



Act with integrity and contribute
to society through technology
and engineering

Integrated Report 2018

Fiscal year ended June 30, 2018

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.

Management Philosophy

Act with integrity and contribute
to society through technology
and engineering



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Sustainable business model that evolves with progress in society

Ever since Nippon Koei was founded, we have been involved in solving social issues as a business that improves and maintains social infrastructure. In response to needs that change with the times, the Nippon Koei Group will also evolve to achieve sustainable business expansion and profitability.



Japan's leading civil engineering consulting firm

The Nippon Koei Group has participated in social infrastructure development projects for more than 70 years, and supports the safety and security of people around the world as Japan's leading civil engineering consulting firm.* Since its establishment in 1946, the Group has developed businesses in more than 160 countries and regions that are fundamental to the advancement of nations and their people.



* Source: *Nikkei Construction*, April 23, 2018
No. 1 in sales in Japan among construction consulting firms

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Editorial Policy

This Integrated Report has been prepared to enable readers to evaluate the medium-to-long-term corporate value of Nippon Koei. It explains the strategies for realizing Nippon Koei's Group Vision and the foundation for accomplishing them, with the aim of providing a deeper understanding of the Company's corporate stance and the orientation of its businesses.

Organizations Covered: Nippon Koei Co., Ltd. (the "Company") and its consolidated subsidiaries
Period Covered: The fiscal year ended June 30, 2018 (July 1, 2017 - June 30, 2018)

Forward-Looking Statements

This Integrated Report contains forward-looking statements regarding the future performance of the Company and other matters. They are based on the judgment of the Company's management obtained from currently available information. Please be aware that actual results may differ materially from these forward-looking statements due to various factors including economic trends and the business environment in which the Company operates.

Stage

1

Infrastructure Establishment Stage

In the initial stage of national land restoration and development, it is essential to establish the foundations for the stable supply of electric power and other local infrastructure integral to people's daily lives and economic activity. Since its foundation, Nippon Koei has helped many projects succeed by not only providing support through a variety of civil engineering and electric power technologies, but also by covering support for financing.



← 1955-1964

South Vietnam (now Vietnam) Da Nhim Hydropower Project

In this project, proposals from Japan and France were evaluated by the United Nations, and the plan proposed by Nippon Koei founder Yutaka Kubota was adopted. The Da Nhim hydropower plant that was completed still has an annual capacity utilization rate of 75%. Nippon Koei participates in its maintenance and is currently contracted to perform work on a capacity expansion plan.



← 1978-1984

Indonesia Asahan No. 2 Hydropower Development Plan

At the time, this project, which was the largest since Indonesia gained independence, became a symbol of Japanese-Indonesian economic cooperation. Later, we also contributed to economic and social development of northern Sumatra through improvement of industrial infrastructure, such as electric power and ports, and social infrastructure.



/ Yutaka Kubota — Paving the Way for Nippon Koei's Core Businesses



Yutaka Kubota

After being involved in electric power development and dam construction on the Korean Peninsula, Nippon Koei founder Yutaka Kubota saw how Japan's cities had been reduced to ashes. Feeling a strong sense of mission to help rebuild the country, he decided to start a company.

Nippon Koei won trust for the work done in areas where technical expertise was required such as in the repair of over-taxed power plants during the war. Electric power-related products created through technology development have supported the Company's management foundation as well as making a significant contribution to Japan's postwar recovery.

Moreover, the example Mr. Kubota set in assuming civil engineering consultancy work, which is the upstream role of conducting preparatory surveys, assessments and proposals that determine the value of hydropower and other social infrastructure projects, became established as the role of civil engineering consultants in Japan.

We have inherited Mr. Kubota's values, and maintain a sense of responsibility and pride in contributing to the development of social infrastructure. We will continue to create new value with a long-term mindset.

Society

Stable supply of electric power
Enhancement of local infrastructure



Nippon Koei

Variety of civil engineering and electric power technologies
Relations with other countries and regions



← 1954-1964

Burma (now Myanmar) Baluchaung No. 2 Hydropower Development Project

A power generation project that became the cornerstone of Myanmar's electric power infrastructure, this plant still provides about 10% of the power generated in Myanmar, more than 60 years after its completion. In addition to consulting, Nippon Koei provided support for financing. This became a pioneering framework for subsequent official development assistance (ODA) projects.



← 1948-Now

Manufacturing of Blocking Coils (Line Traps)

Blocking coils, or line traps, are telecommunications infrastructure installed at power plant and substation inlet points and transmission line nodes to enable the passage of voice and data signals over transmission lines. They lessen signal loss in the carrier path and prevent signal interference. In addition to Japan, Nippon Koei's blocking coils are used overseas.

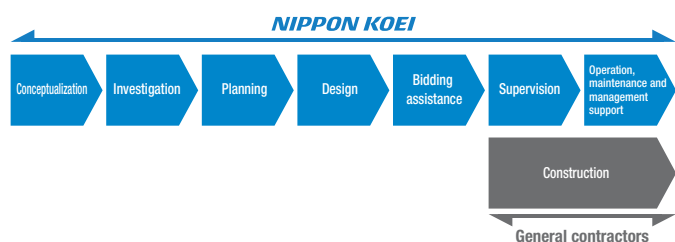
Roles of Civil Engineering Consultants

- Formulation plans for national, regional and urban infrastructure development 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

Roles of Power Engineering

- Construction and repair of substations, switching stations and power plants
- Construction of central monitoring and control systems and dam control systems
- Production of water turbines for hydropower plants and manufacture of various substation devices including control devices and cooling towers

Scope of Work Done by Civil Engineering Consultants



National, regional and urban infrastructure development projects are often large-scale and take a long time to complete. 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 stage from an objective standpoint.

Stage

2

Economic Growth Stage

In the rapid economic growth phase, the emphasis is on development that supports the foundation of growth for various industries. This includes the development of river and water resources, as well as public transportation networks. To that end, it is necessary to cultivate the insight that makes it possible to look ahead to the country's development several decades into the future, as well as timely business development capabilities. To drive business forward, Nippon Koei exercises its expertise in a wide range of fields as a part of its integrated strengths.



← 1959-2002

Indonesia Comprehensive Development of Brantas River Basin

This project is designed to promote broad area resilience from natural disasters through afforestation, flood control, and efficient water utilization, as well as to transform the area into a large farming belt. It is a representative case study of successful capacity development, in which technology transfer and human resource development were carried out at all levels in parallel with the advancement of the project.



← 1979-Now

Tokyo Bay Drainage Basin Comprehensive Sewage Development Plan Survey

To improve the water quality in Tokyo Bay, we have drawn up a basic policy for sewage development based on drainage assumptions 20 years from now. We are also harnessing our extensive experience and advanced water quality analysis technology to participate in formulation of plans for rivers, lakes and marshes, and sea areas throughout Japan, including the Tone River and Hiroshima Bay, and are helping to improve public waters and aquatic environments.

Defining Features of the Nippon Koei Group's Business

A Highly Visible and Publicly Beneficial Business

We mobilize our superior technologies and expertise to solve various problems, and pave the way to the future by creating safe and reliable social infrastructure and comfortable living spaces. We do not focus exclusively on efficiency. Instead, we focus on what will be truly useful, and aim for the sustainable development of society.

Sales among civil
engineering consulting
firms in Japan

No.1*

Sales from ODA
(industry ranking)

No.1*

* Source: Nikkei Construction,
April 23, 2018

Society

Creation of infrastructure for industrial growth



Nippon Koei

Integrated powers and development expertise in diverse fields



← 1971-Now

Establishment of High-Capacity Transmission and Substation Facilities

Construction of large-scale substations, which provide a stable supply of electric power by adjusting its voltage and current, began in the 1970s and increased from the mid-1980s. Nippon Koei has completed many construction projects capable of delivering 1,000 kV for contemporary transmission needs, including the Shin Sakado Substation, which addresses demand in the Greater Tokyo area, and the Ueno Substation, which it built 30 meters underground. The Company continues to repair and renovate these substations.



← 1988-1994 (Construction period)

Akashi-Kaikyo Bridge Anchorage* Design

Nippon Koei's technological expertise has also been applied to the anchorage used to stabilize the main cables of the Akashi-Kaikyo Bridge, which is the longest suspension bridge in the world. Even though we had to create a massive, revolutionary support structure for the construction, we were able to overcome the obstacles through seamless collaboration among engineers from various departments.

* A large block that secures the ends of the bridge cables

Broad-Based Contribution

In Japan, we provide integrated engineering consulting services to help build safe and secure living spaces, and attractive and sustainable environments. Internationally, we conduct many projects that contribute to regional development, particularly in other parts of Asia. In our power engineering business, we support the stable supply of electric power in Japan and abroad. We also deal with the problem of rapid urbanization in Asia through our energy business and our urban & spatial development business.



Stage

3

Maturity Stage

In the maturity phase, it is necessary to carry out efficient maintenance and management. Such efforts will also prolong the life span of existing infrastructure. Nippon Koei is constantly creating new value through the provision of solutions that harness the latest technologies, while responding flexibly to the needs of society as a whole.



← 1992-1995

Roppongi 6-chome Redevelopment Project Environmental Impact Assessment

Roppongi Hills is the largest urban revitalization project to be completed in Japan. In such private-sector projects, support from external experts who have skills in consulting with government officials and completing licensing and approval procedures is necessary. Nippon Koei, which possesses a wealth of experience in environmental assessment, fully applied its technologies and expertise in this project.



← 1993-Now

Dam Control Systems

The number of domestic dam projects peaked in 1995, meaning the focus has shifted to the appropriate management and effective utilization of existing dams. Nippon Koei has built dam and weir gate management support systems jointly with the Japan Association of Dam & Weir Equipment Engineering. As consultants, we are also involved in the design of operation control equipment from a fair and neutral position.

/ Defining Features of the Nippon Koei Group's Business

People- and Technology-Driven Business and Integrated Powers

Our people and technical expertise are critical to realizing our mission. They inspire and learn from each other, and drive the Nippon Koei Group forward. Nippon Koei's overwhelming strength lies in the integrated powers of its professional consultants and power engineers, covering diverse fields. It is these integrated powers that have established our No. 1 position among construction consultants in Japan.

Source: *Nikkei Construction*, April 23, 2018

Number of employees
(consolidated)

4,923

Number of
professional engineers

1,584

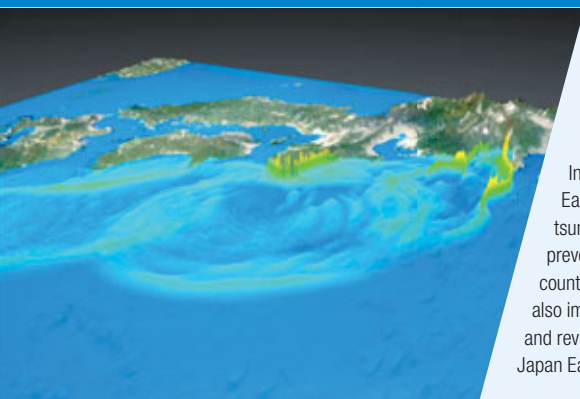
Society

Improve living environments to make them richer and more comfortable



Nippon Koei

Responsiveness to changes in the market environment and needs



← **2014-Now**

Nankai Trough Preliminary Studies for Earthquake Countermeasures

In preparation for a possible Nankai Trough Megathrust Earthquake, we have developed a new system for modeling tsunami damage in the event of a major earthquake. As disaster prevention is important from the perspectives of protecting the country, and ensuring the safety and security of citizens, we are also implementing ongoing measures for regional reconstruction and revitalization based on the experience of the Great East Japan Earthquake and other disasters.



← **1995-Now**

Bridge Inspection and Seismic Strengthening Design

Bridges are a form of social infrastructure that is a familiar and important part of our lives and communities. Nippon Koei provides support for maintaining and improving the performance of bridges through its comprehensive technologies that help enhance the life span and seismic resistance of bridges. These services range from carrying out inspections to seismic strengthening design, and maintenance and upgrade design planning.

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 extensive expertise, and devised optimal solutions that make use of 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.

Number of patents

92

Number of international memorandums of understanding concluded

12

Stage

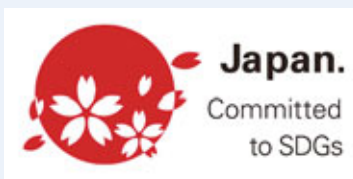
4

Social Transition Stage

As one example of a megatrend, a strong willingness to address major social problems has emerged as part of a broader social transformation. Toward the realization of a sustainable society, Nippon Koei has taken up the challenge of new fields such as urban development, architecture and energy, in addition to the businesses that have supported the foundations of society to date, and fused these fields in order to provide the comprehensive solutions that will resolve the numerous problems facing the world.

Measures for a Sustainable Future

The foundations of Nippon Koei's business lie in resolving social issues from a long-term perspective. Since our establishment, we have utilized, from both tangible and intangible aspects, our diverse and talented human resources with their sound track record, proven skills and specialized knowledge. This has enabled us to expand our comprehensive consultancy services globally, while enriching lives. As we move toward 2030, we are also contributing to the attainment of all 17 Sustainable Development Goals (SDGs) of the United Nations.



SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



- 1 NO POVERTY
- 2 ZERO HUNGER
- 3 GOOD HEALTH AND WELLBEING
- 4 QUALITY EDUCATION
- 5 GENDER EQUALITY
- 6 CLEAN WATER AND SANITATION
- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 10 REDUCED INEQUALITIES
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 14 LIFE BELOW WATER
- 15 LIFE ON LAND
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
- 17 PARTNERSHIPS FOR THE GOALS

The Sustainable Development Goals for 2030 agreed on by the United Nations member states

Living with Dignity



Based on the fundamental philosophy of the SDGs, which is ensuring that "no one will be left behind," we contribute to the development of social and economic infrastructure that improves lives. We formulate plans, implement projects, and conduct project management toward the solution of issues confronting developing countries, such as food security, living environment and labor, so that all people can live with dignity. We propose optimal technologies and development methods while respecting the characteristics of each country and region, providing comprehensive consulting solutions aimed at achieving sustainable and autonomous development.

Sustainable Regional and Industrial Development



Since our founding, Nippon Koei has been engaged not only in building infrastructure such as power plants, dams, and roads, but also in developing local industries that utilize such infrastructure, and in technology transfer to local engineers. Furthermore, we implement projects that employ local people, goods, and other resources, thus contributing to the sustainable development of local regions in ways such as creating employment and contributing to economic growth.





Sustainable Cities and Communities



By incorporating aspects of both civil engineering and architecture, and providing comprehensive solutions that are also environmentally friendly, we bring about the creation of rich urban spaces and improved resilience. In the field of disaster prevention, we contribute to people's lives by proposing measures to prevent and mitigate river and landslide disasters overseas based on afforestation and flood control technologies developed in Japan. We provide consulting services on project operation and management, and help reduce human and economic loss from natural disasters.

Coexistence with a Rich Natural Environment



We analyze the causes and mechanisms of marine pollution and forest degradation, develop infrastructure aimed at lessening and rectifying these issues, help preserve the diversity of forests and living things, and improve and optimize methodologies related to conservation activities.



Promotion of Development and Use of Clean Energy



To help create a low-carbon society that reduces global warming, we have gained a deep understanding of the characteristics of elements such as water, wind, and sunlight, as well as how they are interlinked with society. In countries and regions around the world, we are engaged in the development, management, and monitoring of clean energy that is in harmony with nature. We are also involved in building business models related to the bilateral credit system,¹ REDD+² and payment for ecosystem services as well as technology development and providing consultancy services.

1. A mechanism to facilitate diffusion of advanced low-carbon technologies in developing countries as well as the implementation of global climate change mitigation measures. It can also be used to quantitatively evaluate Japan's contributions to GHG emission reductions, while using those evaluations to help achieve Japan's emission reduction targets.
2. An initiative to reduce deforestation and forest degradation and promote sustainable forest management in developing countries



Development of Healthcare and Education



To help develop the infrastructure for medical and educational systems that support the lives of all people, we provide a wide range of consulting services such as for the introduction of systems, development of frameworks, and sharing of knowledge. We also provide support for the foundations of maternal and child health, and basic education in developing countries from both tangible and intangible aspects.



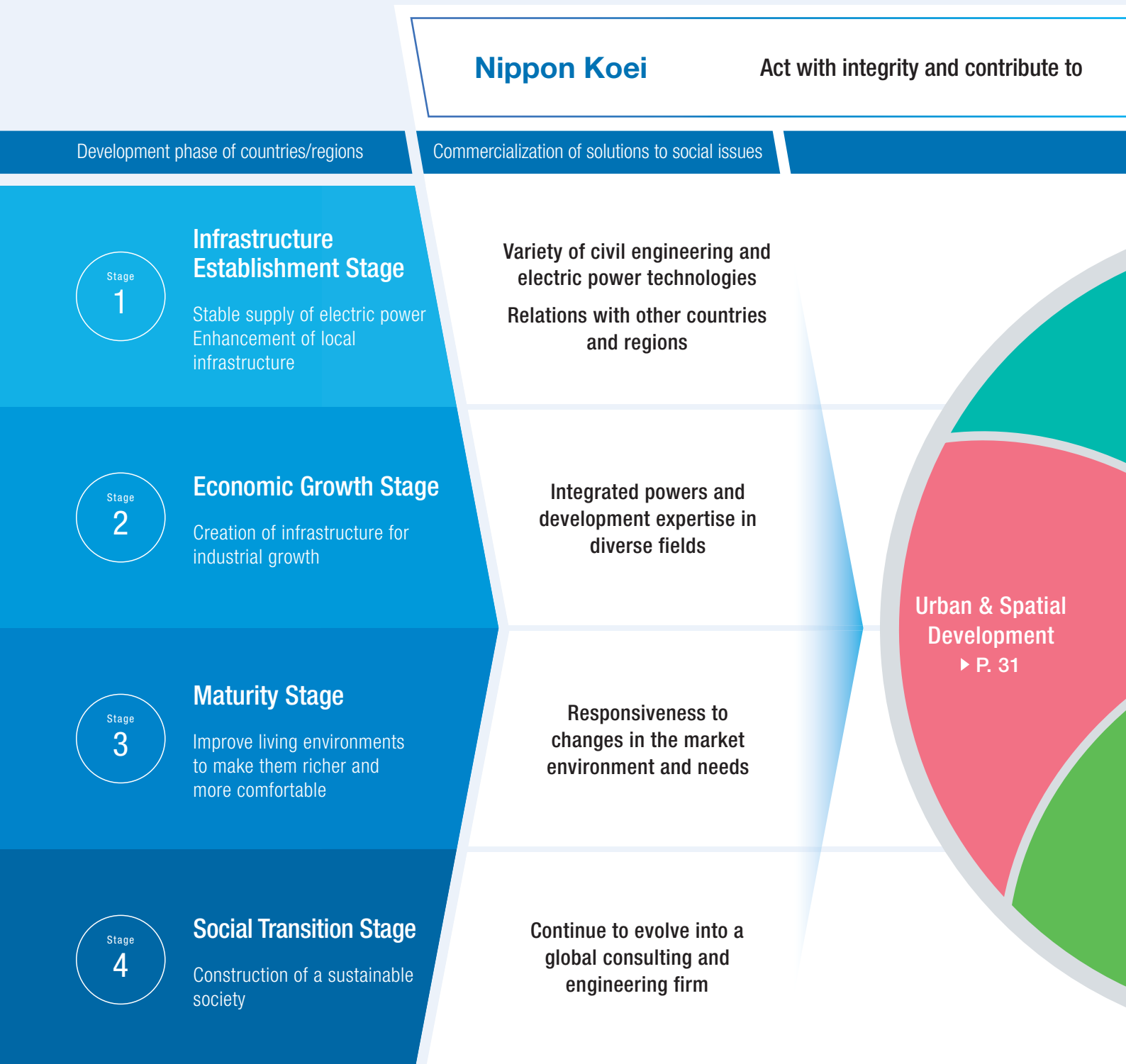
Turning Diversity into Strength



Nippon Koei's business now spans more than 160 countries and regions. We collaborate and cooperate with diverse local stakeholders from a wide range of social backgrounds, including business partners, administrative organizations, experts, and communities. We provide consulting services on creating harmony, the empowerment of women and gender mainstreaming, in addition to consulting services on CSR and sustainability to Japanese corporations operating overseas. We harness the diverse societies and cultures of various countries and regions as our strengths, build partnerships and contribute to the attainment of the SDGs.

The Nippon Koei Group's Value Creation Model

The Nippon Koei Group realizes sustainable growth by developing businesses based on solutions to social issues that correspond with the development phase of the respective countries and regions. Through businesses related to the creation of social infrastructure that supports safe, secure, and rich lives, and businesses that engage in the creation of comfortable living spaces, we fulfill an important role in nation-building around the world.





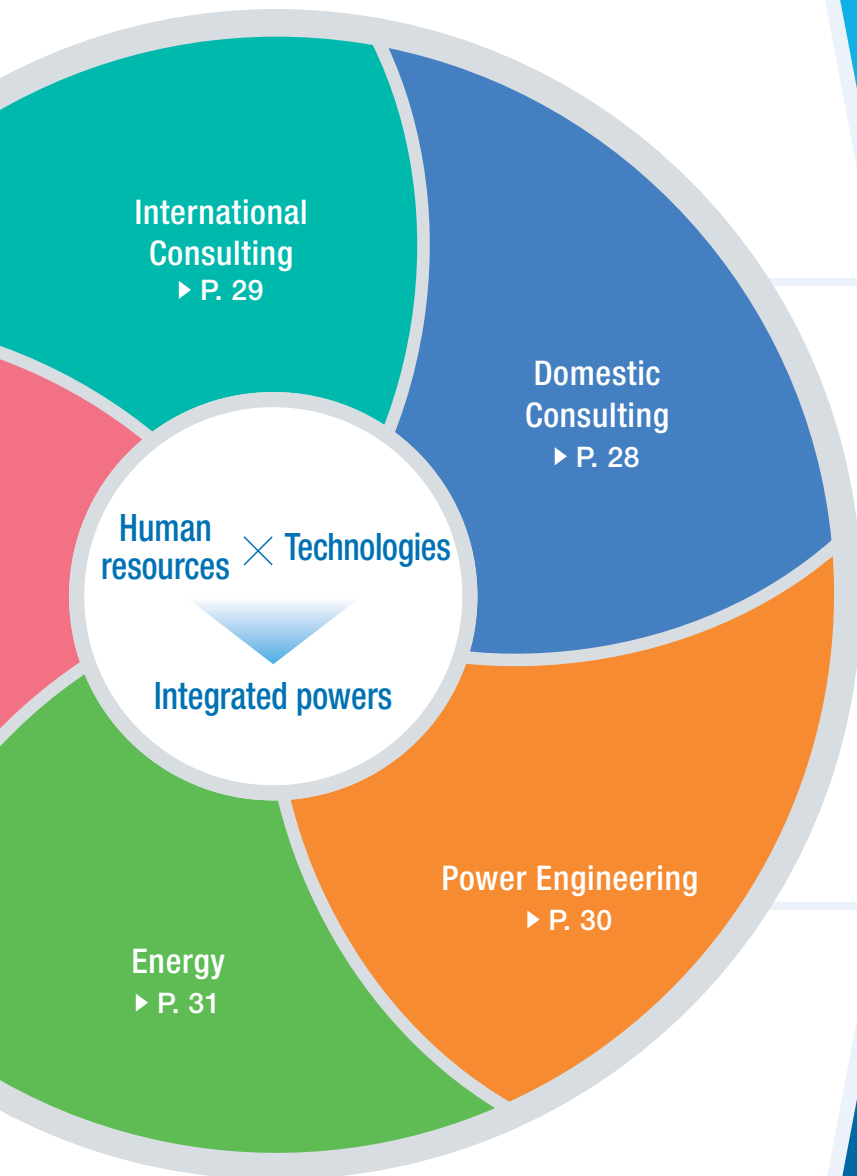
Countries and regions where we operate

More than **160**

society through technology and engineering.

The Nippon Koei Group's business operations

Value provided



Optimal energy development



Sustainable water use



Agricultural development



Safe and efficient transportation



Reliable and efficient distribution



Preservation of the environment and biodiversity



New approaches to urban design



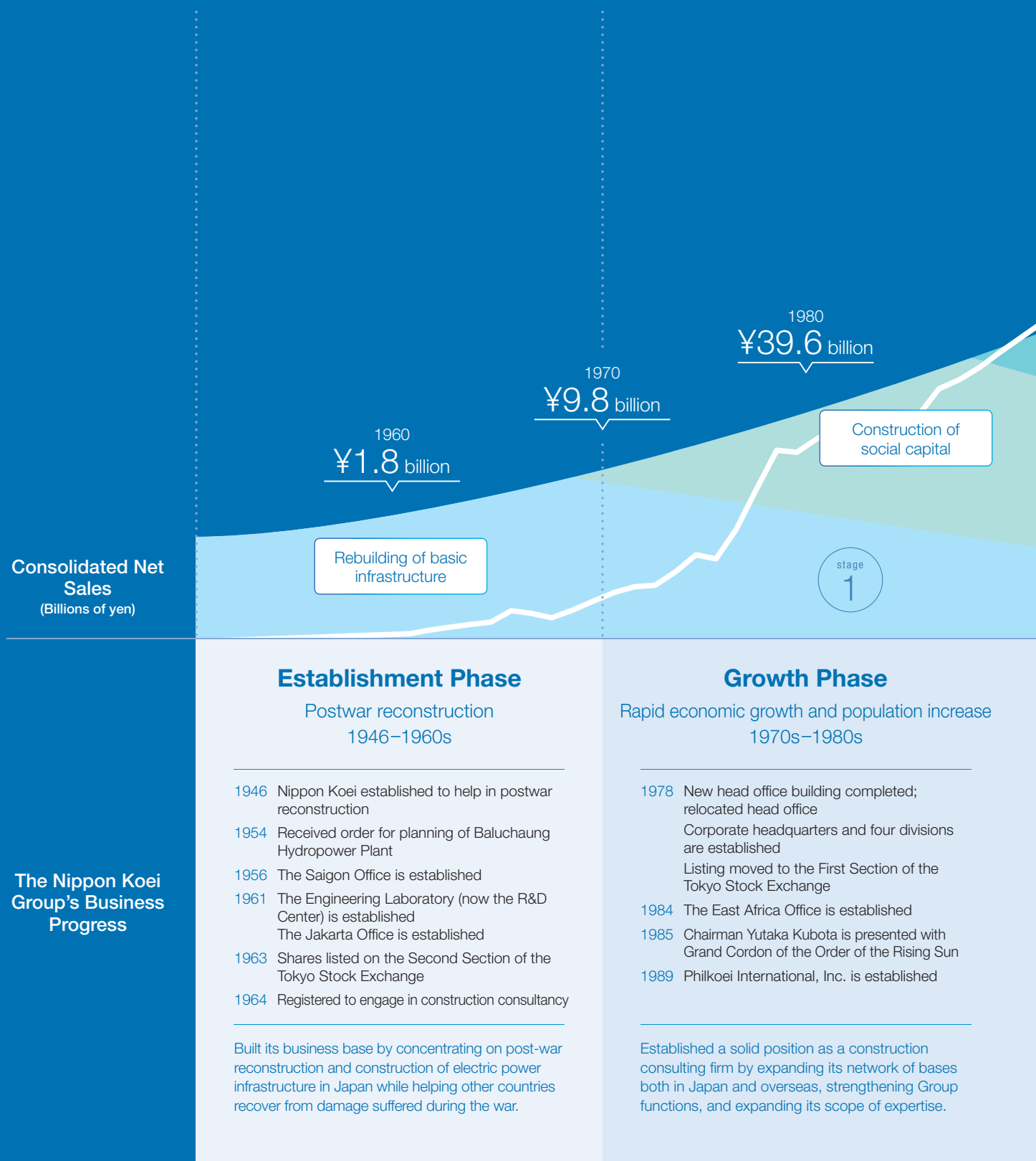
Disaster resilience

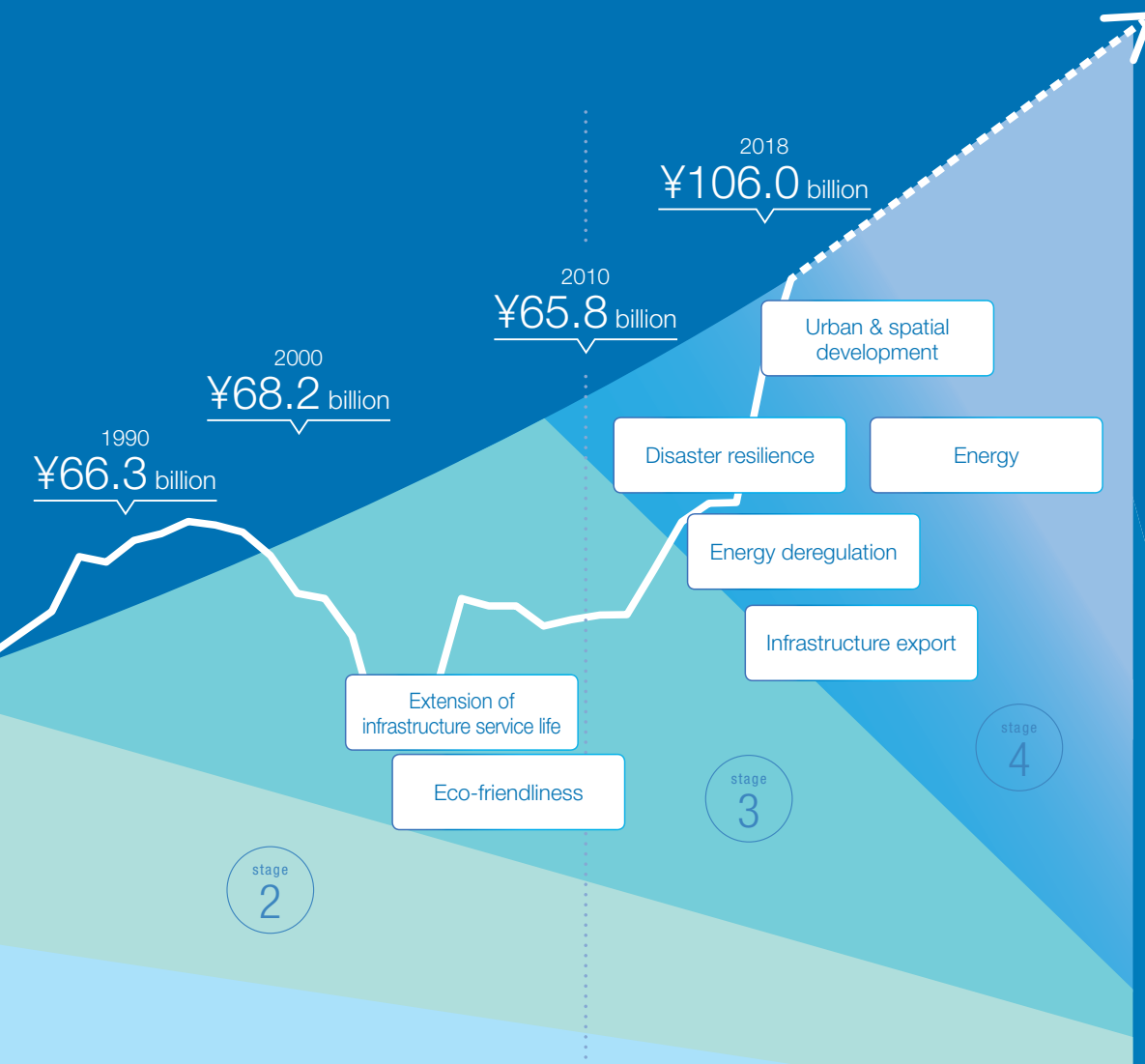


Contribution to achieving Sustainable Development Goals

History of the Nippon Koei Group

More than 70 years of history and a proven track record are the driving forces of the Nippon Koei Group. Through our participation in businesses involved in infrastructure development projects in more than 160 countries and regions, we have cultivated foresight along with a free and flexible imagination. The strengths that we have built up will help us to continue to work and challenge ourselves tirelessly with the aim of achieving a future in which all the people of the world can live in prosperity.





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

Maturity Phase

Collapse of the bubble economy and emergence of global climate change issues
1990s–2000s

- 1990 The Company formulates the NK 21st Century Vision
- 2001 Fukushima Works (new factory) opens
- 2003 Nippon Civic Consulting Engineers Co., Ltd. becomes a subsidiary
- 2005 Tamano Consultants Co., Ltd. becomes a subsidiary
- 2008 Nippon Koei India Pvt. Ltd. is established

Strengthened its research and development by establishing the R&D Center, the largest facility of its kind in the industry in Japan at the time. Built an organization that implements future-oriented strategies.

Transition Phase

Great East Japan Earthquake and urban issues
2010–present

- 2012 Nippon Koei Vietnam International Co., Ltd. is established
- 2013 Myanmar Koei International Ltd. established
- 2015 KOEI Energy Co., Ltd. established
- 2016 UK-based architectural design company BDP Holdings Limited (BDP) becomes a subsidiary
- 2018 NK-Innovation 2021 formulated

Spurred by the Great East Japan Earthquake, enhanced Japan's disaster resilience and strengthened capabilities in the fields of disaster prevention and mitigation. Began providing solutions for urban issues in countries and regions around the world and entered the energy business.

Performance Highlights

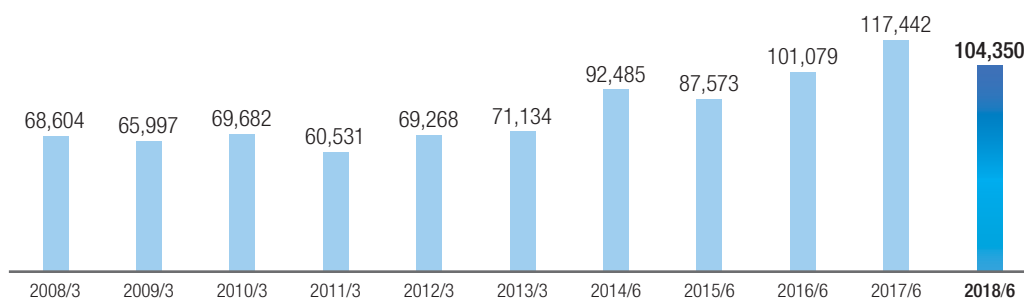
/ Financial-related

Fiscal Year Ended June 30, 2018

Orders	Net sales	Operating income	Profit attributable to owners of parent
¥104.4 billion (11.1% decrease YoY)	¥106.0 billion (4.6% increase YoY)	¥6.6 billion (20.1% increase YoY)	¥4.6 billion (38.5% increase YoY)

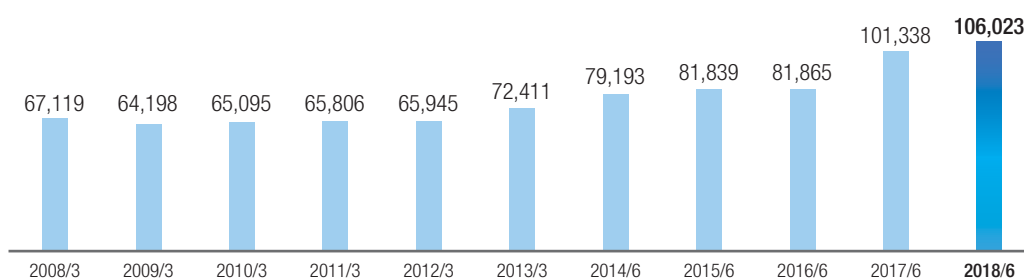
Orders

(Millions of yen)



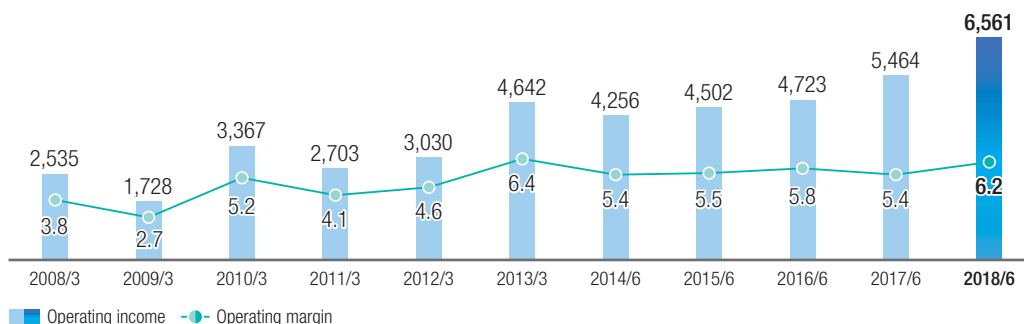
Net sales

(Millions of yen)



Operating income/Operating margin

(Millions of yen/%)



* The period ended June 30, 2013 is omitted as it was a transitional accounting period (three months).

* Results of British architectural design company BDP were added to consolidation from the fiscal year ended June 30, 2017.

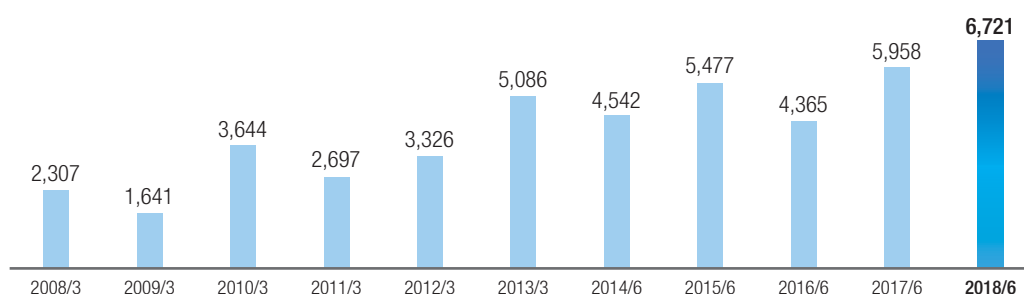
* In the fiscal year ended June 30, 2018, the Nippon Koei Group changed its primary method of revenue recognition from the completed-contract method to the percentage-of-completion method.

The fiscal year ended June 30, 2018 was our fourth consecutive year of increases in sales and income.

Looking at performance trends for the past 10 years, the scale of net sales has grown by about 1.5 times to over ¥100 billion and operating income has grown by about 2.5 times. This is the result of sustained growth of Nippon Koei's established domestic consulting, international consulting and power engineering businesses, as well as the creation and expansion of the urban & spatial development business, which was launched by BDP after the company's consolidation. Moreover, we aim to achieve further growth from the energy business, which was launched in the fiscal year ended June 30, 2018 in anticipation of the dynamic transformation of the global energy industry.

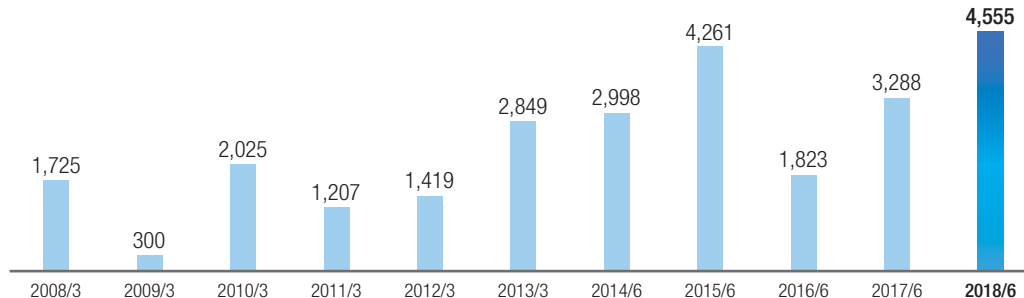
Ordinary income

(Millions of yen)



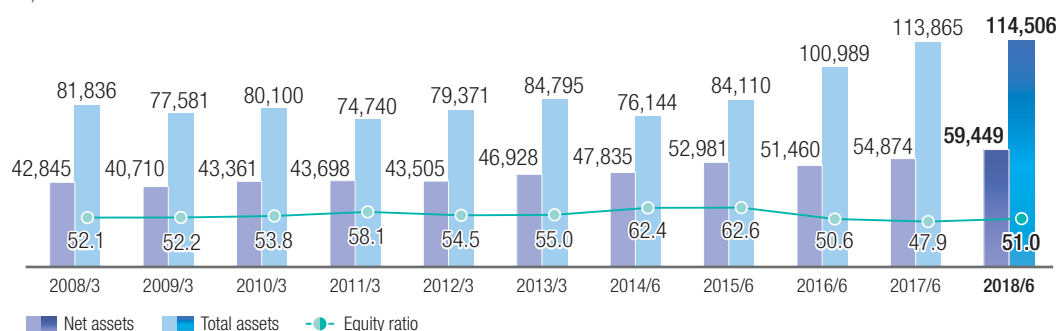
Profit attributable to owners of parent

(Millions of yen)



Net assets/Total assets/Equity ratio

(Millions of yen/%)

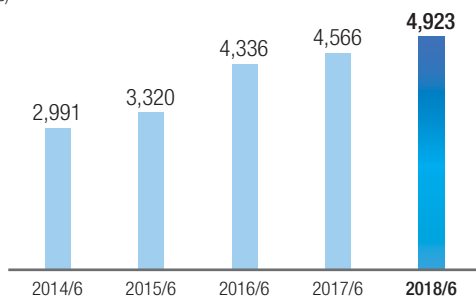


/ Human resources

We employ and nurture human resources based on the stance that people are our greatest business resource. The number of Group employees is increasing alongside the expansion of our business areas and business scale.

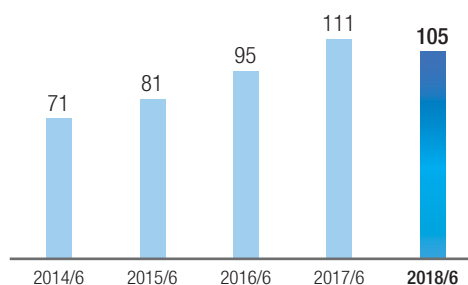
Number of employees (consolidated)

(Persons)



Number of new university graduates hired (including by Group companies in Japan)

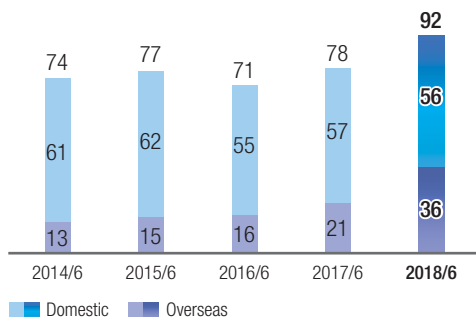
(Persons)



/ Technology-related

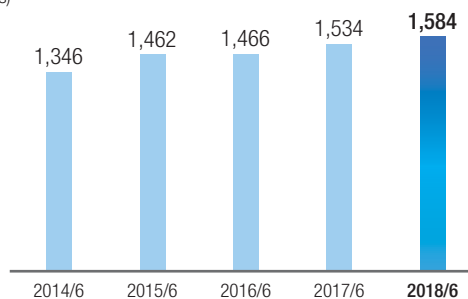
We are also investing actively in technology development, and have acquired many patents in Japan and abroad. We boast the largest number of engineers in Japan who are nationally qualified.

Number of patents (parent company)



Number of professional engineers (including Group companies)

(Persons)

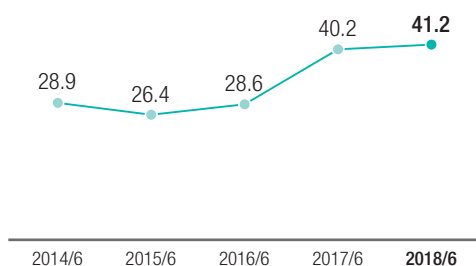


/ Overseas-related

We view the world outside Japan as a growth market, and are actively promoting our businesses in countries and regions around the world. Our overseas businesses are expanding steadily, and the number of employees working at Group companies overseas has also grown dramatically from the fiscal year ended June 30, 2017.

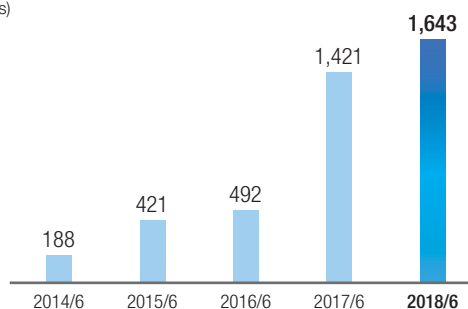
Overseas sales ratio (consolidated)

(%)



Number of employees of overseas Group companies

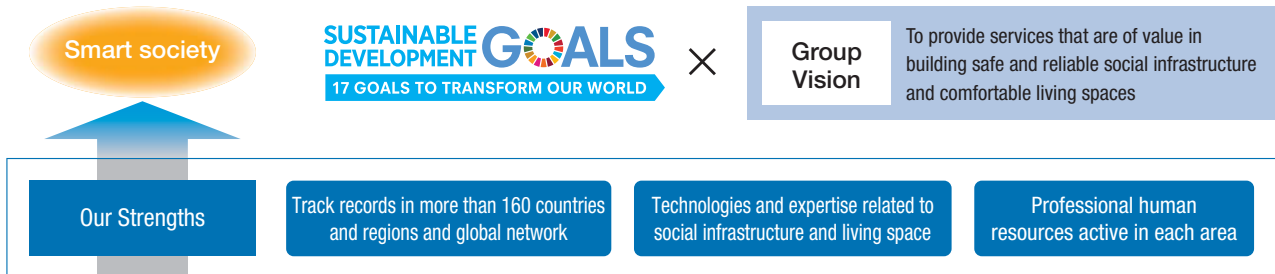
(Persons)



Medium-Term Management Plan NK-Innovation 2021

/ Goals of Nippon Koei Group

To play a role in society by providing solutions taking advantage of the superiority and uniqueness of the Nippon Koei Group to achieve the goals of society.

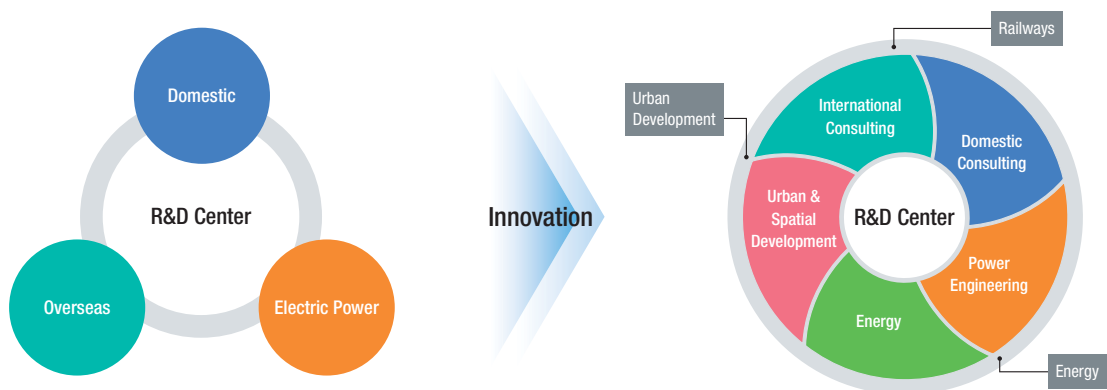


/ Roles of Nippon Koei Group

Move to a five-business operating structure by adding the energy and urban & spatial development businesses in response to more complex needs.

Promote businesses through the integrated efforts of the Nippon Koei Group and by concentrating investment in the three business areas of railways, urban development, and energy to strengthen mutual cooperation and collaboration.

In the development process toward a smart society, we will offer unique solutions, utilizing our technologies as a construction consultant accumulated over the years as well as newly acquired expertise.



/ Outline of Medium-Term Management Plan NK-Innovation 2021

Three years of tackling various innovations to become a truly global company.

FYE21/6 Plan (IFRS basis)			
Net sales ¥140 billion	Operating income ¥12.6 billion	Operating margin 9.0%	Return on Equity (ROE) 12.7%
Basic Policy			
Continue to evolve into a global consulting and engineering firm			
Business Strategy			
Enhancement of operating system for railways business	Overseas expansion of urban & spatial development business	Establishment of energy business	
Creation of businesses and overseas expansion of consulting business		Product development and overseas expansion of power engineering business	
Group-wide Measures			
Establishment of one-stop marketing system/Investment in technologies and human resources/Enhancement of Group governance			

Message from the President

As we continue to evolve into a global consulting and engineering firm, we will contribute to the solution of social issues through the combination of our leading technologies and expertise.

有元 龍一

Ryuichi Arimoto
Representative Director and President





Nippon Koei's Origins

Act with integrity and contribute to society through technology and engineering

That is our management philosophy. Nippon Koei was established in 1946. Yutaka Kubota, the founder of the Company, had worked on electric power development on the Korean peninsula in the 1930s, and then was involved in electric power development in the Yalu River Basin, and economic development using that power until Japan's defeat in 1945. Mr. Kubota was supported by a large staff of engineers, managers and other experts in fields such as civil engineering, geology, electricity and machinery, who provided support from planning and surveying to design, construction and maintenance. On their return to Japan after the war, this group of engineers established Nippon Koei. That was the origin of the Company's style of collaboration among engineers, not just in civil engineering consulting, but in a wide range of specialized fields.

While working on the restoration of Japan's devastated domestic infrastructure and electric power industry, Mr. Kubota also embraced the idea of expanding the Company's business scope to reconstruction in other countries that had suffered in the war. He believed that the basis for devoting oneself wholeheartedly to fulfilling a plan was "sincerity." As he explained it, "Tackle your problems with sincerity and the road ahead shall be clear." That passion paid off, and in 1954, the Company won the order for its first overseas power generation project in Burma (now Myanmar). The Company's founding spirit is encapsulated in its management philosophy. More than 70 years after our establishment, the Company's business range and scale have grown significantly, but our management philosophy continues to be at the very heart of everything we do.

Social Changes and Management Plan

Developing our business areas with a long-term perspective and an eye on global trends

We are now in the midst of dramatic change. The world's population is currently 7.6 billion, but is projected to reach an estimated 8.6 billion in 2030*—a population increase of 1.0 billion, or 13%, in just 12 years. In emerging countries, which will account for the majority of that increase, rapid urbanization and unprecedented changes in the movement of people and goods are forecast. The shift to environmental and energy policies for achieving a low-carbon society in order to prevent serious global warming is likely to continue. To that end, expectations are increasing for railways and contiguous urban development as an environmental measure, as well as to ease traffic congestion and improve transport efficiency.

In response to such global megatrends, we carefully researched market and technology trends, and in February 2015, the Nippon Koei Group announced a Group Vision and formulated a long-term management strategy with the goal of realizing the Vision by June 2021. While staying true to the mission that the Nippon Koei Group has always pursued, we updated that mission and set "safe and reliable social infrastructure" and "comfortable living spaces" as the value that we should seek to deliver. We designed the plan not simply as an extension of our three existing business areas of domestic consulting, international consulting and power engineering, but as a growth strategy driven by new business development. Under NK-AIM, the previous medium-term management strategy covering July 2015 to June 2018, which formed the basis of this long-term management strategy, we established the urban & spatial development business in 2016 when we welcomed BDP, a leading U.K.-based architectural design company, into the Group. We also launched the energy business in 2018.

In NK-Innovation 2021, the new medium-term management plan that covers the period from July 2018 to June 2021, we are focusing on and concentrating investment in three fields: railways, urban development, and energy. Creating new business models aimed at delivering solutions to social issues is the mission we have pursued since our founding, and we will continue to evolve in order to generate new value.

* Source: United Nations, *2018 Revision of Urbanization Prospects*



Key Points of the New Medium-Term Management Plan NK-Innovation 2021

SDGs and innovation

Throughout the world, emerging countries and developed countries alike are striving for zero emissions and the construction of smart cities to achieve sustainable societies. In step with this trend, the United Nations is promoting its Sustainable Development Goals (SDGs), which cover activities in 17 different areas. Looking at the Nippon Koei Group's businesses, we can see that we are already contributing in various ways to achieving all of these SDGs.

In NK-Innovation 2021, we aim to flexibly incorporate the SDGs into our businesses, and make them a common language for behavior within the Company. In other words, we will adopt the SDGs, a global lingua franca, in our day-to-day work as the platform of our business, and maintain an attitude of making better proposals by keeping in mind how each project will contribute to achieving the SDGs. We believe that we should accurately gauge the position of our projects in the relationships between various issues, and mobilize our technologies to solve those issues.

To realize this kind of value creation, we added "innovation" to the title of the new medium-term management plan. Looking at the future environment, open innovation will become the norm, and we will need to strongly promote new combinations of technologies and knowledge both in and outside the Company, in addition to existing frameworks. As a concrete first step, we will focus on establishing a one-stop marketing system. The five business segments and the Nippon Koei Group overall will cooperate to build a marketing platform that is capable of responding to diverse market needs, and will acquire new customers by leveraging that platform.

A Stronger Management Foundation

Strengthen technologies and human resources to create a management foundation for 2030

To continue to solve social issues and remain a company that will be trusted and needed by society 50 or 100 years from now, we need a strong management foundation that will enable us to do that. Just as important as investment in core areas for business expansion is investment in key technologies and human resources. Technologies and human resources are inextricably linked. Developing them will be a growth engine for the Company, and is critical in charting our growth strategy. In terms of investment in research and development over the next three years, we will promote the development and spread of next-generation core technologies. Those investments will be of a scale 1.5 times greater than those in the three years of the previous medium-term management plan, and will be focused on developing new technologies utilizing AI and big data. In terms of investment in human resources, we plan to increase staff in Japan and overseas by 1.4 times over the next three years with an emphasis on expanding professional human resources. By strengthening technologies and human resources, we will build a framework that will allow us to maximize the potential of the Nippon Koei Group, and push ahead with environmental improvements. At the same time, we will create a blueprint of Nippon Koei for the world we aim to realize beyond 2021, by 2030.

Looking Ahead

I have the same wish I did when I became president: To make this a company where employees are glad they work.

In conclusion, I would like to give you my thoughts on the values that the Nippon Koei Group should share. Reiterating what I said in my speech when I was appointed president in 2014, I simply want to say that I want to make the Nippon Koei Group a place where employees are glad they work. Making customers happy and enabling frontline employees to feel that they are contributing to their country and community is the way we will improve our corporate value as a company that is trusted by society. As a result, we will be able to provide returns to shareholders and society. Whenever I visit job sites, nothing pleases me more than hearing customers praise our employees and projects. The Nippon Koei Group will continue to evolve as a company that solves various social issues throughout the world.

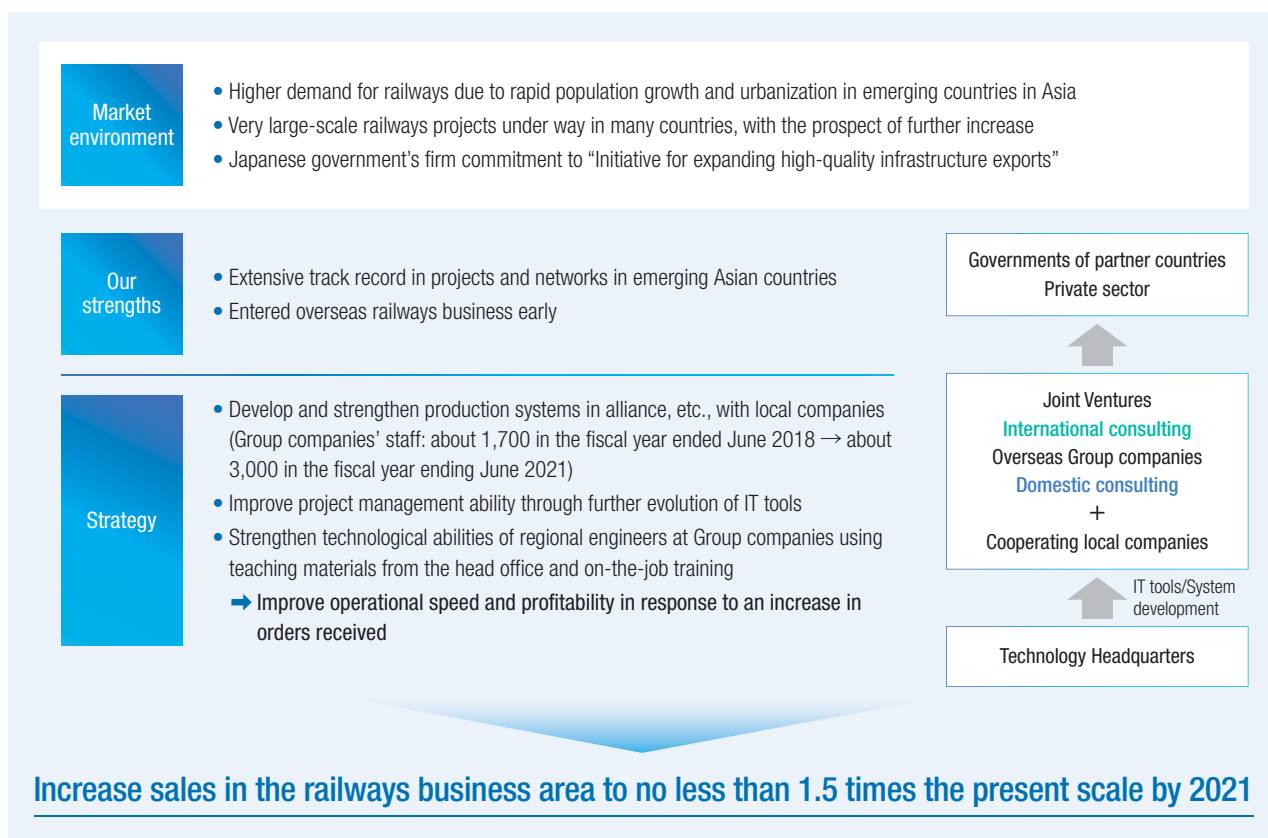
Priority Investment Area

1

Enhancement of the Operating System for the Railways Business

Main related segments: International consulting Domestic consulting

NK-Innovation 2021 investment: about ¥5 billion



Project Introduction

Western Dedicated Freight Corridor Construction Project

India

Total length:	About 1,500 km
No. of stations:	58
Designed max speed:	100 km/h
Initially scheduled date for starting operations:	March 2020 (Phase 1 section: about 914 km)
Funds:	Yen loan

This new project is for a dedicated freight railway between Delhi and Mumbai for a total length of about 1,500 km. It will contribute to India's economic advancement, which has been progressing rapidly. It involves developing automated signal and telecommunication systems, introducing double-stack containers—which enable high-volume and high-speed transportation—and freight trains with a maximum length of 1,500 m to deal with rapidly increasing demand for freight transportation and the need to improve the efficiency of distribution networks. Nippon Koei has been involved since the feasibility study in 2006, and is currently engaged in construction supervision of phase 1 (about 914 km) as a leading joint venture company.

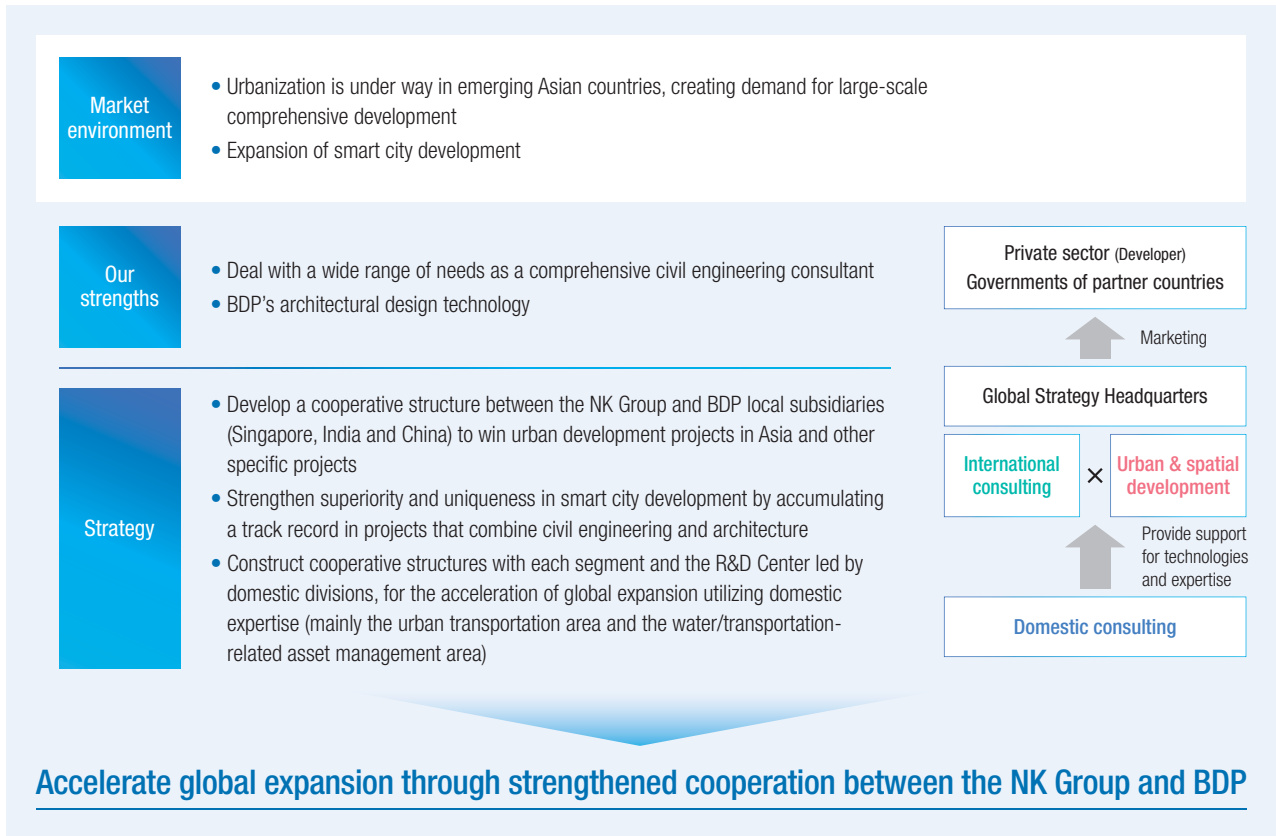


On August 15, 2018, India's Independence Day, a grand ceremony was held for the trial operation of the first 192 km to be put in service.

Overseas Expansion of Urban & Spatial Development Business

Main related segments: Urban & spatial development International consulting Domestic consulting

NK-Innovation 2021 investment: about ¥5 billion



Project Introduction



National Water Resources Committee Headquarters and Hydro-Informatics Center Design Supervision

Myanmar

Location: Mayagone Township, Yangon Region
 Funds source: World Bank
 Design period: Jun. 2018 – Jun. 2019
 Construction period: Jul. 2019 – Jun. 2020

Business content

Supervision of architectural design. We will engage in concept design, basic design, detailed design and bidding procedures in the design phase (Phase 1), and construction supervision in the supervision phase (Phase 2).

Features of the project

Cooperative project between Nippon Koei's local subsidiary in Myanmar and BDP.

Development plan for buildings of the Hydro-Informatics Center and the National Water Resources Committee Headquarters. The following are planning requirements for the complex, consisting of offices, meeting spaces and exhibition halls.

- 1) Realization of a green building
- 2) Design to be in harmony with the surrounding environment
- 3) Design in view of possible future expansion

We will work to make it a model of sustainable architecture in Myanmar.



Image of completed complex

Priority Investment Area

3

Establishment of Energy Business

Main related segments: Energy Power engineering International consulting Domestic consulting

NK-Innovation 2021 investment: about ¥15 billion

Market environment

- Demand for electric power is increasing in Asia due to local production for local consumption
- Energy reform is under way in preparation for smart societies
- In Japan, the market will change significantly from 2020 due to electric power system reform

Our strengths

- Expertise in the electric power business (consulting, manufacturing and construction)
- Track record in the small-scale hydropower generation business in Japan

Strategy

- Engage in investment and business operations in Europe, where liberalization of electric power is under way, to accumulate expertise in energy management in anticipation of electric power system reform (storage battery EPC service, etc.)
- Construct a supply chain by securing overseas manufacturing bases for the supply of hydropower-related products
- Develop products that conform to international standards (mainly equipment for transformer substations)
- Develop and operate distributed power sources in Japan and the Asia region

Electric power companies
Transaction market
Private sector, etc.

Energy

×

Power engineering

Domestic consulting

International consulting

Establish a business model at an early stage to contribute to profit in 2021 and beyond

Project Introduction

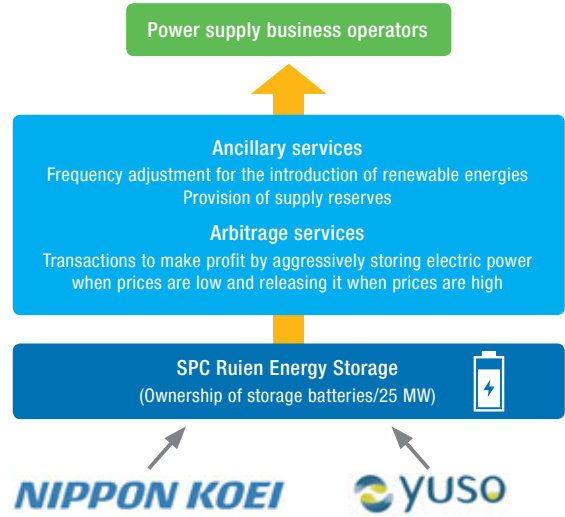
Ruien Energy Storage NV, an SPC jointly established with Belgian company Yuso BVBA. Promotion of electric power storage projects.

Office:	Waregem, West-Vlaanderen
Site:	Oost-Vlaanderen On the premises of former coal-fired power plant/ Adjacent to electric power system transformer substation
Business size:	25 MW/25 MWh electric power storage system
Service offered:	Ancillary services/Arbitrage services

Established a special purpose company, Ruien Energy Storage NV, in collaboration with Yuso, a company headquartered in Belgium that is engaged in aggregator business. Through this company, we will conduct joint project development including ancillary services in Belgium utilizing storage batteries (frequency adjustment service).

Nippon Koei will be involved in this project from the development stage, with the goal of accumulating expertise about storage batteries. We will conduct technological management including EPC (undertaking all construction) and project maintenance.

Aim to start operations in early 2020 by undertaking pre-engineering work (design, addition, system connection consultation, etc.) in 2018.



To promote the growth of our core business areas, we are implementing the business strategies below for the consulting business and power engineering business, existing businesses that are the Company's foundation.

Business strategy

Creation of New Businesses and Overseas Expansion in the Consulting Business

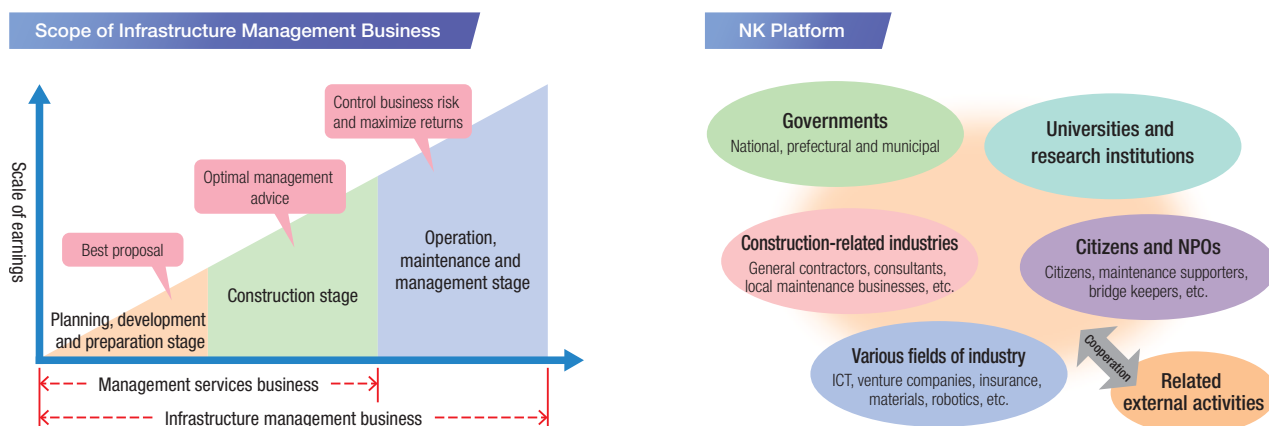
Make system improvements and create new businesses with a focus on infrastructure management such as PPP,¹ PFI² and concessions,³ where needs are increasing.

- Improvement of organizational structure for business creation
- Business expansion in core businesses and steady execution of research and technology measures

1. Public-private partnership: An arrangement in which public and private entities cooperate in providing public services.

2. Private finance initiative: An initiative for using private capital and expertise in the design, construction, maintenance and operation of public facilities, and providing public services under private-sector leadership.

3. A model in which public institutions retain ownership of fee-collecting public facilities such as expressways, airports, drainage and water and sewerage systems, while operation is conducted by private businesses established as special-purpose companies.



Support for overseas expansion based on technologies and human resources cultivated in the domestic consulting business and at the R&D Center

- Promotion of domestic and international cooperative measures (education and training/qualification acquisition/production system, execution of lump-sum projects in Japan, joint execution of international projects)

Business strategy

Product Development and Overseas Expansion in the Power Engineering Business

- Establishment of supply chains in Japan and overseas in cooperation with diverse internal and external partners
- Enhancement of cost competitiveness and productivity through organizational reforms for an integrated manufacturing and sales structure and expansion and updating of production facilities
- Development and global introduction of products that meet international standard specifications, including next-generation monitoring and control systems for substations
- Overseas production and sale of hydropower generation equipment in the mechanical and electrical field

Common Measures for All Companies

Creation of a One-Stop Marketing System

- Improve customer satisfaction by providing solutions utilizing products and services in all segments
- In the long term, aim to create businesses for the smart society (our targeted business area) through cooperation and integration with other segments



Investment in Technologies and Human Resources

Technology

Develop new technology utilizing AI/big data, while promoting the development and spread of next-generation core technologies. (Established the Center for Advanced Research and Development and the Research and Development Planning Office in July 2018.) To achieve this, make investments at a level 1.5 times higher than in the three years of the previous medium-term management plan.

Initiatives for new businesses

- Develop new business models that incorporate new technologies

Strategic technology development for expansion of existing businesses

- Upgrade development to secure superiority in existing markets
- Respond to new needs of customers including maintenance/management and i-Construction services

Human Resources

Aim to increase staff in Japan and overseas by 1.4 times in three years by maintaining and securing professional human resources through improvement of the work environment based on personnel system reform.

Personnel system reform

Enhancement of recruiting activities

Promotion of work-style reform

- Develop a workplace conducive to improved productivity (Spring 2020: New head office building to be completed)
- Expansion of remote work, work-at-home system, measures for supporting childcare/nursing, etc.

Enhancement of Group Governance

- Introduce International Financial Reporting Standards (IFRS)
- Work to strengthen taxation compliance by applying Base Erosion and Profit Shifting (BEPS)* *An OECD initiative related to international taxation

Capital Policy

- Improve enterprise value by improving capital efficiency and expanding business through growth investment
- Maintain an equity ratio of no less than 40% even in the concentrated investment period, with the target of 50%
- Investment of about ¥7.5 billion is expected for the construction of the new head office building, in addition to priority areas
- Our basic policy for profit allocation is to provide stable dividends and increase shareholder returns in accordance with the rise of profits, with a target payout ratio at the 30% level over the medium term

NK-Innovation 2021 Numerical Targets (by Segment)

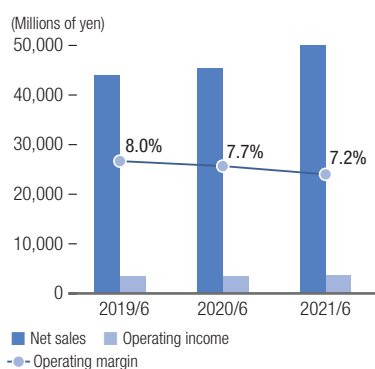
(Millions of yen)

	FYE19/6 Plan	FYE20/6 Plan (IFRS)	FYE21/6 Plan (IFRS)
Orders	125,000	125,000	140,000
Domestic Consulting	46,000	49,000	52,000
International Consulting	44,000	36,200	39,700
Power Engineering	14,000	15,800	17,000
Urban & Spatial Development	16,000	18,000	23,800
Energy	4,000	5,900	7,300
Net sales	115,000	125,000	140,000
Domestic Consulting	44,000	45,500	50,000
International Consulting	31,000	36,500	40,000
Power Engineering	20,000	20,500	22,000
Urban & Spatial Development	16,500	18,000	23,000
Energy	2,500	3,500	4,000
Real Estate/Others	1,000	1,000	1,000
Operating income	6,200	7,900	12,600
Domestic Consulting	3,500	3,500	3,600
International Consulting	2,400	3,100	3,400
Power Engineering	2,600	2,600	3,200
Urban & Spatial Development	600	1,700	2,500
Energy	(100)	0	1,700
Real Estate/Head Office	(2,800)	(3,000)	(1,800)
Ordinary income	6,100	—	—
Profit attributable to owners of parent	4,100	5,200	8,700

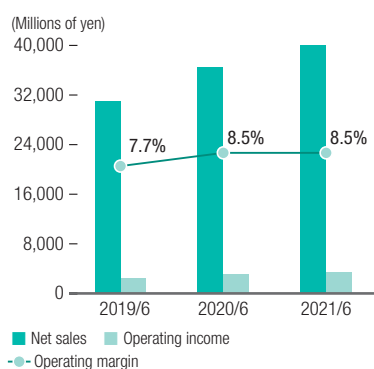
Introduction of IFRS is scheduled for FYE20/6, and plans for FYE20/6 and FYE21/6 show IFRS-applied figures.

Net Sales/Operating Income/Operating Margin (Targets)

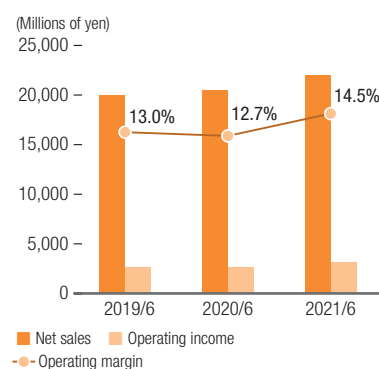
Domestic Consulting



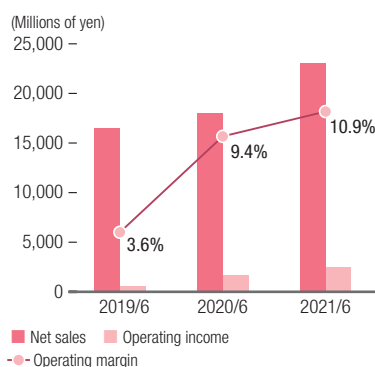
International Consulting



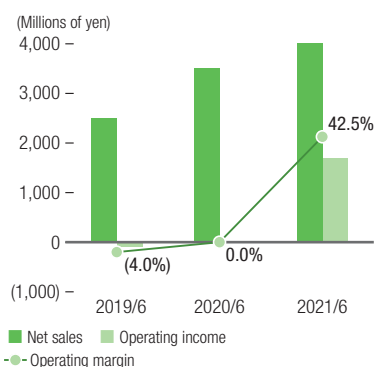
Power Engineering



Urban & Spatial Development



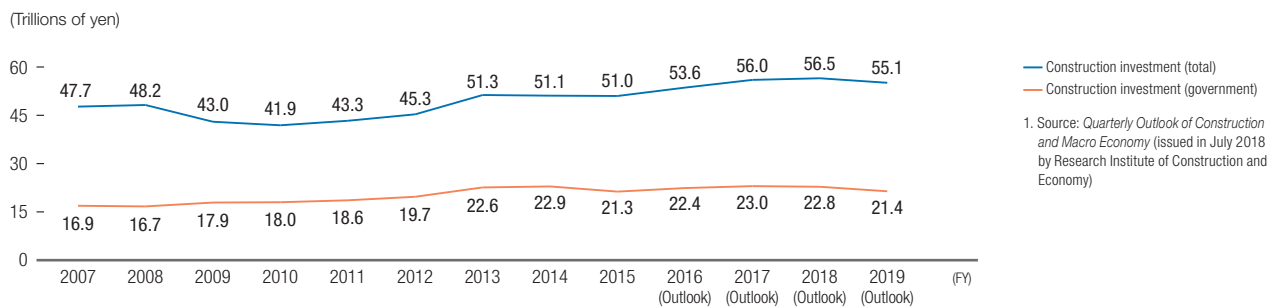
Energy



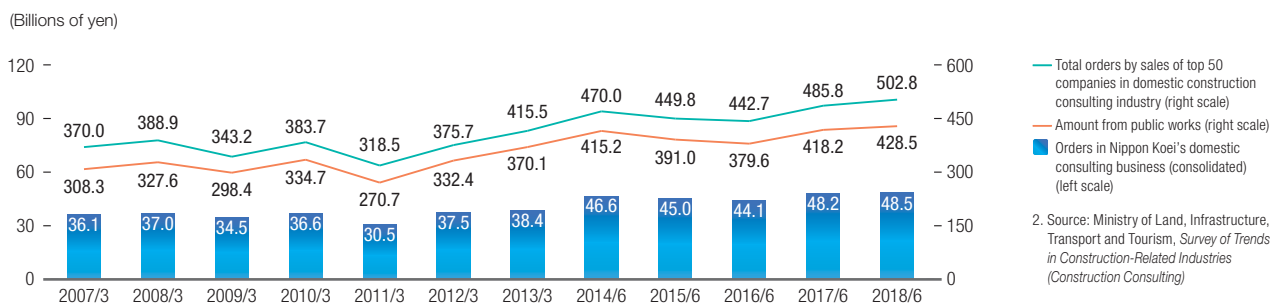
Market Trends

The Nippon Koei Group's 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 ODA budget, while the power engineering business is dependent upon the amount of capital investment made by electric power companies, particularly Tokyo Electric Power Company Holdings, Incorporated (TEPCO Holdings).

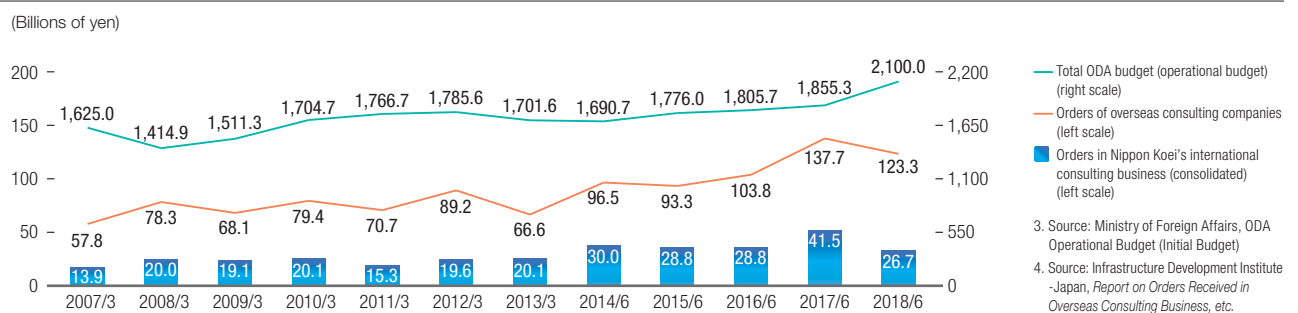
Construction investment¹



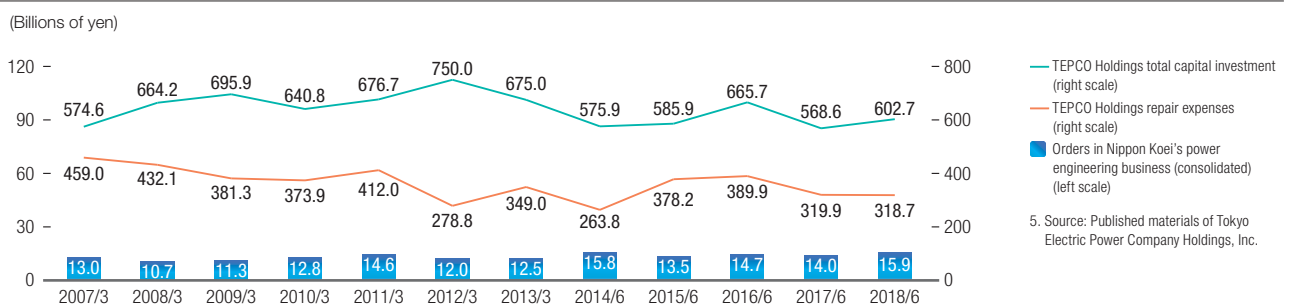
Total orders by sales of top 50 companies in domestic construction consulting industry²/Orders in Nippon Koei's domestic consulting business

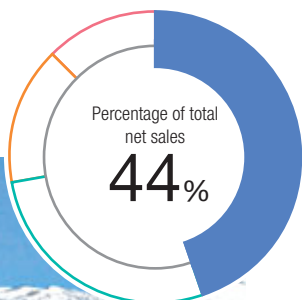


ODA budget³/Orders of overseas consulting companies⁴/Orders in Nippon Koei's international consulting business



TEPCO Holdings total capital investment/TEPCO Holdings repair expenses⁵/Orders in Nippon Koei's power engineering business





Domestic Consulting

Net sales: ¥46,595 million Operating income: ¥4,279 million

Main customers: Ministry of Land, Infrastructure, Transport and Tourism; local governments

Business Overview

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 social infrastructure, vibrant communities and sustainable environments.

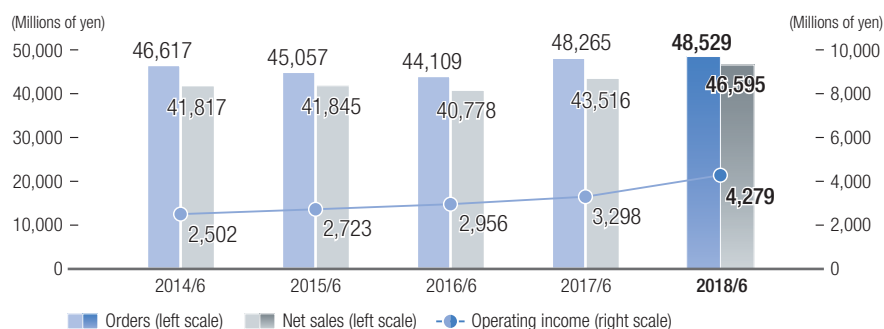
With proven technologies backed by diverse experience and R&D, we carry out many projects that support daily life. Projects for the improvement and maintenance of social infrastructure, such as waterways and roads, lead to regional development as well as convenient and comfortable lifestyles for people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

Business Areas

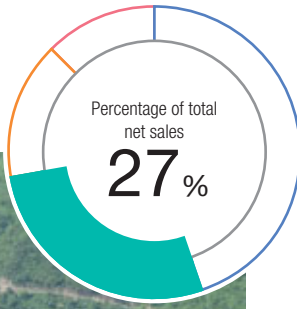
- Water Resources and Waterways**
 We provide technical services for flood control, efficient water use, improvement of water environments, and the water supply and sewerage facilities that are integral for daily living.
- Urban and Regional Development**
 Our services in this area include regional development 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**
 When there is a need for cooperation and collaboration among government entities, private enterprises and citizens, we provide consulting services 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 in FYE18/6

- Orders surpassed the level of the previous year and the plan, driven by an increase in orders associated with the Ministry of Land, Infrastructure, Transport and Tourism.
- Net sales were up year on year as a result of an increase in orders carried forward from the previous year and a change in revenue recognition standards for sales, but did not reach our target.
- Operating income exceeded both the previous year's level and the plan due to the impact of changes in revenue recognition standards and a reduction in unprofitable projects resulting from quality improvements.



* Starting in the fiscal year ended June 30, 2018, the Group has changed the primary method of revenue recognition from the completed-contract method to the percentage-of-completion method.



International Consulting

Net sales: ¥28,889 million Operating income: ¥2,649 million

Main customers: Japan International Cooperation Agency (JICA); overseas government agencies

Business Overview

The Nippon Koei Group conducts many projects to support the growth of 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 in 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

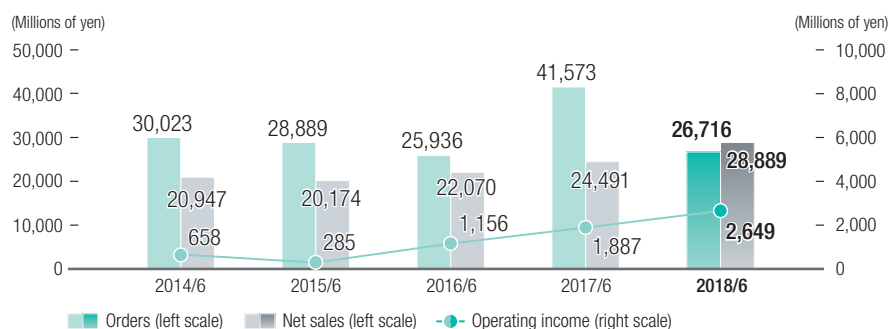
To resolve problems that are becoming increasingly serious, such as traffic accidents, congestion and environmental pollution, we build up the infrastructure networks (ports/airports, etc.) that support economic activities, repair transportation facilities that have deteriorated over time or been damaged by disasters, and oversee various aspects of the construction plans for railways.

• Environmental Management

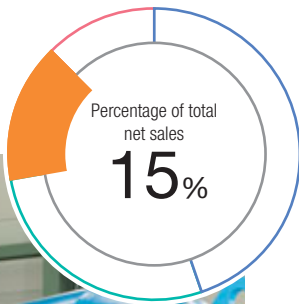
We provide consultation in diverse technical fields on issues ranging from biodiversity, deforestation, air and soil pollution to urban environmental problems.

Performance in FYE18/6

- Orders were down from the previous year, when large-scale projects contributed. In addition, orders fell short of target because contracts for large-scale projects were postponed.
- Net sales increased year on year due to the change in the method of revenue recognition, but came in short of our target due to slippage in the contract period of a large-scale project.
- Operating income exceeded our target as profit increased due to the effect of changes in revenue recognition standards.



* Starting in the fiscal year ended June 30, 2018, the Group has changed the primary method of revenue recognition from the completed-contract method to the percentage-of-completion method.



Power Engineering

Net sales: ¥15,762 million Operating income: ¥1,873 million

Main customers: Electric power companies; local governments; private companies

Business Overview

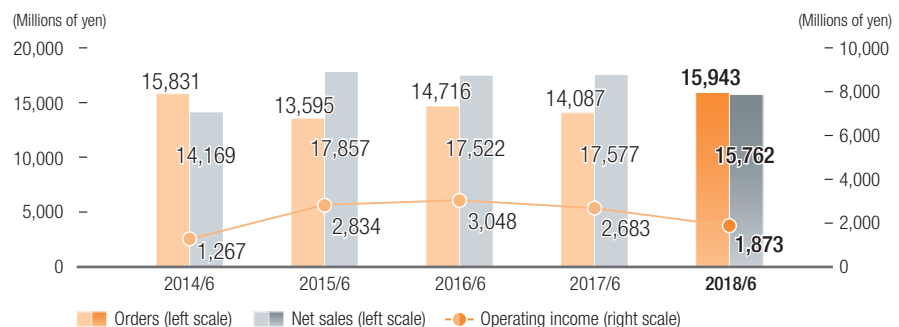
We develop power resources and offer services to address electric power demand in emerging countries as well as in Japan. Our power engineering business covers construction and repair of substations, switching stations and power plants, construction of central monitoring and control systems that improve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

Business Areas

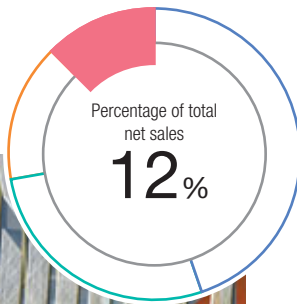
- Manufacturing of Equipment and Devices for Power Generation/Transmission/Distribution**
 We produce water turbines for hydropower plants, manufacture substation control devices, and build substation central monitoring systems and dam control systems.
- Mechanical and Electrical Consulting**
 We provide 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 construction and repair of facilities of electric power suppliers, including substations, switching stations, and power plants.
- Safety Gear and Equipment**
 We manufacture and sell voltage detector checkers and testers, as well as other safety products.

Performance in FYE18/6

- Orders were up year on year and in line with our target, reflecting efforts to obtain orders from electric power companies other than TEPCO and from private companies.
- Net sales were below the level of the previous year and target due to slippage in the ordering period of hydropower equipment projects.
- Operating income declined significantly and did not reach our target as a decrease in sales in areas of high profitability and requests for cost reductions resulted in lower profit margins.



* Starting in the fiscal year ended June 30, 2018, the Group has changed the primary method of revenue recognition from the completed-contract method to the percentage-of-completion method.



Urban & Spatial Development

Net sales: ¥13,040 million Operating income: ¥173 million

Main customers: Private companies

Business Overview

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 sales of civil engineering consulting firms worldwide.

In emerging 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.

Business Areas

- Architecture**
 Focusing on interdisciplinary activities that integrate architectural design, structural design and facility design, this business utilizes BDP's state-of-the-art technologies.
- Refurbishment of Historic Buildings**
 Our numerous projects in this category include the restoration of one of England's most recognized historic buildings, as well as refurbishment of sports facilities and train stations. We also have a track record of carrying out the entire refurbishment while the building remains in use.
- Landscape and Urban Design**
 We are involved in redevelopment planning of areas and buildings in line with development policies, urban planning/development along railway lines at the time of social infrastructure construction, and design of airport facilities/train stations.
- Civil Engineering and Architecture**
 By combining Nippon Koei's civil engineering expertise with BDP's extensive architectural technologies, which are highly regarded in Europe, we are providing comprehensive technical consulting services to a wider range of customers.

Performance in FYE18/6

- Orders exceeded our target on the strong performance of operations in the U.K.
- Net sales decreased from the previous fiscal year, as that was a 15-month period for BDP, but exceeded the target.
- Operating income exceeded our target as a result of profit growth driven by the continued strong performance of operations in the U.K.

Energy (Newly established in April 2018)

Main customers: Electric power companies; local governments

Business Overview

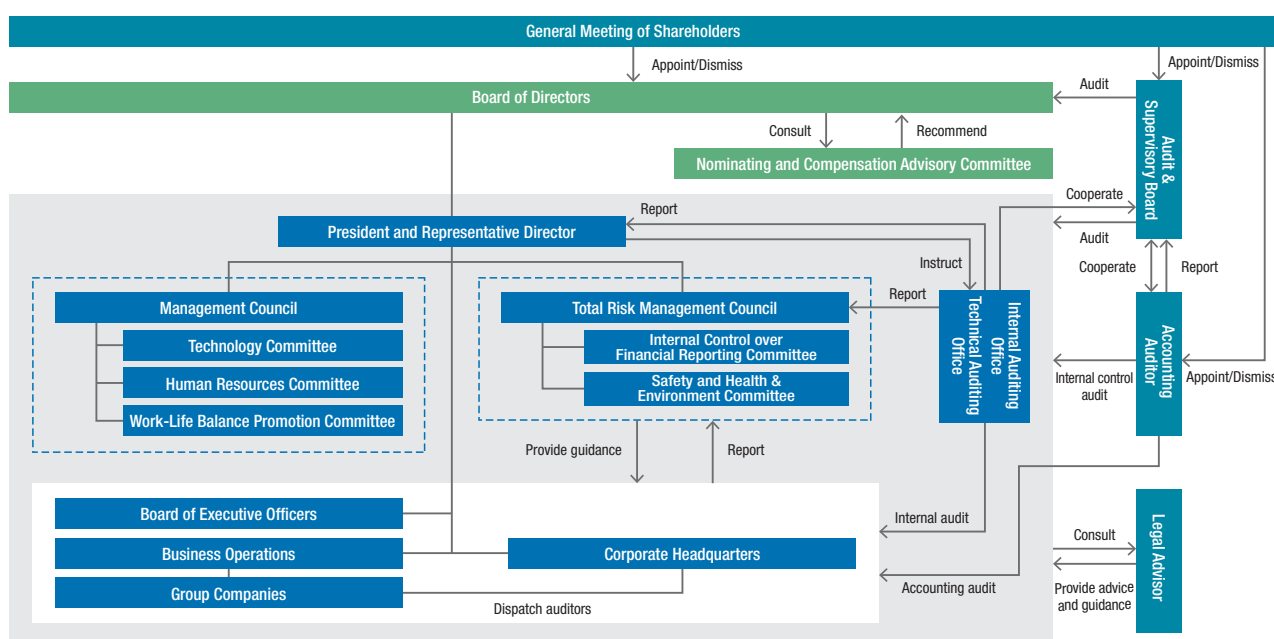
In response to energy demand in Japan and overseas in recent years, we are conducting studies, development, design, construction, management, operation, support and system and technology development in power generation and energy management businesses using distributed energy resources such as renewable energy and energy storage systems.

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. Four 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 nine members

including 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

We have adopted an Audit & Supervisory Board system, and have appointed four Audit & Supervisory members, including two outside members. In accordance with the Auditing Standards for Audit & Supervisory Board Members established by the Audit & Supervisory Board, the Audit & Supervisory Board

conducts audits that include operational audits of directors' execution of duties and monitoring of the independence of the accounting auditor, and reports the status of its audits to the president, the head of the Internal Control Department, and others. The Audit & Supervisory Board also makes 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. In addition, in accordance with the Auditing Standards for Audit & Supervisory Board Members that stipulate that Audit & Supervisory Board members shall consult with directors on securing a system for support as necessary for the work of Audit & Supervisory Board members, as of September 27, 2018, one employee has been assigned to provide such support.

System for Ensuring Appropriate Business Operations of Subsidiaries

Based on the operating regulations for Group Companies, the Company's principal subsidiaries report to the heads of segments that the subsidiaries belong to (directors general or general managers of the Company) and/or the president, and obtain the consent of the Company on key matters such as formulation of business plans, organizational or capital structure changes, appointment of executive officers, appropriation of surplus, and acquisition/leasing/disposal of major assets.

In addition, subsidiaries establish management organizations according to their size and business type, and operate their businesses based on the Group's medium-term management plan and annual business plan.

The Company works to monitor and prevent the manifestation of risks both at the Company and at subsidiaries based on its risk management regulations. In accordance with rules protecting whistleblowers who are members of the Nippon Koei Group, multiple contact points have been set up internally and externally to provide consultation and receive reports, thus promoting compliance throughout the Group.

Relationship between Outside Directors and Outside Audit & Supervisory Board Members

Outside directors enhance the neutrality and fairness of the Board of Directors and strengthen the corporate governance system by monitoring the Company's management from an independent perspective and broad vision, and by actively expressing opinions and making recommendations. Outside Audit & Supervisory Board members strengthen the audit system by overseeing management with an objective and neutral viewpoint, mainly from the perspective of legal compliance, and utilize the experience and knowledge they acquired outside the Company in the Company's auditing.

Regarding our standards for independence in selecting outside directors, we define an independent outside director as a director who has extensive knowledge and experience in corporate management, and who is capable of supervising the Company's management from an objective and broad viewpoint, assuming that he/she meets the independence standards specified by the Tokyo Stock Exchange.

Outside directors receive audit reports concerning financial results and internal controls over financial reporting by the accounting auditor and Audit & Supervisory Board members at Board of Directors' meetings. When appropriate, they also receive reports on the results of internal audits and Audit & Supervisory Board audits from the Director General of Corporate Headquarters. Outside directors provide informed opinions at Board of Directors' meetings that help to strengthen our corporate governance system. These opinions are appropriately conveyed through the directors to everyone concerned.

Outside directors exchange information through regular liaison meetings with the Internal Auditing Office and the accounting auditor. They also exchange information with the Director General of Corporate Headquarters as appropriate.

We appoint two outside directors, and believe that is an appropriate number for supervising the Company's management. We also appoint two outside Audit & Supervisory Board members, which is half of the total number of Audit & Supervisory Board members, and believe that is an appropriate number for supervising the Company's management.

Reasons for Selection of Outside Directors and Audit & Supervisory Board Members

	Name	Independence	Reason for Appointment	Meeting Attendance in FYE18/6
Outside Directors	Hiizu Ichikawa	○	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: 15 out of 15
	Kazumasa Kusaka	○	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 15
Outside Audit & Supervisory Board Members	Izumi Arai	○	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: 15 out of 15 Audit & Supervisory Board: 18 out of 18
	Yoshiko Koizumi	○	Ms. Koizumi was appointed based on her extensive international experience, and her deep insight and practical experience with respect to compliance in general as an attorney, including serving in an important position in the Inter-Pacific Bar Association. Management therefore judged that she is well-qualified to be an outside Audit & Supervisory Board member of the Company, which is pursuing global business expansion.	Board of Directors: 10 out of 12 Audit & Supervisory Board: 12 out of 12

/ Compensation of Board Members

For compensation of directors and Audit & Supervisory Board members, compensation limits are set in the General Meeting of Shareholders. Compensation of individual directors is determined by the Board of Directors, and compensation of individual Audit & Supervisory Board members is determined by discussion among Audit & Supervisory Board members, according to the following policies.

Compensation of directors excluding that for outside directors shall be fixed compensation (monthly compensation) and results-based compensation (bonus) and a part of which is spent to acquire the Company's shares under the officer stock ownership system. For fixed compensation (monthly compensation), a standardized amount is determined based on the director's position. For the results-based compensation

(bonus), a standard amount is determined based on the consolidated net income of each term and then a detailed amount is determined within the predetermined compensation limit after the president has evaluated each director's achievement in performance and contribution to the Company followed by the deliberations of the Nominating and Compensation Advisory Committee. Compensation of outside directors shall be fixed compensation (monthly compensation) and a part of which is spent to acquire the Company's share.

Compensation of outside directors and Audit & Supervisory Board members is fixed compensation (paid monthly), a portion of which may be set aside for acquisition of the Company's stock under the officers' shareholding association system.

Total Amount of Compensation in FYE18/6 by Officer Classification, Total Amount of Compensation by Type, and Number of Eligible Officers

Officer Classification	Total Amount of Compensation (Millions of yen)	Total Amount of Compensation by Type				Number of Eligible Directors
		Base Compensation	Bonus	Restricted Stock Compensation	Retirement Benefits	
Directors (excluding outside directors)	349	221	83	28	17	13
Audit & Supervisory Board members (excluding outside members)	21	21	—	—	—	1
Outside Officers	60	60	—	—	—	5

* As a part of its management reform, however, the Company decided to abolish the retirement benefits program for Directors and Audit & Supervisory Board Members as of the end of the 59th Annual General Meeting of Shareholders held on June 29, 2004 and not to award any retirement benefits to Directors for the term of office later than that date. Therefore, this proposal concerns the payment of retirement benefits for the contribution of Mr. Hirose for his term of office up to the end of the 59th Annual General Meeting of Shareholders held on June 29, 2004.

/ Internal Control System and Risk Management System

Under the Basic Policy on Establishment of an Internal Control System approved by the Board of Directors, we work to ensure the legality and efficiency of business execution of the Company and its subsidiaries. At the same time, we are reviewing and improving systems, using the opinions and other input of the Audit & Supervisory Board and outside directors as reference, to further enhance the effectiveness of business execution.

In addition, we have established the Nippon Koei Group Code of Conduct, and the Internal Auditing Office conducts audits related to compliance with the Code.

We have also established the Total Risk Management (TRM) Council, which is composed of officers including outside Audit & Supervisory Board members, to supervise overall risk management.

The TRM Council supervises the Company's overall risk management, while the Safety and Health & Environment Committee and Internal Control over Financial Reporting Committee under the TRM Council monitor, assess, respond to and prevent Group-wide risks, and report significant risks to the Board of Directors when appropriate.

/ Messages from Outside Directors



Sound, Sustainable Growth in an Era of Change

Hiizu Ichikawa

As an outside director who has served for four years, I believe the monthly Board of Directors' meetings of Nippon Koei involve an energetic exchange of opinions. The process through which the management team deliberates and reaches consensus on policies for becoming a company that is valued by society and that achieves continuous growth is very important.

An essential requirement of management is the ability to address change and effectively allocate resources. Nippon Koei addressed the recent major changes in its business environment under the guidance of its previous medium-term management plan, NK-AIM. The Company will deepen this commitment to its direction and produce results under NK-Innovation 2021 for the three years ending June 30, 2021. New business development requires new capabilities and knowledge, and new risks are also emerging. As an organization, we will promote the development of systems to provide sufficient risk resilience. This is a major responsibility of the management team.

We will work with even greater focus and urgency to grow Nippon Koei's business.



More Consistent Growth from New Businesses

Kazumasa Kusaka

Nippon Koei's employees have inherited the DNA of the Company's founder, Yutaka Kubota. It is a wonderful company that pursues domestic and overseas business with a sense of mission and responsibility.

The people of Nippon Koei have acquired extensive experience and knowledge in the domestic and overseas consulting and electric power engineering businesses over the Company's long history. To further the Company's growth and development, it is entering new businesses areas such as urban and spatial development and energy. As it does so, I recognize that outside directors have an important role to play in advising management based on their extensive experience and network of relationships in fields the Company has yet to develop.

Discussion and study have increased as Nippon Koei has expanded its business portfolio. To that end, it needs flexible, agile management enabled by an effective division of responsibility between the Board of Directors, which discusses the allocation of resources and strategy from a long-term perspective, and the Board of Executive Officers, which discusses business execution. The Company is working to transform each deliberative body so that it can appropriately address changes in the external environment. I will fulfill my duty as an Outside Director by enhancing the discussions of the Board of Directors so that Nippon Koei can operate confidently in new businesses.

Board of Directors, Executive Officers and Audit & Supervisory Board Members (As of September 27, 2018)

/ Directors



Noboru Takano

Representative Director and Chairman

- 1975 Joined the Company
- 2011 Director and Executive Officer, Acting Director General of Domestic Consulting Operations and General Manager of Operations Planning Office, Domestic Consulting Operations
- 2012 Director and Managing Executive Officer Director General of Domestic Consulting Operations
- 2014 Representative Director and Senior Managing Executive Officer
- 2015 Representative Director and Executive Vice President in charge of technology
- 2017 Representative Director and Chairman (current position)



Akira Mizukoshi

Director and Vice Chairman

- 1976 Joined the Company
- 2010 Director and Executive Officer
- 2012 Director and Managing Executive Officer, General Manager of Business Promotion Headquarters
- 2014 Director and Senior Managing Executive Officer, Director General of Corporate Headquarters and Director General of Business Promotion Headquarters, Director General of Corporate Headquarters
- 2015 Director and Executive Vice President in charge of Head Office
- 2016 Representative Director and Executive Vice President in charge of Head Office and IR
- 2017 Director and Vice Chairman (current position)



Ryuichi Arimoto

Representative Director and President

- 1977 Joined the Company
- 2009 Director and Executive Officer, Director General of Corporate Headquarters and General Manager of Corporate Planning Department
- 2011 Director General of Corporate Headquarters and General Manager of Personnel & General Affairs Department
- 2012 Director and Managing Executive Officer, Director General of Corporate Headquarters and General Manager of Personnel Department
- 2014 Representative Director and President (current position)



Hiroyuki Akiyoshi

Representative Director and Senior Managing Executive Officer in charge of energy business and power engineering

- 1979 Joined the Company
- 2012 Director and Executive Officer, Acting Director General of Power Engineering Operations and General Manager of Fukushima Works
- 2013 Director General of Power Engineering Operations
- 2015 Director and Managing Executive Officer
- 2016 Director and Senior Managing Executive Officer
- 2017 Representative Director and Senior Managing Executive Officer
- 2018 Representative Director and Senior Managing Executive Officer in charge of energy business and power engineering (current position)



Takayasu Tsuyusaki

Director and Managing Executive Officer/Director General of Global Strategy Headquarters

- 1979 Joined the Company
- 2015 Director General of Global Strategy Headquarters and General Manager of Strategy Development Office (current position)
- 2016 Managing Executive Officer
- 2017 Director and Managing Executive Officer (current position)



Haruhiko Kanai

Director and Managing Executive Officer/Director General of International Consulting Operations

- 1982 Joined the Company
- 2017 Managing Executive Officer Director General of International Consulting Operations (current position) Director and Managing Executive Officer (current position)



Hideyuki Sakunaka

Director and Managing Executive Officer/Director General of Technology Headquarters

- 1983 Joined the Company
- 2016 Director General of Technology Headquarters (current position) Director and Executive Officer
- 2018 Director and Managing Executive Officer (current position)



Hiroaki Shinya

Director and Managing Executive Officer/Director General of Domestic Consulting Operations

- 1985 Joined the Company
- 2017 Director General of Domestic Consulting Operations (current position) Director and Executive Officer
- 2018 Director and Managing Executive Officer (current position)



Yasushi Hirusaki

Director and Executive Officer/Executive Officer in charge of IR, Director General of Corporate Headquarters and Director General of Human Resources

- 1985 Joined the Company
- 2017 Executive Officer in charge of IR, Director General of Corporate Headquarters and General Manager of Personnel Department (current position) Director and Executive Officer (current position)



Hiizu Ichikawa

Director **Outside** **Independent**

- 1970 Joined The Mitsubishi Bank, Ltd.
- 1993 General Manager of Singapore Branch of The Mitsubishi Bank, Ltd.
- 1996 General Manager of Industrial Research Department of The Bank of Tokyo-Mitsubishi, Ltd.
- 1997 General Manager of Sales Screening Department of The Bank of Tokyo-Mitsubishi, Ltd.
- 1999 Senior Executive Director of The Resolution and Collection Corporation
- 2001 Senior Executive Director of Chiyoda Corporation
- 2004 Representative Director and Managing Director of Mitsubishi Motors Corporation
- 2010 Representative Director and Executive Vice President of Mitsubishi Motors Corporation
- 2014 Outside Corporate Auditor of The Hyakugo Bank, Ltd. Outside Director of the Company (current position)



Kazumasa Kusaka

Director **Outside** **Independent**

- 1970 Joined Ministry of International Trade and Industry
- 2003 Commissioner of Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry
- 2004 Vice-Minister for International Affairs of Ministry of Economy, Trade and Industry
- 2007 President of Japan Cooperation Center for the Middle East
- 2008 Special Advisor to the Cabinet
- 2009 Senior Vice President of Mitsubishi Electric Corporation
- 2011 Visiting Professor of Graduate School of Public Policy, The University of Tokyo (current position)
- 2013 President of The Foundation for International Trade and Industrial Co-operation Chairman of Japan Economic Foundation (current position)
- 2015 Outside Director of the Company (current position)

/ Senior Managing Executive Officers

Yoshikumi Inoue
Masao Nishimura
Yasuyoshi Iio

/ Managing Executive Officers

Hiroyuki Kasahara
Shuichi Ueda
Ken Nishino

/ Executive Officers

Masanobu Sakamoto	Hiroshi Yokota
Yasushi Sugo	Hiroyuki Yamate
Noriaki Yoshida	Noriyuki Nakajima
Kevin Tynes	Tomohisa Fukuoka
Akimitsu Arai	Toru Nakagawa
Hitoshi Nagasaki	Yasusuke Kurosaki
Hiroshi Matsuda	Shigeki Toyoshima
Toshikazu Kambara	

/ Audit & Supervisory Board Members



Yoshizo Goto

Audit & Supervisory Board Member

- 1982 Joined the Company
- 2008 General Manager of Logistics & Operations Department of International Consulting Operations
- 2010 General Manager of Operations Planning Office, International Consulting Operations
General Manager of Revenue Management Office, International Consulting Operations
- 2011 General Manager of Revenue Management Office and General Manager of Compliance Office, International Consulting Operations
- 2013 General Manager of Internal Auditing Office
- 2015 Deputy Director General of International Consulting Operations
- 2018 Audit & Supervisory Board Member (current position)



Izumi Arai

Audit & Supervisory Board Member

Outside **Independent**

- 1975 Joined Overseas Economic Cooperation Fund
- 2007 Head of JBIC Institute, Japan Bank for International Cooperation
Commissioner of Japan Bank for International Cooperation
- 2008 Commissioner of Japan International Cooperation Agency
- 2012 Retired as Commissioner of Japan International Cooperation Agency
Audit & Supervisory Board member of the Company (current position)



Naoki Honjo

Audit & Supervisory Board Member

- 1978 Joined the Company
- 2008 General Manager of Finance & Accounting Department, Corporate Headquarters
- 2011 Executive Officer
Deputy Director General of Corporate Headquarters and General Manager of Finance & Accounting Department
- 2014 Director and Executive Officer
Acting Director General of Corporate Headquarters and General Manager of Finance & Accounting Department
Acting Director General of Corporate Headquarters
- 2015 Director General of Corporate Headquarters
- 2017 Special Adviser of the Company
- 2018 Audit & Supervisory Board Member (current position)



Yoshiko Koizumi

Audit & Supervisory Board Member

Outside **Independent**

- 1972 Registered in bar association (The Daini Tokyo Bar Association)
Joined Kikuchi Law and Patent Office
- 1980 Partner at Masuda & Ejiri Law Office (current Nishimura & Asahi)
- 2000 Chair of Women Business Lawyers Committee, Inter-Pacific Bar Association (IPBA)
- 2003 Expert member of Food Safety Commission of Japan
- 2007 Auditor at Bosch Corporation
- 2008 Counsel at Nishimura & Asahi
- 2009 Partner at City-Yuwa Partners (current position)
- 2012 Deputy Chair of the Government Procurement Review Board
- 2013 Director of the Japan Bar Association (current position)
- 2015 Outside Director of Taiheiyu Cement Corporation (current position)
Outside Director of Dowa Holdings Co., Ltd. (current position)
- 2016 Outside Auditor of Sumitomo Bakelite Co., Ltd. (current position)
- 2017 Outside Audit & Supervisory Board Member of the Company (current position)

Technology Development and Human Resource Development

Our management philosophy is “Act with integrity and contribute to society through technology and engineering.” It is vital that we employ and nurture the human resources that will enable us to achieve this philosophy. The Nippon Koei Group positions technology development and human resource development as growth engines, and has launched various initiatives to that end.

/ Driving Technological Innovation through Integrated Powers

To fully utilize our technological expertise, it is important that we find the most functional organic combination of technology development, adoption of new technologies, use of external technologies, enhancement of functionality, quality assurance and improvement, transfer of technological assets and effective use of intellectual property.

With the aim of achieving further evolution of our existing core businesses while accelerating the development of new business areas, the Group has established 14 themes for technology measures. These 14 themes involve the utilization of the knowledge, technology, and human resources of each department, and conform to a Group-wide promotion system that covers not only the R&D Center (technology headquarters), but also all business headquarters.

We will harness the integrated powers that are the forte of the Nippon Koei Group, and drive forward technology development as a leading company in the industry.

14 Themes for Technology Measures

I Development of Innovative Technologies

- | | | |
|------------|--|---|
| 1 | Development of technologies to address climate change | Amid the growing need for all industries to respond to climate change, we contribute to society's sustainable growth through the development of cutting-edge technologies and new businesses. |
| 2 | Development of disaster prevention/mitigation technologies | We develop technologies to meet a wide range of requirements for safety and security. |
| 3 | Development of data network technologies | We combine advanced technologies for key focus areas such as IoT and robotics with the aim of creating new services. |
| 4 | Development of new analytical and design technologies, and upgrade of technical proposal capabilities | We develop analytical and design technologies that fuse the Group's existing technologies with building information modeling (BIM)/construction information modeling (CIM) and virtual reality (VR) and augmented reality (AR) technologies, and upgrade technical proposal capabilities. |
| (NEW)
5 | Development and utilization of innovative artificial intelligence (AI) technologies | We promote technology development centered on AI, with the aim of establishing future core technologies. |
| (NEW)
6 | Development of new geotechnical, geological, environmental, and water quality investigation methods | We aim to serve society in a variety of ways, through the utilization of cutting-edge technologies including core (DNA) analysis. |
| (NEW)
7 | Development of resilience technologies | We are making progress on the formulation of resilience concepts, which have been attracting attention in recent years, with the aim of developing new evaluation methods and technologies. |

II Development of Next- Generation Businesses

- | | | |
|-------------|---|--|
| 8 | Expansion in the fields of architecture, urban design and transportation development | We capitalize on opportunities presented by the advancing urbanization of countries in Asia, and aim to create new value that is unique to the Nippon Koei Group, and expand the market. |
| 9 | Creation of smart cities, towns and villages | We promote the development of Group businesses and technologies that contribute to smart cities, towns and villages. |
| 10 | Development of technologies that contribute to the efficient maintenance, management, and increased life span of social infrastructure | We utilize the latest IoT technology to develop efficient maintenance and management technologies for aging structures, through means such as joint research with local governments. |
| (NEW)
11 | Application of big data to social infrastructure | We use big data to promote new developments in the maintenance and operation of social infrastructure in both tangible and intangible ways. |

III Company Infrastructure Innovation and Productivity Improvement

- | | | |
|----|---|--|
| 12 | Development of a project management IT (PM-IT) system | We utilize a world-class IT system in project management to enhance service quality and productivity. |
| 13 | Study of BIM software | We actively utilize BIM/CIM systems to realize improvements in construction productivity. |
| 14 | Establishment of a high-quality, efficient production system | Our high-quality, highly efficient production system deploys ICT that has proven successful in manufacturing and other industries. |

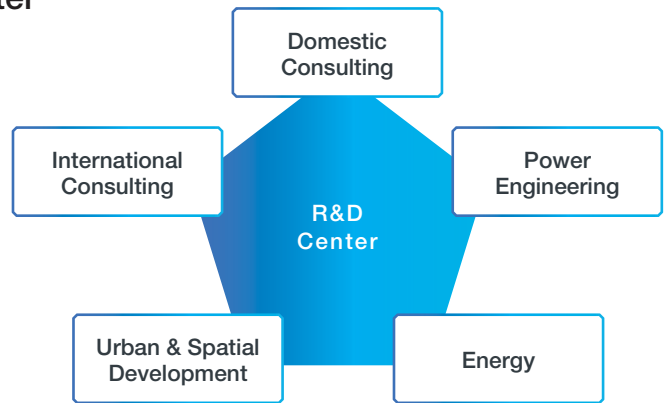
* (NEW) indicates measures commencing in the fiscal year ending June 2019.

/ Roles and Positioning of the R&D Center

The R&D Center is a technological and human resource hub that works with different departments and Group companies. Through its future-oriented basic research and applied research that is directly linked to practical solutions, the Center works tirelessly to improve technological development from its role as the “lead consulting engineer” of the Group.

Consulting engineers need integrated strengths that draw on various areas of expertise. Therefore, at the R&D Center, research groups in civil engineering (water, soil, structures, and earthquake resistance), environmental studies (chemical and natural) and social sciences operate in a single unit called the Advanced Technology Department. Pooling the knowledge of engineers specializing in various fields in an open organization creates an environment conducive to the application of our integrated strengths.

Furthermore, in July 2018 we established the new Center for Advanced Research and Development and the Research and Development Planning Office for R&D of cutting-edge technologies. R&D is carried out based on the themes of further advancing numerical analysis technology, which is one of the Group’s outstanding technologies, building business models to expand our business areas through AI, big data, and IoT, and conducting research on emerging technologies that contribute to future businesses.



/ Development of Specialized Human Resources

The Nippon Koei Group believes that people are its greatest resource. With that in mind, we have established a career support program with the goal of developing each employee as a professional with a high level of expertise.

Career Support Program

Initial Professional Development Process

A process that continues until the employee has technical proficiency in one specialty field

■ Technical training

- Personnel exchange MSP¹
- TD training/TD follow-up training²
- Support for acquisition of engineering qualifications
- Career Path Sheet system etc.

□ Level-based training

- New employee orientation training
- New employee follow-up training
- Mid-level employee training etc.

1. Multi Seed Program: A personnel exchange system that assigns employees for a certain period to different departments from their current one in order to develop engineers who possess a diversity of skills, knowledge, values and other attributes.
 2. Technical Development: A Nippon Koei training program in which employees draw up their own career vision to develop technical expertise.

Professional Development Process

The process of maintaining and upgrading technical proficiency, including in peripheral fields

Professional Development Process

- Participation in academic conferences
- Overseas observation tours



- Research exchange meetings

- Training for managers



Topic

Initiatives to Support the Acquisition of Engineering Qualifications

“Professional Engineer” is the highest national qualification in this technical field in Japan, and in terms of the Group’s business strategy it is essential that our engineers have this qualification. For that reason, we organize annual seminars to support candidates for the Professional Engineer examinations to assist them in acquiring this qualification.

The program includes the following: (1) Correction of papers and guidance for candidates by qualified employees (lecturers) (in the fiscal year ended June 30, 2018, 171 lecturers and 275 candidates participated in the program); (2) Workshops and study seminars that cover examination tactics and how to write papers; (3) Distribution of practice questions and answers; and (4) Mock interviews for the oral examination. This program provides a supportive environment that enables candidates to tackle the challenge of this examination with less stress.

In addition, the Group has established an incentive system and a support system to cover the cost of examinations, with the aim of rewarding the efforts of those who have passed.

Going forward, we will continue to promote the professional development of employees while supporting the acquisition of engineering qualifications.

**/ Creation of a Work-Friendly Environment**

The Nippon Koei Group has put in place initiatives to create a vibrant workplace environment that allows all employees to embrace their individuality and fully exercise their capabilities. While maintaining our competitiveness as a corporation and fulfilling our social mission, we are engaged in various initiatives toward realizing work-life balance for all employees.

Promoting Work-Life Balance

The Nippon Koei Group has established a special committee for discussions on work-life balance. It implements measures, discusses relevant policies, and works to promote and disseminate information about work-life balance. A Group-wide campaign has been in place since April 2018, involving activities such as the publication of priority items by each department, setting up a dedicated website, the publication of good practices that contribute to work-life balance, expanding the scope of eligibility for the telecommuting system, and the trial implementation of satellite offices (Yokohama, Tsukuba). Going forward, as an important management issue we will continue working to create an attractive workplace environment while achieving the realization and maintenance of a healthy work-life balance.

Diversity Management

Under the Group’s Phase II Action Plan, which is based on the Act on Promotion of Women’s Participation and Advancement in the Workplace, we are implementing initiatives to develop a fair work environment that does not distinguish between men and women, and to help employees strike a balance between work and family. In the fiscal year ended June 30, 2018, a total of 24 male employees utilized the parental leave system.

Regarding the employment of disabled persons, a dedicated working group was established to ensure that these employees feel motivated at work. In addition, Nippon Koei Group company Aichi Tamano Information System Co., Ltd., which we jointly established as a public-private enterprise in 1987 with Aichi Prefecture, Nagoya City and Tamano Consultants Co., Ltd., has become the model company for employing a large number of severely disabled persons. Moving forward, this group will continue to expand areas of responsibility for disabled employees and increase the number hired.

Topic

On-Site Day Care Center “N-Kids”

The first on-site day care center in the industry, named “N-Kids,” was established at our Kudan Office (Head Office) in October 2016. The goal of N-Kids is to create a work-friendly environment. In addition to its use for full-time day care, employees are also welcome to use the services on an ad-hoc daily basis. In this way, it provides support for early return to work from childcare leave, as well as work continuity in cases of relocation from an overseas office or branch office to the head office.



Sustainability

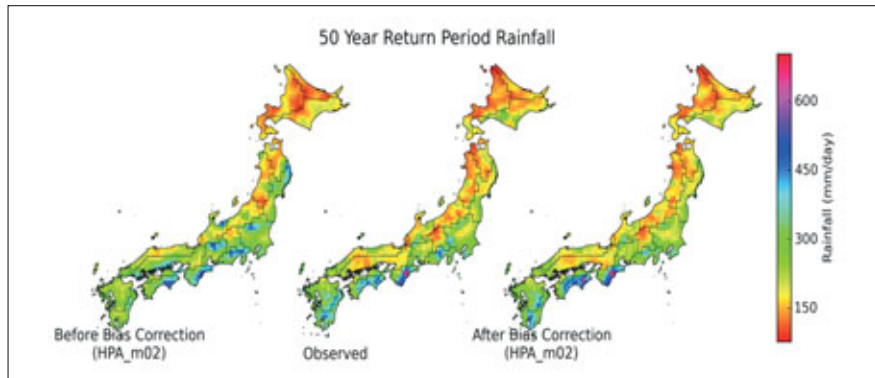
As guidelines and standards for corporate conduct and the actions of each of its employees, the Nippon Koei Group has established the Nippon Koei Group Code of Conduct, which references ISO 26000 and other sources, as well as the Company's own Ten Environmental Principles. Based on its strong ethical code aimed at realizing the development of a sustainable society, the Group engages in corporate social responsibility (CSR) that goes beyond compliance with laws and regulations, and contributes to the achievement of the sustainable development goals (SDGs) that the international community is striving toward.

Environmental Consideration and Preservation

The new issues that have emerged as a result of climate change, including flood control, water utilization, and environment, health and food security, are a challenge to all elements of society. Understanding the types and extent, as well as regions and scope of the issues, and planning and implementing countermeasures, are important challenges shared around the world. However, there is great uncertainty with regard to future climate patterns, further increasing the challenge in making predictions for society and the economy. As a result, it is difficult to formulate plans for the future based on conventional models.

As a part of the development of technologies to cope with climate change, Nippon Koei has identified (a) technologies based on climate change scenarios, and (b) technologies used as the basis of decision-making (supporting decision-making based on a high level of uncertainty), as priority issues. The R&D Center is playing a leading role in the research and development of

such cutting-edge technologies. Furthermore, in order to ensure that such technologies can be applied to our respective consulting businesses, we are sharing expertise with all internal departments and developing the necessary tools that will enable us to achieve a high standard of services across the entire Group.

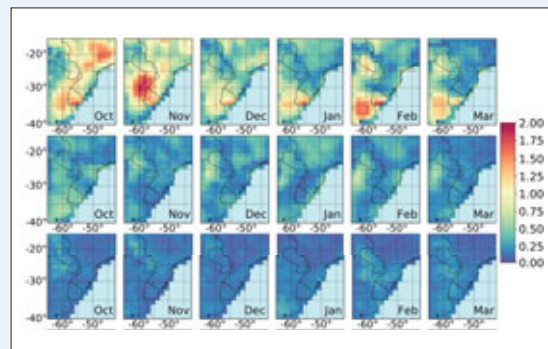


An example of our evaluation of current weather conditions and probable daily rainfall for the next 50 years using the Ministry of the Environment's weather prediction information tool "NHRCM20" (Proprietary research)

Topic

Development of a New Bias Correction Method

This climate change that is currently impacting the Earth is something that mankind has never experienced. To understand future climate patterns, predictive information based on a statistical model known as a global climate model (GCM) is used. Data output from this model needs to undergo an interpretive process known as downscaling or bias correction. If any problems arise in this interpretive process, those problems may be reflected in policy formulation. The bias correction method that is frequently used in Japan and abroad is highly suitable for regular temperatures and rainfall with a high level of data density, but does not translate well for abnormal data from heavy rains, abnormally high temperatures, and droughts. The method developed by the R&D Center resolves this issue, and a paper on the subject has been submitted to the journal *Water Resources Research*.



Superiority of the new bias correction method developed by Nippon Koei (Top: GCM raw data; Middle: Representative bias correction method; Bottom: Bias for abnormally high temperatures, based on the newly developed method)

Carbon Management

There are growing calls under the Paris Agreement to reduce the emission of greenhouse gases (GHG) generated as a result of socio-economic activities, and to cope with the impact of climate change. One solution is carbon management, which promotes the inhibition and absorption of GHG emissions. It is being implemented in various forms as a part of our everyday lives.

The Nippon Koei Group helps to strike a balance between the reduction of GHG emissions and economic growth in developing countries by providing support for the implementation of various

carbon management policies as well as through its energy conservation and renewable energy businesses. We utilize the joint crediting mechanism (JCM)* advocated by the government of Japan for private-sector businesses, to provide support for the popularization of Japanese technologies and products while reducing the burden on developing countries, thereby contributing to the realization of a low-carbon society.

Topic

Support JCM

The Nippon Koei Group uses the JCM to provide a range of services that link domestic partners with partners in developing countries. In particular, with the aim of realizing a low-carbon society, we promote our inter-city cooperation project, which is based on sharing the expertise of local government bodies in Japan with local government bodies in developing countries. By doing so, we provide support for the development of a low-carbon society. Moreover, by utilizing the JCM at the private-sector level, we help to reduce the economic burden on business owners in developing countries while providing support for the introduction of advanced low-carbon technologies, thereby contributing to the reduction of total GHG emissions.



A business matching session that is part of the JCM inter-city cooperation project

* A mechanism to facilitate diffusion of advanced low-carbon technologies in developing countries as well as the implementation of global climate change mitigation measures. It can also be used to quantitatively evaluate Japan's contributions to GHG emission reductions, while using those evaluations to help achieve Japan's emission reduction targets.

Preserving the Natural Environment, including Ecosystems and Biodiversity

With the aim of realizing sustainable development, we are engaged in various initiatives related to the preservation and recovery of ecosystems, desertification, and marine conservation. We conduct these activities in approximately 10 countries around the world, including Japan. Going forward, we plan to further analyze the causes and mechanisms of marine pollution and forest degradation, and promote the sustainable use of natural resources. We will also put in place initiatives to revitalize and regenerate natural environments that have suffered degradation. Furthermore, it is important to ensure harmony between infrastructure development and the environment. With that in mind, we contribute to preserving rich natural environments for future generations by proposing optimal methods for ensuring that balance, as well as nature preservation methods.

Topic

Nature Preservation Initiatives in Papua New Guinea

In Papua New Guinea, which is a large country in the South Pacific, primeval forests make up about 85% of all its forests. It possesses a rich natural environment that is unique. In 2015, JICA launched a technical cooperation project with the aim of helping with the management of national parks and establishing a protected marine area. The Nippon Koei Group is contributing to this project as the project consultant. At the Varirata National Park, one of the focus parks in the project, the visitor's center is near completion, and there is growing anticipation of its opening as the APEC conference to be held in the country in November 2018 approaches. With regard to the protected marine area, a public-private marine protection network that is the first of its kind in Papua New Guinea has been established, and the completion of the new protected marine area is at hand.



Consultations with villagers in Papua New Guinea

The Nippon Koei Group's business activities are a part of its CSR. To that end, as a global enterprise that has expanded business operations in both domestic and overseas markets, we carry out support activities aimed at improving the standard of living of residents in areas in which we operate. We work to maximize our social and environmental value in terms of both corporate and social contribution activities, and to improve our corporate value as well as strengthen our competitiveness.

Stakeholder Engagement

We value dialogue with diverse communities and stakeholders, including our customers, shareholders and investors, employees, civil society, governments, international organizations, and educational institutions. In order to meet expectations placed on the Group, we are implementing corporate activities that contribute to identifying and solving the social issues that we should tackle. We also actively develop partnerships and networks between multiple stakeholders when we engage in business activities in Japan and other countries around the world.

Topic

SDGs/ESG/CSR Seminar with Multiple Stakeholders

In June 2018, the SDGs/ESG/CSR Seminar was held in Yangon for employees working in Myanmar as well as Japanese corporations based there. Speakers from the public sector, private sector, civil society, and international organizations were invited to the seminar, which contributed to deepening understanding of SDGs/ESG/CSR, and to building networks between multiple sectors.



SDGs/ESG/CSR Seminar

Respect and Consideration for Human Rights

In accordance with the Nippon Koei Group Code of Conduct and its Ten Environmental Principles, the Nippon Koei Group emphasizes due diligence, with a focus on environment and society, when pursuing its business activities in Japan and around the world. By effectively assessing the impact of activities on people and regional societies based on international standards, we are working to mitigate risks in the area of human rights.

Topic

The UN Forum on Business and Human Rights

Under the JICA project "Technical Assistance for Preparation of Resettlement Work Plan in Myanmar" that the Nippon Koei Group is involved in, we were invited to attend the UN Forum on Business and Human Rights held in Geneva in 2015 and 2017, and participated in the panel discussion at the forum. Representatives of Nippon Koei disseminated information to the international community on respect for the human rights of local residents and those in the value chain, and on mitigating risks in the area of human rights.



Panel discussion at the United Nations Office at Geneva

A Charitable Trust, The Kubota Fund

The Kubota Fund is an organization that contributes to the promotion and development of industrial technology by nurturing engineers in developing countries, based on the philosophy that independence and self-help are extremely important to developing countries. The Kubota Fund is a charitable trust founded in 1984 by Yutaka Kubota, who contributed his personal assets as the trustee of the Fund. Since its establishment, the Fund has provided grants to many trainees and researchers coming to Japan from countries and regions around the world.

/ Overview of Results for the Fiscal Year Ended June 30, 2018

Overview of Operating Results

During the fiscal year (from July 1, 2017 to June 30, 2018), Japan's economy continued on a moderate recovery path with signs of private consumption picking up against the background of steady improvements in employment and income. In addition, overseas economies saw a modest recovery, though consideration must be given to the uncertainties about policies observed globally originating from the United States and Europe and the economic future in Asia.

The business environment of Nippon Koei Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") continued to be stable, and each business segment saw steady demand. The Group undertook measures for disaster prevention and mitigation, and measures to prevent deterioration of infrastructure for public works projects in domestic consulting operations, promoted strategic exporting of infrastructure systems by the Japanese government in international consulting operations, renewed power distribution equipment in power engineering operations and newly built and renovated a public architectural installation in the UK, which was the major market for BDP Holdings Limited and its subsidiaries in urban & spatial development operations.

Under these circumstances, based on medium-term management plan NK-AIM (from July 2015 to June 2018), with the fundamental principles of "Sustainable growth of three core businesses," "Generation and expansion of new businesses," and "Autonomy and collaboration," the Group tackled the three focus themes of "Further advance of global expansion," "Further expansion of business fields and improvement of profitability by intensifying existing core businesses," and "Demonstrating the true merits of aggregated technologies for establishment of new business domains." Moreover, as Group-wide measures to realize these goals, the Group actively advanced "Development of next-generation core technologies and further improvement of technical strengths and productivity," "Strengthening of human resource recruitment and training," and "Promotion of collaboration and enhancement of corporate governance."

As a result of the above, Group performance during the fiscal year ended June 30, 2018 saw orders received decreasing 11.1% to ¥104,350 million from the previous year when there were contributions from large-scale projects. Nonetheless, net sales increased 4.6% year on year to ¥106,023 million, operating income increased 20.1% year on year to ¥6,561 million, ordinary income increased 12.8% year on year to ¥6,721 million, and profit attributable to owners of parent increased 38.5% to ¥4,555 million.

The Group's accounting method for net sales has been changed from the completed-contract method to the percentage-of-completion method effective from the fiscal year ended June 30, 2018. However, this new method was not retroactively applied to previous fiscal years, so comparison with the current fiscal year is conducted on the

assumption that the previous completed-contract method has been applied to the previous fiscal year.

Moreover, in April 2018, we established the Energy Business Division with its business domains of electric power generation and energy management using distributed energy resources, and therefore added energy business operations to the reporting segments.

Overview of Financial Position

Total assets as of the end of the current fiscal year amounted to ¥114,506 million, an increase of ¥641 million from the end of the previous fiscal year.

In the Assets section, current assets were ¥55,258 million, an increase of ¥459 million from the end of the previous fiscal year. This was mainly due to a ¥3,201 million decrease in cash and deposits and a ¥3,784 million decrease in work in process, against a ¥8,123 million increase in notes and accounts receivable-trade.

Non-current assets were ¥59,248 million, an increase of ¥181 million from the end of the previous fiscal year. This was mainly due to a ¥1,050 million decrease in land, a ¥500 million decrease in goodwill, a ¥1,314 million decrease in investment securities and a ¥665 million decrease in long-term loans receivable, against a ¥907 million increase in machinery, equipment and vehicles and a ¥2,704 million increase in construction in progress related to reconstruction of the headquarters building.

In the Liabilities section, current liabilities were ¥28,441 million, a decrease of ¥1,899 million from the end of the previous fiscal year. This was mainly due to a ¥494 million increase in provision for bonuses, against a ¥2,103 million decrease in advances received.

Non-current liabilities were ¥26,615 million, a decrease of ¥2,034 million from the end of the previous fiscal year. This was mainly due to a ¥524 million increase in deferred tax liabilities, against a ¥2,479 million decrease in long-term loans payable.

Net assets were ¥59,449 million, an increase of ¥4,575 million from the end of the previous fiscal year. The primary factors behind this were ¥4,555 million in profit attributable to owners of parent and ¥1,192 million in cash dividends paid.

As a result, the shareholders' equity ratio increased 3.1 percentage points from the end of the previous fiscal year to 51.0%.

Overview of Cash Flows

Cash and cash equivalents at the end of the current fiscal year totaled ¥15,233 million, a decrease of ¥1,849 million from the end of the previous fiscal year. The primary factors were as follows.

Net cash used in operating activities was ¥602 million (a net inflow of ¥6,376 million during the previous fiscal year). This was mainly due to profit before income taxes of ¥7,165

million, and an ¥8,086 million increase in notes and accounts receivable-trade.

Net cash provided by investing activities was ¥977 million (a net outflow of ¥4,172 million during the previous fiscal year). This was mainly due to the sales of property, plant and equipment.

Net cash used in financing activities was ¥3,062 million (a net inflow of ¥4,846 million during the previous fiscal year). This was mainly due to an outflow for the repayments of long-term loans payable.

Future Outlook

With regard to the business environment of the Group going forward, in the domestic consulting operations, the public works budget is expected to remain unchanged from the initial budget. In international consulting operations, an increase in demand is expected as the Japanese government promotes a strategy to export infrastructure systems. In power engineering operations, new business opportunities will be created with the acceleration of changes in markets due to electric power system reform, etc., in Japan, while a highly competitive environment is expected for renewal, etc., of existing power facilities, with continued requests for cost reductions. In the urban & spatial development operations, although the impact of Brexit on demand for architectural design in the UK is a concern, infrastructure demand centered on Asia is expected to continue. In the energy business operations, increased demand is expected for renewable energy due to low carbon policies and energy resources decentralization.

Under such circumstances, the Group has newly formulated the three-year plan “NK-Innovation 2021” starting from the fiscal year ending June 30, 2019 to realize the Group Vision of “To provide services that are of value in building safe and reliable social infrastructure and creating comfortable living spaces.” Under the new medium-term management plan, with the basic policy of “Continue to evolve into a global consulting and engineering firm,” we will aim to provide more complex and comprehensive solutions by expanding urban & spatial development operations and energy business operations, which we have newly entered, in addition to consulting operations in Japan and abroad and power engineering operations, as well as strengthening cooperation among individual operations.

The consolidated financial results for the fiscal year ending June 30, 2019 are expected to show net sales of ¥115,000 million (up 8.5% year on year), operating income of ¥6,200 million (down 5.5% year on year), ordinary income of ¥6,100 million (down 9.2% year on year) and profit attributable to owners of parent of ¥4,100 million (down 10.0% year on year).

Business Risks

The following are matters that could significantly affect the judgment of investors. Forward-looking statements included here are the judgment of the Nippon Koei Group as of June 30, 2018.

(1) Dependence on Major Customers

Our domestic and international consulting operations highly rely on national and local government contracts and projects based on the Japanese ODA budget for sales. Sales performance on the domestic front tends to be affected by trends in government spending, while our international orders are a reflection of the Japanese ODA budget.

As a large percentage of our power engineering operations are for TEPCO Power Grid, Incorporated, our sales performance is largely dictated by capital investments of TEPCO Power Grid, Incorporated.

(2) Defect Liability for Deliverables

The Group has introduced the ISO 9001 Quality Assurance System under its management philosophy of “Act with integrity and contribute to society through technology and engineering” to ensure that the Group will always strive to secure and improve quality. If the Group assumes gross responsibility attributable to defects in deliverables it has delivered to a customer, the Group’s performance could be affected.

(3) Legal Restrictions

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

Consolidated Financial Statements

Consolidated Balance Sheets

	(Millions of yen)			(Millions of yen)	
	As of June 30, 2017	As of June 30, 2018		As of June 30, 2017	As of June 30, 2018
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	19,593	16,392	Notes and accounts payable - trade	4,012	4,164
Notes and accounts receivable - trade	18,090	26,214	Current portion of long-term loans payable	1,760	2,050
Work in process	11,727	7,942	Income taxes payable	1,049	1,012
Deferred tax assets	1,234	994	Advances received	10,797	8,693
Other	4,158	3,796	Provision for bonuses	1,365	1,860
Allowance for doubtful accounts	(6)	(83)	Provision for directors' bonuses	88	83
Total current assets	54,798	55,258	Provision for loss on construction contracts	54	176
Non-current assets			Other	11,211	10,398
Property, plant and equipment			Total current liabilities	30,341	28,441
Buildings and structures	16,150	17,152	Non-current liabilities		
Accumulated depreciation	(10,559)	(11,070)	Long-term loans payable	21,413	18,934
Buildings and structures, net	5,591	6,082	Deferred tax liabilities	2,859	3,383
Machinery, equipment and vehicles	2,613	3,895	Provision for directors' retirement benefits	45	32
Accumulated depreciation	(2,212)	(2,586)	Provision for environmental measures	34	34
Machinery, equipment and vehicles, net	401	1,308	Liability for retirement benefits	3,963	3,873
Tools, furniture and fixtures	4,988	5,008	Other	333	357
Accumulated depreciation	(4,414)	(4,385)	Total non-current liabilities	28,650	26,615
Tools, furniture and fixtures, net	574	622	Total liabilities	58,991	55,057
Land	17,648	16,598	Net assets		
Leased assets	176	153	Shareholders' equity		
Accumulated depreciation	(109)	(99)	Capital stock	7,393	7,415
Leased assets, net	67	54	Capital surplus	7,240	6,466
Construction in progress	252	2,957	Retained earnings	43,450	45,528
Total property, plant and equipment	24,535	27,624	Treasury shares	(3,607)	(1,180)
Intangible assets			Total shareholders' equity	54,477	58,229
Goodwill	8,685	8,185	Accumulated other comprehensive income		
Other	5,214	4,778	Valuation difference on available-for-sale securities	1,016	1,195
Total intangible assets	13,900	12,964	Foreign currency translation adjustments	(1,813)	(2,045)
Investments and other assets			Remeasurements of defined benefit plans	828	983
Investment securities	10,491	9,176	Total accumulated other comprehensive income	30	133
Long-term loans receivable	2,344	1,678	Non-controlling interests	365	1,086
Deferred tax assets	1,149	1,134	Total net assets	54,874	59,449
Net defined benefit assets	3,392	4,079	Total liabilities and net assets	113,865	114,506
Other	3,422	2,767			
Allowance for doubtful accounts	(168)	(177)			
Total investments and other assets	20,630	18,659			
Total non-current assets	59,067	59,248			
Total assets	113,865	114,506			

Consolidated Statements of Income and Comprehensive Income

	(Millions of yen)	
	For the fiscal year ended June 30, 2017	For the fiscal year ended June 30, 2018
Net sales	101,338	106,023
Cost of sales	70,400	73,664
Gross profit	30,937	32,359
Selling, general and administrative expenses	25,472	25,797
Operating income (loss)	5,464	6,561
Non-operating income		
Interest income	165	140
Dividend income	255	305
Other	365	340
Total non-operating income	786	786
Non-operating expenses		
Interest expenses	195	222
Loss on valuation of investment securities	17	154
Foreign exchange losses	—	148
Other	79	101
Total non-operating expenses	292	626
Ordinary income (loss)	5,958	6,721
Extraordinary income		
Gain on sales of property, plant and equipment	—	1,276
Total extraordinary income	—	1,276
Extraordinary losses		
Impairment loss	225	—
Loss on support to subsidiaries and associates	432	—
Head office transfer cost	105	832
Total extraordinary losses	764	832
Profit (loss) before income taxes	5,194	7,165
Income taxes – current	1,866	1,832
Income taxes – deferred	4	723
Total income taxes	1,870	2,556
Profit (loss)	3,323	4,608
Profit (loss) attributable to		
Profit (loss) attributable to owners of parent	3,288	4,555
Profit (loss) attributable to non-controlling interests	34	52
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	1,025	176
Foreign currency translation adjustments	(1,509)	(241)
Remeasurements of defined benefit plans	799	155
Total other comprehensive income (loss)	316	90
Comprehensive income (loss)	3,639	4,698
Comprehensive income (loss) attributable to		
Owners of parent	3,600	4,680
Non-controlling interests	39	17

Consolidated Statements of Cash Flows

	(Millions of yen)	
	For the fiscal year ended June 30, 2017	For the fiscal year ended June 30, 2018
Cash flows from operating activities		
Profit (loss) before income taxes	5,194	7,165
Depreciation	1,720	1,668
Impairment loss	225	—
Amortization of goodwill	623	474
Loss (gain) on sales of investment securities	(30)	(63)
Loss (gain) on valuation of investment securities	17	154
Loss (gain) on sales of property, plant and equipment	(2)	(1,283)
Increase (decrease) in allowance for doubtful accounts	6	85
Increase (decrease) in provision for bonuses	374	508
Increase (decrease) in provision for loss on construction contracts	(4)	122
Interest and dividend income	(420)	(446)
Decrease (increase) in notes and accounts receivable - trade	(315)	(8,086)
Decrease (increase) in inventories	867	3,797
Increase (decrease) in notes and accounts payable - trade	(1,097)	159
Increase (decrease) in accounts payable - other	(29)	415
Increase (decrease) in advances received	1,914	(2,079)
Decrease (increase) in accrued consumption taxes	658	(828)
Other, net	(2,018)	(668)
Subtotal	7,684	1,094
Interest and dividend income received	396	491
Interest expenses paid	(200)	(215)
Income taxes paid	(1,502)	(1,973)
Net cash provided by (used in) operating activities	6,376	(602)
Cash flows from investing activities		
Net decrease (increase) in time deposits	(953)	1,352
Purchase of property, plant and equipment	(1,085)	(3,322)
Proceeds from sales of property, plant and equipment	8	2,339
Purchase of intangible assets	(260)	(277)
Purchase of investment securities	(1,518)	(1,592)
Proceeds from sales of investment securities	532	2,857
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(581)
Payments of loans receivable	(880)	(790)
Collection of loans receivable	434	992
Other, net	(450)	0
Net cash provided by (used in) investing activities	(4,172)	977
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(16,000)	—
Proceeds from long-term loans payable	23,547	—
Repayments of long-term loans payable	(2,008)	(2,100)
Proceeds from sales of treasury shares	1,589	294
Purchase of treasury shares	(1,456)	(25)
Cash dividends paid	(772)	(1,192)
Other, net	(53)	(37)
Net cash provided by (used in) financing activities	4,846	(3,062)
Effect of exchange rate change on cash and cash equivalents	(124)	(22)
Net increase (decrease) in cash and cash equivalents	6,925	(2,709)
Cash and cash equivalents at beginning of period	9,400	17,083
Increase in cash and cash equivalents from newly consolidated subsidiaries	756	860
Cash and cash equivalents at end of period	17,083	15,233

Consolidated Statements of Changes in Equity

	(Millions of yen)			(Millions of yen)	
	For the fiscal year ended June 30, 2017	For the fiscal year ended June 30, 2018		For the fiscal year ended June 30, 2017	For the fiscal year ended June 30, 2018
Shareholders' equity			Accumulated other comprehensive income		
Capital stock			Valuation difference on available-for-sale securities		
Balance at beginning of current period	7,393	7,393	Balance at beginning of current period	(8)	1,016
Issuance of new shares		21	Changes of items during period		
Total changes of items during period	—	21	Net changes of items other than shareholders' equity	1,024	178
Balance at end of current period	7,393	7,415	Total changes of items during period	1,024	178
Capital surplus			Balance at end of current period	1,016	1,195
Balance at beginning of current period	6,209	7,240	Foreign currency translation adjustment		
Issuance of new shares		21	Balance at beginning of current period	(301)	(1,813)
Change of scope of consolidation	311	39	Changes of items during period		
Disposal of treasury shares	720		Change of scope of consolidation		(21)
Retirement of treasury shares		(835)	Net changes of items other than shareholders' equity	(1,512)	(209)
Total changes of items during period	1,031	(774)	Total changes of items during period	(1,512)	(231)
Balance at end of current period	7,240	6,466	Balance at end of current period	(1,813)	(2,045)
Retained earnings			Remeasurements of defined benefit plans		
Balance at beginning of current period	40,821	43,450	Balance at beginning of current period	28	828
Changes of items during period			Changes of items during period		
Change of scope of consolidation	112	37	Net changes of items other than shareholders' equity	799	155
Dividends of surplus	(771)	(1,192)	Total changes of items during period	799	155
Profit attributable to owners of parent	3,288	4,555	Balance at end of current period	828	983
Retirement of treasury shares		(1,323)	Total accumulated other comprehensive income		
Total changes of items during period	2,628	2,077	Balance at beginning of current period	(280)	30
Balance at end of current period	43,450	45,528	Changes of items during period		
Treasury shares			Change of scope of consolidation		(21)
Balance at beginning of current period	(3,020)	(3,607)	Net changes of items other than shareholders' equity	311	124
Changes of items during period			Total changes of items during period	311	102
Purchase of treasury shares	(1,456)	(25)	Balance at end of current period	30	133
Disposal of treasury shares	869	294	Non-controlling interests		
Retirement of treasury shares		2,158	Balance at beginning of current period	337	365
Total changes of items during period	(586)	2,426	Changes of items during period		
Balance at end of current period	(3,607)	(1,180)	Change of scope of consolidation		710
Total shareholders' equity			Net changes of items other than shareholders' equity	28	9
Balance at beginning of current period	51,403	54,477	Total changes of items during period	28	720
Changes of items during period			Balance at end of current period	365	1,086
Issuance of new shares	—	43	Total net assets		
Change of scope of consolidation	423	76	Balance at beginning of current period	51,460	54,874
Dividends of surplus	(771)	(1,192)	Changes of items during period		
Profit attributable to owners of parent	3,288	4,555	Issuance of new shares	—	43
Purchase of treasury shares	(1,456)	(25)	Change of scope of consolidation	423	765
Disposal of treasury shares	1,589	294	Dividends of surplus	(771)	(1,192)
Total changes of items during period	3,073	3,752	Profit attributable to owners of parent	3,288	4,555
Balance at end of current period	54,477	58,229	Purchase of treasury shares	(1,456)	(25)
			Disposal of treasury shares	1,589	294
			Net changes of items other than shareholders' equity	340	134
			Total changes of items during period	3,413	4,575
			Balance at end of current period	54,874	59,449

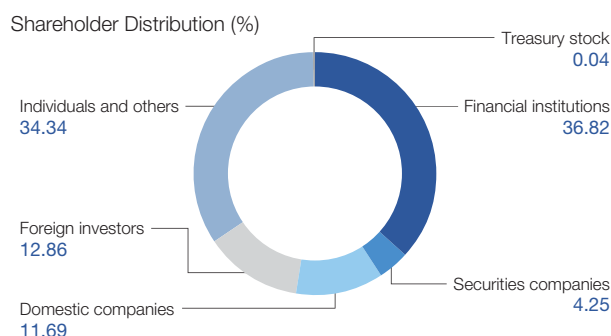
Corporate Data (As of June 30, 2018)

Corporate Data

Corporate name:	Nippon Koei Co., Ltd.	Capital:	¥7,437,728,609 (As of October 26, 2018)
Head office:	1-14-6 Kudankita, Chiyoda-ku, Tokyo 102-8539, Japan	Business areas:	Domestic Consulting, International Consulting, Power Engineering, Urban & Spatial Development, Energy
Registered address:	5-4 Kojimachi, Chiyoda-ku, Tokyo 102-0083, Japan	Number of employees:	4,923 (consolidated), 2,088 (non-consolidated)
Phone:	81-3-3238-8030		
Representative:	Ryuichi Arimoto, Representative Director and President		
Established:	June 7, 1946		

Stock Information

Number of shares authorized:	38,000,000
Number of shares issued:	15,905,049
Number of shareholders:	7,437
Fiscal year-end:	June 30
Stock listing:	Tokyo Stock Exchange, First Section
Securities code:	1954
Transfer agent:	Mizuho Trust & Banking Co., Ltd.

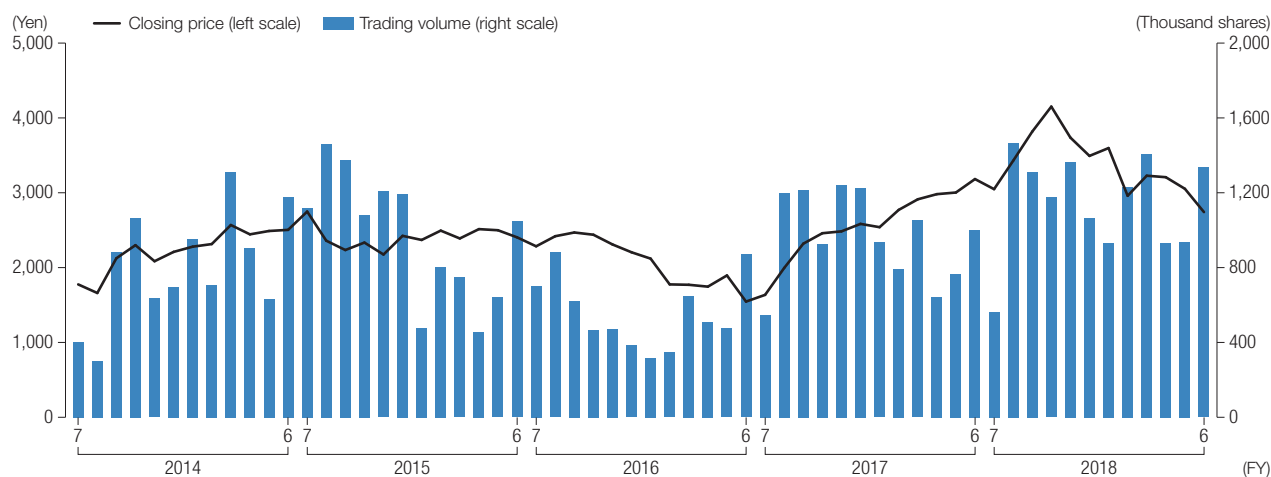


Major Shareholders (Top 10 by Shares Owned)

Name	Shares Owned	Percentage of Total Shares Owned
Japan Trustee Services Bank, Ltd. (Trust Account)	741,100	4.66
MUFG Bank, Ltd.	739,852	4.65
The Koei Employees' Stockholders Association	738,015	4.64
The Master Trust Bank of Japan, Ltd. (Trust Account)	722,900	4.55
Meiji Yasuda Life Insurance Company	705,904	4.44
Mizuho Securities Co., Ltd.	518,400	3.26
Mizuho Bank, Ltd.	382,126	2.40
Tsukishima Kikai Co., Ltd.	368,600	2.32
Trust & Custody Services Bank, Ltd. (Trust Account E)	358,200	2.25
Japan Trustee Services Bank, Ltd. (Trust Account 9)	326,700	2.05

Note: The percentage of total shares owned is calculated using a denominator of 15,898,827 shares, after deducting the 6,222 shares of treasury stock from the total number of shares issued.

Stock Price





Major Group Companies (As of June 30, 2018)

Domestic Consulting Business

Consolidated Subsidiaries

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

Non-Consolidated Subsidiaries

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

International Consulting Business

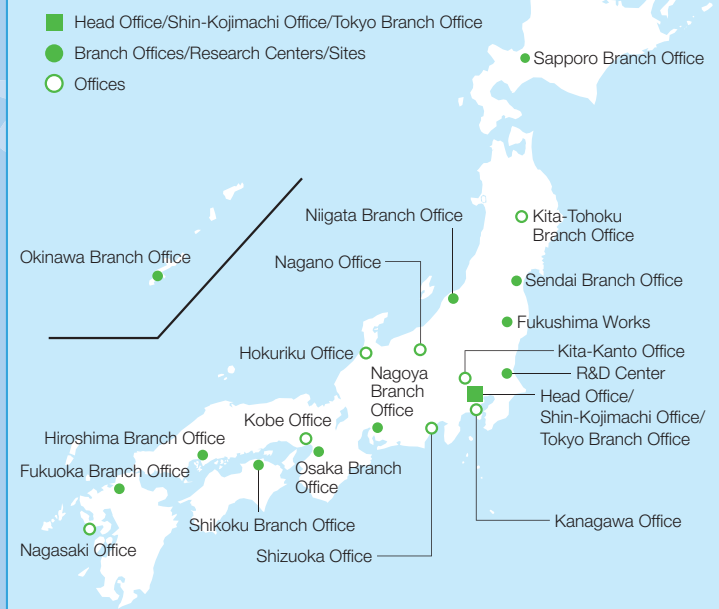
Consolidated Subsidiaries

- Koei Research & Consulting Inc. (KRC)
- 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.

Non-Consolidated Subsidiaries

- Thaikoei International Co., Ltd.
- Koei Africa Company Limited
- Nippon Koei Mozambique, Ltda.

Major Domestic Bases of Nippon Koei



History

- 1946** Nippon Koei established in Chiyoda-ku, Tokyo
- 1954** Received order for planning of Baluchaung Hydropower 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
- 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
- 2013** Myanmar Koei International Ltd.* established
- 2015** KOEI Energy Co., Ltd.* established
- 2016** UK-based architectural design company BDP Holdings Limited* becomes a subsidiary
- 2017** Koei Research & Consulting Inc.* established (Koei Research Institute International Corp. and System Science Consultants Co., Ltd. merged)
- 2018** Made Ironmont Hydro Pte. Ltd.* (a hydropower investment company in Singapore) and its subsidiaries into a consolidated subsidiary of the Company

* Currently a consolidated subsidiary

Power Engineering Business

Consolidated Subsidiaries

- Koei System Inc.

Energy Business

Consolidated Subsidiaries

- KOEI Energy Co., Ltd.
- Ironmont Hydro Pte. Ltd.

Non-Consolidated Subsidiaries

- PT. Cikaengan Tirta Energi
- Ruien Energy Storage NV

Urban & Spatial Development Business

Consolidated Subsidiaries

- BDP Holdings Limited

Non-Consolidated Subsidiaries

- Kisho Kurokawa architect & associates Co., Ltd.

Real Estate Leasing Business

Consolidated Subsidiaries

- Nikki Corporation

Other

Consolidated Subsidiaries

- DSI Co., Ltd.

Non-Consolidated Subsidiaries

- Nippon Koei Australia Pty. Ltd.

NIPPON KOEI

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