. Dollars		
June 30, 2017	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	**$17**	**$9**	**$**
Debt securities	**4,720**	**267**	
Other			
Total	**$4,737**	**$276**	**$**

6. INVENTORIES

Inventories at June 30, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Merchandise	**¥0**	¥0	**$0**
Work in process	**11,728**	12,254	**104,434**
Raw materials and supplies	**256**	347	**2,280**
Total	**¥11,984**	¥12,601	**$106,714**

7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of June 30, 2017. As a result, the Group recognized an impairment loss of ¥226 million ($2,012 thousand) as loss on impairment of long-lived assets for assets to be disposed and idle assets. The carrying amount of the assets to be disposed were written down to the recoverable amount, which is zero, because they are to be demolished for redevelopment. The carrying amount of the idle assets were written down to the memorandum value because future cash flows are not expected. No impairment loss was recognized in 2016.

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 ¥401 million ($3,571 thousand) and ¥385 million for the fiscal years ended June 30, 2017 and 2016, 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, 2016	Decrease	June 30, 2017	June 30, 2017
¥3,330	**¥(1,004)**	**¥2,326**	**¥5,242**

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

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
June 30, 2016	Decrease	June 30, 2017	June 30, 2017
$29,653	**$(8,941)**	**$20,712**	**$46,679**

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, 2016, primarily represents depreciation of buildings of stores for rent. Decrease during the fiscal year ended June 30, 2017, primarily represents removal of headquarters office from rental properties due to the launch of its reconstruction and transfer from rental properties to assets for development.
3. Fair value of properties was measured by the Group in accordance with the Real-Estate Appraisal Standard.
4. During the fiscal year ended June 30, 2017, investment property under construction (¥1,050 million in the consolidated balance sheet) is not included in the above table because it is difficult to measure their fair value during an early phase of development.

9. REDUCTION ENTRY

In the case of the acquisition expenses of 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, 2017 and 2016, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Buildings and structures	**¥19**	¥19	**$169**
Machinery and equipment	**167**	167	**1,487**
Total	**¥186**	¥186	**$1,656**

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

Investments in and advances to unconsolidated subsidiaries and associated companies at June 30, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Investments	**¥1,819**	¥1,862	**$16,198**
Advances	**2,337**	1,909	**20,810**
Total	**¥4,156**	¥3,771	**$37,008**

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, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Unsecured loans from banks due serially to 2026 with interest rates ranging from 0.250% to 1.988%	**¥23,174**	¥1,526	**$206,358**
Obligation under finance leases	**62**	82	**552**
Total	**23,236**	1,608	**206,910**
Less current portion	**(1,788)**	(301)	**(15,922)**
Long-term debt, less current portion	**¥21,448**	¥1,307	**$190,988**

Annual maturities of long-term debt at June 30, 2017, 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
2018	¥1,760	¥28	$15,673	$249
2019	2,060	17	18,344	151
2020	1,983	10	17,658	89
2021	2,186	5	19,466	45
2022	6,611	2	58,869	18
2023 and thereafter	8,574	0	76,348	0
Total	¥23,174	¥62	$206,358	$552

The Group and five financial institutions have concluded overdraft contracts and a commitment line contract by syndicated loan over three years. (During the fiscal year ended June 30, 2016, the Group had 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, 2017 and 2016, for directors were ¥46 million ($410 thousand) and ¥46 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, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Balance at beginning of year	**¥15,253**	¥15,229	**$135,824**
Current service cost	**1,096**	1,096	**9,760**
Interest cost	**106**	105	**944**
Actuarial losses	**69**	46	**614**
Benefits paid	**(1,138)**	(1,223)	**(10,134)**
Balance at end of year	**¥15,386**	¥15,253	**$137,008**

(2) The changes in plan assets for the years ended June 30, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Balance at beginning of year	**¥13,362**	¥13,832	**$118,985**
Expected return on plan assets	**267**	277	**2,378**
Actuarial (gains) losses	**1,225**	(1,228)	**10,908**
Contributions from the employer	**1,528**	1,491	**13,606**
Benefits paid	**(882)**	(1,010)	**(7,854)**
Balance at end of year	**¥15,500**	¥13,362	**$138,023**

(3) The changes in defined benefit obligation under the simplified method for the years ended June 30, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Balance at beginning of year	**¥663**	¥731	**$5,904**
Periodic benefit cost	**58**	57	**516**
Benefits paid	**(40)**	(104)	**(356)**
Others	**3**	(21)	**27**
Balance at end of year	**¥684**	¥663	**$6,091**

(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, 2017 and 2016, was as follows (including the benefit plans for which the simplified method was applied):

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Funded defined benefit obligation	**¥12,167**	¥11,910	**$108,344**
Plan assets	**(15,553)**	(13,362)	**(138,495)**
Total	**(3,386)**	(1,452)	**(30,151)**
Unfunded defined benefit obligation	**3,958**	4,007	**35,244**
Net liability arising from defined benefit obligation	**572**	2,555	**5,093**
Liability for retirement benefits	**3,964**	2,555	**35,298**
Asset for retirement benefits	**3,392**		**30,205**
Net liability arising from defined benefit obligation	**¥572**	¥2,555	**$5,093**

(5) The components of net periodic benefit costs for the years ended June 30, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Service cost	**¥1,096**	¥1,096	**$9,760**
Interest cost	**106**	105	**944**
Expected return on plan assets	**(267)**	(277)	**(2,378)**
Recognized actuarial (gains) losses	**(28)**	(68)	**(250)**
Amortization of prior service cost	**26**	28	**232**
Periodic benefit cost under simplified method	**58**	57	**516**
Others	**36**	34	**321**
Net periodic benefit costs	**¥1,027**	¥975	**$9,145**

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended June 30, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Prior service cost	**¥(28)**	¥(28)	**$(249)**
Actuarial (gains) losses	**(1,126)**	1,343	**(10,027)**
Total	**¥(1,154)**	¥1,315	**$(10,276)**

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of June 30, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Unrecognized prior service cost	**¥229**	¥256	**$2,039**
Unrecognized actuarial (gains) losses	**(1,423)**	(297)	**(12,671)**
Total	**¥(1,194)**	¥(41)	**$(10,632)**

(8) Plan assets

a. Components of plan assets

Plan assets as of June 30, 2017 and 2016, consisted of the following:

	2017	2016
Debt investments	**34%**	38%
Equity investments	**44**	40
Cash and cash equivalents	**19**	20
Others	**3**	2
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, 2017 and 2016, were set forth as follows:

	2017	2016
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 multiemployer 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 ¥499 million ($4,443 thousand) and ¥510 million for the years ended June 30, 2017 and 2016, respectively.

a. The funded status of the multi-employer plan as of June 30, 2017 and 2016, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Plan assets	**¥193,485**	¥198,294	**$1,722,930**
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	**190,067**	198,590	**1,692,494**
Net balance	**¥3,418**	¥(296)	**$30,436**

The net balance above is mainly the result of past service cost of ¥(19,253) million ($(171,443) thousand) for 2017 and ¥(20,812) million for 2016, surplus of ¥2,155 million ($19,190 thousand) for 2017, and ¥14,356 million for 2016, and a deficiency brought forward of ¥20,516 million ($182,689 thousand) for 2017 and ¥6,160 million for 2016. Past service cost under the plan is amortized on a straight-line basis over 15 years, and the special contributions of ¥354 million ($3,152 thousand) for 2017 and ¥280 million for 2016, 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, 2017 and 2016, was as follows:

	2017	2016
The contribution ratio of the Group in the multi-employer plan	**13.1%**	13.1%

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 30.9% and 33.1% for the years ended June 30, 2017 and 2016, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at June 30, 2017 and 2016, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Deferred tax assets:			
Investment in subsidiaries	**¥47**	¥45	**$419**
Accrued bonuses	**889**	656	**7,916**
Net defined benefit liability	**190**	801	**1,692**
Liability for retirement benefits for directors	**15**	15	**134**
Allowance for anticipated project loss	**17**	18	**151**
Overdepreciation	**139**	494	**1,238**
Loss on impairment of long-lived assets	**140**	60	**1,247**
Head office transfer cost		29	
Deferred relief on pension contributions	**39**	174	**347**
Tax loss carryforwards	**21**	66	**187**
Other	**466**	387	**4,149**
Less valuation allowance	**(276)**	(489)	**(2,458)**
Total	**1,687**	2,256	**15,022**

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Deferred tax liabilities:			
Reserve for deferred gains on sale of property	**760**	793	**6,768**
Unrealized gain on available-for-sale securities	**451**		**4,016**
The valuation differences by using the full fair value method	**944**	1,182	**8,406**
Other	**8**	49	**71**
Total	**2,163**	2,024	**19,261**
Net deferred tax assets	**¥(476)**	¥232	**$(4,239)**

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, 2017, with the corresponding figures for 2016, is as follows:

	2017	2016
Normal effective statutory tax rate	**30.9%**	33.1%
Per capita levy of local tax	**2.6**	3.4
Expenses not deductible for tax purposes	**4.2**	2.0
Foreign income tax	**9.2**	13.6
Tax credit	**(5.2)**	(2.9)
Valuation allowance	**(4.3)**	1.5
Amortization of goodwill	**3.9**	
Income taxes for prior periods	**(1.7)**	2.5
Effect of reduction of income tax rates on deferred tax assets and deferred tax liabilities	**0.1**	1.2
Lower income tax rates applicable to certain foreign subsidiaries	**(1.8)**	
Other – net	**(1.9)**	(0.4)
Actual effective tax rate	**36.0%**	54.0%

At June 30, 2017, certain subsidiaries have tax loss carryforwards aggregating approximately ¥306 million ($2,725 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:

	Millions of Yen	Thousands of U.S. Dollars
June 30, 2019	¥35	$312
June 30, 2020	65	579
June 30, 2023	39	347
June 30, 2025	167	1,487
Total	¥306	$2,725

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥700 million ($6,233 thousand) and ¥568 million for the years ended June 30, 2017 and 2016, respectively.

16. LEASES

Lessee

The minimum rental commitments under noncancelable operating leases at June 30, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Due within one year	**¥961**	¥1,042	**$8,557**
Due after one year	**3,016**	2,801	**26,857**
Total	**¥3,977**	¥3,843	**$35,414**

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. Receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates. 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.

Foreign-currency denominated loans are exposed to the market risks from changes in interest rates and foreign currency exchange rates. A portion of foreign-currency denominated loans is hedged by using interest rate and currency swaps as derivative financial instruments. 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, 2017.

Market risk management

The Group uses interest rate and currency swaps as derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates and interest rates of foreign-currency denominated loans.

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

20.5% of total receivables are from three major customers of the Group as of June 30, 2017.

(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, 2017	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**¥17,083**	**¥17,083**	**¥**
Receivables	**18,502**	**18,502**	
Investment securities	**7,747**	**7,747**	
Total	**¥43,332**	**¥43,332**	**¥**
Long-term debt (Note)	**¥23,174**	**¥22,992**	**¥(182)**
Total	**¥23,174**	**¥22,992**	**¥(182)**
Derivatives	**¥53**	**¥53**	**¥**

	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	¥

	Thousands of U.S. Dollars		
June 30, 2017	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**$152,119**	**$152,119**	**$**
Receivables	**164,755**	**164,755**	
Investment securities	**68,985**	**68,985**	
Total	**$385,859**	**$385,859**	**$**
Long-term debt (Note)	**$206,358**	**$204,737**	**$(1,621)**
Total	**$206,358**	**$204,737**	**$(1,621)**
Derivatives	**$472**	**$472**	**$**

Note: Long-term debt includes its current portion, and does not include obligation under finance leases.

Cash and cash equivalents, receivables and payables

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 5.

Long-term debt

The fair value of the “fixed rate” long-term debt is computed by applying a discount rate to the total of the principal and interest. The discount interest rate is based on the assumed interest rate if similar new debt was entered into. The fair value of the “floating rate” long-term debt is assumed as the carrying value because the interest rate of the debt reflects the current market interest rate and the Company’s credit score is stable.
A portion of the long-term debt qualified for integrated accounting treatment (special treatment and appropriated treatment) for interest rate and currency swaps is calculated by discounting the total amount of the principal and interest, with the relevant interest rate and currency swaps to which the special integrated accounting treatment has been applied, based on the reasonably estimated interest rate if similar new debt is entered into.

Derivatives

Fair value information for derivatives is included in Note 18.
The fair value of the derivatives including interest rate and currency swaps under integrated accounting treatment is included in the fair value of the long-term debt, because the swaps are accounted for as part of the long-term debt.

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

	Millions of Yen		Thousands of U.S. Dollars
June 30, 2017 and 2016	**2017**	2016	**2017**
Investments in equity instruments that do not have a quoted market price in an active market	**¥2,599**	¥2,137	**$23,143**
Investments in debt instruments that do not have a quoted market price in an active market	**¥145**	¥145	**$1,291**

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, 2017 and 2016, was ¥18 million ($160 thousand) and ¥100 million, respectively.

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

June 30, 2017	Millions of Yen 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	**¥17,083**	**¥**	**¥**	**¥**
Receivables	**18,502**			
Investment securities				
Available-for-sale securities with contractual maturities				
Total	**¥35,585**	**¥**	**¥**	**¥**

June 30, 2016	Millions of Yen 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

June 30, 2017	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	**$152,119**	**$**	**$**	**$**
Receivables	**164,755**			
Investment securities				
Available-for-sale securities with contractual maturities				
Total	**$316,874**	**$**	**$**	**$**

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 rates and interest rates. The derivatives used by the Group is interest rate and currency swaps.
It is the Group's policy to use derivatives only for the purpose of reducing market risks associated with liabilities, 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 amounts.

Derivative Transactions to Which Hedge Accounting is Not Applied

		Millions of Yen			
June 30, 2017	Transactions	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain
Interest rate and currency swaps: (fixed rate payment, floating rate receipt) (Japanese yen payment, U.S. dollars receipt)	Off-market transactions	**¥5,221**	**¥4,641**	**¥53**	**¥53**

		Thousands of U.S. Dollars			
June 30, 2017	Transactions	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain
Interest rate and currency swaps: (fixed rate payment, floating rate receipt) (Japanese yen payment, U.S. dollars receipt)	Off-market transactions	**$46,492**	**$41,327**	**$472**	**$472**

The above transaction was not applicable for the year ended June 30, 2016.

Notes:
1. The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.
2. The contact 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.

Derivative Transactions to Which Hedge Accounting is Applied

			Millions of Yen		
June 30, 2017	Hedge accounting method	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate and currency swaps: (fixed rate payment, floating rate receipt) (Japanese yen payment, U.S. dollars receipt)	Integrated treatment of interest rate and currency swaps (Special treatment, Appropriated treatment)	Long-term debt	**¥3,481**	**¥3,094**	(Note1)

June 30, 2017	Hedge accounting method	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate and currency swaps: (fixed rate payment, floating rate receipt) (Japanese yen payment, U.S. dollars receipt)	Integrated treatment of interest rate and currency swaps (Special treatment, Appropriated treatment)	Long-term debt	**$30,997**	**$27,551**	(Note1)

The above transaction was not applicable for the year ended June 30, 2016.

Notes:
1. The above interest rate and currency swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate and currency swaps is included in that of long-term debt.
2. 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. LOSS ON SUPPORT TO SUBSIDIARIES AND ASSOCIATES

Loss on support to subsidiaries and associates for the years ended June 30, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
June 30, 2017 and 2016	**2017**	2016	**2017**
Bad debt expenses	**¥373**		**$3,322**
Subsidiary support costs	**60**		**534**

20. CONTINGENT LIABILITIES

At June 30, 2017, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans related to employees	¥40	$356

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 ($6,679 thousand). In addition, Osaka Prefecture expanded its claim to ¥8,643 million ($76,963 thousand), which also includes a 5% per annum delinquency charge, by a written petition for the 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, in July 2014, NCC deposited the money for release from a provisional seizure of ¥750 million ($6,679 thousand) with the Legal Affairs Bureau, which is included in other assets under investments and other assets in the consolidated balance sheet.

21. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended June 30, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Unrealized gain (loss) on available-for-sale securities:			
Gains (Losses) arising during the year	**¥1,508**	¥(2,115)	**$13,428**
Reclassification adjustments to profit or loss	**(30)**	(343)	**(267)**
Amount before income tax effect	**1,478**	(2,458)	**13,161**
Income tax effect	**(452)**	791	**(4,025)**
Total	**¥1,026**	¥(1,667)	**$9,136**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥(1,509)**	¥(223)	**$(13,437)**
Reclassification adjustments to profit or loss			
Amount before income tax effect	**(1,509)**	(223)	**(13,437)**
Income tax effect			
Total	**¥(1,509)**	¥(223)	**$(13,437)**
Defined retirement benefit plans:			
Adjustments arising during the year	**¥1,155**	¥(1,274)	**$10,285**
Reclassification adjustments to profit or loss	**(1)**	(41)	**(9)**
Amount before income tax effect	**1,154**	(1,315)	**10,276**
Income tax effect	**(354)**	426	**(3,152)**
Total	**¥800**	¥(889)	**$7,124**
Total other comprehensive income (loss)	**¥317**	¥(2,779)	**$2,823**

22. PER SHARE INFORMATION

On January 1, 2017, the Company effected a share consolidation at a rate of one share for every five shares based on the resolution of the 72nd Ordinary General Meeting of Shareholders held on September 29, 2016.

a. Basic net income per share

Basic net income per share figures have been restated to reflect the impact of the share consolidation for the year ended June 30, 2016. The weighted-average number of shares of common stock for the years ended June 30, 2017 and 2016, were 15,410,873 and 15,308,881 respectively after retroactive adjustment.

b. Number of shares and cash dividends per share

Number of common stock and treasury stock as of June 30, 2016, and cash dividends per share for the year ended June 30, 2016 have not been restated to reflect a share consolidation.

Assuming the share consolidation was effected at the beginning of the year ended June 30, 2016 (July 1, 2015), shares and per share figures would have been as follows:

	2017	2016
Cash dividends per share applicable to the year ...	**¥75.00**	¥50.00
Common stock issued	**17,331,302 shares**	17,331,302 shares
Treasury stock	**1,891,831 shares**	1,963,228 shares

23. SUBSEQUENT EVENTS

a. Retirement of treasury shares

At the meeting of the Board of Directors held on August 14, 2017, the Company resolved to retire treasury shares in accordance with the provisions of Article 178 of the Companies Act.

(1) Contents of the Resolution by the Board of Directors for the Retirement of Treasury Shares
- 1) Type of shares to be retired
  Common stock of the Company
- 2) Total number of shares to be retired
  1,436,731 shares
- 3) Scheduled date for retirement
  August 31, 2017

(2) The Total Number of Issued Shares after the above Retirement will be 15,894,571 Shares.

b. Appropriations of Retained Earnings

On August 14, 2017, the following appropriation of retained earnings at June 30, 2017, was resolved by the Board of Directors:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥75 ($0.67) per share	¥1,192	$10,614

The total amount of the dividends above includes ¥34 million ($303 thousand) in dividends on the Company's shares owned by the ESOP.

24. 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. 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 operations.

(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									
	2017									
	Reportable Segment						Others	**Total**	Reconciliations	Consolidated
	Domestic	International	Power Engineering	Urban & Spatial Development	Real Estate Leasing	**Total**				
Sales										
Sales to customers	**¥43,516**	**¥24,492**	**¥17,578**	**¥14,347**	**¥474**	**¥100,407**	**¥931**	**¥101,338**	**¥**	**¥101,338**
Intersegment sales	**462**	**18**	**236**	**40**	**150**	**906**	**3**	**909**	**(909)**	
Total	**¥43,978**	**¥24,510**	**¥17,814**	**¥14,387**	**¥624**	**¥101,313**	**¥934**	**¥102,247**	**¥(909)**	**¥101,338**
Segment profit (loss)	**3,300**	**1,772**	**2,650**	**58**	**401**	**8,181**	**(2,213)**	**5,968**	**(10)**	**5,958**
Segment assets	**19,307**	**22,395**	**7,869**	**22,396**	**5,776**	**77,743**	**44,451**	**122,194**	**(8,328)**	**113,866**
Other:										
Depreciation	**158**	**72**	**243**	**760**	**39**	**1,272**	**448**	**1,720**		**1,720**
Amortization of goodwill				**623**		**623**		**623**		**623**
Interest income	**22**	**39**	**4**	**47**		**112**	**316**	**428**	**(263)**	**165**
Interest expense	**52**	**137**	**53**	**155**		**397**	**61**	**458**	**(263)**	**195**
Increase in property, plant and intangible assets	**237**	**114**	**218**	**151**		**720**	**682**	**1,402**		**1,402**

	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

	Thousands of U.S. Dollars									
	2017									
	Reportable Segment						Others	Total	Reconciliations	Consolidated
	Domestic	International	Power Engineering	Urban & Spatial Development	Real Estate Leasing	Total				
Sales										
Sales to customers	$387,498	$218,094	$156,527	$127,756	$4,221	$894,096	$8,290	$902,386	$	$902,386
Intersegment sales	4,114	160	2,102	356	1,336	8,068	26	8,094	(8,094)	
Total	$391,612	$218,254	$158,629	$128,112	$5,557	$902,164	$8,316	$910,480	$(8,094)	$902,386
Segment profit (loss)	29,386	15,779	23,598	516	3,571	72,850	(19,707)	53,143	(89)	53,054
Segment assets	171,923	199,421	70,071	199,431	51,434	692,280	395,823	1,088,103	(74,158)	1,013,945
Other:										
Depreciation	1,407	641	2,164	6,768	347	11,327	3,989	15,316		15,316
Amortization of goodwill				5,548		5,548		5,548		5,548
Interest income	196	347	36	418		997	2,814	3,811	(2,342)	1,469
Interest expense	463	1,220	472	1,380		3,535	543	4,078	(2,342)	1,736
Increase in property, plant and intangible assets	2,110	1,015	1,941	1,345		6,411	6,073	12,484		12,484

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, 2017 and 2016, were as follows:

Net sales

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Reportable segment total	**¥101,313**	¥81,680	**$902,164**
Other net sales	**934**	982	**8,316**
Elimination of intersegment transactions	**(909)**	(796)	**(8,094)**
Net sales in the consolidated statements of income and comprehensive income	**¥101,338**	¥81,866	**$902,386**

Profit

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Reportable segment total	**¥8,181**	¥6,756	**$72,850**
Other loss	**(2,213)**	(2,373)	**(19,707)**
Elimination of intersegment transactions	**(10)**	(18)	**(89)**
Nonoperating items	**(493)**	358	**(4,390)**
Operating income in the consolidated statements of income and comprehensive income	**¥5,465**	¥4,723	**$48,664**

Assets

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Reportable segment total	**¥77,743**	¥75,064	**$692,280**
Other property	**44,451**	49,033	**395,823**
Elimination of intersegment transactions	**(8,328)**	(23,107)	**(74,158)**
Total assets in the consolidated balance sheets	**¥113,866**	¥100,990	**$1,013,945**

Other items

	Millions of Yen			
	2017			
	Reportable Segment	Others	Reconciliations	**Total**
Depreciation	**¥1,272**	**¥448**		**¥1,720**
Amortization of goodwill	**623**			**623**
Interest income	**112**	**316**	**¥(263)**	**165**
Interest expense	**397**	**61**	**(263)**	**195**
Increase in property, plant and intangible assets	**720**	**682**		**1,402**

	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

	Thousands of U.S. Dollars			
	2017			
	Reportable Segment	Others	Reconciliations	**Total**
Depreciation	**$11,327**	**$3,989**		**$15,316**
Amortization of goodwill	**5,548**			**5,548**
Interest income	**997**	**2,814**	**$(2,342)**	**1,469**
Interest expense	**3,535**	**543**	**(2,342)**	**1,736**
Increase in property, plant and intangible assets	**6,411**	**6,073**		**12,484**

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, 2017, was as follows:

Sales

Millions of Yen							
2017							
Japan	Asia	Middle East	Africa	Latin America	Europe	Other	**Total**
¥60,583	¥15,660	¥2,168	¥3,943	¥5,291	¥13,340	¥353	¥101,338

Thousands of U.S. Dollars							
2017							
Japan	Asia	Middle East	Africa	Latin America	Europe	Other	**Total**
$539,475	$139,448	$19,305	$35,111	$47,115	$118,789	$3,143	$902,386

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

The information about major customers at June 30, 2017, was as follows:

	Millions of Yen	
	2017	
Name of Customers	Sales	Related Segment Name
Ministry of Land, Infrastructure, Transport and Tourism	¥14,671	Domestic
Japan International Cooperation Agency	9,582	International
TEPCO Power Grid, Incorporated	9,148	Power Engineering

	Thousands of U.S. Dollars	
	2017	
Name of Customers	Sales	Related Segment Name
Ministry of Land, Infrastructure, Transport and Tourism	$130,641	Domestic
Japan International Cooperation Agency	85,325	International
TEPCO Power Grid, Incorporated	81,460	Power Engineering

The information about goodwill at June 30, 2017, was as follows:

Goodwill

	Millions of Yen								
	2017								
	Reportable Segment						Others	Elimination/ Corporate	Consolidated
	Domestic	International	Power Engineering	Urban & Spatial Development	Real Estate Leasing	**Total**			
Amortization of goodwill …	¥	¥	¥	¥623	¥	¥623	¥	¥	¥623
Goodwill at June 30, 2017 …				8,686		8,686			8,686

	Thousands of U.S. Dollars								
	2017								
	Reportable Segment						Others	Elimination/ Corporate	Consolidated
	Domestic	International	Power Engineering	Urban & Spatial Development	Real Estate Leasing	**Total**			
Amortization of goodwill …	$	$	$	$5,548	$	$5,548	$	$	$5,548
Goodwill at June 30, 2017 …				77,346		77,346			77,346

The information about loss on impairment of long-lived assets at June 30, 2017, was as follows:

Loss on impairment of long-lived assets

	Millions of Yen								
	2017								
	Reportable Segment						Others	Elimination/ Corporate	Consolidated
	Domestic	International	Power Engineering	Urban & Spatial Development	Real Estate Leasing	**Total**			
Loss on impairment of long-lived assets …………	¥	¥	¥	¥	¥48	¥48	¥178	¥	¥226

	Thousands of U.S. Dollars								
	2017								
	Reportable Segment						Others	Elimination/ Corporate	Consolidated
	Domestic	International	Power Engineering	Urban & Spatial Development	Real Estate Leasing	**Total**			
Loss on impairment of long-lived assets …………	$	$	$	$	$427	$427	$1,585	$	$2,012

Deloitte.

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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, 2017, 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, 2017, 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, 2017

Member of
Deloitte Touche Tohmatsu Limited

Nonconsolidated Balance Sheet

Nippon Koei Co., Ltd.
June 30, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2017**	2016	**2017**
CURRENT ASSETS:			
Cash and cash equivalents	**¥11,637**	¥3,241	**$103,624**
Receivables:			
Trade notes	**16**	33	**142**
Trade accounts	**10,101**	10,081	**89,947**
Subsidiaries and associated companies	**123**	597	**1,095**
Other	**160**	420	**1,425**
Allowance for doubtful accounts	**(1)**	(3)	**(9)**
Short-term loan receivables	**1,672**	2,060	**14,889**
Inventories (Note 4)	**7,723**	8,284	**68,771**
Deferred tax assets (Note 10)	**841**	603	**7,489**
Prepaid expenses and other current assets	**2,206**	1,892	**19,644**
Total current assets	**34,478**	27,208	**307,017**
PROPERTY, PLANT AND EQUIPMENT (Note 5 and 6)**:**			
Land	**15,458**	15,219	**137,649**
Buildings and structures	**13,881**	16,423	**123,606**
Machinery and equipment	**2,328**	2,355	**20,730**
Furniture and fixtures	**2,058**	2,180	**18,326**
Construction in progress	**253**	73	**2,253**
Lease assets	**116**	122	**1,034**
Total	**34,094**	36,372	**303,598**
Accumulated depreciation	**(13,401)**	(15,590)	**(119,333)**
Net property, plant and equipment	**20,693**	20,782	**184,265**
INVESTMENTS AND OTHER ASSETS:			
Investment securities	**8,553**	6,320	**76,162**
Investments in and advances to subsidiaries and associated companies (Note 7)	**26,896**	25,696	**239,501**
Other assets	**5,808**	3,820	**51,720**
Allowance for doubtful accounts	**(152)**	(152)	**(1,354)**
Total investments and other assets	**41,105**	35,684	**366,029**
TOTAL	**¥96,276**	¥83,674	**$857,311**

LIABILITIES AND EQUITY	Millions of Yen 2017	2016	Thousands of U.S. Dollars (Note 1) 2017
CURRENT LIABILITIES:			
Short-term borrowings (Note 8)	**¥5,650**	¥19,875	**$50,312**
Current portion of long-term debt (Note 8)	**1,778**	291	**15,833**
Payables:			
Trade notes	**309**	424	**2,752**
Trade accounts	**2,357**	2,205	**20,988**
Subsidiaries and associated companies	**364**	543	**3,241**
Other	**1,363**	1,378	**12,137**
Income taxes payable	**560**	245	**4,987**
Advances received	**5,526**	4,611	**49,207**
Accrued bonuses	**2,192**	1,582	**19,519**
Allowance for anticipated project loss	**8**	10	**71**
Other current liabilities	**1,935**	1,742	**17,231**
Total current liabilities	**22,042**	32,906	**196,278**
LONG-TERM LIABILITIES:			
Long-term debt (Note 8)	**21,442**	1,290	**190,935**
Liability for retirement benefits (Note 2.h)	**143**	161	**1,273**
Allowance for environmental measures	**25**	25	**223**
Deferred tax liabilities (Note 10)	**1,599**	938	**14,239**
Other long-term liabilities	**232**	241	**2,066**
Total long-term liabilities	**23,441**	2,655	**208,736**
COMMITMENTS AND CONTINGENT LIABILITIES (Note 12)			
EQUITY (Notes 9, 13.b and 14)**:**			
Common stock; authorized, 38,000,000 shares in 2017 and 189,580,000 shares in 2016; issued, 17,331,302 shares in 2017 and 86,656,510 shares in 2016	**7,393**	7,393	**65,833**
Capital surplus:			
Additional paid-in capital	**6,093**	6,093	**54,256**
Other capital surplus	**835**	115	**7,435**
Retained earnings:			
Legal reserve	**1,546**	1,546	**13,767**
Retained earnings - unappropriated	**37,486**	35,956	**333,802**
Unrealized gain on available-for-sale securities	**977**	(40)	**8,700**
Treasury stock—at cost 1,891,831 shares in 2017 and 9,816,140 shares in 2016	**(3,537)**	(2,950)	**(31,496)**
Total equity	**50,793**	48,113	**452,297**
TOTAL	**¥96,276**	¥83,674	**$857,311**

See notes to nonconsolidated financial statements.

Nonconsolidated Statement of Income

Nippon Koei Co., Ltd.
Year ended June 30, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	**2017**
NET SALES	**¥61,734**	¥60,327	**$549,724**
COST OF SALES	**44,384**	43,848	**395,227**
Gross profit	**17,350**	16,479	**154,497**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**14,358**	13,203	**127,854**
Operating income	**2,992**	3,276	**26,643**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**616**	569	**5,485**
Interest expense	**(208)**	(73)	**(1,852)**
Foreign currency exchange gain (loss)	**60**	(622)	**534**
Loss on impairment of long-lived assets (Note 5)	**(224)**		**(1,995)**
Head office transfer cost	**(106)**	(237)	**(944)**
Loss on support to subsidiaries and associates (Note 11)	**(433)**		**(3,856)**
Other-net	**361**	302	**3,216**
Other income (expenses)-net	**66**	(61)	**588**
INCOME BEFORE INCOME TAXES	**3,058**	3,215	**27,231**
INCOME TAXES (Note 10)**:**			
Current	**781**	863	**6,955**
Deferred	**(25)**	674	**(223)**
Total income taxes	**756**	1,537	**6,732**
NET INCOME	**¥2,302**	¥1,678	**$20,499**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2.t and 13)**:**			
Basic net income	**¥149.38**	¥109.62	**$1.33**
Cash dividends applicable to the year	**75.00**	10.00	**0.67**

See notes to nonconsolidated financial statements.

Nonconsolidated Statement of Changes in Equity

Nippon Koei Co., Ltd.
Year ended June 30, 2017

	Thousands	Millions of Yen							
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus: Additional Paid-in Capital	Capital Surplus: Other Capital Surplus	Retained Earnings: Legal Reserve	Retained Earnings: Unappropriated	Unrealized Gain (loss) on Available-for-sale Securities	Treasury Stock	Total Equity
BALANCE, JULY 1, 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**
Net income						2,302			2,302
Cash dividends, ¥75.00 per share						(772)			(772)
Purchase of treasury stock	(62)							(1,456)	(1,456)
Disposal of treasury stock	330			720				869	1,589
Share Consolidation	(61,669)								
Net change in the year							1,017		1,017
BALANCE, JUNE 30, 2017	**15,439**	**¥7,393**	**¥6,093**	**¥835**	**¥1,546**	**¥37,486**	**¥977**	**¥(3,537)**	**¥50,793**

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus: Additional Paid-in Capital	Capital Surplus: Other Capital Surplus	Retained Earnings: Legal Reserve	Retained Earnings: Unappropriated	Unrealized Gain (loss) on Available-for-sale Securities	Treasury Stock	Total Equity
BALANCE, JUNE 30, 2016	**$65,833**	**$54,256**	**$1,025**	**$13,767**	**$320,178**	**$(356)**	**$(26,269)**	**$428,434**
Net income					20,499			20,499
Cash dividends, $0.67 per share					(6,875)			(6,875)
Purchase of treasury stock							(12,965)	(12,965)
Disposal of treasury stock			6,410				7,738	14,148
Share Consolidation								
Net change in the year						9,056		9,056
BALANCE, JUNE 30, 2017	**$65,833**	**$54,256**	**$7,435**	**$13,767**	**$333,802**	**$8,700**	**$(31,496)**	**$452,297**

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 2016 nonconsolidated financial statements to conform to the classifications used in 2017.

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 ¥112.30 to $1, the approximate rate of exchange at June 30, 2017. 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 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, 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*** — 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.

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, 2017 and 2016, and is ¥14 million ($125 thousand) and ¥14 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*** —An asset retirement obligation is recorded for 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 accordance with the PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts," 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 Company records (1) the Company 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.

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

m. *Leases* — Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet. In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the previous accounting standard for lease transactions. 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 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.

The Company applied ASBJ Guidance No. 26, “Guidance on Recoverability of Deferred Tax Assets,” effective April 1, 2016. There was no impact from this for the year ended June 30, 2017.

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. Interest rate and currency swap are utilized by the Company to reduce its exposure to reduce the risks of foreign currency exchange rates and interest rates. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (a) 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; (b) for derivatives used for hedging purposes, if 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.

Interest rate and currency swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

t. ***Per Share Information*** — Basic net income per share is computed by dividing net income attributable to shareholders of common stock with the weighted-average number of shares of common stock outstanding for the period.

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, 2017 and 2016.

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.

On January 1, 2017, the Company effected a share consolidation at a rate of one share for every five common shares based on the resolution of the 72nd Ordinary General Meeting of Shareholders held on September 29, 2016. To provide basic net income per share figures on a basis comparable to the year ended June 30, 2017, the weighted-average number of shares of common stock has been restated to reflect the impact of the share consolidation for prior years.

On the other hand, number of common stock and treasury stock as of June 30, 2016, and cash dividends per share for the year ended June 30, 2016 have not been restated to reflect a share consolidation.

u. ***Accounting Changes and Error Corrections*** — Under 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

“Gain on sales of investment securities” (¥30 million ($267 thousand) in the current fiscal year and ¥342 million in the previous fiscal year), which was presented separately in the non-consolidated statement of income in the previous fiscal year, is included in “Other Income (expenses) — Other net” due to its decreased materiality.

4. INVENTORIES

Inventories at June 30, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Work in process	**¥7,469**	¥7,938	**$66,509**
Raw materials and supplies	**254**	346	**2,262**
Total	**¥7,723**	¥8,284	**$68,771**

5. LONG-LIVED ASSETS

The Company reviewed its long-lived assets for impairment as of June 30, 2017. As a result, the Company recognized an impairment loss of ¥224 million ($1,995 thousand) as loss on impairment of long-lived assets for assets to be disposed and idle assets. The carrying amount of the assets to be disposed were written down to the recoverable amount, which is zero, because they are to be demolished for redevelopment. The carrying amount of the idle assets were written down to the memorandum value because future cash flows are not expected. No impairment loss was recognized in 2016.

6. REDUCTION ENTRY

In the case of the acquisition expenses of 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, 2017 and 2016, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Buildings and structures	**¥19**	¥19	**$169**
Machinery and equipment	**167**	167	**1,487**
Total	**¥186**	¥186	**$1,656**

7. INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in and advances to subsidiaries and associated companies as of June 30, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Investments	**¥24,456**	¥23,648	**$217,774**
Advances	**2,440**	2,048	**21,727**
Total	**¥26,896**	¥25,696	**$239,501**

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, 2017, since market value and estimated future cash flows are not available.

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at June 30, 2017 and 2016, consisted of loans from consolidated subsidiaries. The annual interest rates applicable to the short-term borrowings ranged from 0.524% to 0.684% and 0.474% to 0.684% at June 30, 2017 and 2016, respectively.

Long-term debt at June 30, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Unsecured loans from banks due serially to 2026 with interest rates ranging from 0.250% to 1.988%	**¥23,174**	¥1,526	**$206,358**
Obligation under finance leases	**46**	55	**410**
Total	**23,220**	1,581	**206,768**
Less current portion	**(1,778)**	(291)	**(15,833)**
Long-term debt, less current portion	**¥21,442**	¥1,290	**$190,935**

Annual maturities of long-term debt at June 30, 2017, 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
2018	¥1,760	¥18	$15,673	$160
2019	2,060	12	18,344	107
2020	1,983	9	17,658	80
2021	2,186	5	19,466	45
2022	6,611	2	58,869	18
2023 and thereafter	8,574	0	76,348	0
Total	¥23,174	¥46	$206,358	$410

The Company and five financial institutions have concluded overdraft contracts and a commitment line contract by syndicated loan over three years. (During the fiscal year ended June 30, 2016, the Company had 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.

9. 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.

10. 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 30.9% and 33.1% for the years ended June 30, 2017 and 2016, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at June 30, 2017 and 2016, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Deferred tax assets:			
Investment in subsidiaries	**¥356**	¥354	**$3,170**
Allowance for doubtful accounts	**47**	48	**419**
Accrued bonuses	**649**	463	**5,779**
Liability for retirement benefits for employees	**40**	45	**356**
Liability for retirement benefits for directors	**4**	4	**36**
Allowance for anticipated project loss	**2**	3	**18**
Unrealized loss on available-for-sale securities		16	
Overdepreciation	**43**	355	**383**
Loss on impairment of long-lived assets	**117**	48	**1,042**
Head office transfer cost		29	
Other	**251**	208	**2,234**
Less valuation allowance	**(475)**	(705)	**(4,230)**
Total	**1,034**	868	**9,207**

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Deferred tax liabilities:			
Reserve for deferred gains on sale of property	**760**	793	**6,768**
Unrealized gain on available-for-sale securities	**431**		**3,838**
Prepaid pension cost	**597**	362	**5,316**
Other	**4**	48	**35**
Total	**1,792**	1,203	**15,957**
Net deferred tax assets	**¥(758)**	¥(335)	**$(6,750)**

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, 2017, with the corresponding figures for 2016, is as follows:

	2017	2016
Normal effective statutory tax rate	**30.9%**	33.1%
Per capita levy of local tax	**2.7**	2.6
Expenses not deductible for tax purposes	**6.5**	2.2
Foreign income tax	**8.0**	8.6
Valuation allowance	**(7.5)**	3.4
Special Tax Credit	**(7.7)**	(3.6)
Income taxes for prior periods	**(2.9)**	3.2
Income not included for tax purposes	**(4.7)**	(2.3)
Effect of reduction of income tax rates on deferred tax assets and deferred tax liabilities		(0.7)
Other – net	**(0.6)**	1.3
Actual effective tax rate	**24.7%**	47.8%

11. LOSS ON SUPPORT TO SUBSIDIARIES AND ASSOCIATES

Loss on support to subsidiaries and associates for the years ended June 30, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
June 30, 2017 and 2016	**2017**	2016	**2017**
Bad debt expenses	**¥373**		**$3,322**
Subsidiary support costs	**60**		**534**

12. CONTINGENT LIABILITIES

At June 30, 2017, the Company had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans related to employees	¥40	$356
Refundment bonds of subsidiaries	138	1,229
Performance bond of a subsidiary	48	427

13. PER SHARE INFORMATION

On January 1, 2017, the Company effected a share consolidation at a rate of one share for every five common shares based on the resolution of the 72nd Ordinary General Meeting of Shareholders held on September 29, 2016.

a. Basic net income per share

Basic net income per share figures has been restated to reflect the impact of the share consolidation for the year ended June 30, 2016. The weighted-average number of shares of common stock for the years ended June 30, 2017 and 2016, were 15,410,873 and 15,308,881 respectively after retroactive adjustments.

b. Number of shares and cash dividends per share

Number of common stock and treasury stock as of June 30, 2016, and cash dividends per share for the year ended June 30, 2016 have not been restated to reflect the share consolidation.
Assuming the share consolidation was effected at the beginning of the year ended June 30, 2016 (July 1, 2015), shares and per share figures would have been as follows:

	2017	2016
Cash dividends per share applicable to the year ...	**¥75.00**	¥50.00
Common stock issued	**17,331,302 shares**	17,331,302 shares
Treasury stock	**1,891,831 shares**	1,963,228 shares

14. SUBSEQUENT EVENTS

a. Retirement of treasury shares

At the meeting of the Board of Directors held on August 14, 2017, the Company resolved to retire treasury shares in accordance with the provisions of Article 178 of the Companies Act.

(1) Contents of the Resolution by the Board of Directors for the Retirement of Treasury Shares
  1) Type of shares to be retired
    Common stock of the Company
  2) Total number of shares to be retired
    1,436,731 shares
  3) Scheduled date for retirement
    August 31, 2017

(2) The Total Number of Shares Issued after the above Retirement will be 15,894,571 Shares.

b. Appropriations of Retained Earnings

On August 14, 2017, the following appropriation of retained earnings at June 30, 2017, was resolved by the Board of Directors:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥75 ($0.67) per share	¥1,192	$10,614

The total amount of the dividends above includes ¥34 million ($303 thousand) in dividends on the Company's shares owned by "ESOP".

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, 2017, 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, 2017, 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, 2017

Member of
Deloitte Touche Tohmatsu Limited

Corporate Information

Board of Directors, Officers and Audit & Supervisory Board Members

Director and Chairman:
Noboru Takano*

Director and Vice Chairman:
Akira Mizukoshi

Director and President:
Ryuichi Arimoto*

Director and Senior Managing Executive Officer:
Hiroyuki Akiyoshi*

Director and Managing Executive Officer:
Takayasu Tsuyusaki
Haruhiko Kanai

Director and Executive Officer:
Hideyuki Sakunaka
Hiroaki Shinya
Yasushi Hirusaki

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

Audit & Supervisory Board Member:
Toshiaki Shimizu
Izumi Arai (Outside)
Yoshiko Koizumi (Outside)

Senior Managing Executive Officer:
Takashi Karasaki
Yoshikimi Inoue
Masanao Nishimura
Takashi Seki

Managing Executive Officer:
Haruyoshi Takura
Hiroyuki Kasahara
Shuichi Ueda

Executive Officer:
Masanobu Sakamoto
Yasushi Sugo
Noriaki Yoshida
Kevin Tynes
Akimitsu Arai
Hitoshi Nagasaki
Hiroshi Matsuda
Toshikazu Kambara
Hiroshi Yokota
Hiroyuki Yamate
Ken Nishino
Noriyuki Nakashima

*Representative Directors　　As of September 28, 2017

Stock Information

Shares authorized	38,000,000
Shares issued	17,331,302
Stockholders of minimum tradable stock unit	4,877

As of June 30, 2017

Major Shareholders

	Share owned	Percentage of total owned
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	739,852	4.27
The Koei Employees' Stockholders Association	735,815	4.25
Japan Trustee Services Bank, Ltd. (Trust Account)	725,300	4.18
Meiji Yasuda Life Insurance	705,904	4.07
Mizuho Securities Co.,Ltd.	600,000	3.46
The Master Trust Bank of Japan, Ltd. (Trust Account)	537,600	3.10
GOVERNMENT OF NORWAY	522,878	3.02
Trust & Custody Services Bank, Ltd. (Trust Account E)	455,100	2.63
Mizuho Bank, Ltd.	382,126	2.20
Tsukishima Kikai Co.,Ltd	368,600	2.13

As of June 30, 2017

Besides the above, the Company owns 1,436,731 shares of treasury stock (8.29%)

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

Shin-Kojimachi Office
4-2 Kojimachi, 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
Jakarta, Manila, Hanoi, Ho Chi Minh, Bangkok, Vientiane, Phnom Penh, Yangon, Naypyidaw, Singapore, New Delhi, Dhaka, Colombo, Amman, Baghdad, Tunis, Rabat, 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 2017, the total number of employees of the Group companies came to about 4,566.

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.

System Science Consultants Inc.
This company provides the consulting services in the socio-economic sector to enforce Nippon Koei's overseas operation.

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 Division

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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