

# **Supplements for the Summary of Financial Results Ended June 30, 2017**

August 14, 2017

Nippon Koei Co., Ltd.

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# Results for FYE June 30, 2017

NK marked highest records ever in Orders, Net Sales, Operating & Ordinary Incomes.

(Millions of yen)	FYE16/6 Results	FYE17/6 Results	YoY Change		FYE17/6 Forecast	vs. Plan	
			Amount	%		Amount	%
Orders	104,019	117,442	13,422	112.9%	114,000	3,442	103.0%
Net sales	81,865	101,338	19,472	123.8%	105,000	- 3,661	96.5%
Gross profit	22,359	30,937	8,577	138.4%	29,500	1,437	104.9%
Operating Income	4,723	5,464	741	115.7%	6,000	- 535	91.1%
Ordinary Income	4,365	5,958	1,592	136.5%	6,300	- 341	94.6%
Profit attributable to owners of parent	1,823	3,288	1,464	180.3%	3,600	- 311	91.3%

- Orders: Surpassed the budget target and last year's result owing to good performance of Domestic and International Consulting businesses.
- Net sales: Recorded maximum in the past 3 accounting periods in a row. But fell short of the budget target because completion of big projects of International Consulting and Power Engineering will be delayed within the next period.
- Operating Income: Achieved a record by the contribution of Domestic and International businesses, though underran the budget target.
- Ordinary Income: Hit the highest after 2-year downturn.
- Profit attributable to owners of parent: Substantially exceeded the record of previous year, but not reached the budget target.

\* NK has changed the calculation standard for orders starting this period. Results for FYE June 30, 2016 are also based upon figures calculated according to the same standard.

\*\* BDP altered the closing date from the end of March to June this year. Therefore, the fiscal year ending June 2017 is composed of 15 months.

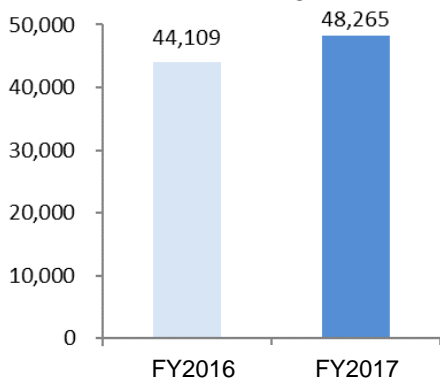
# Results by Business Segment (Orders)

(Millions of yen)	FYE16/6 Results	FYE17/6 Results	YoY Change		vs. Plan	
			Amount	%	Amount	%
<b>Orders</b>	<b>104,019</b>	<b>117,442</b>	13,422	112.9%	3,442	103.0%
Domestic Consulting	44,109	48,265	4,155	109.4%	265	100.6%
International Consulting	28,876	41,573	12,696	144.0%	5,573	115.5%
Power Engineering	14,716	14,087	- 629	95.7%	- 1,912	88.0%
Urban & Spatial Development	16,251	13,460	- 2,790	82.8%	- 539	96.1%
Others	64	55	- 8	86.3%	55	-

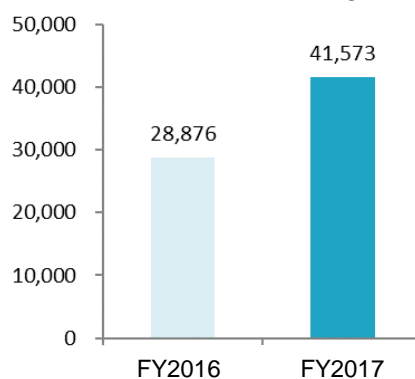
\* NK has changed the calculation standard for orders starting this period. Results for FYE June 30, 2016 are also based upon figures calculated according to the same standard.

\*\* BDP altered the closing date from the end of March to June this year. Therefore, BDP's FYE June 30, 2017 is composed of 15 months.

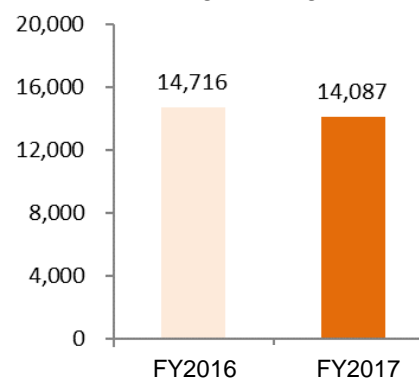
■ Domestic Consulting



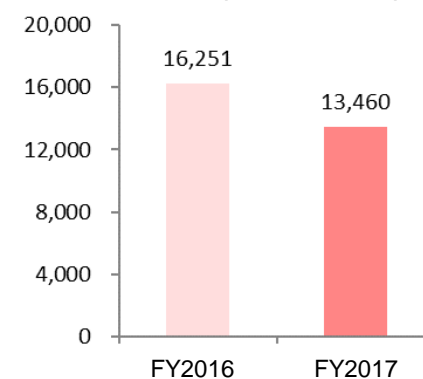
■ International Consulting



■ Power Engineering



■ Urban & Spatial Development

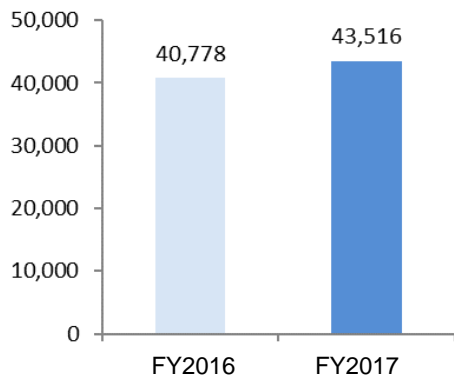


# Results by Business Segment (Sales)

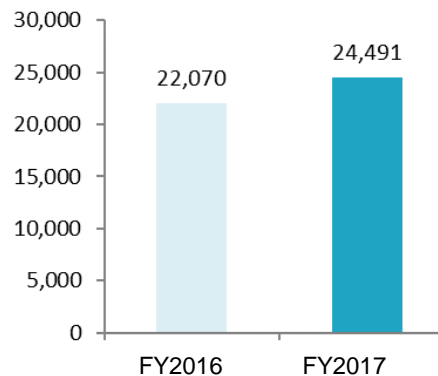
(Millions of yen)	FYE16/6 Results	FYE17/6 Results	YoY Change		vs. Plan	
			Amount	%	Amount	%
<b>Net Sales</b>	<b>81,865</b>	<b>101,338</b>	19,472	123.8%	- 3,661	96.5%
Domestic Consulting	40,778	43,516	2,738	106.7%	- 1,483	96.7%
International Consulting	22,070	24,491	2,420	111.0%	- 1,508	94.2%
Power Engineering	17,522	17,577	54	100.3%	- 922	95.0%
Urban & Spatial Development	-	14,347	-	-	347	102.5%
Real Estate Leasing	514	473	- 40	92.1%	- 26	94.8%
Others	979	931	- 47	95.1%	- 68	93.1%

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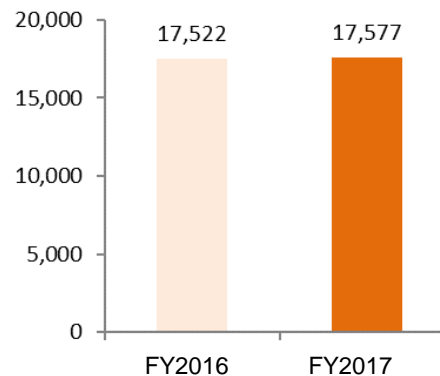
■ Domestic Consulting



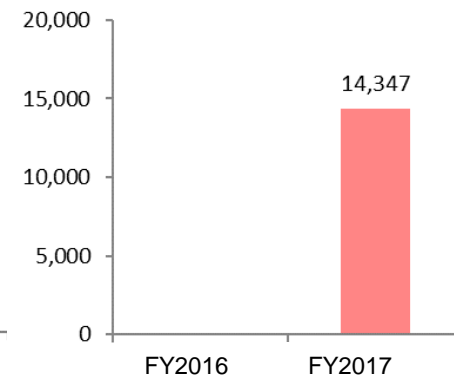
■ International Consulting



■ Power Engineering



■ Urban & Spatial Development

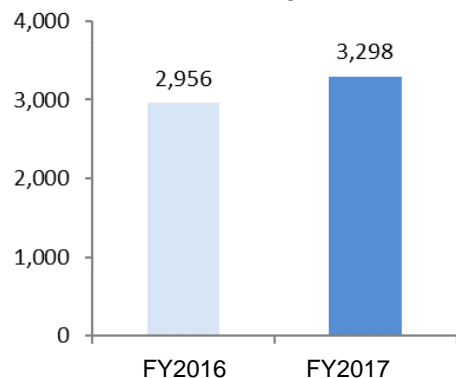


# Results by Business Segment (Operating Income)

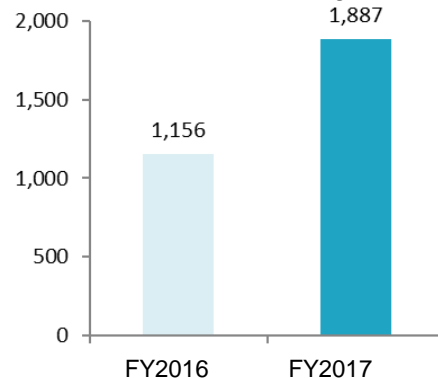
(Millions of yen)	FYE16/6 Results	FYE17/6 Results	YoY Change		vs. Plan	
			Amount	%	Amount	%
<b>Operating Income</b>	<b>4,723</b>	<b>5,464</b>	741	115.7%	- 535	91.1%
Domestic Consulting	2,956	3,298	341	111.6%	98	103.1%
International Consulting	1,156	1,887	730	163.2%	287	118.0%
Power Engineering	3,048	2,683	- 364	88.0%	- 416	86.6%
Urban & Spatial Development	-	81	-	-	- 518	13.5%
Real Estate Leasing	386	401	14	103.9%	1	100.3%
Others	- 2,824	- 2,886	- 62	-	13	-

\* BDP altered the closing date from the end of March to June this year. Therefore, BDP's FYE June 30, 2017 is composed of 15 months.

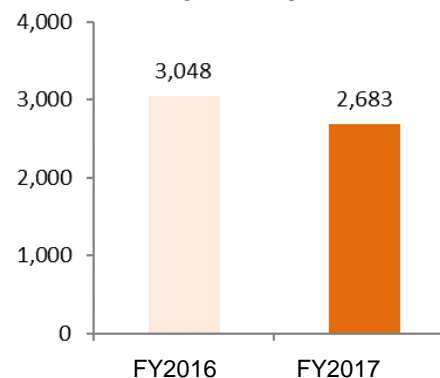
■ Domestic Consulting



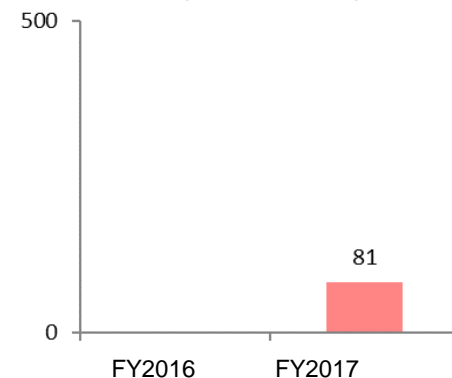
■ International Consulting



■ Power Engineering



■ Urban & Spatial Development



# Overview of Performance by Business Segment

## Domestic Consulting

- Order amount surpassed the budget target and last year's result owing to good performance of prioritized businesses, such as disaster prevention/reduction, et al., and winning bids of national projects as a result of strengthening technical competitiveness.
- Sales amount exceeded the one of previous period, with the elevation of orders received, fell short of the budget target, on the other hand, due to the delay of big-project completion by consolidated subsidiaries.
- Ordinary income went beyond figures of both previous year and budget target, by productivity enhancement and an increase of profitable projects from the government.



Field Survey of Sediment Disaster  
(Minamiaso Village, Kumamoto, Japan)

## International Consulting

- Order amount substantially surpassed the budget target and last year's result with contribution of big-project orders, such as Cairo Metro Line No.4, Hazrat Shahjalal International Airport (Dhaka) Expansion, Electricity Sector Reconstruction in Iraq, et al.
- Sales amount exceeded the one of previous period, however, underran the budget target due to the delay of completion of some projects.
- Ordinary income exceeded figures of both previous period and budget target, owing to profitability improvement by the introduction of revenue-management systems.



General Consultancy Services for Greater  
Cairo Metro Line No.4 Phase 1

# Overview of Performance by Business Segment

## Power Engineering

- Order amount fell short of the last period's record and budget target, due to the delay of contracting procedures for large-scale projects.
- Sales amount is at almost equivalent level of the previous period; as for the budget target, however, not satisfactorily attained due to the delay of contract conclusion for large-scale projects.
- Operating income underran both figures of the last year and budget target, caused by personnel increase corresponding to extraordinarily high domestic/international demand for hydropower business, in spite of thorough cost reduction efforts.



Renovation Project of Ikari Power Station

## Urban & Spatial Development

- Both orders and sales are rather slumping because of delaying order issuance of public works for education-related facilities, backed by ambiguous climate of public administration in Britain due to Brexit.
- Operating income has been negatively affected by stagnant sales and weak pound sterling.



Palace Of Westminster Refurbishment

\* BDP altered the closing date from the end of March to June this year. Therefore, BDP's FYE June 30, 2017 is composed of 15 months.

\*\* The amount of amortization expenses for FYE June 30, 2017 is approximately JPY 1 billion (Amortization of goodwill: approximately JPY 500 million; Other intangible fixed assets: Just over JPY 500 million).

\*\*\* Fixed rate of exchange for FYE June 30, 2017 results: 1 GBP = 145.16 JPY (Rate used in the plan for the FYE June 30, 2017 was 1 GBP = 160 JPY)

# FYE June 2018 Forecast

Focusing upon building basement to realize development targets set forth in the next mid-term management plan, under the slogan of “Investment and Cooperation,” NK will expand investment in technological improvement, human resource development, strengthening marketing structure and new business frontiers.

(Millions of yen)	FYE18/6 Forecast	FYE17/6 Results	YoY Change		FYE18/6 Reference ※
			Amount	%	
Orders	<b>103,000</b>	117,442	- 14,442	87.7%	103,000
Net sales	<b>114,000</b>	101,338	12,662	112.4%	104,000
Domestic Consulting	47,200	43,516	3,684	108.4%	43,000
International Consulting	31,800	24,491	7,309	129.8%	28,200
Power Engineering	21,200	17,577	3,623	120.6%	19,100
Urban & Spatial Development	12,000	14,347	- 2,347	83.6%	12,000
Energy/Real Estate/Others	1,800	1,405	395	128.1%	1,700
Operating Income	<b>7,700</b>	5,464	2,236	140.9%	5,800
Domestic Consulting	3,500	3,298	202	106.1%	2,700
International Consulting	2,400	1,887	513	127.1%	2,000
Power Engineering	3,500	2,683	817	130.4%	2,800
Urban & Spatial Development	50	81	- 31	61.7%	50
Energy/Real Estate/Others	- 1,750	- 2,485	735	-	- 1,750
Ordinary income	<b>7,800</b>	5,958	1,842	130.9%	6,000
Profit attributable to owners of parent	<b>4,900</b>	3,288	1,612	149.0%	3,600
Operating margin(%)	<b>6.8</b>	<b>5.4</b>	※ Estimated budget target June 2018, based upon previous standard (completed-contract method)		
ROE(%)	<b>8.7</b>	<b>6.2</b>			

\* Effective from the Fiscal Year Ending June 30, 2018, the Group changes the primary method of revenue recognition from completed-contract method to percentage of completion method. For details, please see page 10.



# (Reference) Change of BDP's Account Closing Date (from June 2017)

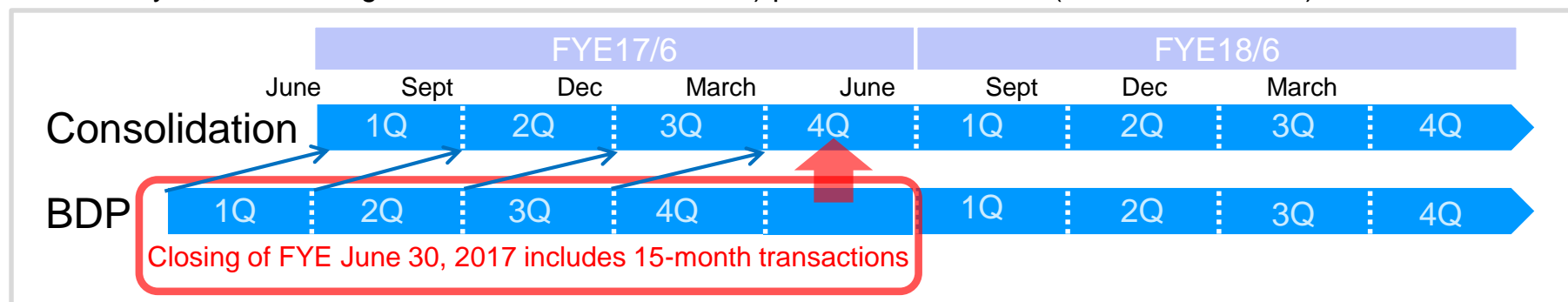
BDP has altered its official closing date from the end of March to June since 2017.

## ■ Purposes

- To promote efficient business operations, keeping accordance with the long-term strategic vision, by consolidating account closing date of all the group companies
- To deliver and capture management information promptly and accurately
- To enhance management transparency by timely and proper information disclosure

## ■ Impacts on the closing of FYE June 30, 2017

- Consolidation by importing data of 15-month (from April 2016 to June 2017) transactions of BDP business
- Amount of amortization expense is approx. JPY 1 billion (for 12 months. goodwill: 500 million/to be depreciated over 20 yrs.; other intangible fixed assets: 500 million) plus JPY 250 million (for 3 months extra)



## 【Reference】 Quarterly Performance of Urban & Spatial Development FYE June 30, 2017

(Millions of yen)	2016.4-6 (1Q)	2016.7-9 (2Q)	2016.10-12 (3Q)	2017.1-3 (4Q)	2017.4-6	15-month Accumulation	Budget FYE June 2017
Orders	2,806	2,749	1,970	2,996	2,939	13,460	14,000
Sales	3,260	2,733	2,615	2,973	2,766	14,347	14,000
Operating Income	76	△ 0	△ 26	22	9	81	600

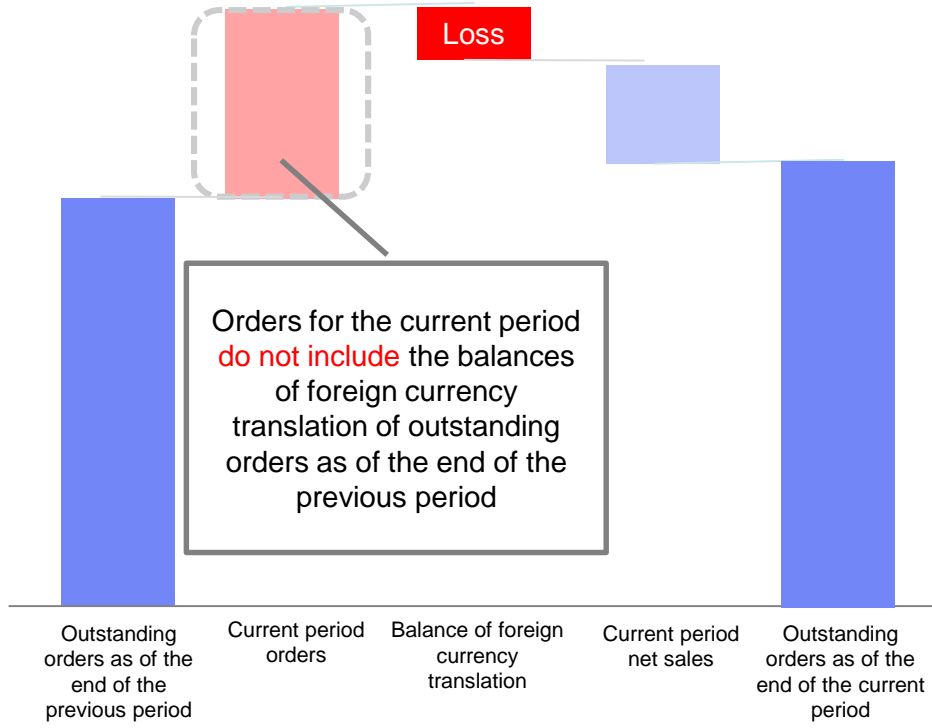
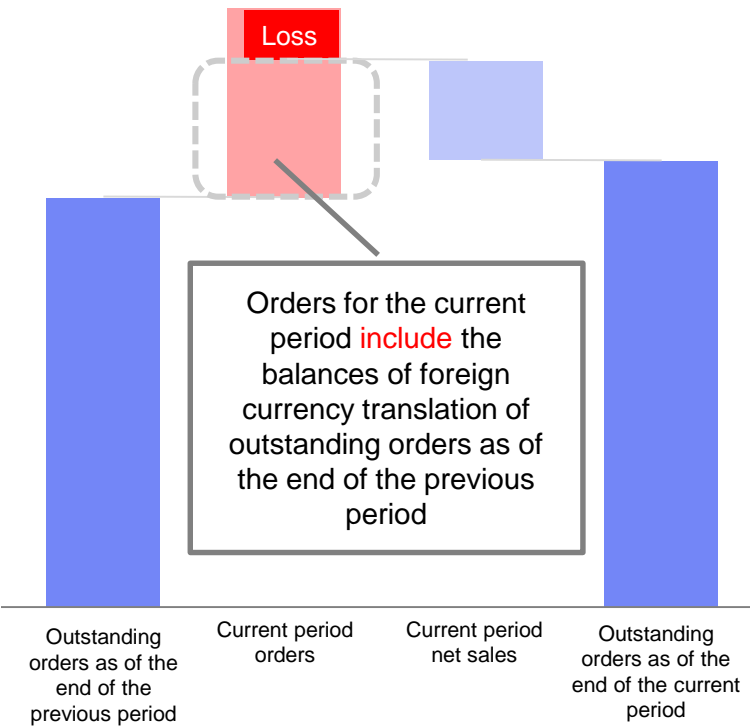
\* Fixed rate of exchange for FYE June 30, 2017 results: 1 GBP = 145.16 JPY (Rate used in the plan for the FYE June 30, 2017 was 1 GBP = 160 JPY)

# (Reference) On changes in calculation standards for orders (from June 2017)

Previously, amount of orders included the balances of foreign currency translation (\*) of outstanding orders as of the end of the previous period. Starting FYE June 30, 2017, however, orders are settled **without** foreign currency translation.

■ Previous method of calculation

■ Current method of calculation (starting this period)



\* Details on the balances of foreign currency translation of outstanding orders as of the end of the previous period are explained in the section titled "4. Supplementary Information" on page21, the Summary of Financial Results.

# (Reference) On changes in calculation standards for Sales (from June 2018)

Effective from the Fiscal Year Ending June 30, 2018, the Group changes the primary method of revenue recognition from completed-contract method to percentage of completion method.

## Calculation by “Percentage of Completion Method”

(Sales Amount)=(Estimated Total Revenue) × Progression Rate – (Cumulative Sales by the End of Previous Period)

$$\text{Progression Rate} = \frac{\text{Costs occurred (operational, outsourcing, travel, etc.)}}{\text{Total Estimated Costs}}$$

## Sales Recording by “Percentage of Completion Method”

Case: Project of 3-year contract period, JPY 30-million value

Progression Rate: 70%      Completion

Progression Rate: 25%



	1 <sup>st</sup> year	2 <sup>nd</sup> year	3 <sup>rd</sup> year	Total
Completed-contract method	0	0	3,000	3,000
% of completion method	<b>750</b>	<b>1,350</b>	<b>900</b>	<b>3,000</b>

Sales amount is booked at the end of the Project

Sales amount is booked in proportion to the progress

$$3,000 \times 25\%$$

$$3,000 \times 70\% - 750$$

$$3,000 \times 100\% - 750 - 1,350$$

\* The figures for Consolidated Financial Results Forecast for the FYE June 30, 2018 is calculated based on the new method.