

NIPPON KOEI

CORPORATE REPORT 2016

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

NIPPON KOEI CO., LTD.





Our goal is to bring the world better and totally new living standards. We are confident that with integrity we will achieve that goal.

Since its establishment in 1946, the Nippon Koei Group has contributed to the building of social infrastructure in Japan and overseas. Yutaka Kubota, the founder of Nippon Koei, confidently stated “Tackle your problems with sincerity and the road ahead shall be clear,” and dedicated his technical expertise and passion to building social infrastructure that is safe and reliable. That spirit of social contribution based on conducting business with conviction is a part of the corporate DNA that continues to guide our employees today.

The world is full of people who desire better living standards. The Nippon Koei Group will remain committed to acting with integrity as it contributes to national and regional social development all over the world.



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Management Philosophy

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

Group Vision

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



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We form optimal solutions looking 50 years ahead.

The Nippon Koei Group has contributed to the development of vibrant societies in 156 countries worldwide. The cornerstone of those efforts is civil engineering consulting, our core business since the company was founded. Civil engineering consulting plays a critical upstream role in infrastructure development, and is responsible for determining the fundamental value of projects. Therefore, we think of the goal as not merely the completion of the project, but also the betterment of the lives of the people who will live there 50 years later. We know that unless we continue to look at every project with a long-term view, we will not be able to contribute to better living standards.

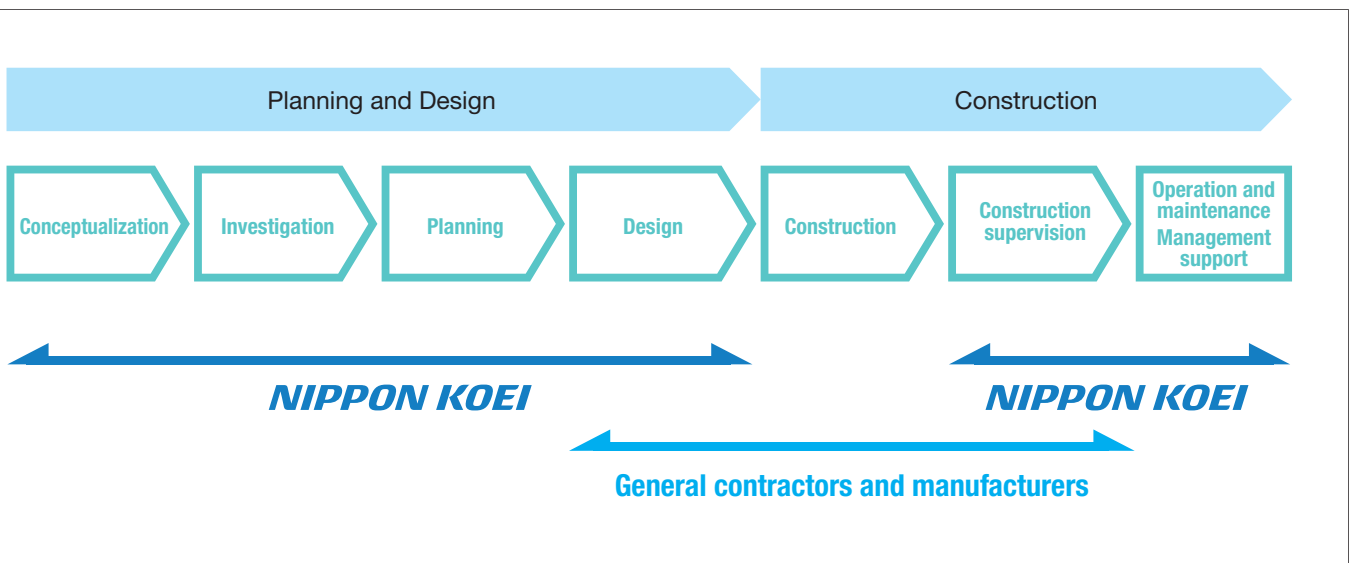
Roles of Civil Engineering Consultants

- **Formulation of national, regional and urban infrastructure development planning projects**
- **Preliminary investigations at the conceptualization and/or planning stages of infrastructure development projects**
- **Geotechnical and geological investigation and environmental impact assessment**
- **Progress management and maintenance operations**

National, regional and urban infrastructure development projects are often large-scale and take a long period of time. Civil engineering consultants receive orders from the client, and participate in the projects from the conceptualization and/or planning stage. They dig deep to explore and identify the real issues involved in every project, and develop the optimal solutions at each step from an objective standpoint.

The Range of the Nippon Koei Group's Services

As an engineering consultancy, the Nippon Koei Group participates in all aspects of projects for social infrastructure development, from master planning and design to operational assistance after completion. For example, if the project goal is to solve the problem of chronic traffic congestion, we begin by conducting surveys and studies on the economic feasibility of infrastructure building/amendment and other aspects to determine whether the best approach is to expand roads or to build new railways. In planning and design, we place emphasis on not only the intentions of the client, but also the needs of the region and local residents. Based on geotechnical and geological investigations, we then propose the optimal method and craft a design that takes the budget, environment and various other factors into account. As projects have become more sophisticated and complex to meet current needs, we also provide consulting for collaboration among governments, private businesses and citizens on issues such as engineering management in public-private partnerships (PPP) and asset management. In addition, we provide management services at the construction stage for projects outside Japan.





Defining Features of the Nippon Koei Group's Business

A Highly Visible and Publicly Beneficial Business

Our business is to mobilize our superior technologies and knowledge to solve various problems and pave the way to the future by creating safe and reliable social infrastructure and comfortable living spaces. We never propose projects with an exclusive focus on efficiency. Instead, we think long and hard about what will be truly useful and aim for the sustainable development of society.

Broad-Based Contribution

In Japan, we provide integrated engineering consulting services to build safe and secure living spaces and attractive and sustainable environments. Internationally, we conduct many projects that contribute to regional development in Asia, Africa, the Middle and Near East, Latin America and other regions. In our power engineering business, we support the stable supply of electric power, which is essential to modern life.

Firm conviction is the source of our technological power.

After being involved in electric power development and dam construction on the Korean Peninsula, founder Yutaka Kubota returned to Japan after the war. Seeing Japan's cities reduced to ashes, he felt a strong sense of mission to rebuild the country, and decided to start a company.

Like Mr. Kubota, those of us who lead the industry today have a mission to contribute to improving social infrastructure, and we have sufficient technology and knowledge to accomplish this mission. We discuss projects with clients in a forthright manner, and conduct business while improving our technology foundation without falling into a short-term perspective. This approach to business is the reason we remain at the forefront of our industry.

People- and Technology-Driven Business

Our people and our technical expertise are critical to realizing our mission. The significant resources and effort we have put into human resource development and technical training over the years have led to the number-one* market position we enjoy today. All of our employees, including more than 1,400 engineers, inspire and learn from each other, and drive the Nippon Koei Group forward.

*Number one in sales among civil engineering consulting companies in Japan

Practical Wisdom and Forward-Looking R&D

Through the thousands of projects we have completed in the past 70 years, we have acquired a wide variety of technologies and knowledge, and devised optimal solutions with our integrated strengths and detailed conceptualization capabilities. In addition, the Technical R&D Institute (now the R&D Center) that opened in 1961 continues to lead the industry with R&D in fields such as civil engineering, environmental studies and social sciences.

We are a company that uncovers real value.

Infrastructure development needs change considerably with the times and the environment. For example, during Japan's postwar reconstruction period, the emphasis was on speed and efficiency. However, needs have now become more sophisticated and complex because of global environmental issues, regional differences in economic growth and other elements. Today, solving serious and mounting problems such as global warming and energy shortages brought on by population growth is our main business. We contribute to society through our businesses.

While we are proud of the value we have delivered up to now, we never rest in our quest for real value. We will continue finding and creating new value systems appropriate to the changing times.

The Value the Nippon Koei Group Creates

Optimal Energy Development

Stable and clean energy supplies are needed to alleviate energy shortages in developing countries and elsewhere. In order to support optimal energy development, the Nippon Koei Group provides consulting and engineering services for dam projects, power plants and transmission systems, renewable energy operations and other related projects.

Sustainable Water Use

It is important to protect livelihoods from flood damage, and form a society that uses water sustainably. The Nippon Koei Group provides engineering services related to flood control and a broad range of other related fields, including water supply and sewerage, effective use of water resources abroad, and designing solutions to protect human lives and property from flood damage.

Safe and Efficient Transportation

Motorization causes a variety of problems, particularly traffic congestion and pollution. The Nippon Koei Group contributes to the development of safe and reliable transportation networks in ways such as improving transport infrastructure, developing more efficient maintenance systems, and constructing urban transportation systems aimed at the effective use of existing infrastructure.

Reliable and Efficient Distribution

Efficient distribution is a crucial factor in promoting international competitiveness and regional vitality. The Nippon Koei Group provides a full range of engineering services related to enhancing distribution functions and raising their efficiency, including the planning and design of airports and port facilities and effective use of existing infrastructure.



Agricultural Development

In developing countries, promotion of agriculture through rural development and other programs is vital to solving and alleviating poverty and food shortages. The Nippon Koei Group provides engineering services such as planning and implementation of prototype projects that address various problems of agricultural and rural development. In Japan, the Group contributes to the sustainability and growth of agriculture with maintenance and renewal planning and design.

Preservation of the Environment and Biodiversity

Achieving environmental sustainability is an urgent global issue. The Nippon Koei Group provides wide-ranging engineering services for preservation of air, water and land environments and biodiversity, as well as for dealing with global warming.

Disaster Resilience

Land preservation and ensuring human safety and welfare are the main challenges in disaster management. The Nippon Koei Group provides engineering services to protect communities from a range of disasters, such as large earthquakes, volcanic eruptions and torrential rains. Other services include design of preservation measures and development of maintenance plans.

New Approaches to Urban Design

Urban areas face an array of problems, including chronic traffic congestion and environmental pollution brought on by rapid population growth. At the same time, the need for more comfortable living spaces is increasing. The Nippon Koei Group conducts planning and design work for urban development, including structural design of commercial facilities, train stations, schools, medical facilities and many other buildings.

The Nippon Koei Group by the Numbers



Sales among civil engineering consulting firms in Japan

Since its inception, Nippon Koei has sought to build vibrant communities, competitive economies, attractive environments and safe, comfortable living spaces through its comprehensive civil engineering consulting business. The scale of that business ranks number one in Japan.

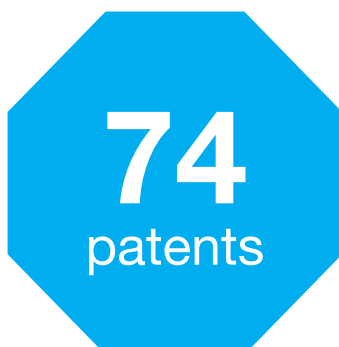
Number of orders per year

Nippon Koei's civil engineering consulting and power engineering businesses develop the infrastructure for safe and comfortable living, while its urban & spatial development business creates enriching and attractive urban environments, contributing to nation-building efforts around the world.



Years in business

Nippon Koei was established in June 1946. Amid the postwar turmoil, founder Yutaka Kubota started Shinko Dengyo (the former Nippon Koei), in which he brought together highly skilled engineers to fulfill his ambition of rebuilding Japan.



Number of patents

At our R&D Center, the only one of its size in the Japanese industry, researchers make full use of numerical analysis, testing and experiments to advance civil engineering technologies and develop technologies that contribute to new approaches to nation-building. We now hold 74 patents, which are applicable to various types of projects.



Countries where we operate

We have conducted business in 156 countries over the years. Today, we are engaged in numerous projects that support the advancement of developing countries in a wide variety of fields, such as water resources, energy, urban and regional development, transportation, agricultural and rural development, and environmental management.

Sales from ODA

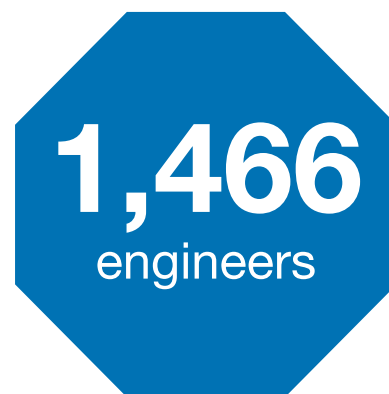
We participate extensively in Japanese official development assistance (ODA) projects, primarily in Asia but also in Africa, the Middle and Near East, Latin America and other regions. Through these projects, we contribute to the advancement of developing countries in various fields, as well as social contribution and humanitarian aid across borders.

*Source: Nikkei Construction, May 9, 2016



Number of Professional Engineers

With 1,466 officially certified Professional Engineers who have expertise in disciplines including civil engineering, comprehensive technical management, applied science and water supply and sewerage, the Nippon Koei Group provides consulting services around the world. Our number of Professional Engineers leads the industry in Japan.



Number of employees (consolidated)

The Nippon Koei Group has 35 operating sites outside Japan, and employs a total of 4,336 people. Our operating structure allows us to work closely with local communities, and we support the sustainable development of regions in ways such as job creation and technology transfer.



Supervision: Irrigated land area overseas (cumulative)



Design and supervision: Length of railway track (cumulative)



Supervision: Length of power transmission lines overseas (cumulative)

The scale of the projects the Nippon Koei Group has designed and supervised is vast. The total length of railway track is equivalent to the distance between New York and Los Angeles; irrigated land area overseas is about the same as the area of the island of Kyushu; the length of power transmission lines built overseas is about 1/4 of the circumference of the Earth.

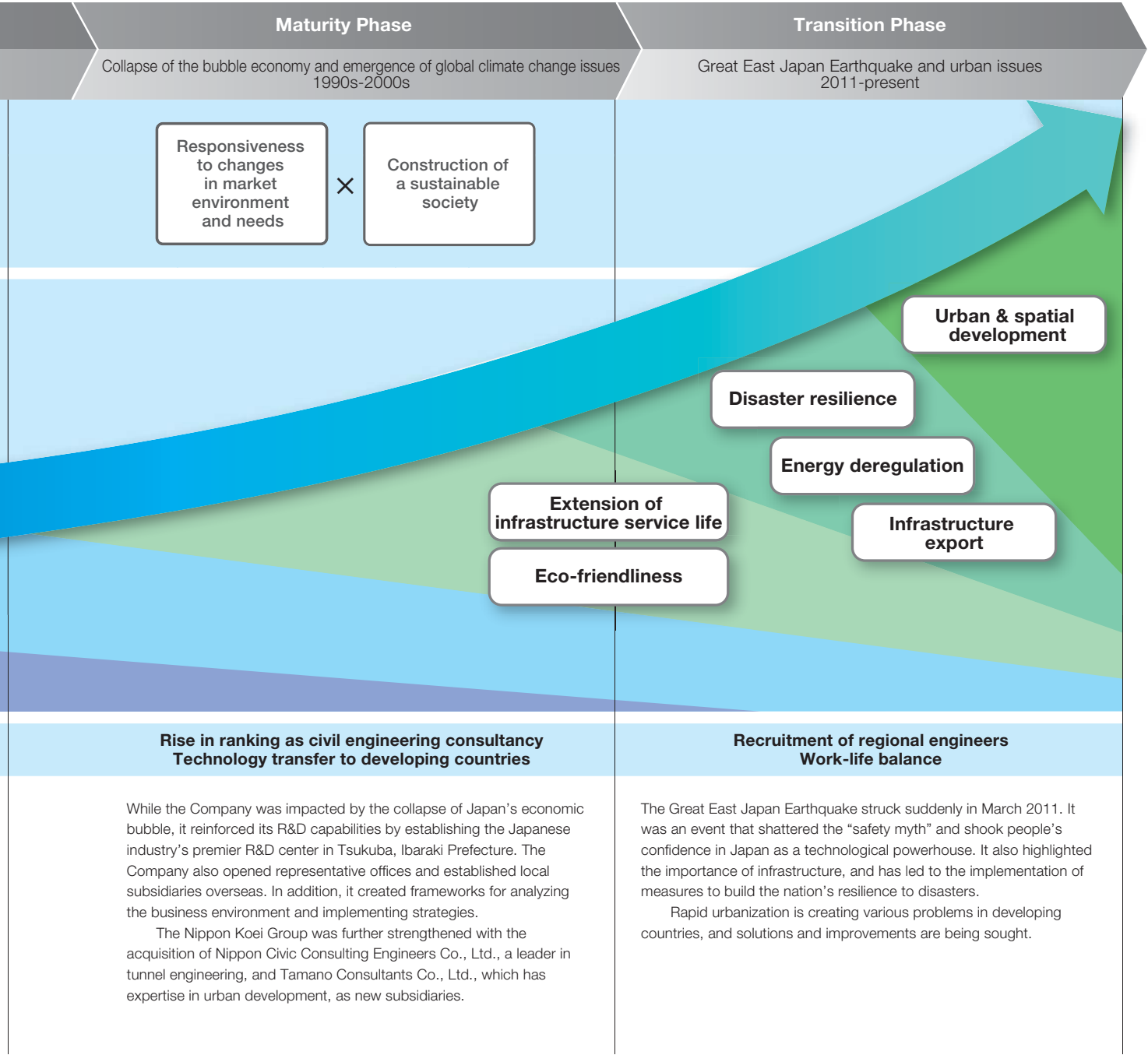
Past

We have consistently created value ahead of the curve.

Progress of Nippon Koei and Japanese/International Society

Stage	Startup Phase		Growth Phase	
Period	Postwar reconstruction 1946-1960s		Rapid economic growth and population increase 1970s-1980s	
Nippon Koei × Society Group	Establishment of business foundation Relations with other countries	Stable supply of electricity Enhancement of local infrastructure	Integrated strengths and development expertise in diverse fields	Creation of infrastructure for industrial growth
Progress	Rebuilding of basic infrastructure		Construction of social infrastructure	
NK's People	Provided employment opportunities for engineers after the war		Improved the quality of engineers Developed engineers in a variety of fields	
Business Development	<p>Nippon Koei was established in June 1946 amid the postwar turmoil, with the ambition of rebuilding Japan. Yutaka Kubota, the Company's founder, was committed to restoring the nation's devastated infrastructure and electric power business, but also had a vision to expand the Company's efforts to include reconstruction of war-ravaged countries abroad. In 1954, Nippon Koei received an order for the planning of electric power generation in Burma (now Myanmar), its first overseas project.</p> <p>In Japan, the Company opened the Technical R&D Institute (now the R&D Center) in 1961, and set out to develop advanced technologies.</p>		<p>Nippon Koei proactively expanded the scope of its business as it developed its network of operations not only domestically but also overseas, strengthened the Group's functions, and increased its participation in transportation projects, including roads, bridges, airports and ports. In addition, it pursued privately funded projects in areas such as urban development.</p> <p>The Company overcame drastic changes in the business environment caused in part by the oil crisis, and established a solid position as a civil engineering consulting firm.</p> <p>In 1985, founder Yutaka Kubota was awarded the Grand Cordon of the Order of the Rising Sun in recognition of his achievements over many years both in Japan and abroad.</p>	

A 70-year history and proven track record are the driving forces of the Nippon Koei Group. Through our participation in businesses involved in infrastructure development projects in 156 countries, we have cultivated foresight along with free and flexible imagination. Since receiving an order for the planning of electric power generation in Burma (now Myanmar) in 1954, our first overseas project, Nippon Koei has become a trusted name in Japan and worldwide. In becoming Japan's number-one civil engineering consulting firm, we have overcome a series of tough yet rewarding and exciting challenges.



Present

Today, we are transforming countries and communities worldwide.

Domestic Consulting

Main Fields of Operation

Water resources and waterways, dams and power generation, urban and regional development, transportation, disaster prevention, environmental management, project management, etc.

With operating bases in all 47 prefectures of Japan, we are engaged in the development and maintenance of waterways, roads and other social infrastructure, and regional development projects that enhance safety and quality of life. Orders from the national government and local governments account for most of the sales in this business.



International Consulting

Main Fields of Operation

Water resources and waterways, energy, urban and regional development, transportation, agriculture and rural development, environmental management, etc.

Nippon Koei leads all firms involved in international engineering consultation in Japan in sales from official development assistance (ODA) projects, which make up the bulk of sales in this business. The Group conducts many projects to support the growth of developing countries in Asia, Africa, the Middle and Near East, Latin America and other regions.



The Nippon Koei Group provides domestic and international engineering consultation, power engineering and other services in a wide range of fields, including water, energy, transportation, disaster prevention and environmental management. Our goal is to improve the social infrastructure that is the foundation for people's daily lives.

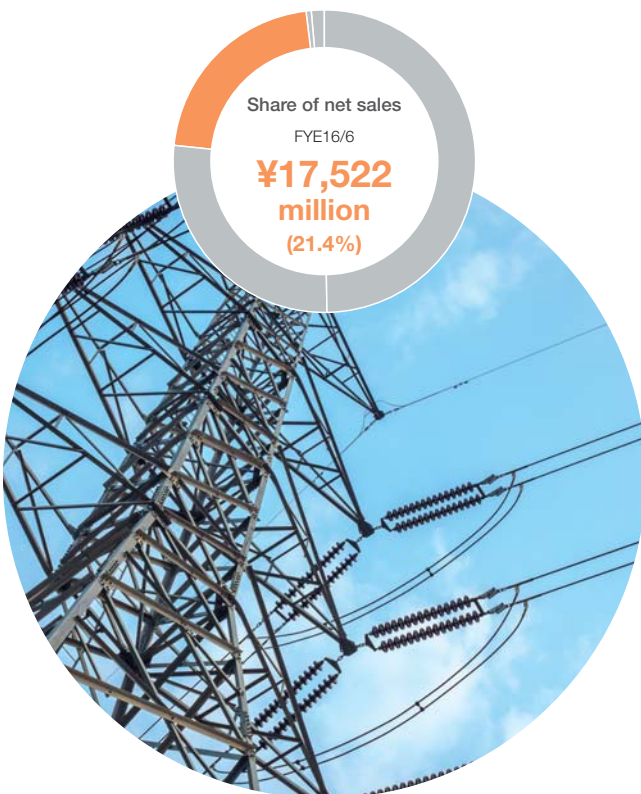
Each project involves a different set of challenges, and is aimed as different goals. Through its business history of pursuing solutions, the Nippon Koei Group has attained many advantages – world-class conceptualization abilities, integrated strengths, technical capabilities, and its highly qualified and reliable people. With these advantages, the Group contributes to the development of countries and communities worldwide.

Power Engineering

Main Fields of Operation

Manufacturing of equipment and devices for power generation/transmission/distribution, construction of electrical facilities, mechanical and electrical consulting, energy solutions, geotechnical investigation, sale of civil engineering measurement devices, manufacturing and sale of safety gear and equipment, etc.

This business develops power resources and offers services to support electricity demand both overseas and in Japan. Services in this business cover construction and repair of substation facilities, construction of central monitoring and control systems for efficient monitoring and control of power systems, construction of dam control systems at hydroelectric power plants, and manufacturing of related equipment. In recent years, the Group has also been actively involved in renewable energy projects.



Urban & Spatial Development*

Main Fields of Operation

Architecture, building design, landscape and urban design, etc.

This business focuses on structural design of buildings such as commercial facilities, train stations, schools and medical facilities. With a focus on meeting development demand primarily in emerging Asian countries, the Nippon Koei Group contributes to the creation of comfortable and attractive living spaces by offering services such as urban development surrounding railway lines and in cities, designing airport buildings and train stations, etc.

* Net sales for FYE16/6 are not available as the urban & spatial development business will start from FYE17/6.



Future

President Arimoto on the Nippon Koei Group's future.

In the future, the lives of people around the world will change at a faster pace than ever. The Nippon Koei Group is committed to remaining one of the top companies in these changing times and contributing further to socio-economic development worldwide. We will continue to innovate with the addition of the new urban & spatial development business, and look forward to meeting the challenges ahead.

Over the 70 years since its establishment, the Nippon Koei Group has supported the development of social infrastructure in 156 countries. In line with the Group Vision formulated in February 2015, "To provide services that are of value in building safe and reliable social infrastructure and comfortable living spaces," one of our core strategies is to expand beyond our established infrastructure business into the field of living spaces – in other words, urban design and engineering.

In April 2016, we acquired BDP Holdings Limited, a leading architectural design firm in the UK. Bringing BDP into the fold will enable us to develop the urban & spatial development business as a fourth core business to go with our domestic consulting, international consulting and power engineering businesses.

In many Asian countries, rapid urbanization is causing problems such as traffic congestion and environmental pollution, consequently creating a need for consultants to meet sophisticated and complex challenges. Even in this fast-changing world, we have to look ahead 50 and 100 years into the future and use our experience, technologies and conceptualization abilities to propose ideas that are

ahead of the curve. In that context, the knowledge we have gained in delivering integrated solutions that incorporate the field of architecture and existing strengths in civil engineering is a significant turning point in the global expansion of our business.

Based on our management philosophy, "Act with integrity and contribute to society through technology and engineering," we will further improve the Nippon Koei Group's integrated strengths, technologies and people as we continue to grow and advance together with society.



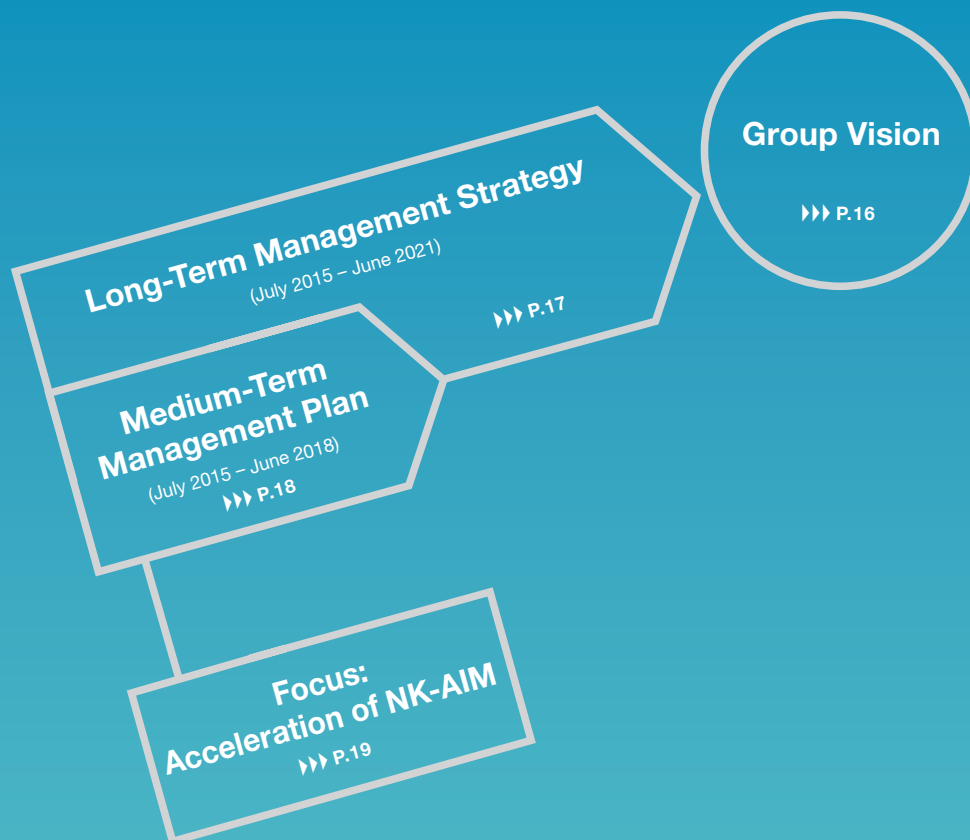
October 2016

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Ryuichi Arimoto
President

Strategy

The Nippon Koei Group has formulated a long-term management strategy (July 2015-June 2021) and medium-term management plan (July 2015-June 2018) aimed at realizing its Group Vision. We are executing business based on those strategies.



Group Vision

The Nippon Koei Group's value and mission are expressed in its management philosophy: "Act with integrity and contribute to society through technology and engineering." The Group Vision is what we aspire to accomplish.

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

Building safe and reliable social infrastructure

Carrying on the legacy of the Company's founder, we will contribute to society by combining our expertise with the latest technologies to build safe and reliable infrastructure aligned with the demands of each era.

Creating comfortable living spaces

In response to the needs of the world, which is becoming increasingly urbanized, we will deploy our expertise in the new field of urban design as well as in architecture to contribute to society through the creation of comfortable living spaces.

All of us in the Nippon Koei Group will remain dedicated to building a future in which people throughout the world can enjoy active and fulfilling lives.

Basic Objective

Continue to evolve into a global consulting and engineering firm

The basic objective of our long-term management strategy (July 2015 – June 2021) is to evolve the firm into a global company with both consulting and engineering expertise.

Our strategies for achieving the above are threefold: Innovation, Solutions and Realization.

Innovation

We will focus investment on technological and human resource development to expand our core businesses and increase market share.

Solutions

With our wide range of services and exceptional teamwork, we will deliver optimal solutions to the issues facing customers and communities.

Realization

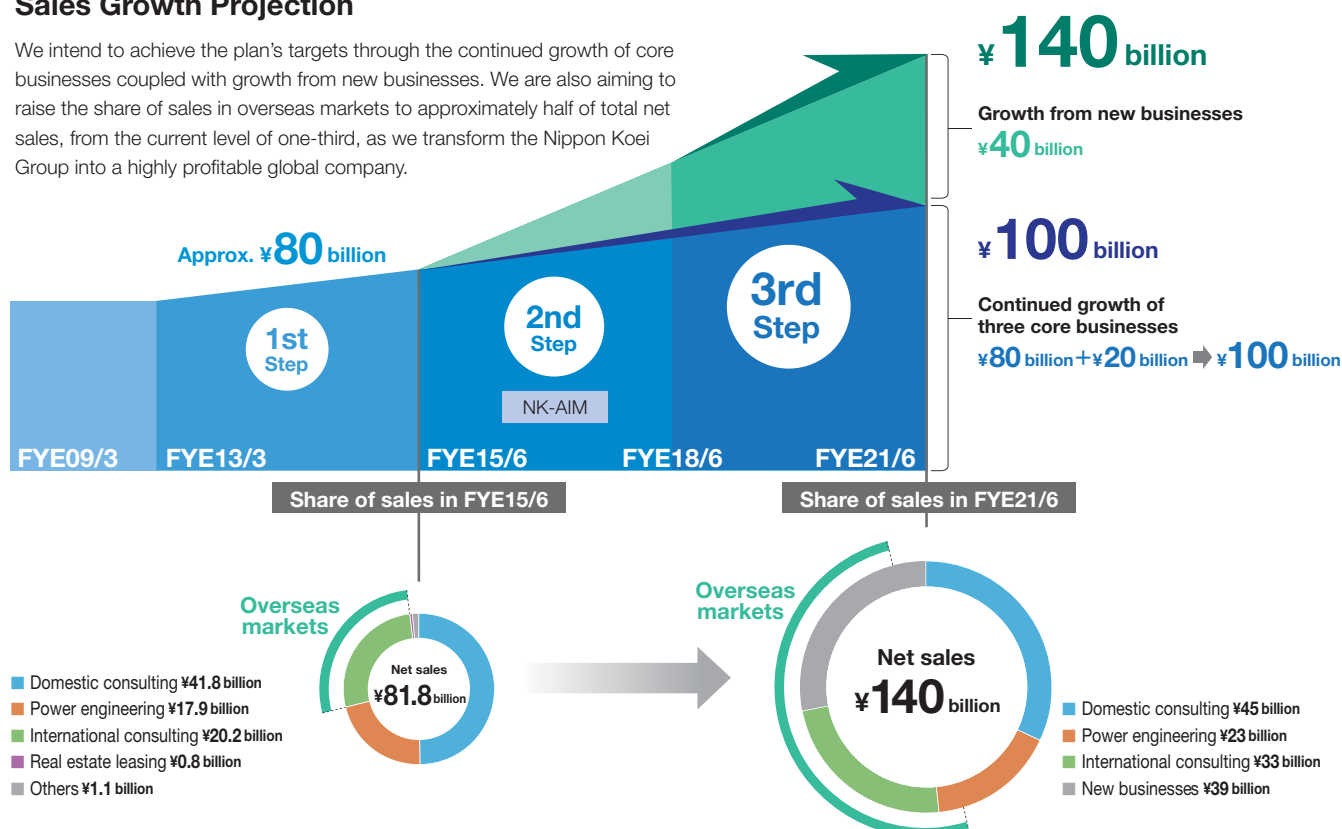
We will make the Nippon Koei Group an even better place to work by promoting work environments in which all employees feel motivated and can lead healthy, fulfilling lives.

Targets for the Year Ending June 30, 2021

Consolidated net sales	Operating income	Operating margin	ROE
¥ 140 billion	¥ 14 billion	10%	10%

Sales Growth Projection

We intend to achieve the plan's targets through the continued growth of core businesses coupled with growth from new businesses. We are also aiming to raise the share of sales in overseas markets to approximately half of total net sales, from the current level of one-third, as we transform the Nippon Koei Group into a highly profitable global company.



Medium-Term Management Plan (July 2015 – June 2018)

We formulated Medium-Term Management Plan NK-AIM, positioning the three years from July 2015 to June 2018 as the key period for preparing for future growth.

Basic Policies

Sustainable growth of three core businesses

Generation and expansion of new businesses

Autonomy and collaboration

Key Challenges

Advance globally

– Accelerate global expansion –

- Boost market share in ODA business
- Establish localized order-receiving systems and production operations
- Recruit and train regional engineers
- Develop hydroelectric power business overseas



Make intense efforts in Japan

– Secure stable profitability –

- Improve operational quality and profitability by bolstering production
- Provide solutions vis-à-vis the national resilience policy and extend the life-span of infrastructure
- Step up initiatives (alliances, etc.) for projects ordered by local governments
- Boost price competitiveness in the power engineering business



Demonstrate our true merit

– Generate new business areas –

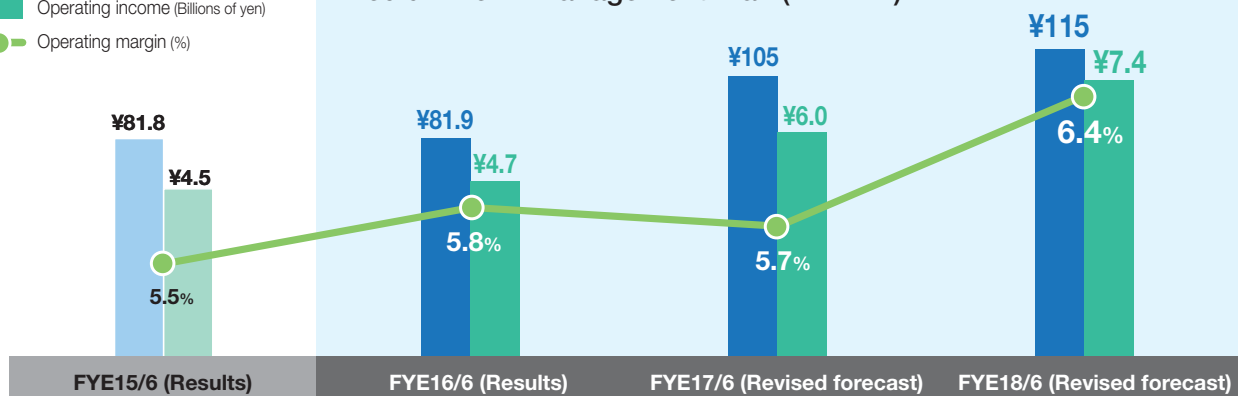
- Provide new solutions to urban development problems by utilizing the combination of civil engineering and architecture
- Create synergy between the engineering consulting business and the power engineering business
- Invest in new businesses to acquire knowledge in new fields

Targets for the Year Ending June 30, 2018 (Revised)

Consolidated net sales	Operating income	Operating margin	ROE
¥115 billion	¥7.4 billion	6.4%	7.5%

- Consolidated net sales (Billions of yen)
- Operating income (Billions of yen)
- Operating margin (%)

Medium-Term Management Plan (NK-AIM)



Focus

Acceleration of NK-AIM

UK-based Architectural Design Firm BDP Joins the Nippon Koei Group

Full-scale entry into the urban & spatial development business

Nippon Koei has been developing the urban & spatial development business to further expand its business reach in line with its Group Vision: “To provide services that are of value in building safe and reliable social infrastructure and comfortable living spaces.” In April 2016, UK-based architectural design firm BDP Holdings Limited (BDP), including all its subsidiaries, became a member of the Nippon Koei Group. Bringing BDP into the fold will enable the Group to provide more comprehensive, integrated solutions to urban issues.

With the contribution of BDP, the Nippon Koei Group has taken its first step as a global engineering consultancy, adding an urban & spatial development business to its engineering consulting and power engineering businesses.

BDP: A growth partner that shares our values

Sir George Grenfell-Baines, the founder of BDP, established Building Design Partnership, the forerunner of BDP, at age 54 with the intention of creating a multidisciplinary business model encompassing various fields, including structural engineering and facility design, in addition to architecture. Likewise, Nippon Koei's founder, Yutaka Kubota, who established the company at age 56, was not just an engineer but planned and executed business with a view toward economic development. We are confident that BDP, which shares a very similar corporate DNA that has remained constant, will be a valuable partner in realizing our vision.

Overview of BDP and Representative Projects

Company name: BDP Holdings Limited

Head office: Manchester, UK

Capital: £5.0 million

Established: April 1961

Number of employees: Approx. 850
(consolidated)

Net sales: £84.4 million (FYE15/12)

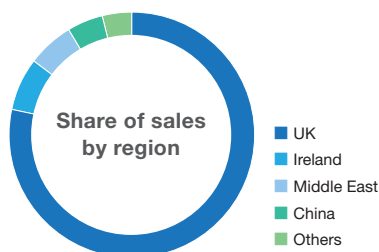


Alder Hey Children's Hospital (UK)

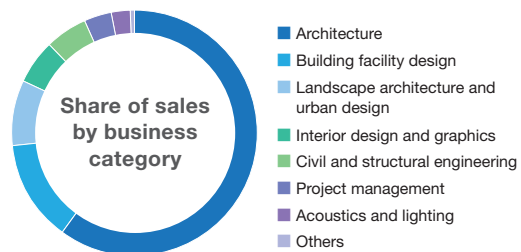


Milan Expo 2015 - UK Pavilion (Italy)

BDP's Sales by Region and Business Category



The UK accounts for approximately 80% of sales. Joining the Nippon Koei Group will position BDP for rapid growth into a global architectural firm by expanding its presence in Asia.



Approximately 60% of sales are from architecture. Other businesses cover various fields such as interior design, acoustics and lighting.

Synergy with BDP

The Nippon Koei Group and BDP have different areas of engineering expertise, geographical footprints and major clients, and will have a number of opportunities to generate synergies from their complementary strengths.

NIPPON KOEI			BDP.	
Expertise	Civil Engineering	×	Architecture/ Urban Development	
Areas	Japan/Other parts of Asia/ South America (Emerging Markets)	×	UK/Europe	
Main Clients	Japanese Government/ Governments of Developing Countries (ODA)	×	Public/Private	

Urban Development Projects in Asia

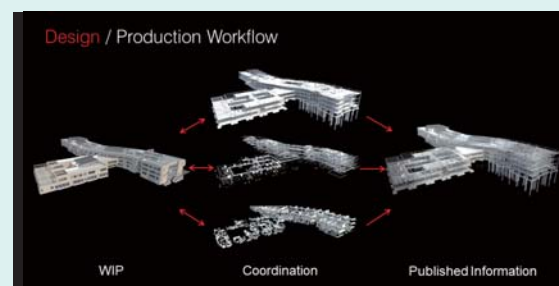
BDP has a strong track record in private urban development projects. Access to its experience and knowledge will allow us to expand our presence in spatial development projects in areas such as urban development, development along railroad lines, airport and train station building design, and industrial

park development, particularly in the Asian market, which has high growth potential. Nippon Koei and BDP have formed liaison teams, and will collaborate to win orders for large urban development and architectural design projects as well as infrastructure development.

Acquisition of BIM Technology

BDP is a leader in Building Information Modeling (BIM), both in the UK and throughout Europe, and some 70 percent of its engineers are skilled in operating BIM software. In Japan, the use of BIM is expected to be indispensable because of its many benefits such as enhanced design visualization and faster interference checking of designs, structures and facilities. By sharing BDP's expertise in BIM, as well as its human resources, we will gain a competitive edge with this powerful tool. To expedite technology sharing, we will organize BIM workshops

led by BDP engineers and dispatch Nippon Koei Group employees to BDP.



Future Prospects

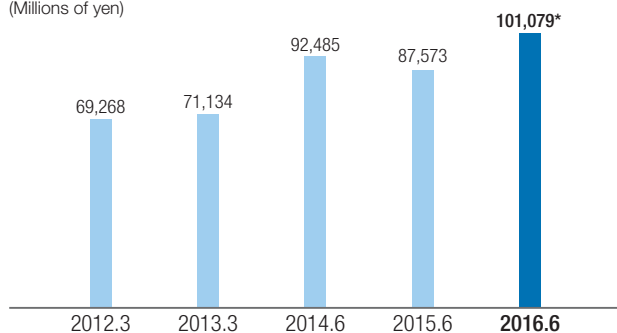
The integration of BDP, a leading architectural design firm in the UK, into the Nippon Koei Group is highly significant for both companies. By combining Nippon Koei's infrastructure technologies built over its 70-year history and BDP's architecture and urban

development expertise cultivated over 55 years, we will continue to take on new challenges for the creation of comfortable living spaces by increasing the value of social infrastructure and providing valuable services to people around the world.

Financial Highlights

Orders (consolidated)

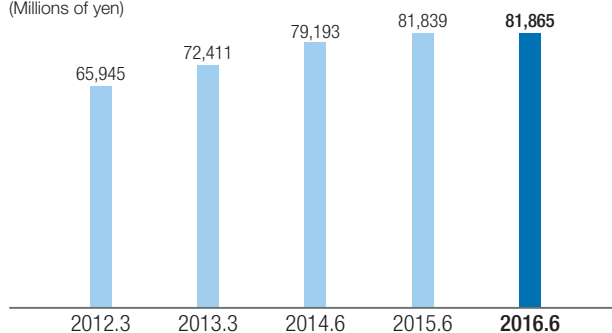
(Millions of yen)



* Orders in FYE16/6 include the order backlog of BDP as of April 2016 (¥16,251 million).

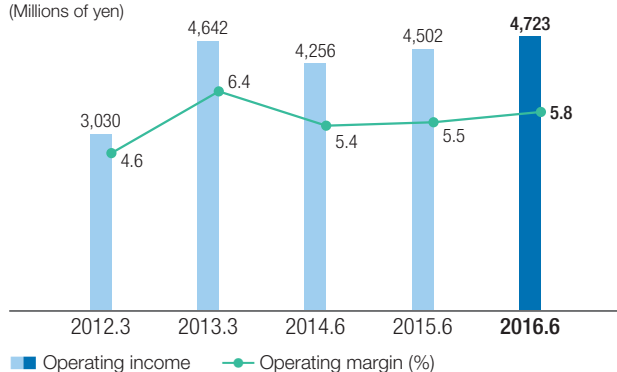
Net sales (consolidated)

(Millions of yen)



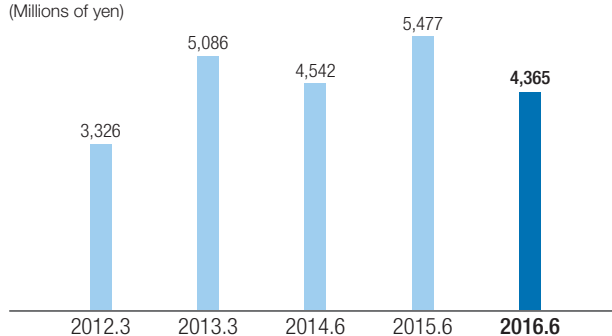
Operating income / Operating margin

(Millions of yen)



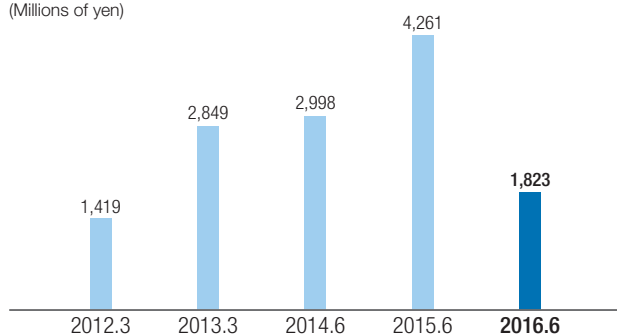
Ordinary income

(Millions of yen)



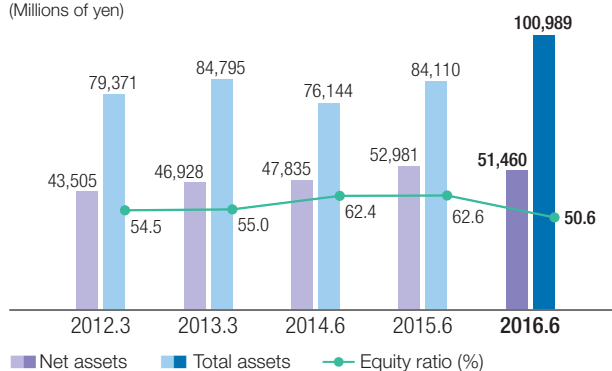
Profit attributable to owners of parent

(Millions of yen)



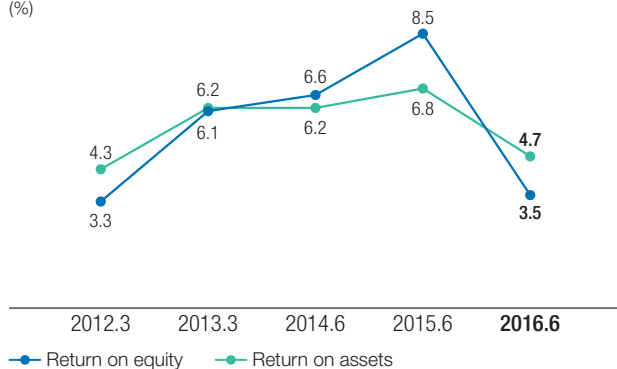
Net assets / Total assets / Equity ratio

(Millions of yen)



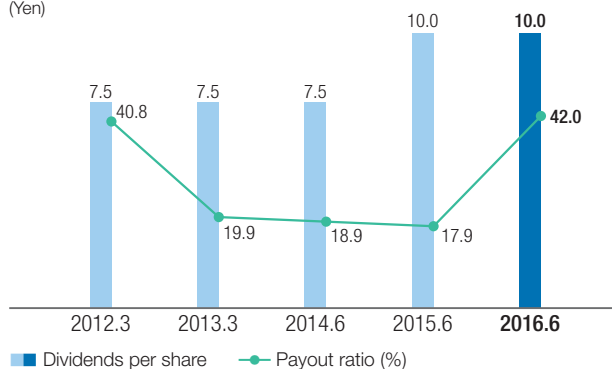
Return on equity / Return on assets

(%)



Dividends per share / Payout ratio

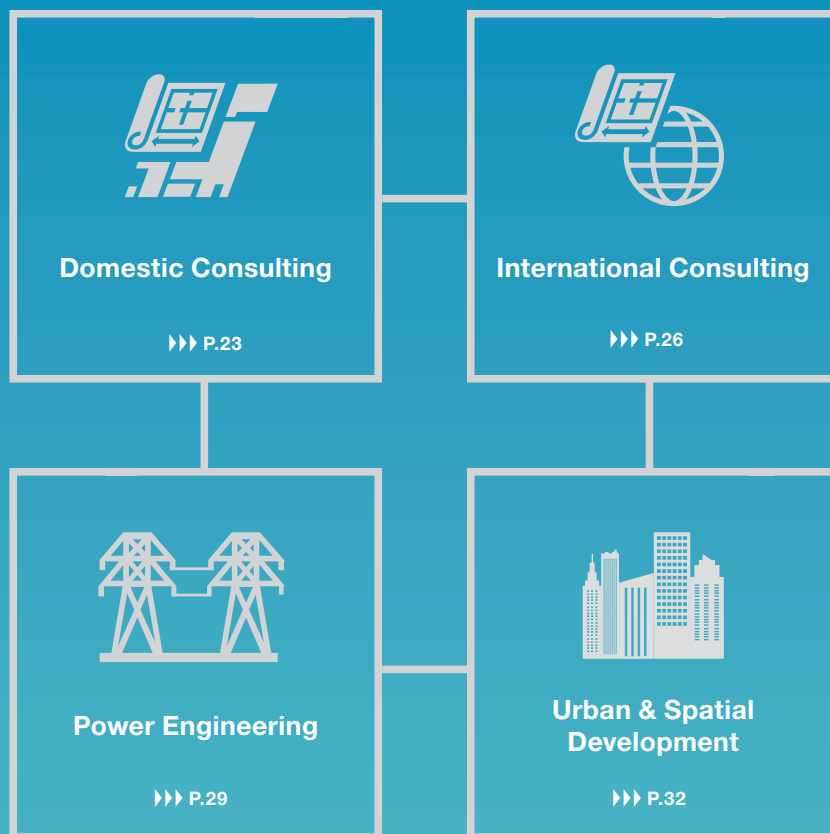
(Yen)

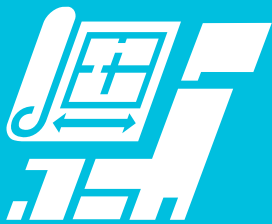


Note: FYE13/6 is omitted from the graphs as it was a three-month transitional period due to a change in the fiscal year-end.

Business Section

Based on its state-of-the-art technologies, the Nippon Koei Group provides engineering consulting and power engineering services to develop and enhance social infrastructure that supports safe and secure living environments. Through these businesses, as well as the newly launched urban & spatial development business, the Group will create more a livable and sustainable social foundation worldwide.





Domestic Consulting

The domestic consulting business provides a full range of civil engineering consultation related to development and maintenance of social infrastructure. Its goal is to help build safe and secure living spaces, vibrant communities and sustainable environments.

With proven technologies backed by diverse experience and R&D, we carry out many projects that support daily life. Projects for the improvement and maintenance of social infrastructure, such as waterways and roads, lead to regional development as well as convenient and comfortable lifestyles for people nationwide.



Business Areas

Water Resources and Waterways

We provide technical services for flood control, efficient water use, improvement of water environments, and the water supply and sewerage facilities that are integral for daily living.

Urban and Regional Development

Our services in this area include regional development studies; support for policymaking related to urban and regional planning; and investigation, analysis, design and construction supervision concerning ground conditions and geology.

Disaster Prevention

To preserve the land and enable people to live safely and peacefully, we provide technical services that protect communities from natural disasters such as large earthquakes, volcanic eruptions and torrential rain.

Project Management

We provide consulting services when cooperation and collaboration among government entities, private enterprises and citizens are involved, such as asset management and technical management in public-private partnerships (PPP).

Dams and Power Generation

We have a strong track record in handling all aspects of dam projects, including providing technologies for new dam construction and for redevelopment and service life extension of existing dams.

Transportation

We provide a wide range of services, such as planning, investigation and design, service life extension and improvement in maintenance of roads, bridges, airports and other transportation infrastructure.

Environmental Management

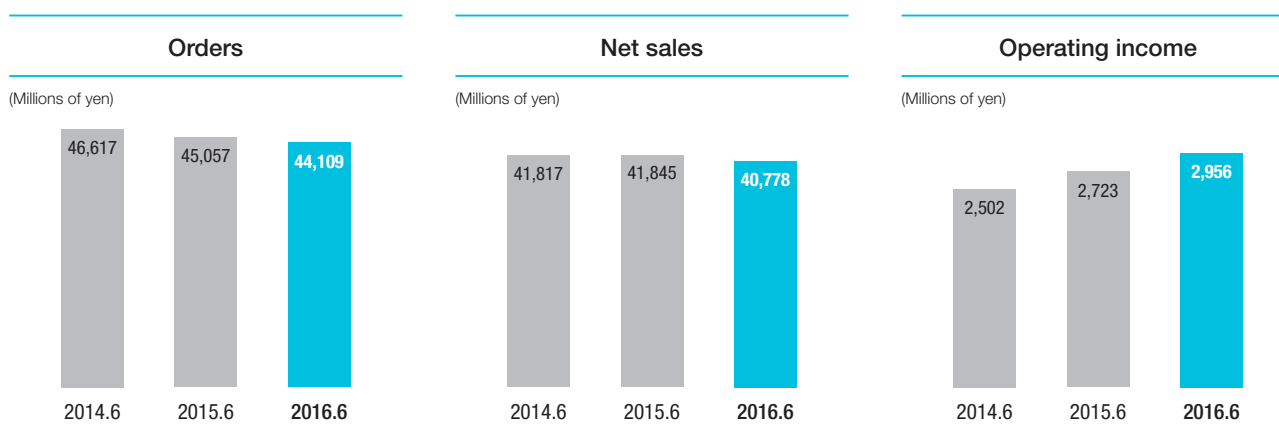
Our business in this sector focuses on balancing development and the environment by preserving air, water and land environments as well as biodiversity for a sustainable society that coexists in harmony with nature.

Performance at a Glance in FYE16/6

Orders: Essentially unchanged from the previous year with more proactive efforts to undertake front-loaded orders in the April-June period

Net sales: In line with expectations due to strong performance in core business areas, despite a decrease in post-earthquake reconstruction projects

Operating income: Up over the previous year as the cost-to-sales ratio declined due to higher productivity and cost reductions (Operating margin: FYE15/6: 6.5% → FYE16/6: 7.3%)



Promoting Safety and Peace of Mind

Japan is one of the world's most disaster-prone countries. Earthquakes, tsunamis, volcanic eruptions, floods and ground subsidence are some of the disaster risks the country faces. Moreover, a significant portion of the country's infrastructure was built more than 50 years ago.

Preparing for natural disasters and extending the service life of infrastructure are essential for enabling people to live safely and peacefully; in fact, the Japanese government is promoting a "national resilience" policy aimed at these goals.

The Nippon Koei Group has operating bases in all 47 prefectures of Japan, and employs professionals in diverse fields such as geology, waterways, environmental protection and information technology. We mobilize these assets in carrying out projects for preventing and mitigating disasters and prolonging the life-span of infrastructure in order to build a society in which people can live with peace of mind.

Specific Measures

Amid rising concern over natural disasters, we have made disaster prevention and mitigation one of our strategic focal areas. Since it is difficult to completely prevent damage from natural disasters that occur without warning, it is important to determine how to limit and mitigate the extent of the damage.

The Nippon Koei Group implements both "hard" measures such as construction of check dams and slope stabilization, and "soft" measures such as promotion of resident warnings with alarm systems that employ sensors and other technologies.

Making effective use of limited budgets and manpower is becoming increasingly difficult just with the traditional "treat the symptoms" approach – in other words, fixing infrastructure when it breaks down.

In 2015, the Nippon Koei Group began an initiative in which we use the current condition of disaster prevention facilities and accumulated data to make recommendations to national and local authorities responsible for preventing landslides on what measures to take and when to take them. This allows authorities to continue maintaining the performance of disaster prevention facilities at the lowest possible cost. We have started work on extension of the service life and establishment of maintenance methods for disaster prevention facilities, including examination of suitable inspection and soundness evaluation methods, and development of new technologies.





International Consulting



The Nippon Koei Group conducts many projects to support the growth of developing countries in Asia, Africa, the Middle and Near East, Latin America and other regions. Projects encompass a wide range of fields, including water resources and waterways, energy, urban and regional development, transportation, agricultural and rural development, and environmental management.

In recent years, we have been playing an important role as a leader in social contribution and humanitarian aid across borders. Examples of our efforts include environmental measures to combat global warming, development of regional transportation infrastructure to support the rapid growth of emerging economies, and reconstruction assistance for regions affected by conflict and/or natural disasters.



Business Areas

Water Resources and Waterways

We provide consulting services that coordinate solutions to problems concerning water resources. Examples include water resource development for entire countries, flood control in river basins, and introduction of institutions for water rights reconciliation.

Urban and Regional Development

Urban areas in developing countries face various problems, typified by traffic congestion and/or environmental degradation as a negative side effect of rapid population growth. With our comprehensive consulting services, we help cities in addressing these challenges through holistic approaches.

Agricultural and Rural Development

We provide total consulting services in agricultural and rural communities to tackle issues closely related to poverty and food security, which affect many developing countries.

Others

Our wide range of technical services also encompasses climate change countermeasures, information and communication technology, post-disaster restoration assistance, and proposal of PPP project schemes.

Energy

In the energy sector, we provide consulting services to formulate optimal energy development plans according to each country's development stage, as well as plans for improvement of power plants, transmission systems and other facilities and equipment.

Transportation

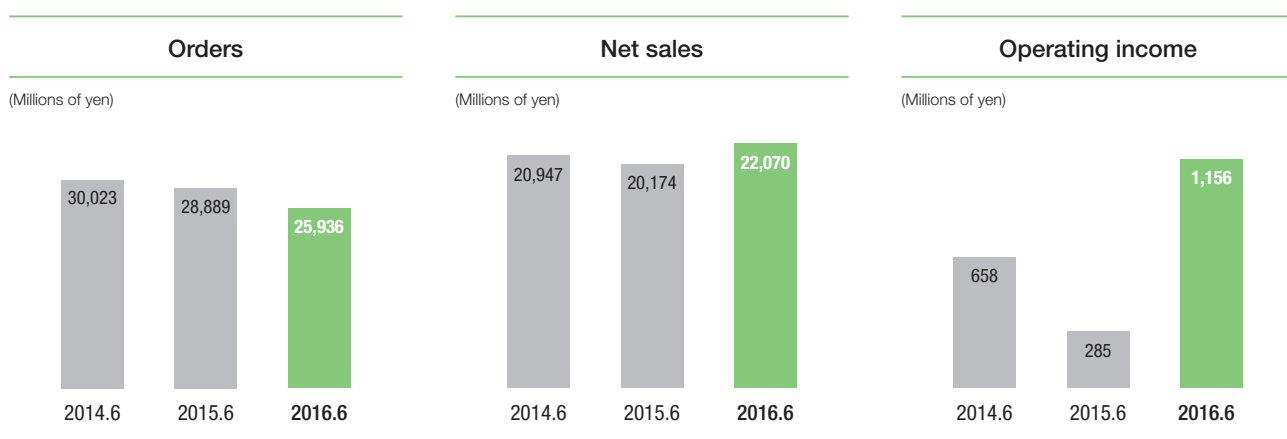
To resolve problems that are becoming increasingly serious, such as traffic accidents, congestion and environmental pollution, we build up the infrastructure networks that support economic activities, and repair transportation facilities that have deteriorated over time or been damaged by disasters.

Environmental Management

We assemble multidisciplinary teams of technical experts to provide consultation on issues ranging from biodiversity, deforestation, air and soil pollution to urban environmental problems.

Performance at a Glance in FYE16/6

Orders: Slight decrease from the previous year due to contract delays for certain large-scale projects
 Net sales: Up over the previous year with the positive impact of favorable performance of local subsidiaries overseas
 Operating income: Significant improvement over the previous year due to factors including an increase in the number of projects at the construction supervision stage
 (Operating margin: FYE15/6: 1.4% → FYE16/6: 5.2%)



The Nippon Koei Group's Infrastructure Exports

Boosting infrastructure exports is a key part of the Japanese government's growth strategy, which has eventually focused renewed attention on the role of civil engineering consultants who will lead that effort.

Yutaka Kubota, the founder of Nippon Koei, was already working to pioneer "infrastructure exports" even before the Second World War. After the war ended in 1945, while he dedicated his efforts to rebuilding Japan, he also provided other countries with Japanese

technologies for infrastructure such as hydroelectric power plants, roads, railways and bridges.

Today, the Nippon Koei Group carries out projects that apply essential Japanese technologies for infrastructure building in many countries worldwide. In recent years, we have been engaged in infrastructure exports with a focus on mass rapid transit (MRT) and other urban public transportation systems, helping to make people's daily lives safer and more convenient.

Specific Measures

In Ho Chi Minh City, Vietnam, an increasing population and economic growth have resulted in problems such as traffic congestion, declining safety and environmental pollution. In 2008, Nippon Koei won a bid as the leader of a joint venture for Line 1 of the Ho Chi Minh City Metro Rail System, a 19.7 km mass rapid transit line that will link central Ho Chi Minh City, which is the most populous metropolitan area in Vietnam, with suburban areas.

This line is seen as the key to alleviating the congestion and pollution that are worsening year by year with the city's urbanization. A number of state-of-the-art technologies from Japan have been

employed in this project – use of the shield tunneling method to protect historical architectural sites from land subsidence, railway cars that provide superior comfort for passengers, and the diagram management systems necessary for punctual train operation, to name a few.

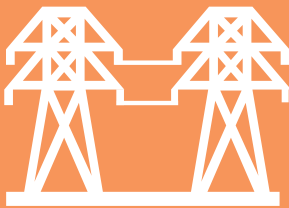
The population of Ho Chi Minh City is approximately 8 million, and 20 million if surrounding areas are included. Line 1 is expected to play a role as another step toward changing the lifestyles of the Vietnamese people as the economy continues to grow rapidly.



Ho Chi Minh City, Vietnam
Metro Rail System Project (Ben Thanh – Suoi Tien [Line 1])
Construction period: 2008-2020



Power Engineering



We develop power resources and offer services to address electricity demand in emerging countries as well as in Japan. Our power engineering business covers construction and repair of substations and switching stations, construction and repair of power plants and overhead/underground transmission lines, construction of central monitoring and control systems that improve efficiency, construction of dam control systems at hydroelectric power plants, and manufacturing of equipment. Our mission is to offer the best solutions to meet the various needs of electric power companies, our clients.



Business Areas

■ Manufacturing of Equipment and Devices for Power Generation/Transmission/Distribution

We produce water turbines for hydroelectric power plants, manufacture substation control devices, and build substation central monitoring systems and dam control systems.

■ Mechanical and Electrical Consulting

We provide comprehensive consulting services for electric power and electrical equipment.

■ Geotechnical Investigation, Sale of Civil Engineering Measurement Devices

We perform installation work and maintenance inspections of automated observation systems used in landslide prevention, and manufacture and sell geotechnical measuring devices.

■ Construction of Electrical Facilities

We perform planning, investigation, design, construction and management related to reinforcement and repair of facilities of electricity suppliers, including substations, switching stations, and overhead/underground transmission lines.

■ Energy Solutions

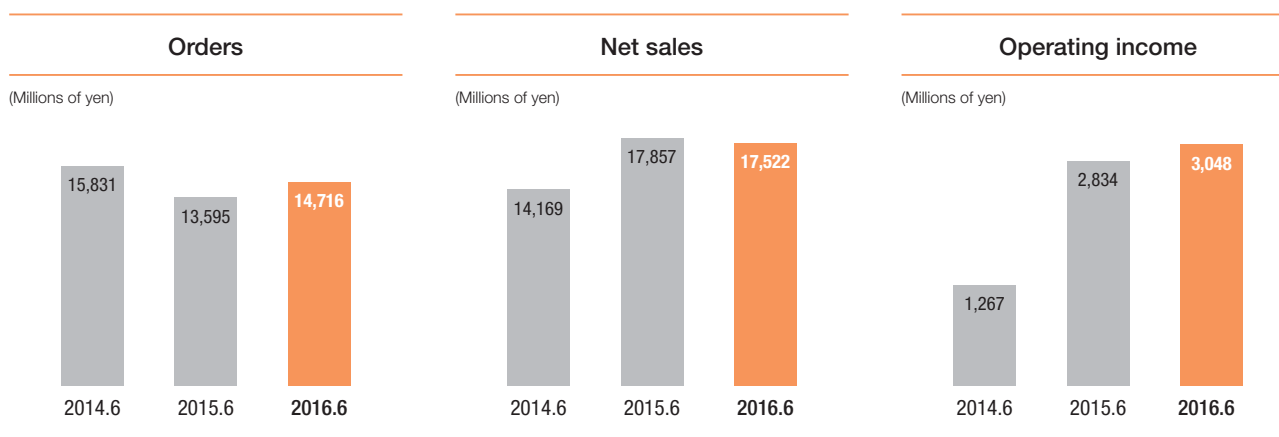
Amid increasingly strict environmental regulations, we provide energy consultation and perform design and installation of hydropower/solar facilities in the field of renewable energy.

■ Safety Gear and Equipment

We manufacture and sell voltage detector checkers and testers, as well as other safety products.

Performance at a Glance in FYE16/6

- Orders: Up over the previous year on strong orders for manufacturing and construction of substation facilities
- Net sales: Exceeded expectations as the Group booked sales of large-scale projects, e.g. substation-related projects and improvement of water turbine generators for the private sector, etc.
- Operating income: Up over the previous year as a result of strong improvement in profitability reflecting successful cost-cutting measures
(Operating margin: FYE15/6: 15.9% → FYE16/6: 17.4%)



Topic

Introduction of Energy Management Systems

In recent years, there has been growing interest in and need for reducing environmental burden with approaches such as “smart cities” or “smart houses” that use energy more efficiently.

One solution attracting attention is energy management systems (EMS). An EMS helps to minimize energy consumption by capturing information on all energy use in an entire building through monitoring and control of energy-consuming equipment and by managing equipment/appliances based on demand forecasts.

The Nippon Koei Group provides a wide range of services from upstream to downstream areas of the power

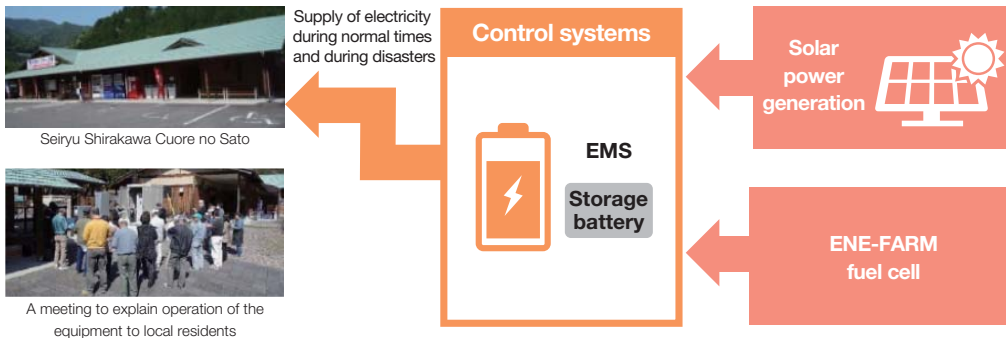
engineering business. We have proposed and implemented a variety of projects for clients who appreciate our ability to provide one-stop services for design, procurement, manufacturing and installation of EMS.



Specific Measures

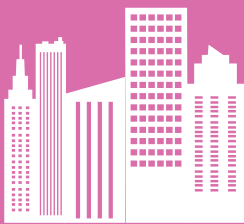
Michi-no-Eki (roadside service areas) are facilities found along roads and highways in Japan. They were established mainly to provide rest areas for drivers, to announce local-area information, and to promote regional cooperation. In recent years, however, they have been attracting a different kind of attention as places to use during disasters. At Seiryu Shirakawa Cuore no Sato, a *Michi-no-Eki* designated as a disaster preparedness center in Shirakawa, Gifu Prefecture, Nippon Koei designed, manufactured, procured and constructed next-generation energy infrastructure (solar power generation, fuel cells, storage batteries and control

systems) to enhance disaster preparedness functions by enabling autonomous electricity supply during power outages, and to create a low-carbon community by producing energy where it is consumed. As a result, this facility is able to supply enough electricity and hot water for about 30 evacuees during an evacuation to the *Michi-no-Eki* for three days, enhancing disaster preparedness in a community that can become isolated in a disaster. We remain committed to delivering solutions that enable smart use of energy and safe and secure living environments.





Urban & Spatial Development

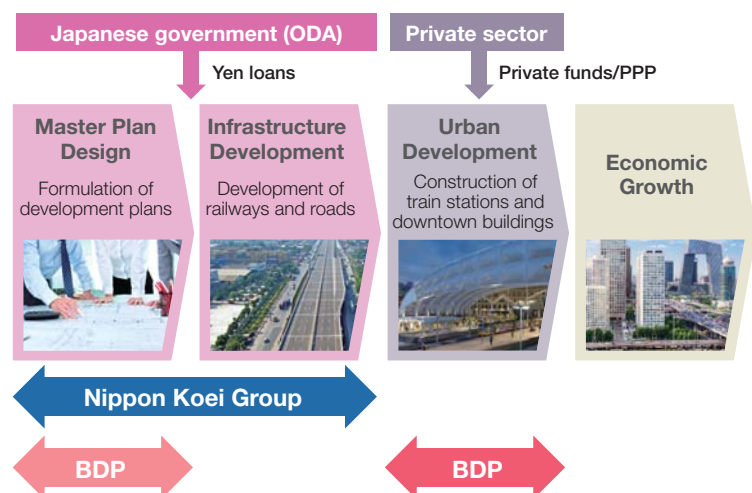


We established the urban & spatial development business in July 2016 after BDP joined the Nippon Koei Group. The purpose is to expand into the field of architecture, which accounts for roughly 25% of international sales of civil engineering consulting firms worldwide.

In developing countries in Asia, rapid urbanization has led to worsening traffic congestion, environmental pollution and other problems. To address these problems, we will extend our businesses to construction of airport buildings, train stations and other facilities in addition to design of urban transportation infrastructure.

Synergy with Existing Businesses

We are aiming for joint participation in ODA-financed projects in Asia, including development of master plans for metropolitan areas and cities, development of peripheral infrastructure for urban transportation, airport buildings and train stations, and private-sector projects to develop industrial infrastructure. Going forward, we will provide a complete array of consulting services from civil engineering to architectural design.



Foundation

The Nippon Koei Group’s management philosophy is “Act with integrity and contribute to society through technology and engineering.” It is the basis of our efforts to build, maintain and further develop the foundations of daily life for people worldwide. In all of our projects, we adhere to the Nippon Koei Group Code of Conduct, which serves as a guide for dealing with everyone associated with our business operations.



People and Technologies

“Act with integrity and contribute to society through technology and engineering” is our management philosophy. To fulfill it, we need people who have integrity and technologies that are beneficial to society. Human resource development and technological development are the growth engines of our business, and we are taking various initiatives in both areas.



Our people are the heart of our business. To ensure that they can perform to their full potential, it is important to conduct appropriate recruitment, self-improvement, training and development.

Recruitment and Retention

We promote strategic recruitment and the diversification of our workforce, as well as the creation of comfortable work environments to raise our employee retention rate.

● Internships

We offer internships in our domestic consulting, international consulting and power engineering businesses to familiarize more students with our business and our work.



Self-Improvement

● Support systems

To support employees' self-improvement efforts, we share information about in-house workshops throughout the Company, and maintain a system for recording continuing professional development (CPD) activities.

We have also begun trial use of a tool that visualizes annual goals and their results in order to help engineers systematically acquire the skills needed in their professional fields.

● Support for acquisition of engineering qualifications

The Nippon Koei Group has more certified Professional Engineers (1,466 in total) than any other civil engineering consulting company in Japan. We help employees obtain engineering qualifications in various ways, such as conducting in-house workshops and lending relevant books.



Training and Development

● Level- and position-based training

We offer various training programs year-round based on technical level and organizational position so that employees can improve competence at their current level and position, and enhance their practical and management skills.

In addition, we conduct training to develop management skills for selected candidates once every two years. This program will be held for the 21st time in the fiscal year ending June 30, 2017.



Topic

Creating a Supportive Work Environment

Based on Japan's new law to promote the participation of women in the workforce, we aim to raise the percentage of male employees taking parental leave as part of our action plan for empowering female employees.

My first child was born in August 2014. Then I took the first parental leave of five months in May of the following year. My wife and I both work, and using the leave has been essential in our efforts to balance career and family life. I had already discussed the matter with my boss and co-workers, and they were very supportive, which I really appreciated.

While I was on leave and after I returned to work, I was pressed for time and often things did not go as expected, but I feel that the experience of parental leave has enriched my life. There still aren't many cases of men taking parental leave. I hope I can contribute to improving this system and its operation so that more employees will use it.

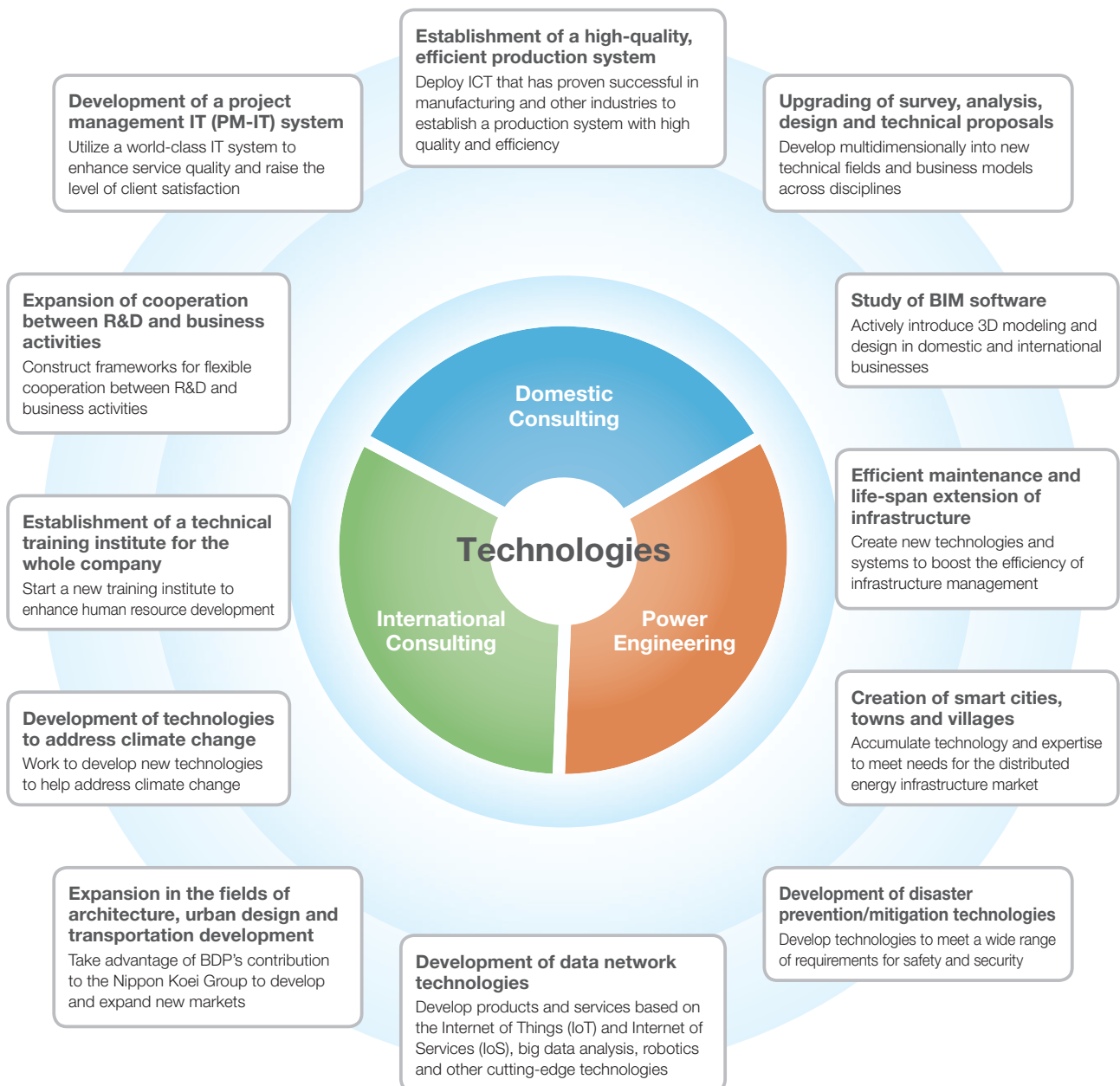
Masayuki Hitokoto
Advanced Technology Dept.
R&D Center





To get the most out of our technological strengths, it is necessary to seamlessly combine and utilize technology development, adoption of new technologies, use of external technologies, enhancement of functionality, quality assurance and improvement, inheritance of technological assets and effective use of intellectual property.

In the two years from July 2016 to June 2018, we aim to further strengthen the technologies and know-how in each department through a companywide framework for advancing the 12 themes below.

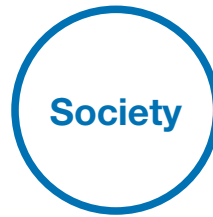


Environment and Society

Nippon Koei has inherited its founder's commitment to contributing to society, and operates with the view that we fulfill our corporate social responsibility (CSR) through our business activities.



Environmental consideration and preservation



Contribution to society

Renewable Energy

The use of renewable natural energy resources has great potential to prevent or mitigate global warming. Safe, clean renewable energy, which emits virtually no greenhouse gases, is also attracting attention as a way of delivering stable supplies of energy and dispersing the risk of energy sources.

The Nippon Koei Group is aiming to pioneer and build new areas of business that will contribute to the sustainable development of society with stable supplies of renewable energy. We are focusing in particular on the mini hydropower business.

The Shinsogi Micro Hydropower Plant in the city of Isa, Kagoshima Prefecture, which is operated jointly by Nippon Koei and KOEI Energy Co., Ltd., has a maximum output of 490 kW and produces 4,000,000 kWh of electricity per year, enough to power about 1,000 average households. This plant also contributes to the region as a destination for learning-based tourism and educational programs on renewable energy.

In recognition of these activities, the New Energy Foundation gave Nippon Koei the Special Jury Award in the Fiscal 2015 New Energy Awards.*

* To raise awareness and promote the further adoption of new energy, the New Energy Foundation presents this award for excellence in new energy-related products and for adopting new energy, or for efforts to promote and raise awareness of new energy.



Shinsogi Micro Hydropower Plant



Learning about renewable energy

Support for the Advancement of Developing Countries

In cooperation with communities and NPOs, we provide support to help developing countries become more independent and self-reliant. With a global perspective, we pay due respect to the histories and cultures of countries and regions, and contribute to their sustainable development by providing outstanding services and products according to local characteristics and circumstances.

The opening of the B.P. Koirala Highway in Nepal, a project we participated in for nearly 30 years from the start of survey work in 1986, shortened the travel distance between the Terai plain, the breadbasket region of southern Nepal, and the capital city of Kathmandu by 150 kilometers, and cut travel time by almost half, from nine hours to five hours. It has played a major role in improving the lives of some 1.5 million people living along the highway by improving distribution as well as access to education, medical care, government services and commercial centers.



The B.P. Koirala Highway, one of Nepal's main transportation arteries



Construction work with rope access technicians, the first of its kind in Nepal

Training of Engineers from Developing Countries

The Kubota Fund was established in 1984 by Yutaka Kubota, the founder of Nippon Koei, from his personal fortune to foster the growth of industrial technologies in developing countries by providing financial assistance for education, research and training of engineers.

A total of 281 people from 36 countries have been beneficiaries of the fund since it was established. The Nippon Koei Group will continue to support this program with the hope that everyone who receives grants from the fund will draw on their experience in Japan to spur industrial growth and improve living standards in their home countries and regions.

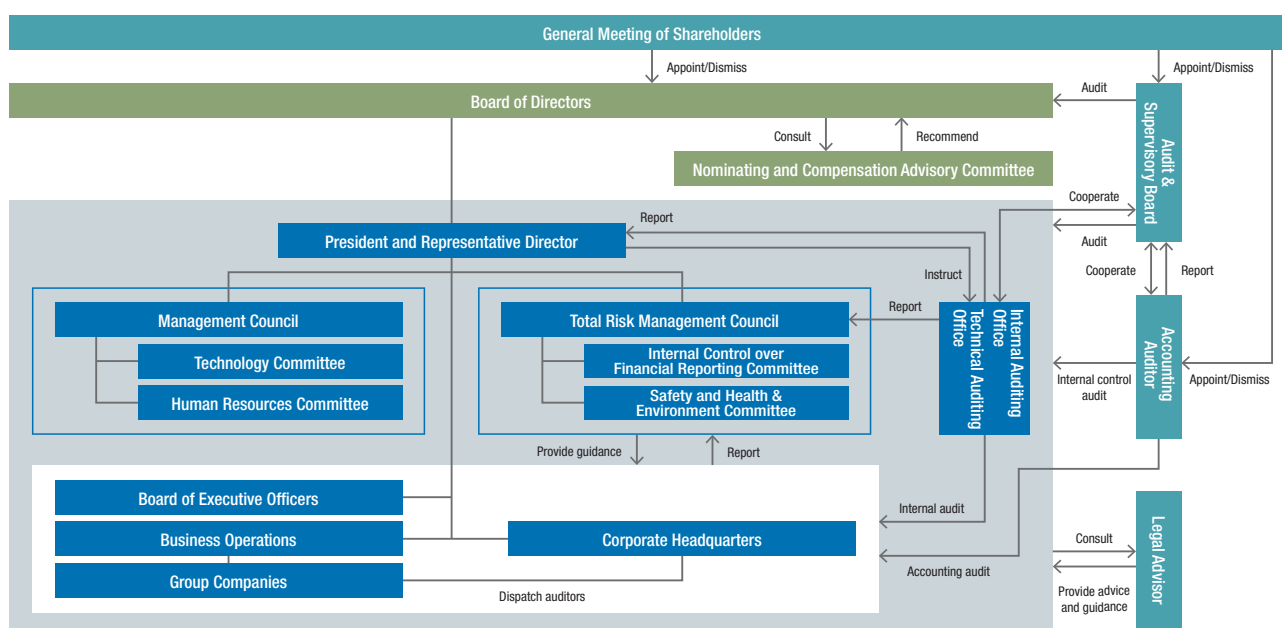
Corporate Governance

To increase the Nippon Koei Group's corporate value, we strive to enhance corporate governance by strengthening oversight functions in management organizations, ensuring management transparency and establishing a structure for fast execution of business operations.

Corporate Governance Structure

The corporate governance structure is shown in the diagram below. We have adopted the structure of a Company with an Audit & Supervisory Board that serves the statutory audit function (in addition to a Board of Directors and an accounting auditor). In addition, we have a Nominating and Compensation Advisory Committee

whose members include independent outside directors and Audit & Supervisory Board members in order to raise management fairness and transparency. We also have an executive officer system to separate supervision and monitoring of management from execution functions to clarify responsibility and enable faster decision-making.



Board of Directors

The Board of Directors, in accordance with the Regulations of the Board of Directors, makes decisions on important matters and oversees directors' execution of their duties. The Board of Directors is composed of 11 directors, including two outside directors. Three Audit & Supervisory Board members, including two outside members, also attend meetings of the Board of Directors.

Nominating and Compensation Advisory Committee

The Company has a Nominating and Compensation Advisory Committee, whose members include independent outside officers, to enhance management fairness and transparency. This committee reports to the Board of Directors after discussing matters such as personnel changes and compensation of directors.

Management Council

The Management Council, which convenes twice a month in principle, is made up of the representative directors and other senior executives, who discuss and respond flexibly to basic policies and important business execution matters in order to improve management efficiency.

The Management Council is composed of the three representative directors plus directors and executive officers designated by the president. One Audit & Supervisory Board member attends Management Council meetings as an observer.

Board of Executive Officers

We have adopted an executive officer system to separate monitoring and oversight from business execution functions, strengthen monitoring and oversight, clarify responsibility and facilitate faster decision-making.

The Board of Executive Officers, which meets once a month in principle, is composed of the president and all executive officers. It regularly monitors execution of specific measures related to the annual business plan and the Medium-Term Management Plan. Meetings of the Board of Executive Officers are also attended by two full-time Audit & Supervisory Board members.

Audit & Supervisory Board

The Audit & Supervisory Board, composed of all Audit & Supervisory Board members, facilitates effective audits by making decisions on matters deemed necessary for Audit & Supervisory Board members to perform their duties, including audit policies, audit plans, audit methods and allocation of audit work, and by receiving reports from Audit & Supervisory Board members on the performance of their duties.

Appointment and Activities of Outside Directors and Outside Audit & Supervisory Board Members

	Name	Independence	Reason for Appointment	Meeting Attendance
Outside Directors	Hiizu Ichikawa	Yes	Mr. Ichikawa was appointed so that he can use his extensive experience and insight as a manager to oversee the Company's business execution from an impartial, independent position while considering the interests of the Company's shareholders.	Board of Directors: 19 out of 19
	Kazumasa Kusaka	Yes	Mr. Kusaka was appointed so that he can use the extensive experience and insight he cultivated at the Ministry of Economy, Trade and Industry to oversee the Company's business execution from an impartial, independent position while considering the interests of the Company's shareholders.	Board of Directors: 15 out of 16
Outside Audit & Supervisory Board Members	Izumi Arai	Yes	Mr. Arai was appointed so that he can use his professional experience and insight in international finance and international cooperation to perform audits and further improve the Company's audit system.	Board of Directors: 19 out of 19 Audit & Supervisory Board: 16 out of 16
	Mineo Enomoto	Yes	Mr. Enomoto was appointed so that he can use his knowledge and experience as a corporate attorney to provide objective, neutral and fair oversight of management, particularly from a legal standpoint.	Board of Directors: 17 out of 19 Audit & Supervisory Board: 16 out of 16

Risk Management

The Company has established the Total Risk Management (TRM) Council, which is composed of officers including outside Audit & Supervisory Board members, to supervise overall risk management. In accordance with the policy set by the Board of Directors, the TRM Council assesses the risks associated with business activities, and formulates and implements a risk management plan to prevent the manifestation of risk events and minimize the potential for loss. The contents of TRM Council discussions are reported to the Board of Directors.

Each department conducts risk management activities based on the risk management plan, and reports on the status of its risk management activities to the TRM Council on a quarterly basis. In addition, all departments conduct their own inspections of the risk management plan and take any necessary measures for improvement every quarter or whenever any risk materializes, and reflect them in their risk management activities.

The Company also has rules for crisis management, which is one type of risk management. In these rules, a crisis is classified into one of two categories – a “company-level crisis” or “department-level crisis” – to facilitate quick and appropriate crisis management. The rules also provide clear procedures for responding when a crisis arises.

Compliance

The Nippon Koei Group Code of Conduct, a key element of which is thorough compliance, applies to executives and all employees of the Nippon Koei Group. The Company familiarizes all executives and employees with the Code of Conduct under the supervision of the TRM Council.

A Compliance Office is set up in each operational division to ensure familiarity with the Code of Conduct, and all that compliance is practiced in routine operations. In addition, the Internal Auditing Office, which reports directly to the president, performs audits concerning internal controls, including compliance.

Based on rules protecting whistleblowers who are members of the Nippon Koei Group, multiple contact points have been set up internally and externally to promote compliance throughout the Group. Compliance hotlines are provided in 1) the Compliance Office of each department, 2) the TRM Council secretarial office, and 3) an outside law firm. Under the Company's Regulations on the Compliance Hotline System, individuals are protected from retaliatory action for reporting concerns.

Board of Directors, Executive Officers and Audit & Supervisory Board Members

(As of September 29, 2016)



(Front row from left) Kazumasa Kusaka, Noboru Takano, Asao Yamakawa, Noriaki Hirose, Ryuichi Arimoto, Akira Mizukoshi, Hiroyuki Akiyoshi, Hiizu Ichikawa
(Back row from left) Izumi Arai, Hideyuki Sakunaka, Takashi Seki, Naoki Honjo, Toshiaki Shimizu, Mineo Enomoto

Noriaki Hirose	Director and Chairman	Naoki Honjo	Director and Executive Officer
Ryuichi Arimoto*	Director and President	Hideyuki Sakunaka	Director and Executive Officer
Asao Yamakawa	Director and Vice President	Hiizu Ichikawa	Director (Outside)
Akira Mizukoshi*	Director and Executive Vice President	Kazumasa Kusaka	Director (Outside)
Noboru Takano*	Director and Executive Vice President	Toshiaki Shimizu	Audit & Supervisory Board Member
Hiroyuki Akiyoshi	Director and Senior Managing Executive Officer	Izumi Arai	Audit & Supervisory Board Member (Outside)
Takashi Seki	Director and Senior Managing Executive Officer	Mineo Enomoto	Audit & Supervisory Board Member (Outside)

Takashi Karasaki	Senior Managing Executive Officer	Haruhiko Kanai	Executive Officer
Yoshikimi Inoue	Senior Managing Executive Officer	Kevin Tynes	Executive Officer
Masanao Nishimura	Senior Managing Executive Officer	Akimitsu Arai	Executive Officer
Haruyoshi Takura	Managing Executive Officer	Hitoshi Nagasaki	Executive Officer
Hiroyuki Kasahara	Managing Executive Officer	Hiroaki Shinya	Executive Officer
Takayasu Tsuyusaki	Managing Executive Officer	Hiroshi Matsuda	Executive Officer
Masanobu Sakamoto	Executive Officer	Toshikazu Kambara	Executive Officer
Shuichi Ueda	Executive Officer	Hiroshi Yokota	Executive Officer
Yasushi Sugo	Executive Officer	Hiroyuki Yamate	Executive Officer
Noriaki Yoshida	Executive Officer		

*Representative Director

Financial Section

Consolidated Balance Sheets

	(Millions of yen)			(Millions of yen)	
	As of June 30, 2015	As of June 30, 2016		As of June 30, 2015	As of June 30, 2016
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	12,148	11,174	Notes and accounts payable–trade	4,539	5,105
Notes and accounts receivable–trade	16,802	17,715	Short-term loans payable	—	16,000
Work in process	11,398	12,253	Current portion of long-term loans payable	164	266
Deferred tax assets	1,423	995	Income taxes payable	1,508	808
Other	3,059	4,022	Advances received	8,655	8,181
Allowance for doubtful accounts	(12)	(8)	Provision for bonuses	1,019	983
Total current assets	44,820	46,153	Provision for directors' bonuses	84	82
Non-current assets			Provision for loss on construction contracts	110	59
Property, plant and equipment			Other	8,384	11,620
Buildings and structures	17,868	18,685	Total current liabilities	24,466	43,107
Accumulated depreciation	(11,843)	(12,605)	Non-current liabilities		
Buildings and structures, net	6,025	6,079	Long-term loans payable	1,526	1,260
Machinery, equipment and vehicles	2,693	2,662	Deferred tax liabilities	2,110	1,917
Accumulated depreciation	(2,183)	(2,217)	Provision for directors' retirement benefits	59	45
Machinery, equipment and vehicles, net	510	444	Provision for environmental measures	34	34
Tools, furniture and fixtures	2,671	5,298	Net defined benefit liability	2,128	2,554
Accumulated depreciation	(2,362)	(4,757)	Other	803	609
Tools, furniture and fixtures, net	308	540	Total non-current liabilities	6,662	6,421
Land	17,333	17,332	Total liabilities	31,128	49,529
Leased assets	269	169	Net assets		
Accumulated depreciation	(173)	(87)	Shareholders' equity		
Leased assets, net	96	81	Capital stock	7,393	7,393
Construction in progress	251	81	Capital surplus	6,209	6,209
Total property, plant and equipment	24,525	24,561	Retained earnings	39,770	40,821
Intangible assets			Treasury shares	(3,205)	(3,020)
Goodwill	—	10,312	Total shareholders' equity	50,167	51,403
Other	570	6,308	Accumulated other comprehensive income		
Total intangible assets	570	16,620	Valuation difference on available-for-sale securities	1,659	(8)
Investments and other assets			Foreign currency translation adjustment	(100)	(301)
Investment securities	9,861	8,285	Remeasurements of defined benefit plans	917	28
Long-term loans receivable	922	1,914	Total accumulated other comprehensive income	2,476	(280)
Deferred tax assets	1,217	1,153	Non-controlling interests	337	337
Other	2,555	2,460	Total net assets	52,981	51,460
Allowance for doubtful accounts	(364)	(160)	Total liabilities and net assets	84,110	100,989
Total investments and other assets	14,193	13,654			
Total non-current assets	39,289	54,836			
Total assets	84,110	100,989			

Consolidated Statements of Income and Comprehensive Income

	(Millions of yen)	
	For the fiscal year ended June 30, 2015	For the fiscal year ended June 30, 2016
Net sales	81,839	81,865
Cost of sales	60,054	59,505
Gross profit	21,785	22,359
Selling, general and administrative expenses	17,283	17,636
Operating income	4,502	4,723
Non-operating income		
Interest income	77	114
Dividend income	363	228
Gain on sales of investment securities	—	343
Foreign exchange gains	527	—
Other	168	153
Total non-operating income	1,137	839
Non-operating expenses		
Interest expenses	48	58
Foreign exchange losses	—	951
Commission fee	92	172
Other	20	14
Total non-operating expenses	161	1,197
Ordinary income	5,477	4,365
Extraordinary income		
State subsidies	—	42
Gain on sales of property, plant and equipment	2,627	—
Gain on step acquisitions	45	—
Total extraordinary income	2,673	42
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	37	99
Loss on reduction of property, plant and equipment	—	38
Head office transfer cost	548	237
Total extraordinary losses	586	375
Income before income taxes and non-controlling interests	7,564	4,032
Income taxes – current	2,373	1,508
Income taxes – deferred	892	670
Total income taxes	3,266	2,178
Profit	4,298	1,853
Attributable to:		
Profit attributable to owners of parent	4,261	1,823
Profit attributable to non- controlling interests	36	30

	(Millions of yen)	
	For the fiscal year ended June 30, 2015	For the fiscal year ended June 30, 2016
Other comprehensive income		
Valuation difference on available- for-sale securities	294	(1,666)
Deferred gains or losses on hedges	176	—
Foreign currency translation adjustment	76	(223)
Remeasurements of defined benefit plans, net of tax	1,187	(888)
Total other comprehensive income	1,733	(2,778)
Comprehensive income	6,032	(924)
Attributable to:		
Comprehensive income attributable to owners of parent	5,983	(933)
Comprehensive income attributable to non-controlling interests	48	8

Consolidated Statements of Changes in Net Assets

	(Millions of yen)			(Millions of yen)	
	For the fiscal year ended June 30, 2015	For the fiscal year ended June 30, 2016		For the fiscal year ended June 30, 2015	For the fiscal year ended June 30, 2016
Shareholders' equity			Foreign currency translation adjustment		
Capital stock			Balance at beginning of current period	(13)	(100)
Balance at beginning of current period	7,393	7,393	Changes of items during period		
Balance at end of current period	7,393	7,393	Change of scope of consolidation	(151)	—
Capital surplus			Net changes of items other than shareholders' equity	64	(201)
Balance at beginning of current period	6,209	6,209	Total changes of items during period	(87)	(201)
Balance at end of current period	6,209	6,209	Balance at end of current period	(100)	(301)
Retained earnings			Remeasurements of defined benefit plans		
Balance at beginning of current period	35,721	39,770	Balance at beginning of current period	(269)	917
Changes of items during period			Changes of items during period		
Change of scope of consolidation	366	—	Net changes of items other than shareholders' equity	1,187	(888)
Dividends of surplus	(579)	(772)	Total changes of items during period	1,187	(888)
Profit attributable to owners of parent	4,261	1,823	Balance at end of current period	917	28
Total changes of items during period	4,048	1,051	Total accumulated other comprehensive income		
Balance at end of current period	39,770	40,821	Balance at beginning of current period	905	2,476
Treasury shares			Changes of items during period		
Balance at beginning of current period	(3,344)	(3,205)	Change of scope of consolidation	(151)	—
Changes of items during period			Net changes of items other than shareholders' equity	1,722	(2,757)
Purchase of treasury shares	(10)	(9)	Total changes of items during period	1,570	(2,757)
Disposal of treasury shares	149	193	Balance at end of current period	2,476	(280)
Total changes of items during period	139	184	Non-controlling interests		
Balance at end of current period	(3,205)	(3,020)	Balance at beginning of current period	304	337
Total shareholders' equity			Changes of items during period		
Balance at beginning of current period	45,979	50,167	Change of scope of consolidation	52	—
Changes of items during period			Net changes of items other than shareholders' equity	(19)	(0)
Change of scope of consolidation	366	—	Total changes of items during period	33	(0)
Dividends of surplus	(579)	(772)	Balance at end of current period	337	337
Profit attributable to owners of parent	4,261	1,823	Total net assets		
Purchase of treasury shares	(10)	(9)	Balance at beginning of current period	47,190	52,981
Disposal of treasury shares	149	193	Changes of items during period		
Total changes of items during period	4,188	1,236	Change of scope of consolidation	267	—
Balance at end of current period	50,167	51,403	Dividends of surplus	(579)	(772)
Accumulated other comprehensive income			Profit attributable to owners of parent	4,261	1,823
Valuation difference on available-for-sale securities			Purchase of treasury shares	(10)	(9)
Balance at beginning of current period	1,364	1,659	Disposal of treasury shares	149	193
Changes of items during period			Net changes of items other than shareholders' equity	1,702	(2,757)
Net changes of items other than shareholders' equity	294	(1,667)	Total changes of items during period	5,791	(1,521)
Total changes of items during period	294	(1,667)	Balance at end of current period	52,981	51,460
Balance at end of current period	1,659	(8)			
Deferred gains or losses on hedges					
Balance at beginning of current period	(176)	—			
Changes of items during period					
Net changes of items other than shareholders' equity	176	—			
Total changes of items during period	176	—			
Balance at end of current period	—	—			

Consolidated Statements of Cash Flows

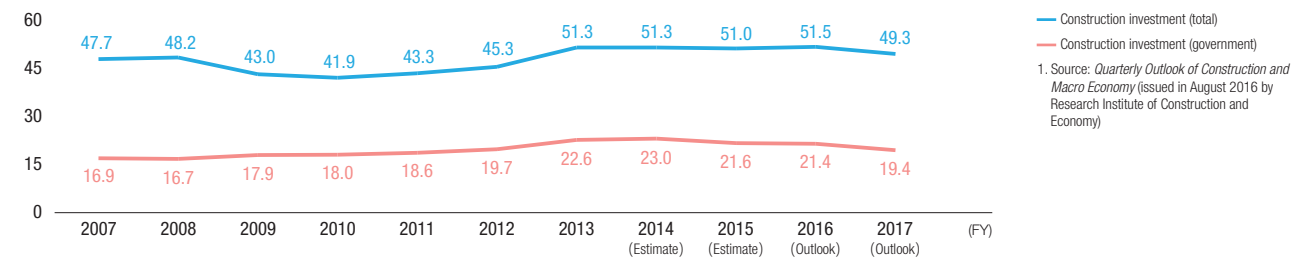
	(Millions of yen)	
	For the fiscal year ended June 30, 2015	For the fiscal year ended June 30, 2016
Net cash provided by operating activities	881	379
Net cash provided by (used in) investing activities	2,702	(17,705)
Net cash provided by (used in) financing activities	(745)	15,199
Cash and cash equivalents at beginning of period	8,465	11,673
Cash and cash equivalents at end of period	11,673	9,400

Market Trends

Our domestic consulting business primarily provides investigation and design services for public works and public utilities. Consequently, its performance is affected by the scale of construction investment and public works investment. The international consulting business is impacted by the size of Japan's official development assistance (ODA) budget, while the power engineering business is dependent upon the amount of capital investment made by electric power companies, and Tokyo Electric Power Company Holdings, Incorporated (TEPCO) in particular.

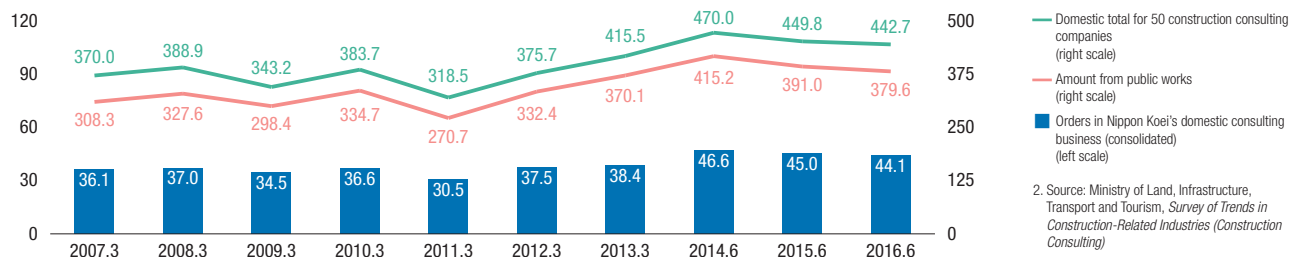
Construction investment ¹

(Trillions of yen)



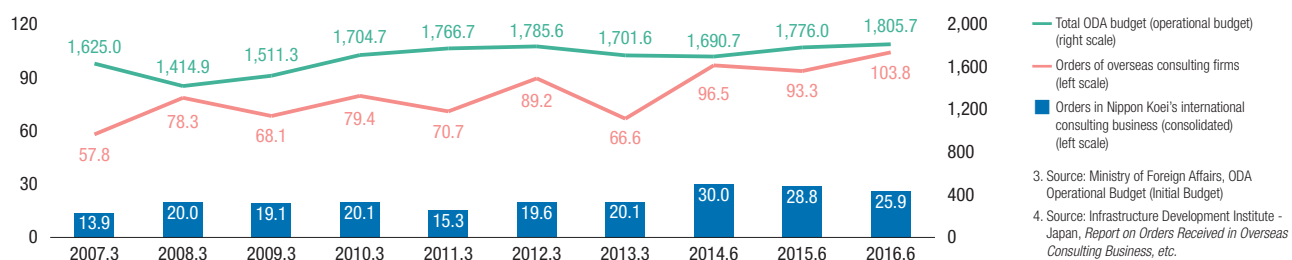
Total orders of top 50 companies by sales in domestic construction consulting industry ² / Orders in Nippon Koei's domestic consulting business

(Billions of yen)



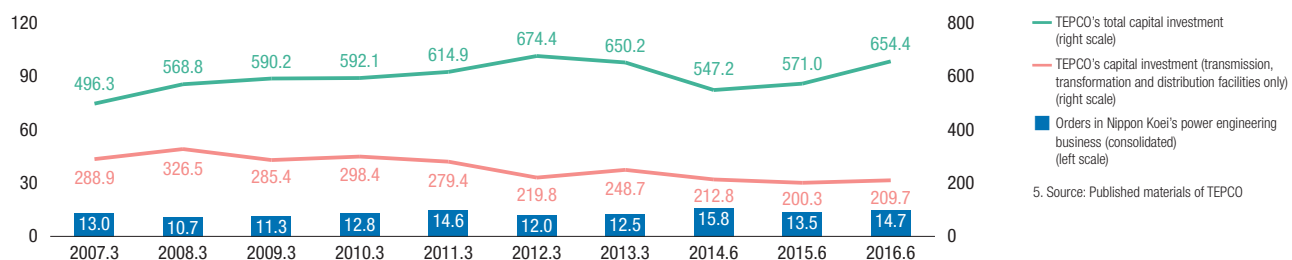
ODA budget ³ / Orders of overseas consulting firms ⁴ / Orders in Nippon Koei's international consulting business

(Billions of yen)



TEPCO's capital investment ⁵ / Orders in Nippon Koei's power engineering business

(Billions of yen)



Corporate Profile

Network

(As of June 30, 2016)



Group Companies

Domestic Consulting Business

Consolidated Companies

- Tamano Consultants Co., Ltd.
- Nippon Civic Consulting Engineers Co., Ltd.
- Ei Koei Co., Ltd.

Non-Consolidated Companies

- Aichi Tamano Information System Co., Ltd.
- Aoi Co., Ltd.
- Tamano Ecost Co., Ltd.

International Consulting Business

Consolidated Companies

- KRI International Corporation
- Nippon Koei U.K. Co., Ltd.
- Nippon Koei Latin America-Caribbean Co., Ltd.
- Nippon Koei LAC, Inc.
- Nippon Koei LAC do Brasil Ltda.
- Nippon Koei India Pvt. Ltd.
- Philkoei International, Inc.
- Nippon Koei Vietnam International Co., Ltd.
- PT. Indokoei International
- System Science Consultants Inc.

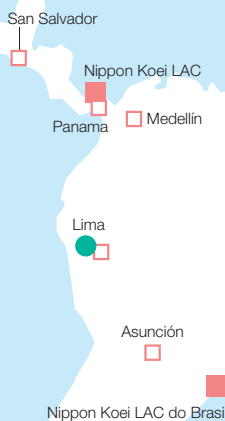
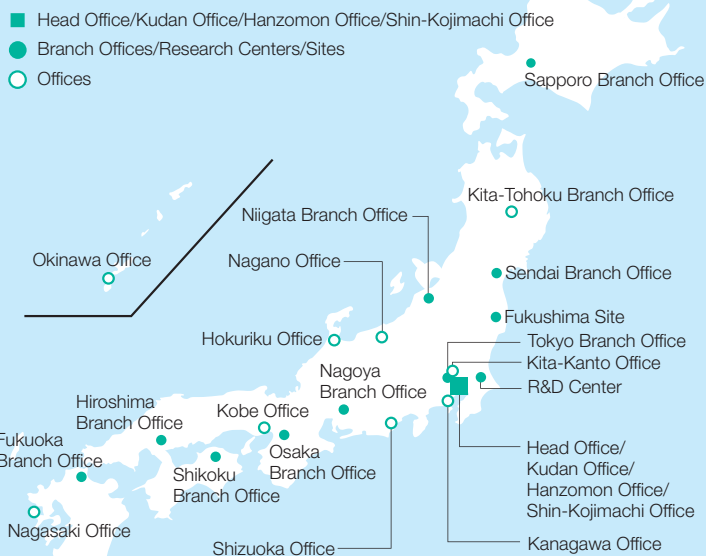
Non-Consolidated Companies

- PT. Iki-Toyo
- PT. Cikaengan Tirta Energi
- ThaiKoei International Co., Ltd.
- Myanmar Koei International Ltd.
- Nippon Koei Africa (Pty) Ltd.
- Nippon Koei Mozambique, Ltda.

Affiliated Company

- Vietnam Expressway Consultant, JSC

Major Domestic Bases



Corporate Data (As of June 30, 2016)

Corporate name:	Nippon Koei Co., Ltd.
Head office:	1-14-6 Kudankita, Chiyoda-ku, Tokyo 102-8539, Japan
Registered address:	5-4 Kojimachi, Chiyoda-ku, Tokyo 102-0083, Japan
Phone:	81-3-3238-8030
Representative:	Ryuichi Arimoto, President
Established:	June 7, 1946
Capital:	¥7,393,338,939
Number of employees:	4,336 (consolidated), 1,936 (non-consolidated)

History

- 1946** Nippon Koei established in Chiyoda-ku, Tokyo
- 1954** Received order for planning of Baluchaung Power Plant in Burma
- 1958** Acquired Nikki Manufacturing Co., Ltd. (name changed to Nikki Corporation* in July 1982)
- 1963** Shares listed on the Second Section of the Tokyo Stock Exchange
- 1978** New head office building completed in Kojimachi, Tokyo; relocated head office; listing moved to the First Section of the Tokyo Stock Exchange
- 1986** Koei System Co., Ltd.* established
- 1989** Philkoei International, Inc.* established in the Philippines
- 1992** PT. Indokoei International* established in Indonesia
El Koei Co., Ltd.* established
- 1995** KRI International Corp.* established
- 2000** Nippon Koei U.K. Co., Ltd.* established
- 2003** Nippon Koei Latin America-Caribbean Co., Ltd.* established
Nippon Civic Consulting Engineers Co., Ltd.* becomes a subsidiary
- 2005** Tamano Consultants Co., Ltd.* becomes a subsidiary
- 2007** Nippon Koei LAC do Brasil Ltda.* established in Brazil
- 2008** Nippon Koei India Pvt. Ltd.* established in India
- 2010** NKLAC, Inc.* established in Panama (name changed to Nippon Koei LAC, Inc. in September 2011)
- 2012** Nippon Koei Vietnam International Co., Ltd.* established
- 2015** Dhaka Office opened in Bangladesh
- 2016** UK-based architectural design firm BDP Holdings Limited becomes a subsidiary

*Currently a consolidated subsidiary

Power Engineering Business

Consolidated Company

- Koei System Inc.

Affiliated Companies

- Flexible Energy Service Co., Ltd.
- Sankoh Machinery Co., Ltd.

Urban & Spatial Development Business

Consolidated Companies

- BDP Holdings Limited
(42 companies including Building Design Partnership Limited)

Non-Consolidated Company

- KISHO KUROKAWA architect & associates Co., Ltd.

Real Estate Leasing Business

Consolidated Subsidiary

- Nikki Corporation

Other

Non-Consolidated Subsidiaries

- KOEI Energy Co., Ltd.
- NK Dam-ESCO Tochigi Co., Ltd.
- Nagano Hydropower Co., Ltd.
- NK Fukushima Hydropower Co., Ltd.
- DSI Co., Ltd.
- Nippon Koei Australia Pty. Ltd.

Affiliated Company

- PowerSource Philippines Distributed Power Holdings, Inc.

 **NIPPON KOEI CO.,LTD.**

1-14-6 Kudankita, Chiyoda-ku, Tokyo 102-8539, Japan
<http://www.n-koei.co.jp/english/>

