NIPPON KOEI

Financial Report

Year ended June 30, 2018

NIPPON KOEI CO.,LTD.

Company Profile

Nippon Koei Co., Ltd. is Japan's leading engineering consultant. In terms of human resources, we have the largest number of engineers and specialists in the industry capable of solving the most sophisticated and complex issues which nations face. Our business activities cover five market areas: namely, domestic infrastructure market, international infrastructure market, electric power engineering market, urban & spatial development market, and participant in energy business.

CONTENTS

Financial Highlights 1
Consolidated Balance Sheet 2
Consolidated Statement of Income and Comprehensive Income 4
Consolidated Statement of Changes in Equity 5
Consolidated Statement of Cash Flows 6
Notes to Consolidated Financial Statements 7
Nonconsolidated Balance Sheet 40
Nonconsolidated Statement of Income 42
Nonconsolidated Statement of Changes in Equity 43
Notes to Nonconsolidated Financial Statements 44
Significant Consolidated Subsidiaries 56

Financial Highlights

Consolidated

Years Ended June 30	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars 2018
Net sales	**¥106,024**	¥101,338	**$959,537**
Net income attributable to owner of the parent	**4,556**	3,288	**41,232**

	Yen 2018	Yen 2017	U.S. Dollars 2018
Net income per share	**¥294.12**	¥213.39	**$2.66**

As of June 30	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars 2018
Total assets	**¥114,507**	¥113,866	**$1,036,309**
Equity	**59,450**	54,874	**538,033**

Nonconsolidated

Years Ended June 30	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars 2018
Net sales	**¥64,782**	¥61,734	**$586,289**
Net income attributable to owner of the parent	**2,921**	2,302	**26,435**

	Yen 2018	Yen 2017	U.S. Dollars 2018
Net income per share	**¥188.56**	¥149.38	**$1.71**

As of June 30	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars 2018
Total assets	**¥96,402**	¥96,276	**$872,456**
Equity	**53,012**	50,793	**479,768**

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 ¥110.495 to $1, the approximate rate of exchange at June 30, 2018.

Consolidated Balance Sheet

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
June 30, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2018**	2017	**2018**
CURRENT ASSETS:			
Cash and cash equivalents (Note 17)	**¥15,233**	¥17,083	**$137,861**
Receivables (Note 17):			
Trade notes	**26**	16	**235**
Trade accounts	**26,072**	17,954	**235,956**
Unconsolidated subsidiaries and associated companies	**117**	131	**1,059**
Other	**474**	408	**4,290**
Allowance for doubtful accounts	**(83)**	(7)	**(751)**
Inventories (Note 6)	**8,169**	11,984	**73,931**
Deferred tax assets (Note 14)	**994**	1,234	**8,996**
Prepaid expenses and other current assets	**4,256**	5,995	**38,518**
Total current assets	**55,258**	54,798	**500,095**
PROPERTY, PLANT AND EQUIPMENT (Notes 7, 8 and 9):			
Land	**16,598**	17,649	**150,215**
Buildings and structures	**17,153**	16,151	**155,238**
Machinery and equipment	**3,895**	2,614	**35,250**
Furniture and fixtures	**5,008**	4,988	**45,323**
Lease assets	**154**	177	**1,394**
Construction in progress	**2,958**	253	**26,770**
Total	**45,766**	41,832	**414,190**
Accumulated depreciation	**(18,142)**	(17,296)	**(164,188)**
Net property, plant and equipment	**27,624**	24,536	**250,002**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 17)	**5,846**	8,672	**52,907**
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 10 and 17(5)(b))	**4,090**	4,156	**37,015**
Trademarks	**3,162**	3,355	**28,617**
Goodwill	**8,186**	8,686	**74,085**
Receivables in bankruptcy	**16**	16	**145**
Deferred tax assets (Note 14)	**1,135**	1,149	**10,272**
Asset for retirement benefits	**4,080**	3,392	**36,925**
Other assets	**5,288**	5,275	**47,857**
Allowance for doubtful accounts	**(178)**	(169)	**(1,611)**
Total investments and other assets	**31,625**	34,532	**286,212**
TOTAL	**¥114,507**	¥113,866	**$1,036,309**

LIABILITIES AND EQUITY	Millions of Yen 2018	2017	Thousands of U.S. Dollars (Note 1) 2018
CURRENT LIABILITIES:			
Current portion of long-term debt (Note 11 and 17)	**¥2,072**	¥1,788	**$18,752**
Payables:			
Trade notes	**—**	309	**—**
Trade accounts	**4,123**	3,659	**37,314**
Unconsolidated subsidiaries and associated companies	**52**	55	**471**
Other	**2,386**	1,881	**21,594**
Income taxes payable	**1,013**	1,050	**9,168**
Advances received	**8,694**	10,798	**78,682**
Unearned revenue	**3,157**	3,551	**28,571**
Accrued bonuses	**2,589**	3,175	**23,431**
Allowance for anticipated project loss	**177**	55	**1,602**
Other current liabilities	**4,178**	4,020	**37,811**
Total current liabilities	**28,441**	30,341	**257,396**
LONG-TERM LIABILITIES:			
Long-term debt (Note 11 and 17)	**18,965**	21,448	**171,637**
Provision for directors' retirement benefits (Note 12)	**32**	46	**290**
Allowance for environmental measures	**34**	34	**308**
Liability for retirement benefits (Note 12)	**3,874**	3,964	**35,060**
Deferred tax liabilities (Note 14)	**3,383**	2,859	**30,617**
Other long-term liabilities	**328**	300	**2,968**
Total long-term liabilities	**26,616**	28,651	**240,880**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 16, 18 and 20)			
EQUITY (Notes 13 and 22.a):			
Common stock, authorized, 38,000,000 shares in 2018 and 38,000,000 shares in 2017; issued, 15,905,049 shares in 2018 and 17,331,302 shares in 2017	**7,415**	7,393	**67,107**
Capital surplus	**6,466**	7,241	**58,518**
Retained earnings	**45,529**	43,450	**412,047**
Treasury stock—at cost 364,422 shares in 2018 and 1,891,831 shares in 2017	**(1,180)**	(3,607)	**(10,679)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**1,196**	1,017	**10,824**
Foreign currency translation adjustments	**(2,045)**	(1,814)	**(18,508)**
Defined retirement benefit plans	**983**	828	**8,896**
Total	**58,364**	54,508	**528,205**
Noncontrolling interests	**1,086**	366	**9,828**
Total equity	**59,450**	54,874	**538,033**
TOTAL	**¥114,507**	¥113,866	**$1,036,309**

See notes to consolidated financial statements.

Consolidated Statement of Income and Comprehensive Income

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year ended June 30, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	**2018**
NET SALES	**¥106,024**	¥101,338	**$959,537**
COST OF SALES	**73,664**	70,400	**666,673**
Gross profit	**32,360**	30,938	**292,864**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	**25,798**	25,473	**233,477**
Operating income	**6,562**	5,465	**59,387**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**446**	420	**4,036**
Interest expense	**(223)**	(195)	**(2,018)**
Foreign currency exchange (loss) gain	**(149)**	41	**(1,348)**
Gain on sales of property, plant and equipment	**1,276**	2	**11,548**
Loss on impairment of long-lived assets (Note 7 and 23)	**—**	(226)	**—**
Head office transfer cost	**(833)**	(106)	**(7,539)**
Loss on support to subsidiaries and associates (Note 19)	**—**	(433)	**—**
Other-net	**86**	226	**778**
Other expenses-net	**603**	(271)	**5,457**
INCOME BEFORE INCOME TAXES	**7,165**	5,194	**64,844**
INCOME TAXES (Note 14)**:**			
Current	**1,833**	1,866	**16,589**
Deferred	**723**	5	**6,543**
Total income taxes	**2,556**	1,871	**23,132**
NET INCOME	**4,609**	3,323	**41,712**
NET INCOME ATTRIBUTABLE TO:			
Owners of the parent	**4,556**	3,288	**41,232**
Noncontrolling interests	**53**	35	**480**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 21) **:**			
Unrealized gain on available-for-sale securities	**177**	1,026	**1,602**
Foreign currency translation adjustment	**(242)**	(1,509)	**(2,190)**
Defined retirement benefit plans	**155**	800	**1,403**
Total other comprehensive income	**90**	317	**815**
COMPREHENSIVE INCOME	**¥4,699**	¥3,640	**$42,527**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥4,681**	¥3,601	**$42,364**
Noncontrolling interests	**¥18**	¥39	**$163**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2.t)**:**			
Basic net income	**¥294.12**	¥213.39	**$2.66**
Cash dividends applicable to the year	**75.00**	75.00	**0.68**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year ended June 30, 2018

	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, 2016	**76,840**	**¥7,393**	**¥6,209**	**¥40,822**	**¥(3,020)**	**¥(8)**	**¥(302)**	**¥29**	**¥51,123**	**¥337**	**¥51,460**
Adjustment for change in scope of consolidation	—	—	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**
Issuance of new shares	10	22	22	—	—	—	—	—	44	—	44
Adjustment for change in scope of consolidation	—	—	39	37	—	—	(21)	—	55	711	766
Net income attributable to owners of the parent	—	—	—	4,556	—	—	—	—	4,556	—	4,556
Cash dividends, ¥75.00 per share	—	—	—	(1,192)	—	—	—	—	(1,192)	—	(1,192)
Purchase of treasury stock	(6)	—	—	—	(26)	—	—	—	(26)	—	(26)
Disposal of treasury stock	98	—	—	—	294	—	—	—	294	—	294
Retirement of treasury stock	—	—	(836)	(1,323)	2,159	—	—	—	—	—	—
Net change in the year	—	—	—	—	—	179	(209)	155	125	9	134
BALANCE, JUNE 30, 2018	**15,541**	**¥7,415**	**¥6,466**	**¥45,528**	**¥(1,180)**	**¥1,196**	**¥(2,044)**	**¥983**	**¥58,364**	**¥1,086**	**¥59,450**

	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, 2017	**$66,908**	**$65,532**	**$393,230**	**$(32,644)**	**$9,204**	**$(16,417)**	**$7,494**	**$493,307**	**$3,311**	**$496,618**
Issuance of new shares	199	199	—	—	—	—	—	398	—	398
Adjustment for change in scope of consolidation	—	353	335	—	—	(191)	—	497	6,435	6,932
Net income attributable to owners of the parent	—	—	41,234	—	—	—	—	41,234	—	41,234
Cash dividends, $0.68 per share	—	—	(10,788)	—	—	—	—	(10,788)	—	(10,788)
Purchase of treasury stock	—	—	—	(235)	—	—	—	(235)	—	(235)
Disposal of treasury stock	—	—	—	2,661	—	—	—	2,661	—	2,661
Retirement of treasury stock	—	(7,566)	(11,973)	19,539	—	—	—	—	—	—
Net change in the year	—	—	—	—	1,620	(1,891)	1,402	1,131	82	1,213
BALANCE, JUNE 30, 2018	**$67,107**	**$58,518**	**$412,038**	**$(10,679)**	**$10,824**	**$(18,499)**	**$8,896**	**$528,205**	**$9,828**	**$538,033**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Year ended June 30, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
OPERATING ACTIVITIES:	**2018**	2017	**2018**
Income before income taxes	**¥7,165**	¥5,194	**$64,844**
Adjustments for:			
Income taxes – paid	**(1,973)**	(1,503)	**(17,856)**
Depreciation and amortization	**1,668**	1,720	**15,096**
Loss on impairment of long-lived assets (Note 7 and 23)	**—**	226	**—**
Amortization of goodwill	**474**	623	**4,290**
Gain on sales of property, plant and equipment	**(1,284)**	(2)	**(11,620)**
Gain on sales of investment securities	**(64)**	(31)	**(579)**
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Increase in trade accounts receivable	**(8,087)**	(316)	**(73,189)**
Decrease in inventories	**3,797**	868	**34,364**
Increase (decrease) in trade accounts payable	**160**	(1,098)	**1,448**
(Decrease) increase in advanced received	**(2,079)**	1,915	**(18,815)**
Other—net	**(379)**	(1,219)	**(3,431)**
Net cash (used in) provided by operating activities	**(602)**	6,377	**(5,448)**
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	**¥(3,323)**	¥(1,086)	**$(30,074)**
Proceeds from sales of property, plant and equipment	**2,339**	—	**21,168**
Proceeds from sales and redemption of investment securities	**2,858**	532	**25,865**
Purchases of investment securities	**(1,592)**	(1,519)	**(14,408)**
Payments of loans receivable	**(791)**	(880)	**(7,159)**
Increase (decrease) in other assets	**1,486**	(1,220)	**13,450**
Net cash provided by (used in) investing activities	**977**	(4,173)	**8,842**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
FINANCING ACTIVITIES:	**2018**	2017	**2018**
Net decrease in short-term loans payable	**¥—**	¥(16,000)	**$—**
Proceeds from long-term loans payable	**—**	23,547	**—**
Repayments of long-term loans payable	**(2,100)**	(2,008)	**(19,005)**
Purchase of treasury stock	**(26)**	(1,456)	**(235)**
Disposal of treasury stock	**294**	1,589	**2,661**
Dividends paid	**(1,193)**	(773)	**(10,797)**
Other—net	**(38)**	(53)	**(345)**
Net cash (used in) provided by financing activities	**(3,063)**	4,846	**(27,721)**
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	**(22)**	(125)	**(199)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(2,710)**	6,925	**(24,526)**
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARIES	**860**	757	**7,783**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**17,083**	9,401	**154,604**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥15,233**	¥17,083	**$137,861**

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 2017 consolidated financial statements to conform to the classifications used in 2018.

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 ¥110.495 to $1, the approximate rate of exchange at June 30, 2018. 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, 2018, include the accounts of the Company and its 62 significant (58 in 2017) subsidiaries (collectively, the "Group").

MYANMAR KOEI INTERNATIONAL LTD., KOEI Energy Co., Ltd and DSI Co., Ltd. were added in the scope of consolidation from the current fiscal year due to their increased materiality. The Company also acquired additional interest in IRONMONT HYDRO PTE. LTD., making it and its consolidated subsidiary our wholly owned subsidiaries as of the current consolidated fiscal year.

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.

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 63 years for buildings and structures, from 2 to 22 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 circumstances 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.

The Group accounts 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. Actual gains and losses and past service costs are amortized and recognized in profit or loss over 13 years.

Hitherto, retirement benefits for directors were provided at the amount that would be required if all directors retired at the consolidated balance sheet date. However, the Group terminated 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 Practical Issues Task Force ("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 consolidated balance sheet. 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.

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* — During the progress of operation, the percentage-of-completion method is applied when the extent of progress toward completion, total costs on and total revenue from the contract are reliably estimated. The stage of completion is determined using the cost-to-cost 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, 2018 and 2017.

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.

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.

Changes in Accounting Policies

The Company and domestic subsidiaries had been applying the completed-contract method (including partial completed-contract method) in principle to record the revenue from the contract relating to Domestic Consulting Operations, International Consulting Operations and Power Engineering Operations. From contracts started during the current fiscal year, the percentage-of-completion method is applied. Taking into consideration of the increasing opportunities to receive larger project orders under the government-led strategic exporting of infrastructure systems and the expansion of the Group's international operations such as the acquisition of United Kingdom, architectural firms, the Company has determined that the percentage-of-completion method would be more appropriate to present their operating results and financial conditions. Once the development in their internal systems including accounting system were completed, the Company has decided to change the accounting method relating to revenue from the contract.
As this change was made possible with the introduction of a new accounting system, using the percentage-of-completion method to calculate retroactively is practically impossible.
Furthermore, since the cumulative impact at the beginning of the current fiscal year cannot be calculated in the case where the system is applied retrospectively, the balance at the end of the previous fiscal year is treated as the balance at the beginning of the current fiscal year.
The Company applies the completion-contract method in principle to operational contracts concerning works in process that are included in the balance at the end of the previous consolidated fiscal year, and therefore, sales shall be recorded for the quarter during which individual operations are completed.
As a result, compared with the previous accounting method, net sales increased by ¥11,338 million; gross profit, operating income, ordinary income, and profit before income taxes all increased by ¥2,687 million; and net income per share increased by ¥117.17 for the fiscal year ended June 30, 2018.
Impacts on segment information are stated in the relevant section.

New Accounting Pronouncements

1. Tax Effect Accounting
   On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," and ASBJ Guidance No. 26, "Implementation Guidance on Recoverability of Deferred Tax Assets." Accounting treatments are required as follows: (1) changes in handling future taxable amount in individual financial statements and (2) clarification of handling on recoverability of deferred tax assets in companies that are categorized as (type 1).

   The accounting standard and guidance are effective for annual periods beginning on or after July 2018.
   The Company expects to apply the accounting standard and guidance for annual periods beginning on or after July 1, 2018, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

2. Accounting Standard for Revenue Recognition
   On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

   Step 1: Identify the contract(s) with a customer
   Step 2: Identify the performance obligations in the contract
   Step 3: Determine the transaction price
   Step 4: Allocate the transaction price to the performance obligations in the contract
   Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after July 1, 2021. Earlier application is permitted for annual periods beginning on or after July 1, 2018.
The Company expects to apply the accounting standard and guidance for annual periods beginning on or after July 1, 2022, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

3. CHANGES IN PRESENTATION

(1) "Gain on sales of property, plant, and equipment" (¥1,276 million ($11,548 thousand) in the current fiscal year and ¥2 million in the previous fiscal year), which was included in "Other income (expenses)" in the consolidated statement of income and comprehensive income in the previous fiscal year, is presented separately due to its increased materiality.
(2) "Payments for head office transfer cost" (¥(218) million in the previous fiscal year), "Head office transfer cost" (¥106 million in the previous fiscal year), and "Loss on support to subsidiaries and associates" (¥433 million in the previous fiscal year), which was presented separately in the consolidated statement of cash flows in the previous fiscal year, is included in "Other -net" (¥(379) million ($(3,431) thousand) in the current fiscal year) under "Operating Activities" due to its decreased materiality.
(3) "Proceeds from sales of property, plant, and equipment" (¥2,339 million ($30,074 thousand) in the current fiscal year and no recognition in the previous fiscal year) under "Investing Activities" in the consolidated statement of cash flows, is presented separately due to its increased materiality.

4. ADDITIONAL INFORMATION

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

(1) Overview of the transaction
At a meeting of the Board of Directors held on 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.

(2) The Company's shares remaining in the ESOP
Shares of the Company remaining in the ESOP are recognized at the ESOP's book value thereof (excluding the amount of ancillary expenses) as treasury stock under net assets. The book value and number of shares of such treasury stock were ¥1,087 million ($9,838 thousand) and 358 thousand shares, respectively, for the year ended June 30, 2018.

(3) Book value of borrowings posted through the application of the gross price method
Book value of borrowings posted through the application of the gross price method was ¥1,073 million ($9,711 thousand) for the year ended June 30, 2018.

5. INVESTMENT SECURITIES

Investment securities as of June 30, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Noncurrent:			
Marketable equity securities	**¥5,077**	¥7,599	**$45,948**
Government and corporate bonds	**533**	738	**4,824**
Other	**236**	335	**2,135**
Total	**¥5,846**	¥8,672	**$52,907**

The costs and aggregate fair values of investment securities at June 30, 2018 and 2017, were as follows:

	Millions of Yen			
June 30, 2018	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥2,863**	**¥1,778**	**¥16**	**¥4,625**
Debt securities	**568**	**—**	**35**	**533**
Other	**236**	**—**	**—**	**236**
Total	**¥3,667**	**¥1,778**	**¥51**	**¥5,394**

	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

	Thousands of U.S. Dollars			
June 30, 2018	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$25,911**	**$16,091**	**$145**	**$41,857**
Debt securities	**5,141**	**—**	**317**	**4,824**
Other	**2,135**	**—**	**—**	**2,135**
Total	**$33,187**	**$16,091**	**$462**	**$48,816**

The proceeds and realized gains and losses of the available-for-sale securities, which were sold during the years ended June 30, 2018 and 2017, were as follows:

	Millions of Yen		
June 30, 2018	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	**¥2,733**	**¥437**	**¥373**
Debt securities	—	—	—
Other	—	—	—
Total	**¥2,733**	**¥437**	**¥373**

	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	¥ —

	Thousands of U.S. Dollars		
June 30, 2018	Proceeds	Realized Gains	Realized Losses
Securities classified as:			
Available-for-sale:			
Equity securities	**$24,734**	**$3,955**	**$3,376**
Debt securities	—	—	—
Other	—	—	—
Total	**$24,734**	**$3,955**	**$3,376**

6. INVENTORIES

Inventories at June 30, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Merchandise	**¥6**	¥0	**$54**
Work in process	**7,943**	11,728	**71,886**
Raw materials and supplies	**220**	256	**1,991**
Total	**¥8,169**	¥11,984	**$73,931**

7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of June 30, 2018. As a result, no impairment loss was recognized. The Group recognized an impairment loss of ¥226 million as loss on impairment of long-lived assets for assets to be disposed and idle assets in 2017. 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 was written down to the memorandum value because future cash flows are not expected.

8. INVESTMENT PROPERTY

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 ¥404 million ($3,656 thousand) and ¥401 million for the fiscal years ended June 30, 2018 and 2017, 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, 2017	Decrease	June 30, 2018	June 30, 2018
¥2,326	**¥(26)**	**¥2,300**	**¥5,241**

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

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
June 30, 2017	Decrease	June 30, 2018	June 30, 2018
$21,051	**$(236)**	**$20,815**	**$47,432**

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, 2017, primarily represents removal of headquarters from rental properties due to the launch of its reconstruction and transfer from rental properties to assets for development. Decrease during the fiscal year ended June 30, 2018, primarily represents depreciation of buildings of stores for rent.
3. Fair value of properties was measured by the Group in accordance with the Real-Estate Appraisal Standard.
4. During the fiscal year ended June 30, 2018, investment property under construction (¥1,071 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, 2018 and 2017, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Buildings and structures	**¥19**	¥19	**$172**
Machinery and equipment	**167**	167	**1,511**
Total	**¥186**	¥186	**$1,683**

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

Investments in and advances to unconsolidated subsidiaries and associated companies at June 30, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Investments	**¥3,330**	¥1,819	**$30,137**
Advances	**760**	2,337	**6,878**
Total	**¥4,090**	¥4,156	**$37,015**

11. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Long-term debt at June 30, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Unsecured loans from banks due serially to 2026 with interest rates ranging from 0.250% to 2.513%	**¥20,985**	¥23,174	**$189,918**
Obligation under finance leases	**52**	62	**471**
Total	**21,037**	23,236	**190,389**
Less current portion	**(2,072)**	(1,788)	**(18,752)**
Long-term debt, less current portion	**¥18,965**	¥21,448	**$171,637**

Annual maturities of long-term debt at June 30, 2018, 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
2019	¥2,051	¥21	$18,562	$190
2020	1,974	14	17,865	127
2021	2,176	9	19,693	81
2022	6,250	4	56,564	36
2023	2,190	2	19,820	18
2024 and thereafter	6,344	1	57,414	10
Total	¥20,985	¥51	$189,918	$462

The Group and four financial institutions have entered into overdraft contracts and a commitment line contract by syndicated loan over three years. 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, 2018 and 2017, for directors were ¥32 million ($290 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, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Balance at beginning of year	**¥15,386**	¥15,253	**$139,246**
Current service cost	**1,121**	1,096	**10,145**
Interest cost	**107**	106	**968**
Actuarial losses	**92**	69	**833**
Benefits paid	**(1,050)**	(1,138)	**(9,503)**
Others	**62**	—	**562**
Balance at end of year	**¥15,718**	¥15,386	**$142,251**

(2) The changes in plan assets for the years ended June 30, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Balance at beginning of year	**¥15,500**	¥13,362	**$140,278**
Expected return on plan assets	**311**	267	**2,815**
Actuarial losses	**381**	1,225	**3,448**
Contributions from the employer	**1,126**	1,528	**10,191**
Benefits paid	**(814)**	(882)	**(7,367)**
Others	**53**	—	**479**
Balance at end of year	**¥16,557**	¥15,500	**$149,844**

(3) The changes in defined benefit obligation under the simplified method for the years ended June 30, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Balance at beginning of year	**¥684**	¥663	**$6,190**
Periodic benefit cost	**61**	58	**553**
Benefits paid	**(112)**	(40)	**(1,014)**
Others	**0**	3	**0**
Balance at end of year	**¥633**	¥684	**$5,729**

(4) The reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of June 30, 2018 and 2017, was as follows (including the benefit plans for which the simplified method was applied):

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Funded defined benefit obligation	**¥12,477**	¥12,167	**$112,919**
Plan assets	**(16,557)**	(15,553)	**(149,844)**
Total	**(4,080)**	(3,386)	**(36,925)**
Unfunded defined benefit obligation	**3,874**	3,958	**35,061**
Net liability arising from defined benefit obligation	**(206)**	572	**(1,864)**
Liability for retirement benefits	**3,874**	3,964	**35,060**
Asset for retirement benefits	**4,080**	3,392	**36,924**
Net liability arising from defined benefit obligation	**¥(206)**	¥572	**$(1,864)**

(5) The components of net periodic benefit costs for the years ended June 30, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Service cost	**¥1,121**	¥1,096	**$10,145**
Interest cost	**107**	106	**968**
Expected return on plan assets	**(311)**	(267)	**(2,815)**
Recognized actuarial (gains) losses	**(91)**	(28)	**(825)**
Amortization of prior service cost	**28**	26	**253**
Periodic benefit cost under simplified method	**61**	58	**552**
Others	**9**	36	**84**
Net periodic benefit costs	**¥924**	¥1,027	**$8,362**

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended June 30, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Prior service cost	**¥(28)**	¥(28)	**$(253)**
Actuarial (gains) losses	**(198)**	(1,126)	**(1,792)**
Total	**¥(226)**	¥(1,154)	**$(2,045)**

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of June 30, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Unrecognized prior service cost	**¥201**	¥229	**$1,819**
Unrecognized actuarial (gains) losses	**(1,621)**	(1,423)	**(14,670)**
Total	**¥(1,420)**	¥(1,194)	**$(12,851)**

(8) Plan assets

a. Components of plan assets

Plan assets as of June 30, 2018 and 2017, consisted of the following:

	2018	2017
Debt investments	**34%**	34%
Equity investments	**44**	44
Cash and cash equivalents	**19**	19
Others	**3**	3
Total	**100%**	100%

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

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

(9) Assumptions used for the years ended June 30, 2018 and 2017, were set forth as follows:

	2018	2017
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 Ministry of Health, Labor and Welfare approved exemption of returning the previous portion for the substitution part of employees' pension funds. With this, the system was transferred from employees' pension plan to corporate pension plan.

The contributions to such multiemployer plan were ¥512 million ($4,634 thousand) and ¥499 million for the years ended June 30, 2018 and 2017, respectively.

a. The funded status of the multiemployer plan as of June 30, 2018 and 2017, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Plan assets	**¥75,026**	¥193,485	**$678,999**
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	**62,372**	190,067	**564,478**
Net balance	**¥12,654**	¥3,418	**$114,521**

The net balance above is mainly the result of past service cost of ¥(10,223) million ($(92,520) thousand) for 2018 and ¥(19,253) million for 2017, and surplus carried forward of ¥22,877 million ($207,041 thousand) for 2018, and ¥22,671 million for 2017. Past service cost under the plan is amortized on a straight-line basis over 15 years, and the special contributions of ¥366 million ($3,312 thousand) for 2018 and ¥354 million for 2017, 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 multiemployer plan for the years ended June 30, 2018 and 2017, was as follows:

	2018	2017
The contribution ratio of the Group in the multiemployer plan	**13.6%**	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 that, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.9% for the years ended June 30, 2018 and 2017.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at June 30, 2018 and 2017, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Deferred tax assets:			
Investment in subsidiaries	**¥47**	¥47	**$425**
Accrued bonuses	**604**	889	**5,466**
Net defined benefit liability	**700**	800	**6,335**
Liability for retirement benefits for directors	**5**	15	**45**
Allowance for anticipated project loss	**54**	17	**489**
Overdepreciation	**142**	139	**1,285**
Loss on impairment of long-lived assets	**85**	140	**769**
Deferred relief on pension contributions	**—**	39	**—**
Tax loss carryforwards	**16**	21	**145**
Other	**620**	466	**5,612**
Less valuation allowance	**(304)**	(276)	**(2,751)**
Total	**1,969**	2,297	**17,820**
Deferred tax liabilities:			
Net defined benefit asset	**742**	610	**6,715**
Reserve for deferred gains on sale of property	**758**	760	**6,860**
Reserve for special account for advanced depreciation of property	**265**	—	**2,399**
Unrealized gain on available-for-sale securities	**528**	451	**4,778**
The valuation differences by using the full fair value method	**842**	944	**7,620**
Other	**88**	8	**797**
Total	**3,223**	2,773	**29,169**
Net deferred tax assets	**¥(1,254)**	¥(476)	**$(11,349)**

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, 2018, with the corresponding figures for 2017, is as follows:

	2018	2017
Normal effective statutory tax rate	**30.9%**	30.9%
Per capita levy of local tax	**1.9**	2.6
Expenses not deductible for tax purposes	**2.4**	4.2
Foreign income tax	**4.0**	9.2
Tax credit	**(3.2)**	(5.2)
Valuation allowance	**1.5**	(4.3)
Amortization of goodwill	**2.0**	3.9
Income taxes for prior periods	**0.8**	(1.7)
Effect of reduction of income tax rates on deferred tax assets and deferred tax liabilities	**—**	0.1
Lower income tax rates applicable to certain foreign subsidiaries	**(1.0)**	(1.8)
Other – net	**(3.6)**	(1.9)
Actual effective tax rate	**35.7%**	36.0%

At June 30, 2018, certain subsidiaries have tax loss carryforwards aggregating approximately ¥135 million ($1,222 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	¥41	$371
June 30, 2020	31	281
June 30, 2021	60	543
June 30, 2022	3	27
Total	¥135	$1,222

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥913 million ($8,263 thousand) and ¥700 million for the years ended June 30, 2018 and 2017, respectively.

16. LEASES

Lessee

The minimum rental commitments under noncancelable operating leases at June 30, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Due within one year	**¥1,148**	¥961	**$10,390**
Due after one year	**3,351**	3,016	**30,327**
Total	**¥4,499**	¥3,977	**$40,717**

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, 2018.

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

37.0% of total receivables are from three major customers of the Group as of June 30, 2018.

(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, 2018	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**¥15,233**	**¥15,233**	**¥ —**
Receivables	**26,606**	**26,606**	**—**
Investment securities	**5,394**	**5,394**	**—**
Total	**¥47,233**	**¥47,233**	**¥ —**
Long-term debt (Note)	**¥20,985**	**¥20,789**	**¥(196)**
Total	**¥20,985**	**¥20,789**	**¥(196)**
Derivatives	**¥6**	**¥6**	**¥ —**

	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	¥ —

	Thousands of U.S. Dollars		
June 30, 2018	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**$137,861**	**$137,861**	**$** —
Receivables	**240,789**	**240,789**	—
Investment securities	**48,817**	**48,817**	—
Total	**$427,467**	**$427,467**	**$** —
Long-term debt (Note)	**$189,918**	**$188,144**	**$(1,774)**
Total	**$189,918**	**$188,144**	**$(1,774)**
Derivatives	**$54**	**$54**	**$** —

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) The carrying amount of financial instruments whose fair values cannot be reliably determined is as follows:

	Millions of Yen		Thousands of U.S. Dollars
June 30, 2018 and 2017	**2018**	2017	**2018**
Investments in equity instruments that do not have a quoted market price in an active market	**¥3,783**	¥2,599	**$34,237**
Investments in debt instruments that do not have a quoted market price in an active market	**¥0**	¥145	**$0**

The impairment loss on investments in equity instruments that do not have a quoted market price in an active market for the years ended June 30, 2018 and 2017, was ¥154 million ($1,394 thousand) and ¥18 million, respectively.

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

June 30, 2018	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	**¥15,233**	**¥ —**	**¥ —**	**¥ —**
Receivables	**26,606**	**—**	**—**	**—**
Investment securities				
Available-for-sale securities with contractual maturities	**—**	**—**	**—**	**—**
Total	**¥41,839**	**¥ —**	**¥ —**	**¥ —**

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, 2018	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	**$137,861**	**$ —**	**$ —**	**$ —**
Receivables	**240,789**	**—**	**—**	**—**
Investment securities				
Available-for-sale securities with contractual maturities	**—**	**—**	**—**	**—**
Total	**$378,650**	**$ —**	**$ —**	**$ —**

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 are 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, 2018	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	**¥4,641**	**¥4,061**	**¥6**	**¥6**

		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, 2018	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	**$42,002**	**$36,753**	**$54**	**$54**

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, 2018	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	**¥3,094**	**¥2,707**	(Note 1)

			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	(Note 1)

			Thousands of U.S. Dollars		
June 30, 2018	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	**$28,001**	**$24,499**	(Note 1)

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, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Bad debt expenses	**¥ —**	¥373	**$ —**
Subsidiary support costs	**—**	60	**—**

20. CONTINGENT LIABILITIES

At June 30, 2018, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans related to employees	¥30	$272

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 under tort liability. 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, via 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, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	**¥193**	¥1,508	**$1,747**
Reclassification adjustments to profit or loss	**61**	(30)	**552**
Amount before income tax effect	**254**	1,478	**2,299**
Income tax effect	**(77)**	(452)	**(697)**
Total	**177**	¥1,026	**$1,602**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥(242)**	¥(1,509)	**$(2,190)**
Reclassification adjustments to profit or loss	**—**	—	**—**
Amount before income tax effect	**(242)**	(1,509)	**(2,190)**
Income tax effect	**—**	—	**—**
Total	**¥(242)**	¥(1,509)	**$(2,190)**
Defined retirement benefit plans:			
Adjustments arising during the year	**¥290**	¥1,155	**$2,625**
Reclassification adjustments to profit or loss	**(64)**	(1)	**(580)**
Amount before income tax effect	**226**	1,154	**2,045**
Income tax effect	**(71)**	(354)	**(642)**
Total	**¥155**	¥800	**$1,403**
Total other comprehensive income	**¥90**	¥317	**$815**

22. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

On August 28, 2018, the following appropriation of retained earnings at June 30, 2018, was resolved by the extraordinary Board of Directors' meeting:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥75 ($0.68) per share	¥1,192	$10,788

The total amount of the dividends above includes ¥27 million ($244 thousand) in dividends on the Company's shares owned by "ESOP."

b. Issuance of new shares as restricted stock compensation

The Company decided to issue new stocks as restricted stock compensation at the extraordinary Board of Directors' meeting held on September 27, 2018, as follows:

The Company aims to have the directors (not including outside directors; "Eligible Directors") share benefits and risks of stock price fluctuations with shareholders and further enhance their willingness to contribute to improving stock prices and enhancing corporate value. Therefore, the Company decided, at the Board of Directors held on August 14, 2017, to introduce a restricted stock compensation system (the "System"), which will issue restricted stock to Eligible Directors.
Furthermore, the 73rd Annual General Meeting of Shareholders held on September 28, 2017, approved, under the System, setting the total amount of monetary compensation claims payable to the Eligible Directors as compensation related to restricted stock at a level where it does "not exceed an annual amount of ¥60 million." In addition, the total number of 50,000 shares, which are restricted stock to be allotted to Eligible Directors will be the upper limit of the number of restricted shares to be allotted in each fiscal year, and the transfer restriction period of restricted stock will be between one year to five years, determined by the Board of Directors.

(1) Payment date	October 26, 2018
(2) Class and number of shares to be issued	14,495 shares of common stock of the Company
(3) Issue price	¥3,095 per share
(4) Total issue price of shares to be issued	¥44,862,025
(5) Capitalization amount	¥1,548 per share
(6) Total capitalization amount	¥22,438,260
(7) Method of offer or allotment	Allotment of specified restricted stocks
(8) Method of contribution	In-kind contribution of monetary compensation claims
(9) Allottees, number thereof and number of shares to be allotted	14,495 shares to nine directors of the company (excluding outside directors)
(10) Transfer restriction period	October 26, 2018 to October 25, 2021
(11) Other	Issue of new shares to be allotted is conditioned on the securities registration statement taking effect in accordance with the Financial Instruments and Exchange Act.

23. 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) Outline of reportable segments

Reportable segments of the Company are determined as segments whose separate financial information is accessible from among the constituent units of the Company and are periodically used by the Board of Directors to determine the allocation of management resources and to evaluate achievements.
The Company has business headquarters separated by type of products and services. Each business headquarters formulates a comprehensive strategy based on the products and services and engages in conducting business activities. In line with the above, the Company is composed of segments divided by products and services, with each business headquarters serving as the foundation, and the six reportable segments are "Domestic Consulting Operations," "International Consulting Operations," "Power Engineering Operations," "Urban & Spatial Development Operations," "Energy Business Operations," and "Real Estate Leasing Operations."

“Domestic Consulting Operations” engages in businesses within Japan, such as site surveying, planning, evaluation/assessment, designing, construction management, operational advice in the fields of water resources development, energy development, agricultural development, transportation, urban and regional development, management of natural and social environment, etc.
“International Consulting Operations” engages in businesses outside of Japan, such as technical studies, planning, reviews, designing, construction supervision, operational advice in the fields of water resources development, energy development, agricultural development, transportation, urban and regional development, social development, management of natural and social environment, etc.
“Power Engineering Operations” engages in manufacturing and sale of control devices and systems for power generating and transforming stations, water turbines, power generators, voltage converters, electric power-related equipment such as line taps for power transmission and distribution networks. It also engages in designing and implementation of various construction works for electric power and general electric facilities, including construction for power generation/transformation/transmission/distribution and civil engineering.
“Urban & Spatial Development Operations” engages in urban and spatial development business that includes urban planning and architectural design.
“Energy Business Operations” engages in research, development, design, construction, management, operation, support, and system/technology development of power generation/energy management operations utilizing distributed energy resources.
“Real Estate Leasing Operations” engages in the leasing of real estate within Japan.

In April 2018, we established the Energy Business Division with its business domains of electric power generation and energy management using distributed energy and, therefore, added “Energy Business Operations” to the reportable segments.

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

Accounting treatments for reportable business segments closely match those shown in Note 2, “Summary of Significant Accounting Policies.”

Inter-segment sales are based on the third-party transaction prices.

a) Information regarding changes in reportable segments, etc.

As stated in “Changes in Accounting Policies,” the accounting policy for contracts started during the current fiscal year was changed to the percentage-of-completion method (estimate of degree of completion is mainly based on the cost-to-cost method). As a result of this change, compared with the previous accounting method, net sales and segment profit increased by ¥3,575 million and ¥612 million for Domestic Consulting Operations, ¥5,938 million and ¥1,523 million for International Consulting Operations, ¥1,639 million and ¥521 million for Power Engineering Operations, and ¥185 million and ¥32 million for others, respectively, for the fiscal year ended June 30, 2018.

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

	Millions of Yen										
	2018										
	Reportable Segment										
	Domestic Consulting	International Consulting	Power Engineering	Urban & Spatial Development	Energy Business	Real Estate Leasing	**Total**	Others	**Total**	Reconciliations	Consolidated
Sales											
Sales to external customers	¥46,596	¥28,890	¥15,762	¥13,040	¥355	¥440	¥105,083	¥941	¥106,024	¥ —	¥106,024
Intersegment sales	430	47	270	27	—	165	939	1,030	1,969	(1,969)	—
Total sales	¥47,026	¥28,937	¥16,032	¥13,067	¥355	¥605	¥106,022	¥1,971	¥107,993	¥(1,969)	¥106,024
Segment profit (loss)	4,141	2,417	1,987	197	(53)	404	9,093	(2,412)	6,681	40	6,721
Segment assets	19,669	24,749	8,989	22,388	4,983	4,198	84,976	40,265	125,241	(10,734)	114,507
Other:											
Depreciation	179	82	245	640	120	38	1,304	385	1,689	(21)	1,668
Amortization of goodwill	—	—	—	474	—	—	474	—	474	—	474
Interest income	22	55	4	42	3	0	126	322	448	(307)	141
Interest expense	54	152	53	166	42	—	467	63	530	(307)	223
Increase in property, plant, and intangible assets	155	166	214	179	48	—	762	2,785	3,547	—	3,547

	Millions of Yen									
	2017									
	Reportable Segment									
	Domestic Consulting	International Consulting	Power Engineering	Urban & Spatial Development	Real Estate Leasing	**Total**	Others	**Total**	Reconciliations	Consolidated
Sales										
Sales to external 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 sales	¥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	0	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	0	720	682	1,402	—	1,402

	Thousands of U.S. Dollars										
	2018										
	Reportable Segment							Others	Total	Reconciliations	Consolidated
	Domestic Consulting	International Consulting	Power Engineering	Urban & Spatial Development	Energy Business	Real Estate Leasing	Total				
Sales											
Sales to external customers	$421,702	$261,460	$142,649	$118,014	$3,213	$3,982	$951,020	$8,517	$959,537	$ —	$959,537
Intersegment sales	3,892	425	2,444	244	—	1,493	8,498	9,322	17,820	(17,820)	—
Total sales	$425,594	$261,885	$145,093	$118,258	$3,213	$5,475	$959,518	$17,839	$977,357	$(17,820)	$959,537
Segment profit (loss)	37,477	21,874	17,983	1,783	(480)	3,656	82,293	(21,829)	60,464	362	60,826
Segment assets	178,008	223,983	81,352	202,616	45,097	37,993	769,049	364,405	1,133,454	(97,145)	1,036,309
Other:											
Depreciation	1,620	742	2,217	5,792	1,086	344	11,801	3,485	15,286	(190)	15,096
Amortization of goodwill	—	—	—	4,290	—	—	4,290	—	4,290	—	4,290
Interest income	199	498	36	380	27	0	1,140	2,914	4,054	(2,778)	1,276
Interest expense	489	1,376	480	1,502	380	—	4,227	569	4,796	(2,778)	2,018
Increase in property, plant, and intangible assets	1,403	1,502	1,937	1,620	434	—	6,896	25,205	32,101	—	32,101

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, 2018 and 2017, were as follows:

Net sales

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Reportable segment total	**¥106,022**	¥101,313	**$959,518**
Other net sales	**1,971**	934	**17,839**
Elimination of intersegment transactions	**(1,969)**	(909)	**(17,820)**
Net sales in the consolidated statements of income and comprehensive income	**¥106,024**	¥101,338	**$959,537**

Profit

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Reportable segment total	**¥9,093**	¥8,181	**$82,293**
Other loss	**(2,412)**	(2,213)	**(21,829)**
Elimination of intersegment transactions	**40**	(10)	**362**
Nonoperating items	**(159)**	(493)	**(1,439)**
Operating income in the consolidated statements of income and comprehensive income	**¥6,562**	¥5,465	**$59,387**

Assets

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Reportable segment total	**¥84,976**	¥77,743	**$769,049**
Other property	**40,265**	44,451	**364,405**
Elimination of intersegment transactions	**(10,734)**	(8,328)	**(97,145)**
Total assets in the consolidated balance sheets	**¥114,507**	¥113,866	**$1,036,309**

Other items

	Millions of Yen			
	2018			
	Reportable Segment	Others	Reconciliations	**Total**
Depreciation	**¥1,304**	**¥385**	**¥(21)**	**¥1,668**
Amortization of goodwill	**474**	**—**	**—**	**474**
Interest income	**126**	**322**	**(307)**	**141**
Interest expense	**467**	**63**	**(307)**	**223**
Increase in property, plant, and intangible assets	**762**	**2,785**	**—**	**3,547**

	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

	Thousands of U.S. Dollars			
	2018			
	Reportable Segment	Others	Reconciliations	**Total**
Depreciation	**$11,801**	**$3,485**	**$(190)**	**$15,096**
Amortization of goodwill	**4,290**	**—**	**—**	**4,290**
Interest income	**1,140**	**2,914**	**(2,778)**	**1,276**
Interest expense	**4,227**	**569**	**(2,778)**	**2,018**
Increase in property, plant, and intangible assets	**6,896**	**25,205**	**—**	**32,101**

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, 2018, was as follows:

Sales

Millions of Yen							
2018							
Japan	Asia	Middle East	Africa	Latin America	Europe	Other	**Total**
¥62,314	¥18,634	¥1,796	¥3,780	¥6,845	¥12,221	¥434	¥106,024

Thousands of U.S. Dollars							
2018							
Japan	Asia	Middle East	Africa	Latin America	Europe	Other	**Total**
$563,953	$168,641	$16,254	$34,210	$61,949	$110,602	$3,928	$959,537

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

The information about major customers at June 30, 2018, was as follows:

	Millions of Yen	
	2018	
Name of Customers	Sales	Related Segment Name
Ministry of Land, Infrastructure, Transport and Tourism ..	¥16,187	Domestic Consulting
Japan International Cooperation Agency	13,781	International Consulting
TEPCO Power Grid, Incorporated	5,606	Power Engineering

	Thousands of U.S. Dollars	
	2018	
Name of Customers	Sales	Related Segment Name
Ministry of Land, Infrastructure, Transport and Tourism ..	$146,495	Domestic Consulting
Japan International Cooperation Agency	124,721	International Consulting
TEPCO Power Grid, Incorporated	50,735	Power Engineering

The information about goodwill at June 30, 2018, was as follows:

Goodwill

	Millions of Yen									
	2018									
	Reportable Segment							Others	Elimination/ Corporate	Consolidated
	Domestic Consulting	International Consulting	Power Engineering	Urban & Spatial Development	Energy Business	Real Estate Leasing	**Total**			
Amortization of goodwill ...	¥ —	¥ —	¥ —	¥474	¥ —	¥ —	¥474	¥ —	¥ —	¥474
Goodwill at June 30, 2018 ...	—	—	—	8,186	—	—	8,186	—	—	8,186

	Thousands of U.S. Dollars									
	2018									
	Reportable Segment							Others	Elimination/ Corporate	Consolidated
	Domestic Consulting	International Consulting	Power Engineering	Urban & Spatial Development	Energy Business	Real Estate Leasing	**Total**			
Amortization of goodwill ...	$ —	$ —	$ —	$4,290	$ —	$ —	$4,290	$ —	$ —	$4,290
Goodwill at June 30, 2018 ...	—	—	—	74,085	—	—	74,085	—	—	74,085

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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. (the "Company") and its consolidated subsidiaries as of June 30, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for revenue recognition. The Company and certain domestic subsidiaries had been applying the completed-contract method (including partial completed-contract method) in principle to record the revenue from the contract relating to Domestic Consulting Operations, International Consulting Operations and Power Engineering Operations. From contracts started during the current fiscal year, the percentage-of-completion method is applied. Our opinion is not modified in respect of this matter.

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 28, 2018

Nonconsolidated Balance Sheet

Nippon Koei Co., Ltd.
June 30, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2018**	2017	**2018**
CURRENT ASSETS:			
Cash and cash equivalents	**¥6,484**	¥11,637	**$58,681**
Receivables:			
Trade notes	**26**	16	**235**
Trade accounts	**16,449**	10,101	**148,866**
Subsidiaries and associated companies	**175**	123	**1,584**
Other	**187**	160	**1,693**
Allowance for doubtful accounts	**(4)**	(1)	**(36)**
Short-term loan receivables	**1,939**	1,672	**17,548**
Inventories (Note 3)	**5,915**	7,723	**53,532**
Deferred tax assets (Note 9)	**593**	841	**5,367**
Prepaid expenses and other current assets	**2,084**	2,206	**18,861**
Total current assets	**33,848**	34,478	**306,331**
PROPERTY, PLANT AND EQUIPMENT (Note 4 and 5)**:**			
Land	**14,408**	15,458	**130,395**
Buildings and structures	**13,932**	13,881	**126,087**
Machinery and equipment	**2,320**	2,328	**20,996**
Furniture and fixtures	**2,052**	2,058	**18,571**
Construction in progress	**2,913**	253	**26,363**
Lease assets	**93**	116	**842**
Total	**35,718**	34,094	**323,254**
Accumulated depreciation	**(13,761)**	(13,401)	**(124,539)**
Net property, plant and equipment	**21,957**	20,693	**198,715**
INVESTMENTS AND OTHER ASSETS:			
Investment securities	**5,729**	8,553	**51,848**
Investments in and advances to subsidiaries and associated companies (Note 6)	**29,460**	26,896	**266,618**
Other assets	**5,503**	5,808	**49,804**
Allowance for doubtful accounts	**(95)**	(152)	**(860)**
Total investments and other assets	**40,597**	41,105	**367,410**
TOTAL	**¥96,402**	¥96,276	**$872,456**

LIABILITIES AND EQUITY	Millions of Yen 2018	2017	Thousands of U.S. Dollars (Note 1) 2018
CURRENT LIABILITIES:			
Short-term borrowings (Note 7)	**¥5,700**	¥5,650	**$51,586**
Current portion of long-term debt (Note 7)	**2,066**	1,778	**18,698**
Payables:			
Trade notes	**—**	309	**—**
Trade accounts	**2,651**	2,357	**23,992**
Subsidiaries and associated companies	**471**	364	**4,263**
Other	**1,766**	1,363	**15,983**
Income taxes payable	**470**	560	**4,254**
Advances received	**5,388**	5,526	**48,762**
Accrued bonuses	**1,364**	2,192	**12,344**
Allowance for anticipated project loss	**129**	8	**1,167**
Other current liabilities	**1,876**	1,935	**16,978**
Total current liabilities	**21,881**	22,042	**198,027**
LONG-TERM LIABILITIES:			
Long-term debt (Note 7)	**18,964**	21,442	**171,628**
Liability for retirement benefits (Note 2.h)	**116**	143	**1,050**
Allowance for environmental measures	**25**	25	**226**
Deferred tax liabilities (Note 9)	**2,164**	1,599	**19,585**
Other long-term liabilities	**240**	232	**2,172**
Total long-term liabilities	**21,509**	23,441	**194,661**
COMMITMENTS AND CONTINGENT LIABILITIES (Note 11)			
EQUITY (Notes 8 and 12.a)**:**			
Common stock; authorized, 38,000,000 shares in 2018 and 38,000,000 shares in 2017; issued, 15,905,049 shares in 2018 and 17,331,302 shares in 2017	**7,415**	7,393	**67,107**
Capital surplus:			
Additional paid-in capital	**6,114**	6,093	**55,333**
Other capital surplus	**—**	835	**—**
Retained earnings:			
Legal reserve	**1,546**	1,546	**13,992**
Retained earnings - unappropriated	**37,891**	37,486	**342,920**
Unrealized gain on available-for-sale securities	**1,156**	977	**10,462**
Treasury stock—at cost 364,422 shares in 2018 and 1,891,831 shares in 2017	**(1,110)**	(3,537)	**(10,046)**
Total equity	**53,012**	50,793	**479,768**
TOTAL	**¥96,402**	¥96,276	**$872,456**

See notes to nonconsolidated financial statements.

Nonconsolidated Statement of Income

Nippon Koei Co., Ltd.
Year ended June 30, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	**2018**
NET SALES	**¥64,782**	¥61,734	**$586,289**
COST OF SALES	**46,443**	44,384	**420,318**
Gross profit	**18,339**	17,350	**165,971**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**14,860**	14,358	**134,486**
Operating income	**3,479**	2,992	**31,485**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**695**	616	**6,290**
Interest expense	**(228)**	(208)	**(2,063)**
Foreign currency exchange (loss) gain	**(107)**	60	**(968)**
Gain on sales of property, plant and equipment	**1,279**	3	**11,575**
Loss on impairment of long-lived assets (Note 4)	**—**	(224)	**—**
Head office transfer cost	**(833)**	(106)	**(7,539)**
Loss on support to subsidiaries and associates (Note 10)	**—**	(433)	**—**
Other-net	**166**	358	**1,502**
Other income-net	**972**	66	**8,797**
INCOME BEFORE INCOME TAXES	**4,451**	3,058	**40,282**
INCOME TAXES (Note 9)**:**			
Current	**796**	781	**7,204**
Deferred	**734**	(25)	**6,643**
Total income taxes	**1,530**	756	**13,847**
NET INCOME	**¥2,921**	¥2,302	**$26,435**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2.t)**:**			
Basic net income	**¥188.56**	¥149.38	**$1.71**
Cash dividends applicable to the year	**75.00**	75.00	**0.68**

See notes to nonconsolidated financial statements.

Nonconsolidated Statement of Changes in Equity

Nippon Koei Co., Ltd.
Year ended June 30, 2018

	Thousands	Millions of Yen							
			Capital Surplus		Retained Earnings				
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated	Unrealized Gain (loss) on Available-for-sale Securities	Treasury Stock	Total Equity
BALANCE, JULY 1, 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**
Issuance of new shares	10	23	21	—	—	—	—	—	44
Net income	—	—	—	—	—	2,921	—	—	2,921
Cash dividends, ¥75.00 per share	—	—	—	—	—	(1,192)	—	—	(1,192)
Purchase of treasury stock	(6)	—	—	—	—	—	—	(26)	(26)
Disposal of treasury stock	98	—	—	—	—	—	—	294	294
Retirement of treasury stock	—	—	—	(835)	—	(1,324)	—	2,159	—
Net change in the year	—	—	—	—	—	—	179	—	179
BALANCE, JUNE 30, 2018	**15,541**	**¥7,416**	**¥6,114**	**—**	**¥1,546**	**¥37,891**	**¥1,156**	**¥(1,110)**	**¥53,013**

	Thousands of U.S. Dollars (Note 1)							
		Capital Surplus		Retained Earnings				
	Common Stock	Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated	Unrealized Gain (loss) on Available-for-sale Securities	Treasury Stock	Total Equity
BALANCE, JUNE 30, 2017	**$66,908**	**$55,143**	**$7,557**	**$13,992**	**$339,255**	**$8,842**	**$(32,011)**	**$459,686**
Issuance of new shares	208	190	—	—	—	—	—	398
Net income	—	—	—	—	26,436	—	—	26,436
Cash dividends, $0.68 per share	—	—	—	—	(10,789)	—	—	(10,789)
Purchase of treasury stock	—	—	—	—	—	—	(235)	(235)
Disposal of treasury stock	—	—	—	—	—	—	2,661	2,661
Retirement of treasury stock	—	—	(7,557)	—	(11,982)	—	19,539	—
Net change in the year	—	—	—	—	—	1,620	—	1,620
BALANCE, JUNE 30, 2018	**$67,116**	**$55,333**	**—**	**$13,992**	**$342,920**	**$10,462**	**$(10,046)**	**$479,777**

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 2017 nonconsolidated financial statements to conform to the classifications used in 2018.

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 ¥110.495 to $1, the approximate rate of exchange at June 30, 2018. 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, 2 to 15 years for machinery and equipment, and 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 circumstances 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.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the nonconsolidated balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actual gains and losses and past service costs are amortized and recognized in profit or loss over 13 years.

Hitherto, retirement benefits for directors were provided at the amount that would be required if all directors retired at the nonconsolidated balance sheet date. However, the Company terminated 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 the plans were effective.

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 Practical Issues Task Force ("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's 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 nonconsolidated balance sheet. All other leases are accounted for as operating leases.

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

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

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

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

r. ***Revenue Recognition*** — During the progress of operation, the percentage-of-completion method is applied when the extent of progress toward completion, total costs on and total revenue from the contract are reliably estimated. The stage of completion is determined using the cost-to-cost 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 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 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, 2018 and 2017.

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.

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.

Changes in Accounting Policies

The Company had been applying the completed-contract method (including partial completed-contract method) in principle to record the revenue from the contract relating to Domestic Consulting Operations, International Consulting Operations and Power Engineering Operations. From contracts started during the current fiscal year, the percentage-of-completion method is applied. Taking into consideration of the increasing opportunities to receive larger project orders under the government-led strategic exporting of infrastructure systems and the expansion of the Group's international operations such as the acquisition of United Kingdom architectural firms, the Company has determined that the percentage-of-completion method would be more appropriate to present their operating results and financial conditions. Once the development in their internal systems including accounting system were completed, the Company has decided to change the accounting method relating to revenue from the contract.

As this change was made possible with the introduction of a new accounting system, using the percentage-of-completion method to calculate retroactively is practically impossible.

Furthermore, since the cumulative impact at the beginning of the current fiscal year cannot be calculated in the case where the system is applied retrospectively, the balance at the end of the previous fiscal year is treated as the balance at the beginning of the current fiscal year.

The Company applies the completion-contract method in principle to operational contracts concerning works in process that are included in the balance at the end of the previous consolidated fiscal year, and therefore, sales shall be recorded for the quarter during which individual operations are completed.

As a result, compared with the previous accounting method, net sales increased by ¥7,512 million, gross profit, operating income, ordinary income, and profit before income taxes all increased by ¥1,640 million and net income per share increased by ¥73.19 for the fiscal year ended June 30, 2018.

3. INVENTORIES

Inventories at June 30, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Work in process	**¥5,697**	¥7,469	**$51,559**
Raw materials and supplies	**218**	254	**1,973**
Total	**¥5,915**	¥7,723	**$53,532**

4. LONG-LIVED ASSETS

The Company reviewed its long-lived assets for impairment as of June 30, 2018. As a result, no impairment loss was recognized. The Company recognized an impairment loss of ¥224 million as loss on impairment of long-lived assets for assets to be disposed and idle assets in 2017. 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.

5. 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, 2018 and 2017, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Buildings and structures	**¥19**	¥19	**$172**
Machinery and equipment	**167**	167	**1,511**
Total	**¥186**	¥186	**$1,683**

6. INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in and advances to subsidiaries and associated companies as of June 30, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Investments	**¥26,704**	¥24,456	**$241,676**
Advances	**2,756**	2,440	**24,942**
Total	**¥29,460**	¥26,896	**$266,618**

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, 2018, since market value and estimated future cash flows are not available.

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at June 30, 2018 and 2017, consisted of loans from consolidated subsidiaries. The annual interest rates applicable to the short-term borrowings ranged from 0.524% to 0.536% and 0.524% to 0.684% at June 30, 2018 and 2017, respectively.

Long-term debt at June 30, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Unsecured loans from banks due serially to 2026 with interest rates ranging from 0.250% to 2.513%	**¥20,985**	¥23,174	**$189,919**
Obligation under finance leases	**45**	46	**407**
Total	**21,030**	23,220	**190,326**
Less current portion	**(2,066)**	(1,778)	**(18,698)**
Long-term debt, less current portion	**¥18,964**	¥21,442	**$171,628**

Annual maturities of long-term debt at June 30, 2018, 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
2019	¥2,051	¥16	$18,562	$145
2020	1,974	13	17,865	118
2021	2,176	9	19,693	81
2022	6,250	4	56,564	36
2023	2,190	2	19,820	18
2024 and thereafter	6,344	1	57,414	9
Total	¥20,985	¥45	$189,918	$407

The Company and four financial institutions have entered into overdraft contracts and a commitment line contract by syndicated loan over three years. These commitment line contracts included restrictive financial covenants for each financial institution.

8. EQUITY

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

(a) Dividends

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

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

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

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

(c) Treasury Stock and Treasury Stock Acquisition Rights

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

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

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes that, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.9% for the years ended June 30, 2018 and 2017.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at June 30, 2018 and 2017, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Deferred tax assets:			
Investment in subsidiaries	**¥356**	¥356	**$3,222**
Allowance for doubtful accounts	**30**	47	**272**
Accrued bonuses	**392**	649	**3,548**
Liability for retirement benefits for employees	**35**	40	**317**
Liability for retirement benefits for directors	**—**	4	**—**
Allowance for anticipated project loss	**40**	2	**362**
Unrealized loss on available-for-sale securities	**—**	—	**—**
Overdepreciation	**48**	43	**434**
Loss on impairment of long-lived assets	**62**	117	**561**
Other	**287**	251	**2,597**
Less valuation allowance	**(555)**	(475)	**(5,023)**
Total	**695**	1,034	**6,290**
Deferred tax liabilities:			
Reserve for deferred gains on sale of property	**758**	760	**6,860**
Reserve for special account for advanced depreciation of property	**265**	—	**2,399**
Unrealized gain on available-for-sale securities	**510**	431	**4,616**
Prepaid pension cost	**728**	597	**6,589**
Other	**5**	4	**44**
Total	**2,266**	1,792	**20,508**
Net deferred tax assets	**¥(1,571)**	¥(758)	**$(14,218)**

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, 2018, with the corresponding figures for 2017, is as follows:

	2018	2017
Normal effective statutory tax rate	**30.9%**	30.9%
Per capita levy of local tax	**1.9**	2.7
Expenses not deductible for tax purposes	**3.3**	6.5
Foreign income tax	**5.6**	8.0
Valuation allowance	**1.8**	(7.5)
Special Tax Credit	**(4.4)**	(7.7)
Income taxes for prior periods	**—**	(2.9)
Income not included for tax purposes	**(1.7)**	(4.7)
Other – net	**(3.0)**	(0.6)
Actual effective tax rate	**34.4%**	24.7%

10. LOSS ON SUPPORT TO SUBSIDIARIES AND ASSOCIATES

Loss on support to subsidiaries and associates for the years ended June 30, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Bad debt expenses	**¥ —**	¥373	**$ —**
Subsidiary support costs	**—**	60	**—**

11. CONTINGENT LIABILITIES

At June 30, 2018, the Company had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans related to employees	¥30	$272
Refundment bonds of subsidiaries	64	579
Performance bond of a subsidiary	75	679

12. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

On August 28, 2018, the following appropriation of retained earnings at June 30, 2018, was resolved by the extraordinary Board of Directors' meeting:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥75 ($0.68) per share	¥1,192	$10,788

The total amount of the dividends above includes ¥27 million ($244 thousand) in dividends on the Company's shares owned by "ESOP."

b. Issuance of new shares as restricted stock compensation

The Company decided to issue new stocks as restricted stock compensation at the extraordinary Board of Directors' meeting held on September 27, 2018 as follows:

We aim to have the directors (not including outside directors; "Eligible Directors") share benefits and risks of stock price fluctuations with shareholders and further enhance their willingness to contribute to improving stock prices and enhancing corporate value. Therefore, the Company decided, at the Board of Directors held on August 14, 2017, to introduce a restricted stock compensation system (the "System"), which will issue restricted stock to Eligible Directors.
Furthermore, the 73rd Annual General Meeting of Shareholders held on September 28, 2017, approved, under the System, setting the total amount of monetary compensation claims payable to the Eligible Directors as compensation related to restricted stock at a level where it does "not exceed an annual amount of ¥60 million." In addition, the total number of 50,000 shares, which are restricted stock to be allotted to Eligible Directors will be the upper limit of the number of restricted shares to be allotted in each fiscal year, and the transfer restriction period of restricted stock will be between one year to five years, determined by the Board of Directors.

(1) Payment date	October 26, 2018
(2) Class and number of shares to be issued	14,495 shares of common stock of the Company
(3) Issue price	¥3,095 per share
(4) Total issue price of shares to be issued	¥44,862,025
(5) Capitalization amount	¥1,548 per share
(6) Total capitalization amount	¥22,438,260
(7) Method of offer or allotment	Allotment of specified restricted stocks
(8) Method of contribution	In-kind contribution of monetary compensation claims
(9) Allottees, number thereof and number of shares to be allotted	14,495 shares to nine directors of the Company (excluding outside directors)
(10) Transfer restriction period	October 26, 2018 to October 25, 2021
(11) Other	Issue of new shares to be allotted is conditioned on the securities registration statement taking effect in accordance with the Financial Instruments and Exchange Act.

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. (the "Company") as of June 30, 2018, 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, 2018, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 2 to the nonconsolidated financial statements, the Company changed its method of accounting for revenue recognition. The Company had been applying the completed-contract method (including partial completed-contract method) in principle to record the revenue from the contract relating to Domestic Consulting Operations, International Consulting Operations and Power Engineering Operations. From contracts started during the current fiscal year, the percentage-of-completion method is applied. Our opinion is not modified in respect of this matter.

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 28, 2018

Significant Consolidated Subsidiaries

The consolidated subsidiaries are as follows:

Domestic Consulting Operations

Tamano Consultants Co., Ltd.
Nippon Civic Consulting Engineers Co., Ltd.
El Koei Co., Ltd.

International Consulting Operations

Koei Research & Consulting Inc.
Nippon Koei Latin America-Caribbean Co., Ltd.
Nippon Koei LAC, Inc.
Nippon Koei LAC do Brasil Ltda.
Nippon Koei India Pvt. Ltd.
Nippon Koei Vietnam International Co., Ltd.
Philkoei International, Inc.
PT. Indokoei International
Myanmar Koei International Ltd.

Power Engineering Operations

Koei System Inc.

Urban & Spatial Development Division

BDP Holdings Limited
Building Design Partnership Limited

Energy Business Division

Koei Energy Co., Ltd.
Ironmont Hydro Pte. Ltd.
PT. Arkora Hydro (Equity method affiliate)

Others

Nikki Corporation
DSI Co., Ltd.

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