

Supplementary Materials for the Summary of Financial Reports Third quarter, FYE June 30, 2018

May 15, 2018

Nippon Koei Co., Ltd.

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3Q Results for FYE June 30, 2018

(Millions of yen)	FYE 17/6 3Q Results	FYE 18/6 3Q Results	YoY Change		Reference Values FYE18/6 3Q*	YoY Change	
			Amount	%		Amount	%
Orders	81,466	70,505	- 10,960	86.5%	-	-	-
Net sales	64,168	67,522	3,354	105.2%	58,840	- 5,327	91.7%
Gross profit	20,401	21,522	1,121	105.5%	18,981	- 1,419	93.0%
Operating Income	3,603	3,131	- 471	86.9%	590	- 3,012	16.4%
Ordinary Income	4,032	3,217	- 815	79.8%	676	- 3,356	16.8%
Profit attributable to owners of parent	2,615	2,419	- 195	92.5%	- 121	- 2,736	-

■ Order amount fell short of the one of the same period of the preceding year, including of large-scale project orders on the International Consulting business.

■ Net sales increased from the one of the same period of the preceding year.

■ Operating income decreased from the one of the same period of the preceding year due to a reduction in revenue from the Power Engineering business.

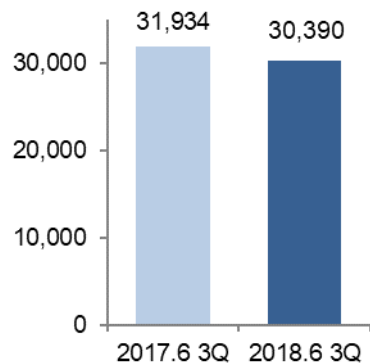
* Starting FYE June 30, 2018, the Group has changed the primary method of revenue recognition from the completed-contract method to the percentage of completion method. For this reason, the results for the 3rd quarter of FYE June 2018, which were calculated using the former method (method used until FYE June 2017), are presented for reference purposes.

Results by Business Segment (Orders)

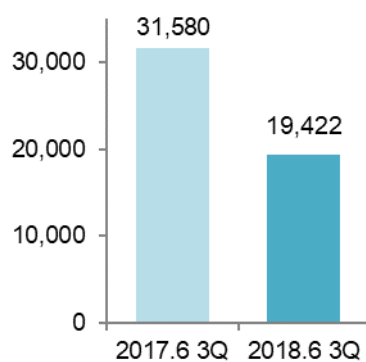
(Millions of yen)	FYE 17/6 3Q Results	FYE 18/6 3Q Results	YoY Change	
			Amount	%
Orders	81,466	70,505	- 10,960	86.5%
Domestic Consulting	31,934	30,390	- 1,543	95.2%
International Consulting	31,580	19,422	- 12,158	61.5%
Power Engineering	10,400	12,619	2,218	121.3%
Urban & Spatial Development	7,525	8,031	505	106.7%
Others	24	41	17	172.3%

* Starting FYE June 30, 2018, the Group has changed the primary method of revenue recognition from the completed-contract method to the percentage of completion method. However, orders received are not affected by this change.

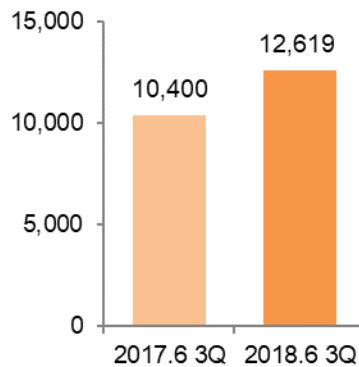
■ Domestic Consulting



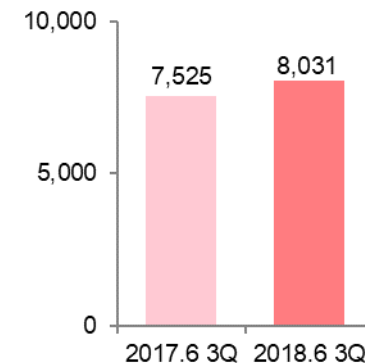
■ International Consulting



■ Power Engineering



■ Urban & Spatial Development

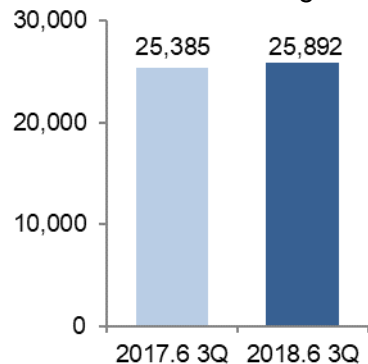


Results by Business Segment (Net sales)

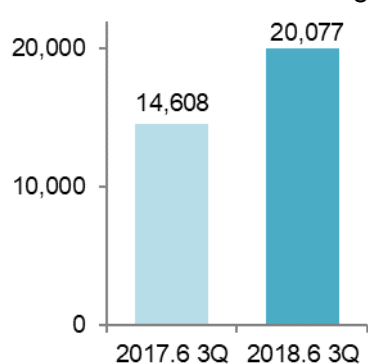
(Millions of yen)	FYE 17/6 3Q Results	FYE 18/6 3Q Results	YoY Change		Reference Values FYE18/6 3Q*	YoY Change	
			Amount	%		Amount	%
Net sales	64,168	67,522	3,354	105.2%	58,840	- 5,327	91.7%
Domestic Consulting	25,385	25,892	506	102.0%	22,995	- 2,390	90.6%
International Consulting	14,608	20,077	5,468	137.4%	15,037	428	102.9%
Power Engineering	14,653	10,972	- 3,681	74.9%	10,348	- 4,305	70.6%
Urban & Spatial Development	8,608	9,761	1,152	113.4%	9,761	1,152	113.4%
Real Estate Leasing	368	331	- 37	89.8%	331	-37	89.8%
Others	543	488	- 54	89.9%	366	-176	67.5%

* Starting FYE June 30, 2018, the Group has changed the primary method of revenue recognition from the completed-contract method to the percentage of completion method. For this reason, the results for the 3rd quarter of FYE June 2018, which were calculated using the former method (method used until FYE June 2017), are presented for reference purposes.

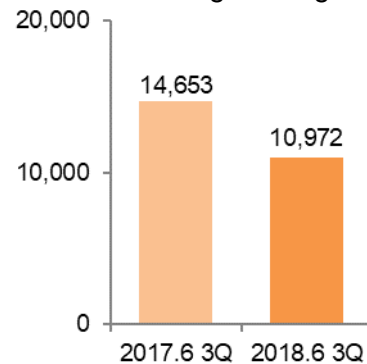
■ Domestic Consulting



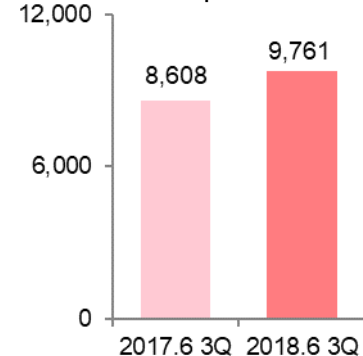
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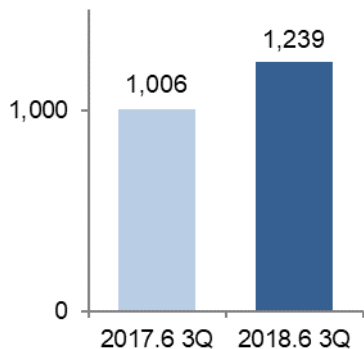


Results by Business Segment (Operating income)

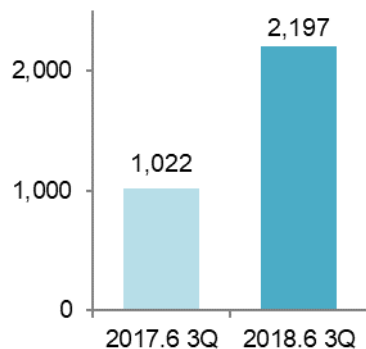
(Millions of yen)	FYE 17/6 3Q Results	FYE 18/6 3Q Results	YoY Change		Reference Values FYE18/6 3Q*	YoY Change	
			Amount	%		Amount	%
Operating Income	3,603	3,131	- 471	86.9%	590	- 3,012	16.4%
Domestic Consulting	1,006	1,239	232	123.1%	332	- 674	33.1%
International Consulting	1,022	2,197	1,175	215.0%	795	- 226	77.8%
Power Engineering	3,024	1,254	-1,770	41.5%	1,046	- 1,978	34.6%
Urban & Spatial Development	50	145	95	291.2%	145	95	291.2%
Real Estate Leasing	303	297	- 6	98.0%	297	- 6	98.0%
Others/Reconciliations	- 1,803	- 2,003	- 199	111.1%	- 2,027	- 223	112.4%

* Starting FYE June 30, 2018, the Group has changed the primary method of revenue recognition from the completed-contract method to the percentage of completion method. For this reason, the results for the 3rd quarter of FYE June 2018, which were calculated using the former method (method used until FYE June 2017), are presented for reference purposes.

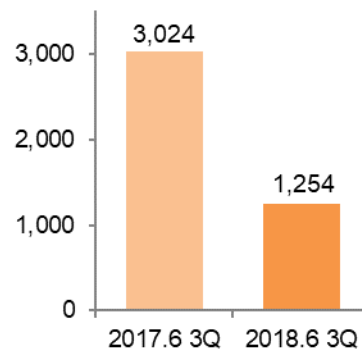
■ Domestic Consulting



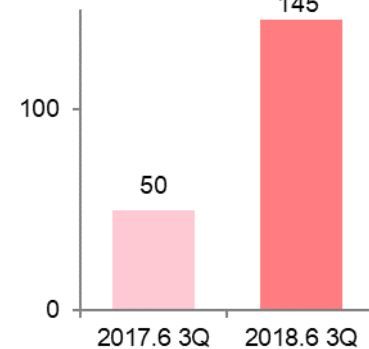
■ International Consulting



■ Power Engineering



■ Urban & Spatial Development



Overview of Performance by Business Segment

Domestic Consulting

- Order amount fell short of the one of the same period of the preceding year, including a large-scale project of the Group company (Cairo subway line); however, it has been increasing steadily due to an increase in the number of MLIT projects.
- Net sales calculated by percentage-of-completion method increased steadily, whereas the one calculated by the former method decreased due to a reduction in sales from earthquake-related projects of the Group company.
- Operating income increased, while the one calculated by the former method decreased due to a reduction in sales generated by the Group company.

International Consulting

- Order amount fell short of the one of the same period of the preceding year, including large-scale projects such as the Cairo subway line project.
- Net sales increased due to good progress with orders on hand.
- Operating income increased, whereas the one calculated by the former method decreased due to cost increase by the strengthening of governance for global business expansion and the enhancement of private-sector projects.

Power Engineering

- Order amount increased from the one of the same period of the preceding year due to incoming orders from electric power companies (other than TEPCO) and public-sector projects.
- Net sales decreased due to the poor sales of electrical substation control devices.
- Operating income decreased due to a reduction in revenue and declining profitability caused by meeting the demand for cost cutting.

Urban & Spatial Development

- Order amount and net sales increased from the one of the same period of the preceding year due to incoming large-scale project orders, including a hospital-related project in the U.K.
- Operating income increased due to an increase in revenue.

* The fixed exchange rate applied to the results for the 3rd quarter of FYE June 30, 2018: 1 GBP = 149.17JPY (the rate used in the plan for FYE June 30, 2018 was 1 GBP = 139.56 JPY)

* The amount of amortization expense of Urban & Spatial Development business for FYE June 30, 2018 is approx. 1 billion JPY (goodwill: approx. 400 million JPY; other intangible fixed assets: approx. 500 million JPY).

* The results of BDP's transactions from April to December 2016 are consolidated into the results of Urban & Spatial Development for the 3rd quarter of FYE June 30, 2017.

* BDP has already used the percentage of completion method in its accounting, and therefore, the results of Urban & Spatial Development business are not affected by the change in the revenue recognition method.

FYE June 2018 Forecast

No changes have been made to the forecast for the entire FYE June 2018 period.

(Millions of yen)	FYE18/6 Forecast	FYE17/6 Results	YoY Change		FYE18/6 Reference*
			Amount	%	
Orders	103,000	117,442	- 14,442	87.7%	103,000
Net sales	114,000	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	7,700	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	7,800	5,958	1,842	130.9%	6,000
Profit attributable to owners of parent	4,900	3,288	1,612	149.0%	3,600
Operating margin (%)	6.8	5.4			
ROE (%)	8.7	6.2			

* Estimated budget target June 2018, based upon previous standard (completed-contract method)

* Starting FYE June 30, 2018, the method of revenue recognition has been changed. See p.10 of this document for details.

Project Highlights

Domestic Consulting: Works related to Yanba Dam

We implemented a wide variety of operations at Yanba Dam, where initial impoundment will be performed in FY2018. Our operations included, for example, designing the dam for main construction works; performing a geological analysis; examining the stability of slopes surrounding the reservoir and preparing a monitoring plan; reviewing the stream disaster prevention facility; and reviewing the tourism promotion plan.



Domestic Consulting: Works related to heavy rainfall in Northern Kyushu

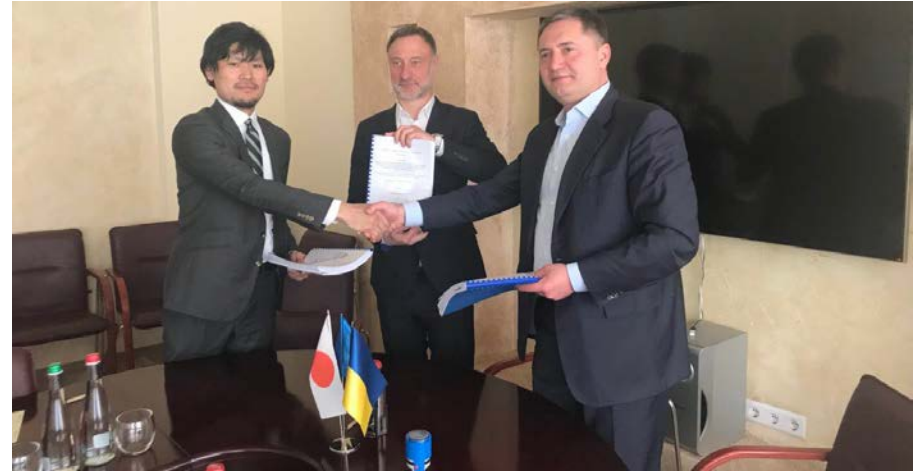
In July 2017, Fukuoka Prefecture and Oita Prefecture experienced many disasters such as river flooding and landslides caused by torrential rains in the area. Nippon Koei investigated the status of damaged facilities immediately after the disasters, considered a construction plan for emergency response, installed a monitoring and observation instrument, and built a system. In addition, we performed a wide variety of operations, including creating a master plan and detailed design for future erosion control projects in the area.



Project Highlights

International Consulting: Bortnychi Sewage Treatment Plant Modernization Project in Ukraine

We have received an order for the construction of a new facility for, and the modernization of, the aging Bortnychi Sewage Treatment Plant in the city of Kiev, Ukraine. Nippon Koei is responsible for providing bidding support/construction and supervision services concerning this project, thereby contributing to improving sewage treatment in the city of Kiev and improving the city's hygienic environment and residential environment.



Power Engineering: Construction of New Katsurazawa Power Station and Reconstruction of Kumaoui Power Station (S&B)

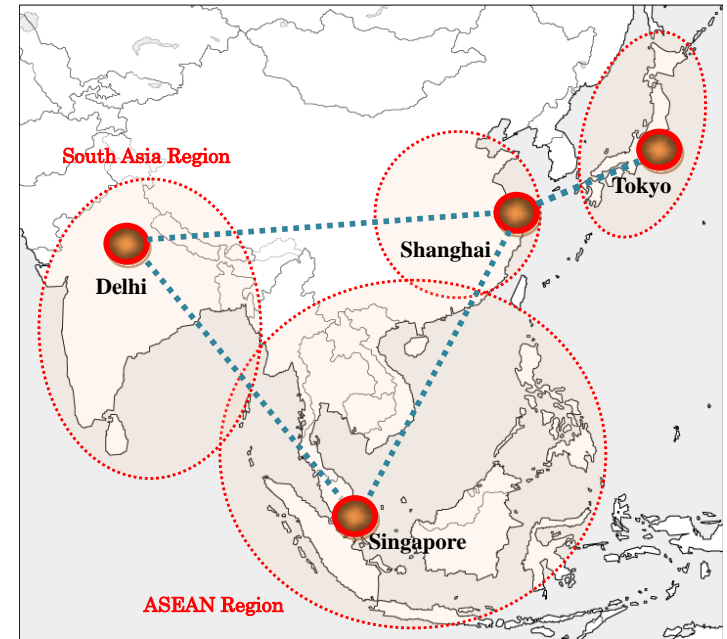
We have received an order from Electric Power Development Co., Ltd. for the construction of a new power plant facility and the reconstruction of their existing power plant. Both of these power plants have been operating since 1957. The establishment of the new facility and the renewal of their existing plant will take place in time for the construction of the new Katsurazawa dam, a major construction work being performed in the Ikushunbetsu River Comprehensive Development Project, which is underway by the Hokkaido Development Bureau. Nippon Koei's Sapporo branch will design the dam, and provide one-stop services ranging from designing the dam to the construction of the new power plant facility and the reconstruction of the power plant.



Project Highlights

Urban & Spatial Development: Establishment of BDP's Subsidiary in Singapore

BDP has established BDP's subsidiary in Singapore, which has commenced operations in May 2018 as a base in Asia. Their sales operations performed with Nippon Koei's Singapore branch will be enhanced. At the same time, BDP will proactively work in collaboration with BDP's existing branches (Shanghai and New Delhi) to increase productivity.



Urban & Spatial Development: Westgate Shopping Mall in Oxford

The Westgate shopping mall in Oxford, designed by BDP, opened at the end of October 2017. Its entrance design conserves the historic nature of the streets in the academic town of Oxford, while the interior of the shopping mall has a modern design.



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

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

Calculation by “Percentage of Completion Method”

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

$$\text{Progression Rate} = \frac{\text{Costs occurred (labor cost, subcontract cost, costs, etc.)}}{\text{Total Estimated Costs}}$$

Sales Recording by “Percentage of Completion Method”

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



	1st year Progression Rate: 25%	2nd year Progression Rate: 70%	3rd year Completion	Total
Completed-contract method	0	0	3,000	3,000
% of completion method	750	1,350	900	3,000
	3,000 x 25%	3,000 x 70% - 750	3,000 x 100% - 750 - 1,350	

* For projects that were awarded or started before FYE June 30, 2017, the completed-contract method is used.

* For the amount of effect, see “Changes in accounting policies” on p.10 of the Summary of Financial Reports .